

Westpac Banking Corporation

(A.B.N. 33 007 457 141)

(AFSL 233714)

(incorporated with limited liability in Australia and registered in the State of New South Wales)

U.S. \$70,000,000,000 Programme for the Issuance of Debt Instruments

This Information Memorandum has been prepared on the basis that application will be made to the Australian Securities Exchange (the "ASX") for subordinated instruments (the "**Subordinated Instruments**") issued pursuant to this Information Memorandum to be admitted to listing and/or trading on the ASX's wholesale Interest Rate Securities Market. This Information Memorandum has also been prepared on the basis that Subordinated Instruments issued under the Programme may be unlisted or admitted to listing and/or trading on such other or further listing authority and/or stock exchange as may be agreed between Westpac Banking Corporation (the "**Issuer**" or "**Westpac**") and the relevant Dealer(s).

This Information Memorandum does not comprise (i) a prospectus for the purposes of Part VI of the United Kingdom Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "Prospectus Directive"). This Information Memorandum has been prepared solely with regard to Subordinated Instruments that are (i) not to be admitted to listing or trading on any regulated market for the purposes of the Markets in Financial Instruments Directive (2004/39/EC) and (ii) not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive).

Instruments issued on a senior, unsubordinated basis may be issued under the Programme on the basis that they will be admitted to trading on the London Stock Exchange's Regulated Market, being a regulated market for the purposes of the Markets in Financial Instruments Directive (2004/39/EC) (the "**Senior Instruments**"). The Issuer has published a prospectus (approved by the United Kingdom Financial Conduct Authority, being the United Kingdom competent authority for the purposes of the Prospectus Directive) pursuant to which Senior Instruments may be issued under the Programme.

This Information Memorandum supersedes any previous base prospectus, listing particulars, information memorandum or information memorandum addendum describing the programme in respect of Subordinated Instruments. Any Subordinated Instruments issued under the Programme on or after the date of this Information Memorandum are issued subject to the provisions described herein. This does not affect any Subordinated Instruments issued before the date of this Information Memorandum.

Factors which could be material for the purpose of assessing the risks associated with an investment in the Subordinated Instruments issued under the Programme are set out on pages 13 to 45 of this Information Memorandum.

The Subordinated Instruments have not been, and will not be, registered under the *United States Securities Act of 1933*, as amended (the "**Securities Act**"), or any state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons.

Arranger for the Programme

UBS Investment Bank

Dealers

Barclays
BNP PARIBAS
BofA Merrill Lynch
Citigroup
Deutsche Bank

HSBC
J.P. Morgan
Morgan Stanley
Nomura
RBC Capital Markets

Standard Chartered Bank
Goldman Sachs International
UBS Investment Bank
Westpac Banking Corporation
Westpac Europe Limited

23 June 2017

S&P Global Ratings Australia Pty Ltd has assigned Westpac a senior unsecured credit rating of AA-. The outlook for the rating is negative. The short-term credit rating assigned by S&P Global Ratings Australia Pty Ltd to Westpac is A-1+. Moody's Investors Service Pty Limited has assigned Westpac a senior unsecured credit rating of Aa3. The short-term credit rating assigned by Moody's Investors Service Pty Limited to Westpac is P-1.

Neither S&P Global Ratings Australia Pty Ltd nor Moody's Investors Service Pty Limited is established in the European Union or has applied for registration under *Regulation (EU) No. 1060/2009, as amended* (the "**CRA Regulation**"). However, S&P Global Ratings Australia Pty Ltd is endorsed by Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Service Pty Limited is endorsed by Moody's Investor Services Limited, each of which is established in the European Union and registered under the CRA Regulation.

The Issuer accepts responsibility for the information contained in this Information Memorandum and each Pricing Supplement. To the best of the knowledge of the Issuer (who has taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Information Memorandum should be read and construed together with any amendment or supplement thereto and, unless the context otherwise requires, be deemed to include any other documents incorporated by reference herein and, in relation to any Series (as defined herein) of Subordinated Instruments, should be read and construed together with the relevant Pricing Supplement (as defined herein).

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any other document entered into in relation to the Programme or any additional written information supplied by the Issuer or such other information as has been published in the public domain by the Issuer and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer (as defined in "**Subscription and Sale**").

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates make any representation or warranty or accept any responsibility, as to the accuracy or completeness of the information contained in this Information Memorandum. Neither the delivery of this Information Memorandum nor any Pricing Supplement nor the offering, sale or delivery of any Subordinated Instrument shall, in any circumstances, create any implication that the information contained in this Information Memorandum is true subsequent to the date thereof or the date upon which this Information Memorandum has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer since the date thereof or, if later, the date upon which this Information Memorandum has been most recently amended or supplemented or that any other information supplied in connection with this Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Information Memorandum and any Pricing Supplement and the offering, sale and delivery of the Subordinated Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Subordinated Instruments and on

the distribution of this Information Memorandum or any Pricing Supplement and other offering material relating to the Subordinated Instruments, see the “**Subscription and Sale**” section in this Information Memorandum. In particular, the Subordinated Instruments have not been and will not be registered under the Securities Act and Subordinated Instruments will be in bearer form and will be subject to U.S. tax law requirements. Subject to certain exceptions, Subordinated Instruments may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons. Neither this Information Memorandum nor any Pricing Supplement may be used for the purpose 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 an offer or solicitation.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Subordinated Instruments are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Subordinated Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Subordinated Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Neither this Information Memorandum nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Subordinated Instruments and should not be considered as a recommendation by the Issuer or the Dealers or any of them that any recipient of this Information Memorandum or any Pricing Supplement should subscribe for or purchase any Subordinated Instruments. Each recipient of this Information Memorandum or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

All references in this Information Memorandum to a “**Member State**” are references to a Member State of the EEA, references to “**U.S.\$**”, “**U.S. dollars**” or “**U.S. cents**” are to the lawful currency of the United States of America, all references to “**A\$**”, “**AUD**”, “**Australian dollar**” and “**Australian cents**” are to the lawful currency of Australia, all references to “**NZ\$**” and “**NZ cents**” are to the lawful currency of New Zealand, all references to “**£**”, “**Sterling**” and “**GBP**” are to the lawful currency of the United Kingdom (the “**UK**”), and all references to “**Renminbi**” and “**CNY**” are to the lawful currency of the People’s Republic of China. References to “**€**”, “**Eur**”, “**euro**” or, as the context may require, “**euro cents**” are to the currency, introduced at the third stage of European Economic and Monetary Union pursuant to the Treaty on European Union of those member states of the European Union which are participating in the European economic and monetary union (the “**Eurozone**”). References to “**Australia**” are to the Commonwealth of Australia, its territories and possessions.

In connection with the issue of any Tranche (as defined herein) of Subordinated Instruments under the Programme, the Dealer or Dealers (if any) specified as the stabilising dealers (the “**Stabilising Dealer(s)**”) (or persons acting on behalf of any Stabilising Dealer(s)) may, outside Australia and on a market operated outside Australia and otherwise to the extent permitted by applicable laws and rules, over-allot Subordinated Instruments or effect transactions with a view to supporting the market price of the Subordinated Instruments at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which

adequate public disclosure of the terms of the offer of the relevant Tranche of Subordinated Instruments is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Subordinated Instruments and 60 days after the date of the allotment of the relevant Tranche of Subordinated Instruments. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Dealer(s) (or person(s) acting on behalf of any Stabilising Dealer(s)) in accordance with all applicable laws and rules.

The Subordinated Instruments are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Subordinated Instruments to retail investors. By purchasing, or making or accepting an offer to purchase, any Subordinated Instruments from the Issuer and/or the Dealers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each Dealer that it has and will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Subordinated Instruments (including without limitation the European Union's *Directive 2004/39/EC* (as amended) as implemented in each Member State of the EEA) and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Subordinated Instruments by investors in any relevant jurisdiction. Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Subordinated Instruments from the Issuer and/or the Dealers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

TABLE OF CONTENTS

	Page
OVERVIEW OF THE PROGRAMME	6
RISK FACTORS	13
DOCUMENTS INCORPORATED BY REFERENCE	46
TERMS AND CONDITIONS OF THE SUBORDINATED INSTRUMENTS	47
PRO FORMA PRICING SUPPLEMENT	110
WESTPAC BANKING CORPORATION	120
INFORMATION CONCERNING THE UNDERLYING SECURITIES	149
TAXATION	153
SUBSCRIPTION AND SALE	158
GENERAL INFORMATION	168

OVERVIEW OF THE PROGRAMME

This overview must be read as an introduction to this Information Memorandum and any decision to invest in the Subordinated Instruments should be based on a consideration of this Information Memorandum as a whole, including the documents incorporated by reference.

Words and expressions defined elsewhere in this Information Memorandum have the same meanings in this overview.

This Programme has been established by the Issuer to allow for the issue of instruments from time to time to Investors. Details of the types of Subordinated Instruments that may be issued and the terms and conditions which may apply to them are set out below.

Issuer:	Westpac Banking Corporation, acting through its head office.
Dealers:	Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Nomura International plc, RBC Europe Limited, Standard Chartered Bank, UBS Limited, Westpac Banking Corporation, Westpac Europe Limited and any other dealer appointed from time to time by the Issuer generally in relation to the Programme or a particular Tranche.
Fiscal Agent:	The Bank of New York Mellon.
Programme Amount:	The maximum aggregate principal amount of Senior Instruments and Subordinated Instruments permitted to be outstanding under the Programme is U.S.\$70,000,000,000 (for this purpose, any instruments denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such instruments using the spot rate of exchange for the purchase of such currency against payment of U.S. dollars being quoted by the Fiscal Agent on the date on which the relevant agreement in respect of the relevant Tranche was made or such other rate as the Issuer and the relevant Dealer may agree). The maximum aggregate principal amount of instruments which may be outstanding under the Programme may be increased subject to compliance with the relevant provisions of the Dealership Agreement.
Essential Characteristics of the Issuer:	<p>The Issuer is domiciled and incorporated in Australia. The Issuer was registered on 23 August 2002 as a public company limited by shares under the <i>Corporations Act 2001 of Australia</i> (the “Corporations Act 2001”).</p> <p>The Issuer is the ultimate parent of the Westpac Group (as defined below). The Westpac Group is one of four major banking organisations in Australia and is 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</p>

institutional banking and wealth management services.

Westpac's operations comprise the following key customer-facing business divisions operating under multiple brands:

Consumer Bank is responsible for sales and service to consumer customers. Consumer Bank works in an integrated way with BT Financial Group ("**BTFG**") and Westpac Institutional Bank ("**WIB**") in the sales and service of select financial services and products including in wealth management and foreign exchange. The division operates under the Westpac, St.George, BankSA and Bank of Melbourne brands.

Business Bank is responsible for sales and service to micro, small-to-medium enterprise ("**SME**") and commercial business customers for facilities up to approximately A\$150 million. The division operates under the Westpac, St.George, BankSA and Bank of Melbourne brands.

BTFG is Westpac's 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 and retirement products, wealth administration platforms including private banking, margin lending and equities broking. BTFG's insurance business covers the manufacturing and distribution of life, general and lenders mortgage insurance.

WIB delivers a broad range of financial products and services to commercial, corporate, institutional and government customers with 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.

Westpac New Zealand is responsible for 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 in New Zealand:

- Westpac New Zealand Limited, which is incorporated in New Zealand; and
- Westpac Banking Corporation ("**NZ Branch**"), a branch of Westpac, which is incorporated in Australia.

Westpac New Zealand operates via an extensive network of branches and automated teller machines ("**ATMs**") across both the North and South Islands.

Westpac Group businesses include: (i) Treasury, which is responsible for the management of the Westpac Group's balance sheet, including

wholesale funding, capital and management of liquidity. Treasury also manages the interest rate risk and foreign exchange risks inherent in the balance sheet, including managing the mismatch between the Westpac Group's assets and liabilities. Treasury's earnings are primarily sourced from managing the Westpac Group's balance sheet and interest rate risk, with set risk limits; (ii) Group Technology, which comprises functions responsible for technology strategy and architecture, infrastructure and operations, applications development and business integration; and (iii) Core Support, which comprises those functions performed centrally, including banking operations, property services, strategy, finance, risk compliance, legal and human resources.

Issuance in Series: Subordinated Instruments will be issued in series (each a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**") issued on different issue dates. The Subordinated Instruments of each Series will all be subject to identical terms except that the issue date and/or the amount of the first payment of interest and/or the issue price may be different in respect of different Tranches and a Series may comprise Subordinated Instruments in more than one denomination. The Subordinated Instruments of each Tranche will all be subject to identical terms save that a Tranche may comprise Subordinated Instruments of different denominations.

Form of Subordinated Instruments: Subordinated Instruments shall be issued in bearer form. In respect of each Tranche of Subordinated Instruments issued in bearer form, the Issuer will deliver a temporary global instrument (a "**Temporary Global Instrument**") or (if so specified in the relevant Pricing Supplement in respect of Subordinated Instruments to which *U.S. Treasury Regulation §1.163-5(c)(2)(i)(C)* (the "**TEFRA C Rules**") applies (as so specified in such Pricing Supplement)) a permanent global instrument (a "**Permanent Global Instrument**"). Such global instruments will be either (i) deposited on or before the relevant issue date therefor with a depository or a common depository for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system or (ii) lodged on or before the relevant issue date thereof with a sub-custodian in Hong Kong for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority ("**CMU Service**"). Each Temporary Global Instrument will be exchangeable for a Permanent Global Instrument or, if so specified in the relevant Pricing Supplement, for Subordinated Instruments in definitive bearer form. Each Permanent Global Instrument will be exchangeable for Subordinated Instruments in definitive bearer form. Subordinated Instruments in definitive bearer form will either have interest coupons ("**Coupons**") attached and, if appropriate, a talon ("**Talon**") for further Coupons.

Currencies:	Subordinated Instruments may be denominated in any currency or currencies subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Subordinated Instruments may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Subordinated Instruments are denominated.
Status:	The Subordinated Instruments will be issued on a subordinated basis and, subject to the approval of the Australian Prudential Regulation Authority (“ APRA ”), are expected to qualify as Tier 2 Capital for the purposes of the Prudential Standards (as defined in the Terms and Conditions). The rights and claims of holders of Subordinated Instruments against the Issuer will be subordinated on a winding-up of the Issuer.
Set-off:	Neither the Issuer nor any Holder of Subordinated Instruments is entitled to set-off any amounts due in respect of Subordinated Instruments held by the Holder against any amount of any nature owed by the Issuer to the Holder or by the Holder to the Issuer.
Issue Price:	Subordinated Instruments may be issued at any price, as specified in the relevant Pricing Supplement.
Maturities:	Any maturity of not less than five years, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Redemption:	Subordinated Instruments may be redeemable at par or such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Pricing Supplement.
Early Redemption:	<p>Early redemption will be permitted (if specified as “Applicable” in the relevant Pricing Supplement): (i) as mentioned in “Terms and Conditions of the Subordinated Instruments – Redemption and Purchase – Early redemption at the option of the Issuer” following notice by the Issuer; (ii) for taxation reasons as mentioned in “Terms and Conditions of the Subordinated Instruments – Redemption and Purchase – Redemption for adverse tax events”; or (iii) for regulatory reasons as mentioned in “Terms and Conditions of the Subordinated Instruments – Redemption and Purchase – Redemption for regulatory reasons”, but will otherwise be permitted only to the extent specified in the relevant Pricing Supplement.</p> <p>The Issuer’s right to exercise any option to repay, purchase or otherwise redeem Subordinated Instruments (prior to the stated maturity thereof, if any) is subject to the prior written approval of APRA, and investors should not assume that such approval will be given.</p>

Interest: Subordinated Instruments are interest-bearing. Interest may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.

Denominations: Subordinated Instruments will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

In the case of Subordinated Instruments which have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, so long as the Subordinated Instruments are represented by a Temporary Global Instrument or Permanent Global Instrument and the relevant clearing system(s) so permit, the Subordinated Instruments will be tradeable only in the minimum denomination and higher integral multiples of another smaller amount, notwithstanding that no definitive Subordinated Instruments will be issued over a certain denomination (as specified in the Pricing Supplement).

Conversion: If the Subordinated Instruments are required to be converted on account of a Non-Viability Trigger Event in accordance with the “Terms and Conditions of the Subordinated Instruments – Non-viability, Conversion and Write-off and – Procedures for Conversion”, depending on the circumstances, holders of Subordinated Instruments may receive Ordinary Shares (as defined in the section entitled “Information Concerning the Underlying Securities”) in the Issuer or the proceeds from the sale thereof. If conversion into Ordinary Shares does not occur for any reason within 5 ASX Business Days after the Non-Viability Trigger Event Date, the Subordinated Instruments (or a percentage of the Outstanding Principal Amount of the Subordinated Instruments) will be written-off. This means that Holders’ rights in relation to Subordinated Instruments (including to payments of interest and accrued interest, and the repayment of the Outstanding Principal Amount and, where conversion is the primary method of loss absorption, to be issued with Ordinary Shares in respect of such Subordinated Instruments) are immediately and irrevocably written-off and terminated with effect on and from the Non-Viability Trigger Event Date.

If any Subordinated Instruments are Converted following a Non-Viability Trigger Event, it is likely that the Maximum Conversion Number will apply and limit the number of Ordinary Shares to be issued. In this case, the value of the Ordinary Shares received is likely to be significantly less than the Outstanding Principal Amount of the Subordinated Instruments. The Australian dollar may depreciate in value against the relevant currency by the time of Conversion. In that case, the Maximum Conversion Number is more likely to apply.

Information on the underlying securities:	The Ordinary Shares are admitted to listing and trading on the ASX (for further information see the section entitled “Information Concerning the Underlying Securities”).
Taxation:	Payments in respect of Subordinated Instruments or Coupons, or upon or with respect to the issuance of any Ordinary Shares upon any Conversion of Subordinated Instruments, will be made without withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of Australia or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, unless specified otherwise in the relevant Pricing Supplement, the Issuer will (subject to customary exceptions) pay such additional amounts as will result in the Holders receiving such amounts as they would have received had no such withholding or deduction been required. Holders should be aware that the Pricing Supplement prepared in respect of a Tranche of Subordinated Instruments may modify the terms and conditions set out herein for that Tranche. This can include, for example, specifying that the call right of the Issuer, which would ordinarily apply in the event that the Issuer is required to gross up payments on that tranche of Subordinated Instruments, will not apply.
Governing Law:	Save as provided below, the Subordinated Instruments and all related contractual documentation will be governed by, and construed in accordance with, English law. Any matter, claim or dispute arising out of or in connection with the Subordinated Instruments and all related contractual documentation, whether contractual or non-contractual, will be governed by, and determined in accordance with, English law. The provisions of Conditions 4, 5 and 6 (and the defined terms when used in those Conditions) which relate to subordination, non-viability, conversion and write-off will be governed by, and construed in accordance with, the laws of New South Wales, Australia.
Listing:	Each Series may be admitted to listing and/or trading on the wholesale Interest Rate Securities Market of the ASX. Subordinated Instruments may also be admitted to the Official List of the Irish Stock Exchange and admitted to trading by the Irish Stock Exchange’s Global Exchange Market and/or to listing and/or trading by any other competent listing authority and/or stock exchange as agreed between the Issuer and the relevant Dealer(s) and specified in the relevant Pricing Supplement or may be issued on the basis that they will not be admitted to listing and/or trading by any listing authority and/or stock exchange.
Terms and Conditions:	A Pricing Supplement will be prepared in respect of each Tranche of Subordinated Instruments a copy of which will:

- (a) in the case of Subordinated Instruments admitted to listing and/or trading on the wholesale Interest Rate Securities Market of the ASX or by any other competent listing authority and/or stock exchange, be lodged on or with the relevant competent listing authority and/or stock exchange by the time required by the relevant competent listing authority and/or stock exchange; and
- (b) in the case of Subordinated Instruments to be listed on the Official List and admitted to trading on the Irish Stock Exchange's Global Exchange Market, be delivered to the Irish Stock Exchange and to the Irish Stock Exchange's Global Exchange Market as soon as practicable and, in any event, on or before the closing date for such Subordinated Instruments.

The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Subordinated Instruments" as supplemented, modified or replaced by the relevant Pricing Supplement.

Enforcement of Subordinated Instruments in Global Form	In the case of Subordinated Instruments in global form, individual investors' rights will be governed by a Deed of Covenant dated 7 November 2008, a copy of which will be available for inspection at the office of the Fiscal Agent specified on page 173.
Clearing Systems:	Euroclear, Clearstream, Luxembourg, the CMU Service and/or, in relation to any Subordinated Instruments, any other clearing system as may be specified in the relevant Pricing Supplement.
Selling Restrictions:	For certain restrictions on offers, invitations, purchases, sales and deliveries of Subordinated Instruments and on the distribution of offering material in the USA, the EEA, the UK, Australia, Hong Kong, Japan, France, the Republic of Ireland, Italy, The Netherlands, New Zealand, Singapore, Spain, Switzerland and Taiwan, see the "Subscription and Sale" section.
Cross default:	None.

RISK FACTORS

Westpac believes that the following material factors may adversely affect its ability to fulfil its obligations under Subordinated Instruments issued under the Programme. These factors are contingencies that may or may not occur and Westpac is not in a position to express a view on the likelihood of any such contingency occurring. In addition, the inability of Westpac to pay interest, principal or other amounts on or in connection with any Subordinated Instruments may occur for other reasons.

Prospective investors should consult their own financial and legal advisers about risks associated with an investment in such Subordinated Instruments and the suitability of investing in such Subordinated Instruments in light of their particular circumstances.

Factors which could be material for the purpose of assessing the market risks associated with Subordinated Instruments issued under the Programme are described below.

Words and expressions defined in the “Terms and Conditions of the Subordinated Instruments” below or elsewhere in this Information Memorandum have the same meanings in this section, unless otherwise stated.

Risks relating to Westpac’s business

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 various jurisdictions in 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 the Australian Prudential Regulation Authority (“**APRA**”), Reserve Bank of Australia (“**RBA**”), Australian Securities and Investments Commission (“**ASIC**”), ASX, Australian Competition and Consumer Commission (“**ACCC**”), the Australian Transaction Reports and Analysis Centre (“**AUSTRAC**”) and the Australian Taxation Office (“**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 U.S. Office of the Comptroller of the Currency (“**OCC**”), the Board of Governors of the Federal Reserve System, the U.S. Commodity Futures Trading Commission (“**CFTC**”) and the U.S. 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, Westpac 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 the compliance obligations required of Westpac. In Australia, an example of the broad administrative power available to regulatory authorities is the power available to APRA under the Banking Act 1959 of Australia ("**Banking Act**") in certain circumstances to investigate Westpac's affairs and/or issue a direction to it (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 ("**BBSW**") in the period April 2010 to June 2012, including market manipulation and unconscionable conduct. Westpac is defending the proceedings; and
- on 15 March 2017, Westpac entered into an enforceable undertaking with ASIC following ASIC's industrywide investigation into wholesale spot Foreign Exchange ("**FX**") trading activity between January 2008 and June 2013. As part of the enforceable undertaking, Westpac undertook, amongst other things, to continue to progress its program of strengthening its policies and processes in its spot FX trading business, with input from an independent expert.

During the half year ended 31 March 2017, Westpac has responded to requirements, notices, and requests for information from its regulators as part of both industry-wide and Westpac-specific reviews, including in relation to matters involving sales practices, responsible lending (particularly in the context of interest-only lending) and the provision of financial advice. Regulatory investigations, litigation, fines, penalties, revocation, suspension or variation of conditions of relevant regulatory licences or other enforcement or administrative action or agreements (such as enforceable undertakings) could adversely affect Westpac's business, reputation, prospects, financial performance or financial condition.

In addition, 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, competition and consumer protection (including in the design and distribution of financial products), remuneration, privacy, data access, prudential regulation, anti-bribery and corruption, anti-money laundering and counter-terrorism financing and economic and trade sanctions.

In some cases, changes to regulation are driven by international bodies. For example, in December 2010, the Basel Committee on Banking Supervision ("**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. In other cases, authorities in the various jurisdictions in which Westpac operates or obtains funding propose regulatory change for financial institutions. Examples of proposed regulatory change that could impact Westpac include changes to accounting and reporting standards, derivatives reform and changes to tax legislation (including dividend imputation).

In addition, further changes may occur driven by policy, prudential or political factors. For example, since the Financial System Inquiry (“**FSI**”) handed down its final report, the Australian Government has consulted on the detailed implementation of a number of the FSI’s recommendations. The Australian Government, other regulators or parliamentary bodies may also initiate further reviews (such as the House of Representatives Standing Committee on Economics’ ongoing “*Review of Australia’s Four Major Banks*” and the Senate Economics References Committee’s inquiry into consumer protection in the banking, insurance and financial sector), 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 Australian 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 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. There is a risk that Westpac may interpret its regulatory obligations and compliance requirements differently to its regulators. This could result in a regulator commencing an investigation or taking other administrative or enforcement action against Westpac.

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 and funding as well as place restrictions on the businesses Westpac conducts (including limiting Westpac’s ability to provide products and services to certain customers or imposing regulatory limits on lending to certain customer segments), require Westpac to amend its corporate structure or require Westpac 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.

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 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 it does business.

As of 31 March 2017, approximately 30 per cent. of Westpac's total funding originated from domestic and international wholesale markets; of this around 63 per cent. was sourced outside Australia and New Zealand. Customer deposits provide around 62 per cent. 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.

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, it may be forced to seek alternative financing. The availability of such alternative financing, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions, the availability of credit, Westpac's credit ratings and credit market capacity. Even if available, these alternatives may be more expensive or on unfavourable terms, which could adversely affect Westpac's financial performance, liquidity, capital resources and financial condition. There is no assurance that Westpac will be able to obtain adequate funding and do so at acceptable prices, nor that it will be able to recover any additional costs.

If Westpac is unable to source appropriate funding, it 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 it to post additional collateral based on movements in market rates, which have the potential to adversely affect Westpac's liquidity or ability to use derivative obligations to hedge its interest rate, currency and other financial instrument risks.

Sovereign risk may destabilise financial markets adversely

Sovereign risk is the risk that foreign governments will default on their debt obligations or 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.

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 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 or by other events including changes to the methodologies used by the rating agencies to determine ratings.

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

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

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

As outlined above, during the past decade the financial services industry and capital markets have been, and may continue to be, adversely affected by market volatility and global economic conditions and political developments (such as Brexit). 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 it provides may decline, thereby reducing Westpac's earnings. These conditions may also affect the ability of Westpac's borrowers to repay their loans or Westpac's counterparties to meet their obligations, causing Westpac to incur higher credit losses and affect investors' willingness to invest in the Westpac Group. These events could also result in the undermining of confidence in the financial system, reducing liquidity, impairing Westpac's access to funding and impairing Westpac's customers and counterparties and their businesses. If this were to occur, Westpac's business, prospects, financial performance or financial condition could be adversely affected.

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

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

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

Declining asset prices also impact Westpac's wealth management business. Earnings in Westpac's wealth management business are, in part, dependent on asset values because 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 its 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.

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

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

Westpac conducts the majority of its business in Australia and New Zealand and, consequently, its performance is influenced by the level and cyclical nature of lending in these countries. These factors are in turn impacted by both domestic and international economic conditions, natural disasters and political events. A significant decrease in Australian and New Zealand housing valuations could adversely impact 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 its 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 economic 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 its borrowers to repay their loans. If this were to occur, it could negatively impact Westpac's business, prospects, financial performance or financial condition.

An increase in defaults in credit exposures could adversely affect Westpac's liquidity, capital

resources, financial performance or financial condition

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

Westpac establishes provisions for credit impairment based on current information. 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 clearing and settlement contracts Westpac enters into and from Westpac's dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, clearing houses, governments and government bodies the financial conditions of which may be affected to varying degrees by economic conditions in global financial markets.

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

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

Westpac could suffer losses due to market volatility

Westpac is exposed to market risk as a consequence of its trading activities in financial markets, its defined benefit plan and through the asset and liability management of its financial position. This is the risk of an adverse impact on earnings resulting from changes in market factors, such as foreign exchange rates, commodity prices, equity prices and interest rates including the potential for negative interest rates. This includes interest rate risk in the banking book, such as the risk to interest income from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities. If Westpac were to suffer substantial losses due to any market volatility it may adversely affect its business, prospects, liquidity, capital resources, financial performance or financial condition.

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 these risks, 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 losses 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 its financial performance or financial condition.

Entities within the Westpac Group may be involved from time to time in legal proceedings, regulatory actions or arbitration arising from the conduct of their business which may adversely affect the Westpac Group's business, operations, prospects or financial condition. Such matters are subject to many uncertainties (for example, the outcome may not be able to be predicted accurately) and the Westpac Group may be required to pay money such as damages, fines, penalties or legal costs. The Westpac Group's material contingent liabilities are described in Note 14 to the Issuer's interim financial report as at and for the six month period ended 31 March 2017 (the "**Interim Financial Report**"), which are incorporated by reference and form part of this Information Memorandum. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the FCA.

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 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 its 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 (such as 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 its customers (including government, mining and health) and its plans to continue to improve and expand its internet and mobile banking infrastructure.

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 its 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 its 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 may adversely affect its financial performance.

Westpac could suffer losses due to conduct risk

Conduct risk is the risk that Westpac's provision of services and products results in unsuitable or unfair outcomes for its stakeholders or undermines market integrity. 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.

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

Westpac has implemented risk management strategies, frameworks and internal controls involving processes and procedures intended to identify, monitor and manage the risks, including liquidity risk, credit risk, market risk (such as interest rate and 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 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.

Reputational damage could harm Westpac's business and prospects

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

Reputation risk is the risk of loss of reputation, stakeholder confidence or public trust and standing. It arises where there are differences between stakeholders' current and emerging, perceptions, beliefs and expectations and its 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 Westpac's 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, economic and 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 customers, suppliers and other counterparties. Furthermore, the risk of reputational damage may be heightened by the increasing use of social media.

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.

Climate change may have adverse effects on Westpac's business

Westpac and its customers may be adversely affected by the physical risks of climate change, including increases in temperatures, sea levels, and the frequency and severity of adverse climatic events including fires, storms, floods, and droughts. These changes may directly impact Westpac and its customers through reputational damage, environmental factors, insurance risk, and an increase in defaults in credit exposures.

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

Westpac could suffer losses due to environmental factors

Westpac and its customers operate businesses and hold assets in a diverse range of geographic locations. Any significant environmental change or external event (including fire, storm, flood, earthquake, pandemic, civil unrest or terrorism 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, all of which could adversely affect Westpac's business, prospects, financial performance or condition.

Westpac could suffer losses due to insurance risk

Westpac has exposure to insurance risk in its life insurance, general insurance and lenders mortgage insurance businesses, which may adversely affect its 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, and the costs of claims relating to those risks, being greater than was anticipated when pricing those risks.

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

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

If Westpac's reinsurance arrangements are not effective, this could also lead to greater risks, and more losses than anticipated.

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 2017, 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.

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

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

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

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

Limitation on Independent Registered Public Accounting Firm's Liability

The liability of PricewaterhouseCoopers Australia ("**PwC Australia**"), with respect to claims arising out of its audit report, is subject to the limitations set forth in the Professional Standards Act 1994 of New South Wales, Australia, as amended (the "**Professional Standards Act**") and Chartered Accountants Australia and New Zealand (NSW) scheme adopted by Chartered Accountants Australia and New Zealand on 8 October 2014 and approved by the New South Wales Professional Standards Council pursuant to the Professional Standards Act (the "**NSW Accountants Scheme**"). For matters occurring on or prior to 7 October 2014, the liability of PwC Australia may be subject to the limitations set forth in predecessor schemes. The current NSW Accountants Scheme expires on 7 October 2019 unless further extended or replaced.

The Professional Standards Act and the NSW Accountants Scheme may limit the liability of PwC Australia for damages with respect to certain civil claims arising in, or governed by the laws of, New South Wales directly or vicariously from anything done or omitted to be done in the performance of its professional services for Westpac, including, without limitation, its audits of Westpac's financial statements. The extent of the limitation depends on the timing of the relevant matter and is:

- in relation to matters occurring on or after 8 October 2013, a maximum liability for audit work of A\$75 million; or
- in relation to matters occurring on or prior to 7 October 2013, to the lesser of (in the case of audit services) ten times the reasonable charge for the service provided and a maximum liability for audit work of A\$75 million.

The limitations do not apply to claims for breach of trust, fraud or dishonesty.

In addition, there is equivalent professional standards legislation in place in other states and territories in Australia and amendments have been made to a number of Australian federal statutes to limit liability under those statutes to the same extent as liability is limited under state and territory laws by professional standards legislation. Accordingly, liability for acts or omissions by PwC Australia in Australian states or territories other than New South Wales may be limited in a manner similar to that in New South Wales. These limitations of liability may limit recovery upon the enforcement in Australian courts of any judgement under English or other foreign laws rendered against PwC Australia based on or related to its audit report on Westpac's financial statements. Substantially all of PwC Australia's assets are located in Australia. However, the Professional Standards Act and the NSW Accountants Scheme have not been subject to extensive judicial consideration and therefore how the limitation might be applied by the courts and the effect of the limitation remain untested in a number of respects, including its effect in respect of the enforcement of foreign judgments.

Risks related to the market generally

The secondary market generally

Subordinated Instruments may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Subordinated Instruments easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Subordinated Instruments that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Subordinated Instruments would generally have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Subordinated Instruments.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Subordinated Instruments in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "***Investor's Currency***") other than the Specified Currency. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Subordinated Instruments, (ii) the Investor's Currency-equivalent value of the principal payable on the Subordinated Instruments and (iii) the Investor's Currency-equivalent market value of the Subordinated Instruments.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Credit or corporate ratings may not reflect all risks

One or more independent rating agencies may assign ratings to the Subordinated Instruments and/or the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this section, and other factors that may affect the value of the Subordinated Instruments or the standing of the Issuer. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Risks related to Subordinated Instruments generally

The Subordinated Instruments are loss absorption instruments that involve risk and may not be a suitable investment for all investors

The Subordinated Instruments are loss absorption instruments designed to comply with applicable Australian banking regulations and involve certain risks. Each potential investor in the Subordinated Instruments must determine the suitability (either alone or with the help of a financial advisor) of an

investment in the Subordinated Instruments in light of its own circumstances. In particular, each potential investor should understand thoroughly the terms of the Subordinated Instruments, such as the provisions governing the Conversion or Write-off, including under what circumstances a Non-Viability Trigger Event could occur.

A potential investor should not invest in the Subordinated Instruments unless it has the knowledge and expertise (either alone or with the help of a financial advisor) to evaluate how the Subordinated Instruments will perform, subject to the risks set forth herein, the resulting effects on the likelihood of the Conversion or Write-off and the value of the Subordinated Instruments, and the resultant impact on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in or incorporated by reference into this Information Memorandum.

Investments in Subordinated Instruments are not deposit liabilities or protected accounts under Australian legislation

The Subordinated Instruments are not deposit liabilities or protected accounts of the Issuer for the purposes of the Banking Act or Financial Claims Scheme and will not be subject to the depositor protection provisions of Australian banking legislation. The Subordinated Instruments will not be guaranteed or insured by any Australian government, government agency or compensation scheme of Australia or any other jurisdiction.

Payments are subject to satisfaction of the Solvency Condition

All of the Issuer's obligations to make payments in respect of the Subordinated Instruments are subject to the Solvency Condition being satisfied.

If the Solvency Condition is not satisfied (that is, if the Issuer is not able to pay its debts as they become due and payable, or the Issuer's Assets do not exceed its Liabilities, both at the time the payment is due or immediately after making the payment) no payment will be made in respect of the Subordinated Instruments. The Issuer's failure to pay in such circumstances will not be an Event of Default and any unpaid Outstanding Principal Amount will accrue interest and interest not paid will accrue with compounding until it is paid and will be payable on the first Business Day on which the Issuer meets the Solvency Condition. However, if a Non-Viability Trigger Event occurs, all of the Issuer's obligations to make payments in respect of the Subordinated Instruments (to the extent Converted or Written-off) (including in respect of accrued but unpaid interest) will cease and Holders will have no rights to recover any unpaid amounts (although if Conversion is the primary method of loss absorption as specified in the Pricing Supplement, Holders will receive Ordinary Shares upon Conversion, assuming Westpac is able to Convert the Subordinated Instruments).

A Non-Viability Trigger Event may occur

If a Non-Viability Trigger Event occurs, the Issuer must Convert the Subordinated Instruments to Ordinary Shares or, if Write-off is specified in the Pricing Supplement as being the primary method of loss absorption, Write-off the Subordinated Instruments. Even if Conversion is specified in the Pricing Supplement as being the primary method of loss absorption, the Subordinated Instruments may, in certain circumstances, still be subject to Write-off. See "Termination of rights where Conversion does

not occur or if Write-off is the primary method of loss absorption” below.

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

- Conversion or Write-Off of all or some Subordinated Instruments (or conversion, write-off or write-down of all or some Relevant Securities) is necessary because, without it, the Issuer would become non-viable; or
- a public sector injection of capital, or equivalent support, is necessary because, without it, the Issuer would become non-viable.

APRA has indicated that at this time it will not provide guidance as to how it will determine non-viability. Non-viability could be expected to include serious impairment of the Issuer’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. A Non-Viability Trigger Event could occur at any time. It could occur on dates not previously contemplated by investors or which may be unfavourable in light of then-prevailing market conditions or investors’ individual circumstances or timing preferences.

The Issuer has frameworks in place to manage capital, funding and liquidity risk to lower the risk of experiencing financial difficulty.

The section entitled “Risks relating to Westpac’s business” sets out a number of general risks associated with the Issuer’s businesses. If one, or a combination, of these risks leads to a significant capital loss, or prolonged difficulties in raising funding or maintaining sufficient liquidity, the Issuer believes this may be the type of situation in which APRA would become concerned and notify the Issuer that it has become non-viable. It should be noted that these are examples. The risks outlined in the section entitled “Risks relating to Westpac’s business” are not exhaustive and there may be other risks which affect the financial performance and condition of the Issuer and consequently, the likelihood of the occurrence of a Non-Viability Trigger Event.

Conversion following a Non-Viability Trigger Event

Upon the occurrence of a Non-Viability Trigger Event, if Conversion is the primary method of loss absorption and if Subordinated Instruments are required to be Converted (see “*Order of Conversion of Relevant Securities*”, below), all or some Subordinated Instruments (or a percentage of the Outstanding Principal Amount of each Subordinated Instrument) will Convert into the applicable Conversion Number of Ordinary Shares, subject to the Maximum Conversion Number. In these circumstances, it is likely that the Maximum Conversion Number will apply and limit the number of Ordinary Shares to be issued. Upon Conversion, the value of Ordinary Shares received is likely to be significantly less than the Outstanding Principal Amount of the Subordinated Instruments because:

- the VWAP during the 5 ASX Business Days on which trading in Ordinary Shares took place immediately preceding but not including the Non-Viability Trigger Event Date may differ from the Ordinary Share price on or after that date;
- the number of Ordinary Shares holders receive for each Subordinated Instrument on

Conversion is limited by the Maximum Conversion Number, which is based on 20 per cent. of the Issue Date VWAP. It is likely that the Maximum Conversion Number will apply if a Non-Viability Trigger Event has occurred and limit the number of Ordinary Shares to be issued; and

- where the Specified Currency is other than the Australian dollar, the Australian dollar may depreciate in value against the Specified Currency by the date on which Conversion occurs. Any depreciation of the Australian dollar against the Specified Currency by the date on which Conversion occurs will increase the likelihood of the Maximum Conversion Number applying on Conversion and will likely also reduce the Specified Currency equivalent of Ordinary Shares received, particularly if such depreciation is significant. This is because:
 - the Maximum Conversion Number is based on an Issue Date VWAP in Australian dollars and the Specified Currency Outstanding Principal Amount of each Subordinated Instrument converted to Australian dollars based on the spot rate of exchange at the time of issue; and
 - the Conversion Number is based on the VWAP in Australian dollars at the time of Conversion and the Specified Currency Outstanding Principal Amount of each Subordinated Instrument converted to Australian dollars based on the spot rate of exchange at the time of Conversion.

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 transactions that Westpac may undertake with respect to its share capital are not limited and any such action may increase the risk that Holders receive only the Maximum Conversion Number and so adversely affect the position of Holders.

However, even if Conversion is the primary method of loss absorption, the Subordinated Instruments may, in certain circumstances, still be subject to Write-off. See “Termination of rights where Conversion does not occur or if Write-off is the primary method of loss absorption” below.

Ordinary Shares

While the Issuer currently has Ordinary Shares listed on the ASX, the Ordinary Shares issued on Conversion may not be listed, for example, if the Issuer is acquired by another entity and delisted. The Ordinary Shares may not be able to be sold at prices representing their value based on the VWAP. In particular, VWAP prices will be based on trading days which occurred immediately before the occurrence of the Non-Viability Trigger Event.

Ordinary Shares are a different type of investment to the Subordinated Instruments. Dividends are payable at the absolute discretion of the Issuer and the amount of each dividend is also discretionary. In a Winding-Up, claims of holders of Ordinary Shares rank behind claims of holders of all other securities and debts of the Issuer. The market price of Ordinary Shares may be more sensitive than that of Subordinated Instruments to changes in the Issuer’s performance, operational issues and other business issues.

Potential investors in Subordinated Instruments should understand that if a Non-Viability Trigger Event

occurs and Subordinated Instruments are Converted, investors are obliged to accept Ordinary Shares or have such Ordinary Shares issued to a Sale and Transfer Agent to be delivered or sold on their behalf.

Order of Conversion of Relevant Securities

If the Issuer is only required to convert a certain amount of Relevant Securities, the Issuer will determine the amount of Subordinated Instruments which will be Converted or Written-off and other Relevant Securities which will be converted, written-off or written-down as follows:

- first, the Issuer will 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 Instruments; and
- second, if conversion, write-off or write-down of those Relevant Tier 1 Securities is not sufficient, the Issuer will Convert or Write-off the Subordinated Instruments and convert, write-off or write-down other 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 (subject to such adjustments as the Issuer may determine to take into account the effect on marketable parcels and the need to round to whole numbers of Ordinary Shares and the authorised denominations of any 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 Instruments or percentage of the Outstanding Principal Amount of each Subordinated Instrument or, if applicable, termination of the relevant Holders' rights and claims.

However, the Issuer has no obligation to have or maintain on issue Relevant Tier 1 Securities which are required to be converted, written-off or written-down ahead of Subordinated Instruments and other Relevant Tier 2 Securities and gives no assurance that there will be any such instruments on issue at the time at which the Subordinated Instruments may be required to be Converted or Written-off.

Termination of rights where Conversion does not occur or if Write-off is the primary method of loss absorption

If Conversion of a Subordinated Instrument (or a percentage of the Outstanding Principal Amount of the Subordinated Instrument) does not occur for any reason within 5 ASX Business Days after the Non-Viability Trigger Event Date (including, for example, due to applicable law, order of a court or action of any government authority, including regarding the insolvency, Winding-Up or other external administration of the Issuer or as a result of the Issuer's inability or failure to comply with its obligations under the Terms and Conditions of the Subordinated Instrument in relation to Conversion), or if Write-off is specified in the Pricing Supplement as being the primary method of loss absorption, then the Subordinated Instrument (or a percentage of the Outstanding Principal Amount of the Subordinated Instrument to be Converted or Written-off) will be Written-off and the rights of Holders in relation to such Subordinated Instrument (including to payments of interest and accrued interest, and the repayment of the Outstanding Principal Amount and, where Conversion is the primary method of loss absorption, to be issued with Ordinary Shares in respect of such Subordinated Instruments) will be immediately and irrevocably written-off and terminated with effect on and from the Non-Viability Trigger Event Date and investors will lose all or some of their investment and will not receive any compensation.

In certain circumstances, an investor holding Subordinated Instruments subject to Conversion may not receive Ordinary Shares, only the proceeds thereof, as the Ordinary Shares would be issued upon Conversion to a Sale and Transfer Agent for immediate sale, which sale is likely to occur when market conditions are not favourable

If Subordinated Instruments are held by the operator of a Clearing System, then in respect of a Non-Viability Trigger Event Date:

- (a) provided a Clearing System Participant has provided the Issuer and, if appointed, the relevant Sale and Transfer Agent with certain details relating to its holding of Ordinary Shares (such as name, address and account details) by the Clearing System Cut-Off Date (which will be specified in the Pricing Supplement) the Clearing System Participant will be entitled to receive the Ordinary Shares; or
- (b) the Clearing System Participant will receive the proceeds of the sale of the Ordinary Shares from one or more Sale and Transfer Agents,

in accordance with the Terms and Conditions of the Subordinated Instruments. If a Clearing System Participant fails to provide the required information, notifies the Issuer that it does not wish to receive Ordinary Shares on or prior to the Clearing System Cut-off Date, or would be an Ineligible Holder, the Clearing System Participant will not be entitled to receive Ordinary Shares and will instead receive the proceeds of their sale (after deducting any applicable brokerage fees, stamp duty and other taxes (including, without limitation, FATCA Withholding) and charges) by a Sale and Transfer Agent.

It is expected that all Subordinated Instruments will be held by one or more Clearing System Participants (and will be held for so long as the Subordinated Instruments are represented by a Temporary Global Instrument or Permanent Global Instrument).

In certain circumstances including, for example, where Subordinated Instruments are held by an Ineligible Holder or a Holder has notified the Issuer that it does not wish to receive Ordinary Shares on Conversion, then, on a Non-Viability Trigger Event Date, such Holder's rights (including to payments of interest and accrued interest and the repayment of the Outstanding Principal Amount and, where Conversion is the primary method of loss absorption, to be issued with Ordinary Shares in respect of such Subordinated Instruments) in relation to each Subordinated Instrument will be immediately and irrevocably written off and terminated. The Issuer will in these circumstances issue the Conversion Number of Ordinary Shares to one or more Sale and Transfer Agents to hold on trust for sale for the benefit of the Holder.

An "Ineligible Holder" is:

- a Holder who is prohibited or restricted by any applicable law or regulation in force in Australia from being offered, holding or acquiring Ordinary Shares. This would include, but is not limited to, restrictions under Chapter 6 of the *Corporations Act 2001*, the *Foreign Acquisitions and Takeovers Act 1975 of Australia*, the *Financial Sector (Shareholdings) Act 1998 of Australia* and Part IV of the *Competition and Consumer Act 2010 of Australia*; or
- a Foreign Holder. A "Foreign Holder" is a Holder (a) whose place of residence is outside Australia or (b) who the Issuer otherwise believes may not be a resident of Australia and, in either case, the Issuer is not satisfied that the laws of both the Commonwealth of Australia

and the Holder's country of residence would permit the unconditional offer to, or the unconditional holding or acquisition of Ordinary Shares by, the Holder (although the Issuer is not bound to enquire and any decision is in its sole discretion).

Where the Ordinary Shares are issued to one or more Sale and Transfer Agents, the Sale and Transfer Agent will have no duty to seek a fair market price, or to engage in an arm's length transaction in such sale, and may not be able to sell the Ordinary Shares at all. In addition, market conditions are likely to have deteriorated following the Non-Viability Trigger Event that caused the Conversion and their market value may be significantly less than the value of the Subordinated Instruments.

To enable the Issuer to issue Ordinary Shares to a Holder on Conversion, Holders need to have appropriate securities accounts in Australia for the receipt of Ordinary Shares and to provide to the Issuer or, if appointed, the Sale and Transfer Agent, prior to the Clearing System Cut-Off Date specified in the Pricing Supplement, their name and address and certain security holder account and other details. Holders should understand that a failure to provide this information to the Issuer or, if appointed, the Sale and Transfer Agent, by the Clearing System Cut-Off Date may result in the Issuer issuing the Ordinary Shares to the Sale and Transfer Agent who will sell the Ordinary Shares and pay the net proceeds to the Holders. In this situation, Holders will have no rights against the Issuer in relation to the Conversion and will not be able to trade in any Ordinary Shares issued to the Sale and Transfer Agent.

The Issuer may fail to pay principal, interest or other amounts and there are limited remedies available for an Event of Default

There is a risk that the Issuer may default on payment of some or all of the principal, interest or other amounts payable on the Subordinated Instruments. If the Issuer does not pay some or all of the principal, interest or other amounts payable on the Subordinated Instruments, Holders may lose some or all of the money invested in Subordinated Instruments.

The remedies available to Holders in the event of non-payment are limited. Failure to pay because the Solvency Condition is not satisfied is not an Event of Default.

If an amount is not paid in circumstances where the Solvency Condition has been satisfied, that is an Event of Default and the Holder may institute proceedings:

- to recover any amount then due and payable but unpaid on its Subordinated Instrument (subject to the Issuer being able to make the payment and remain Solvent);
- to obtain an order for specific performance of any other obligation in respect of its Subordinated Instrument; or
- for a Winding-Up of the Issuer.

There is a risk that the entire amount owed may not be recovered even if the Holder institutes proceedings against the Issuer. Further, although the Terms and Conditions may specify certain remedies (for example, seeking an order for the Winding-Up of the Issuer), the grant of those remedies may be in the discretion of a court and, as such, may not be granted.

Ranking of the Subordinated Instruments

The Subordinated Instruments are unsecured, subordinated obligations of the Issuer.

In the event of a Winding-Up, if the Subordinated Instruments are still on issue and have not been redeemed early, or, following a Non-Viability Trigger Event, Converted or Written-off, they rank for payment:

- ahead of Ordinary Shares and other Junior Ranking Capital Instruments;
- equally among themselves and with other Equal Ranking Instruments; and
- behind Senior Creditors (including depositors and all holders of the Issuer's senior or less subordinated debt).

Senior Creditors include holders of any instruments issued by the Issuer prior to 1 January 2013 which constituted Lower Tier 2 Capital as described in the Prudential Standards as in effect prior to 1 January 2013, irrespective of whether or not such instruments are treated as constituting Tier 2 Capital in accordance with any transitional arrangements approved by APRA.

As the Subordinated Instruments rank after Senior Creditors, there is a risk that in a Winding-Up, there will be insufficient funds to provide any return to Holders.

If, in a Winding-Up, the Subordinated Instruments of any series are still on issue and have not been redeemed early, or, following a Non-Viability Trigger Event, Converted or Written-off, Holders will only be entitled to prove for any sums payable in respect of their Subordinated Instruments as a debt which is subject to prior payment in full of Senior Creditors. However, it is unlikely a Winding-Up will occur without a Non-Viability Trigger Event having occurred first and the Subordinated Instruments being Converted or Written-off. In that event:

- if the Subordinated Instruments have been Converted, Holders will hold Ordinary Shares and rank equally with existing holders of Ordinary Shares in a Winding-Up; and
- if, following a Non-Viability Trigger Event, Conversion does not occur for any reason (for example, due to applicable laws, order of a court or action of any government authority) within 5 ASX Business Days following the Non-Viability Trigger Event Date, or if Write-off is specified in the Pricing Supplement as being the primary method of loss absorption, then the Subordinated Instruments (or a percentage of the Outstanding Principal Amount) will be Written-off and the Holders' rights and claims in relation to such Subordinated Instruments (including to payments of interest and accrued interest, and the repayment of the Outstanding Principal Amount and, where Conversion is the primary method of loss absorption, to be issued with the Conversion Number of Ordinary Shares in respect of such Subordinated Instruments), are immediately and irrevocably written-off and terminated with effect on and from the Non-Viability Trigger Event Date.

In such an event, a Holder's investment in the Subordinated Instruments will lose all or some of its value and such Holder will not receive any compensation.

Exposure to the Issuer's financial performance and position and changes to the Issuer's ratings

An investment in Subordinated Instruments is an investment in the Issuer and may be affected by the ongoing performance and financial position of the Issuer, or changes to the credit ratings assigned to the Issuer by rating agencies.

As a result, if the Issuer's financial performance or position declines or the credit ratings assigned to it change, or if market participants anticipate such a decline or change, an investment in the Subordinated Instruments could decline in value even if the Subordinated Instruments have not been Converted.

See the section entitled "Failure to maintain credit ratings could adversely affect Westpac's cost of funds, liquidity, competitive position and access to capital markets" for further information regarding the potential impact of failing to maintain credit ratings assigned to the Issuer by rating agencies.

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 generally depend on the average of the daily VWAP of Ordinary Shares over the 5 ASX Business Days on which trading in Ordinary Shares took place immediately preceding but not including the Non-Viability Trigger Event Date, and is subject to the Maximum Conversion Number. 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 received may be less than the value of those Ordinary Shares based on the Ordinary Share price on the Non-Viability Trigger Event Date.

As a result, the Ordinary Shares to be received upon Conversion are likely to be worth significantly less than the Outstanding Principal Amount of the Subordinated Instruments.

Holders cannot request redemption or Conversion of Subordinated Instruments

Holders have no right to request redemption or Conversion of the Subordinated Instruments prior to the Maturity Date. Therefore, prior to the Maturity Date, unless the Issuer has the right to and elects to redeem the Subordinated Instruments early (redemption is subject to APRA's prior written approval, which may or may not be given), in order to realise an investment, a Holder would need to sell its Subordinated Instruments at the prevailing market price. Depending on market conditions at the time, the Subordinated Instruments may be trading at a market price below the issue price and/or the market for the Subordinated Instruments may not be liquid. The Issuer does not guarantee that Holders will be able to sell each Subordinated Instrument at an acceptable price or at all.

Redemption at the Issuer's option or for tax or regulatory reasons

Where the Pricing Supplement specifies "Early redemption at the option of the Issuer" as being applicable, the Subordinated Instruments may (subject to APRA's prior written approval, which may or may not be given) be redeemed at the Issuer's option in certain circumstances (but not earlier than the fifth anniversary of the Issue Date). Where the Pricing Supplement specifies "Early redemption for adverse tax events" or "Early redemption for regulatory events" as being applicable, the Issuer may (subject to APRA's prior written approval, which may or may not be given) redeem the Subordinated Instruments following the occurrence of an Adverse Tax Event or Regulatory Event, provided that the Issuer has obtained, in the case of an Adverse Tax Event, a supporting opinion of legal or tax advisers

of recognised standing in Australia or, in the case of a Regulatory Event, a supporting opinion of advisers of recognised standing in Australia or confirmation from APRA that a Regulatory Event has occurred.

An Adverse Tax Event will occur if the Issuer determines that as a result of any amendment to, clarification of or change in Tax Legislation which has been or will be effected or any Administrative Action under or in connection with Tax Legislation or any amendment to, clarification of, or change in, any such Administrative Action, being in each case by a legislative body, court, government authority or regulatory body on or after the relevant Issue Date (but which the Issuer did not expect at the Issue Date):

- there is a material risk that the Issuer would be exposed to a more than de minimis adverse tax consequence in relation to the Subordinated Instruments;
- the Issuer determines that any interest payable on the Subordinated Instruments is not, or may not be, allowed as a deduction for the purposes of Australian income tax; or
- the Issuer has or will become obliged to pay Additional Amounts in accordance with the Terms and Conditions of the Subordinated Instruments.

A Regulatory Event will occur if:

- as a result of any amendment to, clarification of or change (including any announcement of a change that will be introduced) in any law or regulation of the Commonwealth of Australia or the Prudential Standards or any official administrative pronouncement or action or judicial decision interpreting or applying such law, regulation or Prudential Standards, which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date; or
- written confirmation is received from APRA after the Issue Date that,

the Issuer is not or will not be entitled to treat all of the Subordinated Instruments of a Series as Tier 2 Capital in whole, provided that, in each case, the Issuer did not expect at the Issue Date that the matter giving rise to the Regulatory Event would occur.

There can be no certainty that APRA will provide its prior written approval for any redemption prior to the Maturity Date. Redemption is also subject to the Solvency Condition having been satisfied and to the Issuer having replaced, or concurrently with redemption replacing, the Subordinated Instruments with a capital instrument which is of the same or better quality than the Subordinated Instruments and the replacement is done under conditions that are sustainable for the Issuer's income capacity (or confirmation from APRA that it does not have to replace the Subordinated Instruments).

If redemption occurs on a date not previously contemplated, it may be disadvantageous in light of market conditions or Holders' individual circumstances. The possibility of redemption means that the period for which Holders will be entitled to the benefit of the rights attaching to the Subordinated Instruments is unknown.

Where cash is received on redemption, the rate of return at which a Holder could re-invest such funds may be lower than the return received on the Subordinated Instruments. Further, upon redemption a

Holder will receive the Outstanding Principal Amount of the Subordinated Instruments which may be less than their market value immediately prior to redemption.

Changes to the implementation of the Basel III framework in Australia

Any fall in the Issuer's Common Equity Tier 1 Capital Ratio as a result of changes to APRA's implementation of the Basel III framework may adversely impact the market price of the Subordinated Instruments or potentially increase the chance at a later date that Conversion of Subordinated Instruments takes place due to the occurrence of a Non-Viability Trigger Event (a Non-Viability Trigger Event will occur where APRA notifies the Issuer in writing that it believes Conversion or Write-off of some or all of the Subordinated Instruments (or conversion, write-off or write-down of some or all Relevant Securities) or a public sector injection of capital, or equivalent support, is necessary because, without it, the Issuer would become non-viable).

U.S. Foreign Account Tax Compliance Act ("FATCA")

Legislation incorporating provisions referred to as FATCA was passed in the United States on 18 March 2010. This description is based on guidance issued to date by the U.S. Department of Treasury, including final regulations. Future guidance may affect the application of FATCA to the Subordinated Instruments and the Ordinary Shares.

It is possible that, in order to comply with FATCA, the Issuer (or, if the Subordinated Instruments or the Ordinary Shares are held through another financial institution, such other financial institution) may be required (pursuant to an agreement entered into with the United States or under applicable law (including pursuant to the terms of any applicable intergovernmental agreement entered into between the United States and any other jurisdiction)) (i) to request certain information from the Holders or beneficial owners of the Subordinated Instruments or the Ordinary Shares, which information may be provided to the U.S. Internal Revenue Service ("**IRS**"), and (ii) to withhold U.S. tax on some portion of payments made after 31 December 2018 with respect to the Subordinated Instruments or with respect to any Ordinary Shares upon any Conversion 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 any applicable intergovernmental agreement entered into between the United States and any other jurisdiction)).

If the Issuer or any other person is required to withhold or deduct amounts arising under or in connection with FATCA from any payments made with respect to the Subordinated Instruments, with respect to the issuance of any Ordinary Shares upon any Conversion or with respect to the Ordinary Shares, the Holders and beneficial owners of the Subordinated Instruments, and holders and beneficial owners of Ordinary Shares issued upon any Conversion, will not be entitled to receive any gross up or other additional amounts under Condition 10 (*Taxation*) of the Subordinated Instruments, or otherwise, on account of any such withholding or deduction. FATCA is complex and its application to the Subordinated Instruments, any Conversion and the Ordinary Shares remains uncertain. Prospective investors are advised to consult their own tax advisors as to the application of FATCA to the Subordinated Instruments, any Conversion and the Ordinary Shares.

Future issues of securities by the Issuer

The Issuer and members of the Westpac Group may, at their absolute discretion, issue securities in

the future that:

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

The Issuer may incur further indebtedness and may issue further securities including further Tier 2 Capital securities. The Terms and Conditions do not require the Issuer to refrain from certain business changes or require the Issuer to operate within certain ratio limits.

An investment in Subordinated Instruments 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 securities by an entity in the Westpac Group may have on the market price or liquidity of Subordinated Instruments.

The Terms and Conditions provide only limited protection against significant events that could adversely impact your investment in the Subordinated Instruments

The Terms and Conditions do not:

- require the Westpac Group to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity;
- restrict the Westpac Group's subsidiaries' ability to issue securities or otherwise incur indebtedness or other obligations that would be senior to the Issuer's equity interests in its subsidiaries and therefore rank effectively senior to the Subordinated Instruments with respect to the assets of the Issuer's subsidiaries;
- restrict the Westpac Group's ability to repurchase or prepay any other of its securities or other indebtedness; or
- restrict the Westpac Group's ability to make investments or to repurchase, or pay dividends or make other payments in respect of Ordinary Shares or other securities ranking junior to the Subordinated Instruments.

As a result of the foregoing, when evaluating the terms of the Subordinated Instruments, potential investors should be aware that the Terms and Conditions do not restrict the Issuer or the Westpac Group's ability to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on an investment in the Subordinated Instruments.

Amendment of the Terms and Conditions of Subordinated Instruments

The Issuer may, with the consent of the Fiscal Agent and provided it obtains APRA's prior written approval where the amendment may affect the eligibility of any Subordinated Instrument as Tier 2 Capital, amend the Terms and Conditions for any Subordinated Instrument, the relevant Pricing Supplement and the Deed of Covenant (each insofar as they may apply to such Subordinated Instruments) without the approval of Holders, provided the Issuer is of the opinion that the amendment is for the purposes of correcting a manifest or proven error. Except for the amendments necessary to effect the substitution of an Approved Successor (see below), no other amendments are permitted without the sanction of an Extraordinary Resolution.

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 Terms and Conditions is always required where the amendment may affect the eligibility of the Subordinated Instruments as Tier 2 Capital.

Successor holding company

Where the Issuer is replaced as the ultimate holding company of the Westpac Group by an Approved Successor and certain other conditions are satisfied, the Issuer may be allowed to make amendments (provided APRA's prior written approval is obtained) to substitute the Approved Successor as the debtor in respect of the Subordinated Instruments and the issuer of the ordinary shares issued on Conversion and to make certain other amendments to the Terms and Conditions. Accordingly, potential investors should be aware that, if:

- the Issuer 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 Subordinated Instruments and the issuer of the ordinary shares on Conversion is effected under the Terms and Conditions,

Holders will be obliged to accept Approved Successor Shares and will not receive Ordinary Shares if Conversion occurs after the replacement of the Issuer with an Approved Successor.

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.

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

Where the Issuer transfers its assets to an Approved Successor, the Issuer 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.

No rights if control of the Issuer is acquired

If a person other than an Approved Successor acquires control of the Issuer, the Terms and Conditions

do not provide any right or remedy for the Holders on account of such an acquisition occurring. Further, such an acquisition of the Issuer may result in the Issuer'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 ASX Business Days on which the Ordinary Shares were last traded on ASX. The period of 5 ASX 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 tradeable.

The exercise of administrative powers by APRA or other regulatory authorities that supervise the Issuer may result in adverse consequences to the Holders

The exercise of administrative powers by APRA or other regulatory authorities that supervise the Issuer may result in adverse consequences to the Holders. In particular, under the Banking Act, for the purpose of protecting depositors and maintaining the stability of the Australian financial system, APRA has administrative power, among other things, to issue a direction to the Westpac Group regarding the conduct of its business, including prohibiting making payments with respect to its debt obligations (including the Subordinated Instruments), and, if it becomes unable to meet its obligations or suspends payment (and in certain other limited circumstances), to appoint an "ADI statutory manager" to take control of its business.

Insolvency and similar proceedings are likely to be governed by Australian law

In the event that the Issuer becomes insolvent, insolvency proceedings are likely to be governed by Australian law. Australian insolvency laws are different from the insolvency laws of certain other jurisdictions, including the United States and the United Kingdom. In particular, the voluntary administration procedure under the *Corporations Act 2001*, which provides for the potential re-organisation of an insolvent company, is different from Chapter 11 under the *U.S. Bankruptcy Code*, the voluntarily administration procedure under the United Kingdom Insolvency Act 1986 and may differ from similar provisions under the insolvency laws of other non-Australian jurisdictions.

In addition, to the extent that the Holders of the Subordinated Instruments are entitled to any recovery with respect to the Subordinated Instruments in any bankruptcy or certain other events in bankruptcy, insolvency, dissolution or reorganization relating to the Issuer, those Holders might not be entitled in such proceedings to a recovery in a currency other than Australian dollars.

Risks related to CNY Subordinated Instruments

There are certain special risks associated with investing in any CNY Subordinated Instruments. The Issuer believes that the factors described below represent the principal risks inherent in investing in CNY Subordinated Instruments issued, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with CNY Subordinated Instruments may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding CNY Subordinated Instruments are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment

decision.

The Renminbi is not freely convertible and there are significant restrictions on remittance of Renminbi into and outside the People's Republic of China (the "PRC")

The Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between the Renminbi and foreign currencies, including the Hong Kong dollar, despite the significant reduction over the years by the PRC government of control over trade transactions involving import and export of goods and services as well as other routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover 20 provinces and cities in the PRC and to make Renminbi trade and other current account item settlement available in all countries worldwide. The pilot scheme was further extended in August 2011 to cover all provinces in the PRC.

On 25 February 2011, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the Circular on Issues concerning Foreign Investment Management (the "**MOFCOM Circular**"). The MOFCOM Circular states that if a foreign investor intends to make investments in the PRC (whether by way of establishing a new enterprise, increasing the registered capital of an existing enterprise, acquiring an onshore enterprise or providing loan facilities) with Renminbi that it has generated from cross-border trade settlement or that is lawfully obtained by it outside the PRC, MOFCOM's prior written consent is required. In April 2011, the State Administration of Foreign Exchange ("**SAFE**") promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (the "**SAFE Circular**"), which provides that borrowing by an onshore entity of Renminbi loans from an offshore entity shall in principle follow the current regulations on borrowing foreign debts. On 3 June 2011, the People's Bank of China (the "**PBOC**") issued the Notice on Clarification of Issues regarding Cross-border Renminbi Activities (the "**PBOC Notice**"), which provides that the pilot programme of foreign direct investment in Renminbi will be launched on a case by case basis, and approval by the PBOC is required for foreign direct investment in Renminbi. For industries under restrictions or strictly regulated by the PRC government, foreign direct investment in Renminbi is prohibited.

On 13 October 2011, PBOC issued the Measures on Administration of the Renminbi Settlement in relation to Foreign Direct Investment (the "**PBOC Renminbi FDI Measures**"), to implement PBOC's detailed Renminbi foreign direct investments ("**Renminbi FDI**") administration system, which covers almost all aspects of Renminbi FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as Renminbi denominated cross-border loans. On 14 June 2012, PBOC issued a circular setting out the operational guidelines for Renminbi FDI. Under the PBOC Renminbi FDI Measures, special approval from the PBOC for Renminbi FDI and shareholder loans which was previously required by the PBOC Notice is no longer necessary. In some cases, however, post-event filing with PBOC is still necessary. The PBOC Renminbi FDI Measures also provide, among other matters, that (i) foreign invested enterprises are required to register with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement, and (ii) a foreign investor is allowed to open Renminbi special accounts for designated uses in relation to making equity investments in a PRC enterprise or receiving Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries. The PBOC Renminbi FDI Measures further state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions. In addition, a foreign invested enterprise may open a Renminbi account to receive its Renminbi proceeds borrowed offshore by

submitting the loan contract denominated in Renminbi to its relevant commercial bank and make repayments of principal and interest on such debt in Renminbi by submitting certain required documents to that commercial bank.

On 19 November 2012, the SAFE promulgated the Circular on Further Improving and Adjusting the Foreign Exchange Administration Policies on Direct Investment (the “**SAFE Circular on DI**”), which became effective on 17 December 2012. According to the SAFE Circular on DI, in order to promote investment, the SAFE removes or amends certain administrative licensing items with regard to foreign exchange administration over direct investments, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment of legal income of foreign investors generated within the PRC, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

On 5 July 2013, PBOC promulgated the Notice on Simplifying the Procedures of Cross-border Renminbi Business and Improving Relevant Policies (the “**PBOC 2013 Notice**”), which simplifies the operating procedures on current account cross-border Renminbi settlement and sets out policies with respect to issuance of offshore Renminbi bonds by onshore non-financial institutions. The intention behind the PBOC 2013 Notice is to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On 3 December 2013, MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (“**MOFCOM Renminbi FDI Circular**”), which became effective on 1 January 2014, to further facilitate Renminbi FDI by simplifying and streamlining the applicable regulatory framework. The MOFCOM Renminbi FDI Circular provides that if a foreign investor intends to make Renminbi FDI in the PRC with Renminbi that it has generated from legal activities, including setting up new enterprises, increase of capital contribution, acquisition of domestic enterprises, such Renminbi FDI shall be approved by competent authorities in accordance with relevant regulations on foreign investment. However, pursuant to the MOFCOM Renminbi FDI Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each Renminbi FDI and specify “Renminbi Foreign Direct Investment” and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on Renminbi FDI, the MOFCOM Renminbi FDI Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Renminbi FDI Circular also clearly prohibits the Renminbi FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

As new regulations, the MOFCOM Circular, the SAFE Circular, the PBOC 2013 Notice, the MOFCOM Renminbi FDI Circular and the PBOC Renminbi FDI Measures will be subject to interpretation and application by the relevant PRC authorities.

Subject to the prior receipt of all necessary governmental approvals, the Issuer may remit the net proceeds from the offering of the CNY Instruments into the PRC. There is no assurance that such approvals will be granted and, if granted, will not be revoked or amended in the future. As from 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund. However, there is no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future or that new PRC

regulations will not be promulgated in the future which would have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. The Issuer may need to source Renminbi offshore to finance its obligations under the CNY Instruments, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC. Further, since the remittance of Renminbi by way of investment or loans are now categorised as capital account items, such remittances will need to be made subject to the specific requirements or restrictions set out in the relevant SAFE, MOFCOM and PBOC rules.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the CNY Instruments and the Issuer's ability to source Renminbi outside China to service the CNY Instruments

As a result of the restrictions imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. PBOC, the central bank of the PRC, has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (the "**Settlement Agreement**") between the PBOC and Bank of China (Hong Kong) Limited (the "**Renminbi Clearing Bank**") to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit (other than as provided in the following paragraph) on the ability of corporations to convert Renminbi; and there is no longer any restriction on the transfer of Renminbi funds between different accounts in Hong Kong. In addition, the PBOC has now established Renminbi clearing and settlement systems with financial institutions in other major global financial centres (each also a "**Renminbi Clearing Bank**"), including London, Frankfurt and Singapore to further internationalise the Renminbi.

However, the current size of Renminbi-denominated financial assets outside China is limited. According to statistics published by the Hong Kong Monetary Authority ("**HKMA**"), as of 30 April 2017, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately CNY528.0 billion (this information has been accurately reproduced from information published by the HKMA and, as far as the Issuer is aware and is able to ascertain from information published by the HKMA, no facts have been omitted which would render the reproduced information inaccurate or misleading). In addition, although participating banks are no longer required by the HKMA to maintain a Renminbi liquidity ratio of no less than 25 per cent. of their Renminbi deposits they are still required to account for Renminbi together with other currencies on the same basis as the statutory liquidity ratio, which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Bank will only have access to onshore liquidity support from PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporates in relation to cross-border trade settlement and for personal customers of up to CNY20,000 per person per day. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future, which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of the CNY Instruments. To the extent that the Issuer is required to source Renminbi in the offshore market to service the CNY Instruments, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all. If the Renminbi is not available in certain circumstances as described under “Terms and Conditions – Payments Inconvertibility, Non-transferability or Illiquidity”, the Issuer can make payments under the CNY Instruments in a currency other than Renminbi.

Investment in the CNY Instruments is subject to exchange rate risks

The value of the Renminbi against the U.S. dollar, the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable interest rate. Subject to the Terms and Conditions of the CNY Instruments, and, in particular, the Issuer’s right to make payments in certain circumstances in other currencies, the Issuer will make all payments of interest and principal with respect to the CNY Instruments in Renminbi. As a result, the value of these Renminbi payments in foreign currency may vary with the prevailing exchange rates in the marketplace. For example, when an investor buys CNY Instruments, such investor may need to convert foreign currency to Renminbi at the exchange rate available at that time. If the value of Renminbi depreciates against the relevant foreign currency between then and the time that the Issuer pays back the principal of the CNY Instruments in Renminbi at maturity, the value of the investment in the relevant foreign currency will have declined.

Payments in respect of the CNY Instruments will only be made to investors in the manner specified in the CNY Instruments

All payments to investors in respect of the CNY Instruments will be made solely by (i) when the CNY Instruments are represented by a Temporary Global Instrument or a Permanent Global Instrument, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures of Euroclear, Clearstream, Luxembourg or CMU as applicable, or (ii) when the CNY Instruments are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations.

The Issuer cannot be required to make payment by any other means (including in any other currency (unless this is specified in the Pricing Supplement of the CNY Instruments) or by transfer to a bank account in the PRC).

Risks in relation to PRC currency controls

Remittance of Renminbi into and outside the PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated pilot cities in the PRC, being Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186) (the "**2010 Circular**"), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts was expanded to cover 20 provinces and cities including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (iii) the restriction on designated offshore jurisdictions was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only been effected by approved pilot enterprises in designated pilot districts in the PRC). In particular, any foreign invested enterprises located in the designated pilot districts may remit all lawful dividends and distribution payments in Renminbi to its foreign investors outside the PRC. The pilot scheme was further extended in August 2011 under the Circular in Expanding the Regions of Cross-border Trades (the "**2011 Circular**") to cover all provinces in the PRC and to make Renminbi trade and other current account settlement available in all countries worldwide.

In February 2012, the PRC government promulgated the Notice on Matters Relevant to the Administration of Enterprises Engaged in RMB Settlement of Export Trade in Goods (the "**2012 Circular**") under which any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, provided that the relevant provincial government has submitted to the PBOC and five other PRC authorities (the "**Six Authorities**") a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the "**Supervision List**"). On 12 June 2012, the PBOC issued a notice stating that the Six Authorities had jointly verified and announced a Supervision List and as a result any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports.

In addition to the PBOC 2013 Notice, on 1 November 2014, the PBOC promulgated the Circular on Matters concerning Centralized Cross-Border Renminbi Fund Operation Conducted by Multinational Enterprise Groups (the "**2014 Circular**"). The 2014 Circular introduces a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group.

On 5 September 2015, the PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (the "**2015 Circular**") which, among others, lowers the eligibility requirements for multinational enterprise groups and increases the cap for net cash inflow.

As new regulations, the 2010 Circular, 2011 Circular, 2012 Circular, PBOC 2013 Notice, 2014 Circular and 2015 Circular (collectively, the "**Circulars**") will be subject to interpretation and application by the

relevant PRC authorities. Local authorities may adopt different practices in applying the Circulars and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital account item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

The MOFCOM Circular, the SAFE Circular, the PBOC 2013 Notice, the SAFE Circular on DI, the MOFCOM Renminbi FDI Circular, the PBOC Renminbi FDI Measures and the 2015 Circular, which are relatively new regulations, have been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items, and they will be subject to interpretation and application by the relevant PRC authorities.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules. Also, since the remittance of Renminbi by way of investment or loans are now categorised as capital account items, such remittances will need to be made subject to the specific requirements or restrictions set out in the relevant SAFE, MOFCOM and PBOC rules.

DOCUMENTS INCORPORATED BY REFERENCE

The consolidated audited annual financial statements (including the directors' remuneration report, auditors' report thereon and the notes thereto) appearing on pages 43 to 68 (inclusive), pages 115 to 248 (inclusive) and pages 250 to 251 (inclusive) of the Issuer's 2015 Annual Report in respect of the year ended 30 September 2015, the consolidated audited annual financial statements (including the directors' remuneration report, auditors' report thereon and the notes thereto) appearing on pages 39 to 64 (inclusive), pages 117 to 237 (inclusive) and pages 239 to 246 (inclusive) of the Issuer's 2016 Annual Report in respect of the year ended 30 September 2016 and the unaudited consolidated interim financial statements (including the auditor's review report thereon and the notes thereto) as at and for the six month period ended 31 March 2017 as set out on pages 80 to 114 (inclusive) of the Interim Financial Report, shall be deemed to be incorporated in, and to form part of, this Information Memorandum.

Each of the:

- "Terms and Conditions of the Subordinated Instruments" section on pages 42 to 107 (inclusive) of the Information Memorandum dated 14 November 2014 with Westpac Banking Corporation as issuer; and
- "Terms and Conditions of the Subordinated Instruments" section on pages 43 to 104 (inclusive) of the Information Memorandum dated 25 January 2016 with Westpac Banking Corporation as issuer,

shall be deemed to be incorporated in, and to form part of, this Information Memorandum.

Any information contained in a document incorporated by reference herein which is not incorporated in, and does not form part of, this Information Memorandum is either not relevant for investors or is contained elsewhere in this Information Memorandum.

Following the publication of this Information Memorandum a supplementary Information Memorandum may be prepared by the Issuer and approved by any relevant listing authority or stock exchange. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Information Memorandum or in a document which is incorporated by reference in this Information Memorandum. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

For as long as the Programme remains in effect or any Subordinated Instruments are outstanding, copies of the documents incorporated by reference herein may be inspected during the normal business hours at the office of the Fiscal Agent (or the other office(s) of the Paying Agent(s) in the United Kingdom) specified on page 173 of this Information Memorandum and from the registered head office of Westpac Banking Corporation.

TERMS AND CONDITIONS OF THE SUBORDINATED INSTRUMENTS

The following are the Terms and Conditions of the Subordinated Instruments which, as supplemented in relation to any Subordinated Instruments by the relevant Pricing Supplement, will be applicable to each Series of Subordinated Instruments:

The subordinated debt instruments (the "**Subordinated Instruments**") are issued pursuant to and in accordance with an amended and restated issue and paying agency agreement (as amended, supplemented or replaced, the "**Issue and Paying Agency Agreement**") dated 15 November 2013, as supplemented by way of a supplemental issue and paying agency agreement on 14 November 2014 and made between Westpac Banking Corporation (the "**Issuer**"), The Bank of New York Mellon in its capacity as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to The Bank of New York Mellon in its capacity as Fiscal Agent), The Bank of New York Mellon (Luxembourg) S.A. in its capacity as Luxembourg paying agent (the "**Luxembourg Paying Agent**", which expression shall include any successor to The Bank of New York Mellon (Luxembourg) S.A. in its capacity as Luxembourg Paying Agent), The Bank of New York Mellon, Hong Kong Branch in its capacities as Hong Kong paying agent and as lodging agent (the "**Hong Kong Paying Agent**" and the "**Lodging Agent**", which expressions shall include any successors to The Bank of New York Mellon, Hong Kong Branch in its capacities as such) and the other paying agents named therein (together with the Hong Kong Paying Agent, the "**Paying Agents**", which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Issue and Paying Agency Agreement).

The Subordinated Instruments have the benefit of a deed of covenant (as amended, supplemented or replaced, the "**Deed of Covenant**") dated 7 November 2008 executed by the Issuer in relation to the Subordinated Instruments. Copies of the Issue and Paying Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the Specified Office of each of the Paying Agents. All persons from time to time entitled to the benefit of obligations under any Subordinated Instruments shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Subordinated Instruments.

The Subordinated Instruments are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Subordinated Instruments. Each Tranche will be the subject of an applicable pricing supplement (each, the "**Pricing Supplement**"), a copy of which will be available for inspection during normal business hours at the Specified Office of the Fiscal Agent. In the case of a Tranche of Subordinated Instruments in relation to which application has not been made for listing and/or trading on or by any competent listing authority and/or stock exchange, copies of the Pricing Supplement will only be available for inspection by a Holder (as defined in Condition 3.1) of or, as the case may be, a Relevant Account Holder (as defined in the Deed of Covenant) in respect of, such Subordinated Instruments.

References in these Terms and Conditions to Subordinated Instruments are to Subordinated Instruments of the relevant Series only and any references to Coupons (as defined in Condition 2.6) are to Coupons relating to Subordinated Instruments of the relevant Series.

References in these Terms and Conditions to the Pricing Supplement are to the Pricing Supplement prepared in relation to the Subordinated Instruments of the relevant Tranche or Series and endorsed on or attached to such Subordinated Instruments.

In respect of any Subordinated Instruments, references herein to these Terms and Conditions are to these terms and conditions as supplemented by the Pricing Supplement.

1. Interpretation

Definitions

1.1 In these Terms and Conditions, the following expressions have the following meanings:

“**Additional Amount**” has the meaning given to it in Condition 10.1;

“**Additional Business Centre(s)**” means the city or cities specified as such in the Pricing Supplement;

“**Additional Tier 1 Capital**” has the meaning given to it in the Prudential Standards;

“**ADI**” means Authorised Deposit-taking Institution;

“**Approved Replacement Notice**” has the meaning given to it in Condition 6.14(a);

“**Approved Successor**” means a holding company that replaces, or is proposed to replace, the Issuer as the ultimate holding company of the Westpac Group and that satisfies the following requirements:

- (a) the proposed successor holding company complies with all applicable legal requirements and obtains any necessary regulatory approvals (including, to the extent required, APRA's prior written approval);
- (b) the proposed successor holding company agrees to take any necessary action to give effect to an amendment to the Terms and Conditions as contemplated in Condition 6.14;
- (c) the ordinary shares of the proposed successor holding company are to be listed on the ASX or any internationally recognised stock exchange;
- (d) the proposed successor holding company has a place of business in New South Wales, Australia or has appointed a process agent in New South Wales, Australia to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Subordinated Instruments;
- (e) the proposed successor holding company has, in the reasonable opinion of an independent expert, the financial capacity to perform the Issuer's obligations under these Terms and Conditions and the Deed of Covenant in respect of the Subordinated Instruments; and
- (f) the proposed replacement of the Issuer and the requirements described in paragraphs (a) to (c) would not, in the reasonable opinion of an independent expert, otherwise adversely affect the interests of Holders,

and for the purposes of this definition, “independent expert” means a reputable investment bank operating in Australia or an investment bank of international repute acting independently of the Issuer and appointed by the Issuer to provide the opinions referred to in paragraphs (e) and (f);

“**APRA**” means the Australian Prudential Regulation Authority;

“**Assets**” means, in respect of the Issuer, its total non-consolidated gross assets as shown by the latest published full-year audited or half-year reviewed accounts, as the case may be, of the Issuer, but adjusted for events subsequent to the date of such accounts in such manner and to such extent as two authorised signatories of the Issuer or, if the Issuer is in Winding-Up, the Liquidator may determine to be appropriate;

“**ASX**” means the Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691);

“**ASX Business Day**” means a business day as defined in the ASX Listing Rules;

“**ASX Listing Rules**” means the listing rules of ASX from time to time with any modifications or waivers in their application to the Issuer which ASX may grant;

“**Australian dollars**” and “**A\$**” mean the lawful currency of Australia;

“**Broken Amount**” has the meaning given in the Pricing Supplement;

“**Business Day**” means:

- (i) for the purposes of Condition 9A.6 only, a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; or
- (ii) in relation to any sum payable, either:
 - (a) where such sum is payable in a currency other than euro or Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Principal Financial Centre which, if the relevant currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively, and any Additional Business Centre(s) specified in the Pricing Supplement; or
 - (b) where such sum is payable in euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Principal Financial Centre, each (if any) Additional Business Centre(s) specified in the Pricing Supplement and a TARGET Settlement Day; or
 - (c) where such sum is payable in Renminbi, a day (other than a Saturday,

Sunday or public holiday) on which commercial banks and foreign exchange markets in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong;

- (iii) for all other purposes, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Principal Financial Centre and any Additional Business Centre(s) specified in the Pricing Supplement;

“Business Day Convention”, in relation to any particular date, has the meaning given in the Pricing Supplement and, in this context, the following expressions shall have the following meanings:

- (i) **“Following Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **“Modified Following Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **“FRN Convention”, “Floating Rate Convention” or “Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
 - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“Calculation Agent” means the Fiscal Agent or such other Person specified in the Pricing

Supplement as the party responsible for calculating the Interest Rate(s) and Interest Amount(s) and/or such other amount(s) as may be specified in the Pricing Supplement;

“**Calculation Amount**” has the meaning given in the applicable Pricing Supplement or, where no such amount is specified, means (i) if there is only one Denomination, the Denomination of the relevant Subordinated Instruments, and (ii) if there are several Denominations, the highest common factor of these Denominations. Note there must be a common factor in the case of two or more Denominations;

“**Clearing System**” means Euroclear, Clearstream or any other clearing system specified in the Pricing Supplement;

“**Clearstream, Luxembourg**” means Clearstream Banking S.A.;

“**CMU Service**” means the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority;

“**Common Equity Tier 1 Capital**” has the meaning given to it in the Prudential Standards;

“**Conversion**” means, upon the occurrence of a Non-Viability Trigger Event, the conversion of all or some Subordinated Instruments (or a percentage of the Outstanding Principal Amount of each Subordinated Instrument) into Ordinary Shares of the Issuer in accordance with these Terms and Conditions. “**Convert**” and “**Converted**” shall have corresponding meanings;

“**Conversion Number**” has the meaning given in Condition 6.1;

“**Cum Value**” has the meaning given in Condition 6.2(a);

“**Coupon Sheet**” means, in respect of a Subordinated Instrument, a coupon sheet relating to such Subordinated Instrument;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Terms and Conditions or the Pricing Supplement and:

- (i) if “Actual/Actual (ICMA)” is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
 - (b) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (B) the number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if “Actual/365” or “Actual/Actual (ISDA)” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “Actual/365 (Fixed)” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “Actual/360” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “30/360” is so specified, means the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

- (vii) if “30E/360 (ISDA)” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but

not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

“Denomination” has the meaning given in the Pricing Supplement;

“Early Redemption Amount (Adverse Tax Event)” has the meaning given in Condition 8.4(b);

“Early Redemption Amount (Call)” has the meaning given in Condition 8.3(b);

“Early Redemption Amount (Regulatory Event)” has the meaning given in Condition 8.5(b);

“Equal Ranking Instruments” means instruments which satisfy the requirements set out in one of the following paragraphs (a), (b) or (c):

- (a) any instruments, present and future, issued by the Issuer after 1 January 2013 which:
 - (i) by their terms are, or are expressed to be, subordinated in a Winding-up to the claims of Senior Creditors;
 - (ii) qualify as Tier 2 Capital of the Issuer; and
 - (iii) in a Winding-Up rank, or are expressed to rank, prior to, and senior in right of payment to, instruments which constitute Additional Tier 1 Capital or Common Equity Tier 1 Capital of the Issuer (or any instruments which were issued prior to 1 January 2013 and were treated as constituting tier one capital in accordance with the Prudential Standards which applied prior to 1 January 2013 irrespective of whether or not such instruments are treated as constituting tier one capital in accordance with any transitional arrangements approved by APRA);
- (b) the Perpetual Capital Notes (irrespective of whether or not such instruments are treated as constituting Tier 2 Capital in accordance with any transitional arrangements approved by APRA); or
- (c) any other instruments, present and future, issued by the Issuer where, the right to repayment ranks, or is expressed to rank, in a Winding-Up equally with the claims of Holders (irrespective of whether or not such instruments qualify as Tier 2 Capital of the Issuer);

“Early Termination Amount” has the meaning given in Condition 11.3;

“Euroclear” means Euroclear Bank S.A./N.V.;

“Extraordinary Resolution” has the meaning given in the Issue and Paying Agency Agreement;

“FATCA” means sections 1471 to 1474 of the *United States Internal Revenue Code of 1986*, as amended, including any regulations or official interpretations issued, agreements (including, without limitation, intergovernmental agreements) entered into or non-US laws enacted with

respect thereto;

“FATCA Withholding” means any deduction or withholding made for or on account of FATCA;

“Final Redemption Amount” means, in respect of any Subordinated Instrument, its Outstanding Principal Amount or such other amount as may be specified in the Pricing Supplement;

“Fixed Coupon Amount” has the meaning given in the Pricing Supplement;

“Foreign Holder” means a Holder (a) whose place of residence is outside Australia or (b) who the Issuer otherwise believes may not be a resident of Australia and, in either case, the Issuer is not satisfied that the laws of both the Commonwealth of Australia and the Holder’s country of residence would permit the offer to, or the unconditional holding or acquisition of Ordinary Shares by, the Holder (but the Issuer will not be bound to enquire and any decision is in its sole discretion);

“Holder” has the meaning given in Condition 3.1;

“Ineligible Holder” means:

- (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 2001*, the *Foreign Acquisitions and Takeovers Act 1975 of Australia*, the *Financial Sector (Shareholdings) Act 1998 of Australia* and Part IV of the *Competition and Consumer Act 2010 of Australia*) 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 Subordinated Instruments, it shall only be treated as an Ineligible Holder in respect of those Subordinated Instruments and not in respect of the balance of its Subordinated Instruments). The Issuer 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 Non-Viability Trigger Event Date; or
- (b) a Foreign Holder;

“Interest Accrual Period” means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period provided always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of redemption of the Subordinated Instruments;

“Interest Amount” means, in relation to a Subordinated Instrument and an Interest Period, the amount of interest payable per Calculation Amount in respect of that Subordinated Instrument for that Interest Period;

“Interest Commencement Date” means the Issue Date of the Subordinated Instruments or such other date as may be specified as the Interest Commencement Date in the Pricing Supplement;

“Interest Determination Date” has the meaning given in the Pricing Supplement;

“Interest Payment Date” means the date or dates specified as such in the Pricing Supplement and, if a Business Day Convention is specified in the Pricing Supplement:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“Interest Period” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“Interest Period End Date” means the date or dates specified as such in the Pricing Supplement and, if a Business Day Convention is specified in the Pricing Supplement, as the same may be adjusted in accordance with the relevant Business Day Convention or, if the Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Pricing Supplement as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the Pricing Supplement, the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Subordinated Instruments;

“Interest Rate” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Outstanding Principal Amount of the Subordinated Instruments specified in Pricing Supplement or calculated or determined in accordance with the provisions of these Terms and Conditions and/or the Pricing Supplement;

“ISDA Definitions” means the 2006 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the Subordinated Instruments of the relevant Series (as specified in the Pricing Supplement) and as published by the International Swaps and Derivatives Association, Inc.;

“Issue Date” has the meaning given in the Pricing Supplement;

“Issue Date VWAP” means the VWAP during the period of 20 ASX Business Days on which trading in Ordinary Shares took place immediately preceding but not including the Issue Date, as adjusted in accordance with Condition 6;

“Junior Ranking Capital Instruments” means instruments, present and future, issued by the Issuer which:

- (a) by their terms are, or are expressed to be, subordinated in a Winding-Up to the claims of Holders and other Equal Ranking Instruments; and
- (b) qualify as Additional Tier 1 Capital or Common Equity Tier 1 Capital of the Issuer (or, in the case of any instruments issued prior to 1 January 2013, were treated as constituting tier one capital in accordance with the Prudential Standards which applied prior to 1 January 2013 irrespective of whether or not such instruments are treated as constituting Tier 1 Capital in accordance with any transitional arrangements approved by APRA);

“**Liabilities**” means, in respect of the Issuer, its total non-consolidated gross liabilities as shown by its latest published full-year audited or half-year reviewed accounts, as the case may be, but adjusted for events subsequent to the date of such accounts in such manner and to such extent as two authorised signatories of the Issuer or, if the Issuer is in Winding-Up, the Liquidator may determine to be appropriate;

“**Liquidator**” means the liquidator or other official responsible for the conduct and administration of a Winding-Up;

“**local banking day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Subordinated Instrument or, as the case may be, Coupon;

“**Margin**” has the meaning given in the Pricing Supplement;

“**Maturity Date**” means the date specified as such in the provisions of the Pricing Supplement and, if a Business Day Convention is specified in the Pricing Supplement, as the same may be adjusted in accordance with the relevant Business Day Convention;

“**Maximum Conversion Number**” has the meaning given in Condition 6.1;

“**Maximum Redemption Amount**” has the meaning given in the Pricing Supplement;

“**Member State**” means a Member State of the European Union;

“**Minimum Redemption Amount**” has the meaning given in the Pricing Supplement;

a “**Non-Viability Trigger Event**” occurs when APRA notifies the Issuer in writing that it believes:

- (a) Conversion or Write-off of all or some Subordinated Instruments, or conversion, write-off or write-down of all or some Relevant Securities is necessary because, without it, the Issuer would become non-viable; or
- (b) a public sector injection of capital, or equivalent support, is necessary because, without it, the Issuer would become non-viable;

“**Non-Viability Trigger Event Date**” has the meaning given to it in Condition 5.1(c)(iii);

“Ordinary Resolution” has the meaning given in the Issue and Paying Agency Agreement;

“Ordinary Share” means a fully paid ordinary share in the capital of the Issuer;

“Outstanding” means, on any day, all Subordinated Instruments issued, less such Subordinated Instruments:

- (a) which have been redeemed, Converted, Written-off or satisfied in full by the Issuer in accordance with the Terms and Conditions;
- (b) for the payment of which funds equal to their aggregate Outstanding Principal Amount are on deposit with the relevant Paying Agent on terms which prohibit the return of the deposit or the use of the deposit for any purpose other than the payment of such Subordinated Instruments or in respect of which the relevant Paying Agent holds an irrevocable direction to apply funds in repayment of Subordinated Instruments to be redeemed on that day;
- (c) in respect of which a Holder is unable to make a claim as a result of the operation of Condition 12; or
- (d) those which have been purchased and cancelled as provided in the Terms and Conditions,

provided that for the purposes of:

- (i) ascertaining the right to attend and vote at any meeting of the Holders; and
- (ii) the determination of how many Subordinated Instruments are outstanding for the purposes of the definition of the Outstanding Principal Amount,

such Subordinated Instruments which are beneficially held by, or are held on behalf of, the Issuer and not cancelled shall be deemed not to remain outstanding;

“Outstanding Principal Amount” means in respect of any Subordinated Instrument which is Outstanding at any time, the outstanding principal amount of the Subordinated Instrument, and for such purposes:

- (a) the principal amount of a Subordinated Instrument issued at a discount or at par, but which has not been Converted or Written-off, is at any time to be taken to be equal to its Denomination;
- (b) if an amount is required to be determined in Australian dollars, the Australian dollar equivalent of the Specified Currency is to be determined on the basis of the spot rate of exchange for the sale of Australian dollars against the purchase of such relevant Specified Currency in the Sydney foreign exchange market quoted by any leading bank selected by the Issuer on the relevant calculation date. The calculation date is, at the discretion of the Issuer, either the date specified in the relevant formula in Condition 6.1(a) or the preceding day on which commercial banks and foreign exchange markets are open for business in Sydney or such other date as may be

specified by the Issuer in the Pricing Supplement; and

- (c) if the principal amount of a Subordinated Instrument has from time to time been Converted or Written-off as described in, and in accordance with, Conditions 5 and 6 the principal amount of the Subordinated Instrument will be reduced by the principal amount so Converted or Written-off;

“Perpetual Capital Notes” means the Perpetual Capital Floating Rate Notes issued by the Issuer on 30 September 1986 (as may be varied or amended from time to time);

“Person” means any individual, company, corporation, firm, partnership, joint venture, trust, estate, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency provided, however, that in relation to euro, it means the principal financial centre of such Member State as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Prudential Standards” means the prudential standards and guidelines published by APRA and as applicable to the Issuer from time to time;

“Reclassification” has the meaning given in Condition 6.3;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Call), the Early Redemption Amount (Adverse Tax Event) or the Early Redemption Amount (Regulatory Event);

“Reference Banks” has the meaning given in the Pricing Supplement or, if none is specified, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“Reference Price” has the meaning given in the Pricing Supplement;

“Reference Rate” means either “USD LIBOR”, “GBP LIBOR”, “CAD LIBOR”, “EURIBOR”, “CHF LIBOR”, “JPY LIBOR” or “NZD LIBOR”, in each case for the relevant period, as may be specified in the Pricing Supplement;

“Regular Period” means:

- (i) in the case of Subordinated Instruments where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Subordinated Instruments where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular

Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and

- (iii) in the case of Subordinated Instruments where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“**Related Entity**” means an entity over which the Issuer or any parent of the Issuer exercises control or significant influence, as determined by APRA from time to time;

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders;

“**Relevant Financial Centre**” has the meaning given in the Pricing Supplement;

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, the Reuters Monitor Money Rates Service) specified as the Relevant Screen Page in the Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Securities**” means Relevant Tier 1 Securities and Relevant Tier 2 Securities;

“**Relevant Tier 1 Security**” means a security forming part of the Tier 1 Capital of the Issuer on a “Level 1 basis” or “Level 2 basis” in accordance with the Prudential Standards which, upon the occurrence of a Non-Viability Trigger Event, may be either:

- (a) converted into Ordinary Shares; or
- (b) written-off or written-down (and all rights and claims of the holders in respect of the security shall be written-off or written-down);

“**Relevant Tier 2 Security**” means a security forming part of the Tier 2 Capital of the Issuer on a “Level 1 basis” or “Level 2 basis” in accordance with the Prudential Standards which, upon the occurrence of a Non-Viability Trigger Event, may be either:

- (a) converted into Ordinary Shares; or
- (b) written-off or written-down (and all rights and claims of the holders in respect of the security shall be written-off or written-down),

and includes the Subordinated Instruments;

“**Relevant Time**” has the meaning given in the Pricing Supplement;

“**Replacement**” has the meaning given in Condition 6.14(a);

“**Sale and Transfer Agent**” means each nominee (who cannot be a member of the Westpac Group or a Related Entity) appointed by the Issuer under a facility established for the sale or transfer of Ordinary Shares issued on Conversion on behalf of:

- (a) if 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), the participants in the relevant Clearing System or Clearing Systems;
- (b) Holders who do not wish to receive Ordinary Shares on Conversion; or
- (c) Holders who are Ineligible Holders,

in accordance with Condition 6.10. For the avoidance of doubt, the Issuer may appoint more than one Sale and Transfer Agent in respect of the Conversion of one or more Series of Subordinated Instruments;

“**Senior Creditors**” means all depositors and other creditors (present and future) of the Issuer, including all holders of the Issuer’s 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 Instrument; or
 - (ii) a Junior Ranking Capital Instrument.

Senior Creditors include holders of any instruments issued by the Issuer prior to 1 January 2013 which constituted Lower Tier 2 Capital as described in the Prudential Standards as in effect prior to 1 January 2013, irrespective of whether or not such instruments are treated as constituting Tier 2 Capital in accordance with any transitional arrangements approved by APRA;

The Issuer shall be considered “**Solvent**” if: (i) it is able to pay its debts as they fall due; and (ii) its Assets exceed its Liabilities;

“**Solvency Condition**” means the conditions set out in Condition 4.3;

“**Solvent Reconstruction**” means a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency, where the obligations of the Issuer in relation to the outstanding Subordinated Instruments are assumed by the successor entity to which all, or substantially all, of the property, assets and undertaking of the Issuer are transferred or where an arrangement with similar effect not involving a bankruptcy or insolvency is implemented;

“**Specified Currency**” has the meaning given in the Pricing Supplement;

“**Specified Office**” has the meaning given in the Issue and Paying Agency Agreement;

“**Specified Period**” has the meaning given in the Pricing Supplement;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is operating credit or transfer instructions in respect of euro;

“**Tax Legislation**” means (a) the *Income Tax Assessment Act 1936 of Australia* or the *Income Tax Assessment Act 1997 of Australia* (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* includes a reference to that section as rewritten in the *Income Tax Assessment Act 1997*), (b) any other law setting the rate of income tax payable by the Issuer, and (c) any regulation made under such laws;

“**Tier 1 Capital**” has the meaning given to it in the Prudential Standards;

“**Tier 2 Capital**” has the meaning given to it in the Prudential Standards;

“**VWAP**” means, subject to any adjustments under Conditions 6.2 and 6.3, the average of the daily volume weighted average sale prices (such average and each such daily average sale price being expressed in Australian dollars and cents and rounded to the nearest full cent, with A\$0.005 being rounded upwards) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any “crossing” transacted outside the “Open Session State” or any “special crossing” transacted at any time, each as defined in the ASX Market Rules or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares;

“**VWAP Period**” means the period of 5 ASX Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Non-Viability Trigger Event Date;

“Westpac Group” means the Issuer and its controlled entities taken as a whole;

“Winding-Up” means the legal procedure for the liquidation of the Issuer commenced when:

- (i) a court order is made for the winding-up of the Issuer; or
- (ii) an effective resolution is passed by shareholders or members for the winding-up of the Issuer,

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 the Issuer (or any other procedure whereby the Issuer 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 the Issuer, constitutes a Winding-Up for the purposes of these Terms and Conditions; and

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

Interpretation

1.2 In these Terms and Conditions:

- (a) if Talons are specified in the Pricing Supplement as being attached to the Subordinated Instruments at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (b) if Talons are not specified in the Pricing Supplement as being attached to the Subordinated Instruments at the time of issue, references to Talons are not applicable;
- (c) any reference to principal shall be deemed to include the Redemption Amount, any Additional Amounts in respect of principal which may be payable under Condition 10.1 (unless Condition 10.1 is specified in the Pricing Supplement as being not applicable) and any other amount in the nature of principal payable pursuant to these Terms and Conditions;
- (d) any reference to interest shall be deemed to include any Additional Amounts in respect of interest which may be payable under Condition 10.1 (unless Condition 10.1 is specified in the Pricing Supplement as being not applicable), all amounts payable pursuant to Condition 7 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions;
- (e) if an expression is stated in Condition 1.1 to have the meaning given in the Pricing Supplement, but the Pricing Supplement gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Subordinated Instruments to which such Pricing Supplement relates;

- (f) a reference to a matter which is described in the Prudential Standard is a reference to that matter as it is updated, varied or replaced, and described in those Prudential Standards, from time to time;
- (g) a reference to an event occurring “after” the lapse of a period of time means the relevant period of time not including the day on which the relevant event which triggered the commencement of the period of time occurred;
- (h) except where the context otherwise requires, a reference to any thing (including, without limitation, any amount or Outstanding Principal Amount of any Subordinated Instrument) is a reference to the whole or each part of it (including, without limitation, the part or percentage of the Outstanding Principal Amount of a Subordinated Instrument required to be Converted or Written-off); and
- (i) if the provisions of these Terms and Conditions and/or the relevant Pricing Supplement specifies any Early Redemption Amount (Adverse Tax Event), Early Redemption Amount (Call), Early Redemption Amount (Regulatory Event), Early Termination Amount, Final Redemption Amount, Interest Amount, Maximum Redemption Amount, Minimum Redemption Amount or Redemption Amount (as applicable) (each a “**Specified Amount**”) on a per Calculation Amount basis, the relevant Specified Amount in respect of a Subordinated Instrument shall be deemed to be the relevant Specified Amount per Calculation Amount divided by the Calculation Amount multiplied by the Outstanding Principal Amount of each such Subordinated Instrument - i.e. a Specified Amount shall be calculated as follows:

$$\text{Specified Amount} = \frac{\text{Specified Amount per Calculation Amount}}{\text{Calculation Amount}} \times \text{Outstanding Principal Amount}$$

2. Form and Denomination

- 2.1 Subordinated Instruments shall be issued in bearer form and shall be serially numbered.
- 2.2 Subject to the final sentence of this paragraph, the Pricing Supplement shall specify whether *U.S. Treasury Regulation §1.163-5(c)(2)(i)(D)* (the “**TEFRA D Rules**”) or *U.S. Treasury Regulation §1.163-5(c)(2)(i)(C)* (the “**TEFRA C Rules**”) shall apply. Each Tranche of Subordinated Instruments is represented upon issue by a temporary global Subordinated Instrument (a “**Temporary Global Instrument**”), unless the Pricing Supplement specifies otherwise and the TEFRA C Rules apply.

Where the Pricing Supplement applicable to a Tranche of Subordinated Instruments specifies that the TEFRA C Rules apply, such Tranche is (unless otherwise specified in the Pricing Supplement) represented upon issue by a permanent global Subordinated Instrument (a “**Permanent Global Instrument**”).

Interests in the Temporary Global Instrument may be exchanged for:

- (a) interests in a Permanent Global Instrument; or
- (b) if so specified in the Pricing Supplement, definitive instruments in bearer form (“**Definitive Subordinated Instruments**”).

Exchanges of interests in a Temporary Global Instrument for Definitive Instruments or, as the case may be, a Permanent Global Instrument will be made only on or after the Exchange Date (as specified in the Pricing Supplement) and (unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Subordinated Instruments) provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received.

- 2.3 The bearer of any Temporary Global Instrument shall not (unless, upon due presentation of such Temporary Global Instrument for exchange (in whole but not in part only) for a Permanent Global Instrument or for delivery of Definitive Subordinated Instruments, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Subordinated Instruments represented by such Temporary Global Instrument which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.
- 2.4 Unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Subordinated Instruments and subject to Condition 2.3 above, if any date on which a payment of interest is due on the Subordinated Instruments of a Tranche occurs while any of the Subordinated Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by the Hong Kong Paying Agent (in the case of a Temporary Global Instrument lodged with a sub-custodian for the CMU Service or (in any other case) by Euroclear or Clearstream, Luxembourg or any other relevant clearing system). Payments of interest due in respect of a Permanent Global Instrument will be made through Euroclear or Clearstream, Luxembourg or the CMU Service or any other relevant clearing system without any requirement for certification.
- 2.5 Interests in a Permanent Global Instrument will be exchanged by the Issuer in whole but not in part only at the option of the Holder of such Permanent Global Instrument, for Definitive Subordinated Instruments, (a) if an Event of Default (as defined below) occurs in respect of any Subordinated Instrument of the relevant Series; or (b) if Euroclear or Clearstream, Luxembourg or the CMU Service or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so in both cases at the cost and expense of the Issuer. If the Issuer does not make the required delivery of Definitive Instruments by 6.00 p.m. (London time) on the thirtieth day after the day on which such Permanent Global Instrument becomes due to be exchanged and, in the case of (a) above, such Subordinated Instrument is not duly redeemed (or the funds required for such redemption are not available to the Fiscal Agent for the purposes of effecting such redemption and remain available for such purpose) by 6.00 p.m. (London time) on the thirtieth day after the day on

which such Subordinated Instrument became immediately redeemable, such Permanent Global Instrument will become void in accordance with its terms but without prejudice to the rights conferred by the Deed of Covenant.

- 2.6 Definitive Subordinated Instruments have attached thereto at the time of their initial delivery coupons (“**Coupons**”), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. Definitive Subordinated Instruments, if so specified in the Pricing Supplement, have attached thereto, at the time of their initial delivery, a Talon for further coupons and the expression “Coupons” shall, where the context so requires, include Talons.

Denomination

- 2.7 Subordinated Instruments will be in such denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Pricing Supplement or such other denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Subordinated Instrument will be €100,000 (or the equivalent amount in another currency). Subordinated Instruments of one denomination may not be exchanged for Subordinated Instruments of any other denomination.
- 2.8 Where a Temporary Global Instrument, issued in bearer form, is to be cleared through Euroclear or Clearstream, Luxembourg or any other relevant clearing system and is to be exchangeable for Definitive Subordinated Instruments upon the Holder’s request, the Subordinated Instruments may only be issued in such denominations as Euroclear or Clearstream, Luxembourg or such other relevant clearing system will permit at that time.
- 2.9 If the Temporary Global Instrument, issued in bearer form, is exchangeable for a Definitive Subordinated Instrument at the option of the Holders thereof, the Subordinated Instruments shall be tradeable only in principal amounts of at least the Denomination (or, if more than one Denomination, the lowest Denomination).

Currency of Subordinated Instruments

- 2.10 The Subordinated Instruments are denominated in such currency as may be specified in the Pricing Supplement (the “**Specified Currency**”). Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

3. Title and Transfer

- 3.1 Title to Subordinated Instruments and Coupons passes by delivery. References herein to the “Holders” of Subordinated Instruments or of Coupons are to the bearers of such Subordinated Instruments or such Coupons, as the case may be.
- 3.2 The Holder of any Subordinated Instrument, Coupon will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

4. Status of the Subordinated Instruments - General

The Issuer is an “**ADI**” as that term is defined under the Banking Act 1959 of Australia (“**Banking Act**”). Under sections 13A(3) and 16(2) of the Banking Act and section 86 of the Reserve Bank Act 1959 of Australia (“**Reserve Bank Act**”), certain debts of the Issuer are preferred by law, as described below.

Section 13A(3) of the Banking Act provides that, in the event that an ADI becomes unable to meet its obligations or suspends payment, the ADI's assets in Australia are available to meet specified liabilities of the ADI in priority to all other liabilities of the ADI (including, in the case of the Issuer, the Subordinated Instruments). These specified liabilities include certain obligations of the ADI to APRA in respect of amounts payable by APRA to holders of protected accounts, other liabilities of the ADI in Australia in relation to protected accounts, debts to the Reserve Bank of Australia (“**RBA**”) and certain other debts to APRA. A “protected account” is either (a) an account where the ADI is required to pay the account-holder, on demand or at an agreed time, the net credit balance of the account, or (b) another account or financial product prescribed by regulation. Certain assets, such as the assets of the Issuer in a cover pool for covered bonds issued by the Issuer, are excluded from constituting assets in Australia for the purposes of section 13(A) of the Banking Act, and those assets are subject to the prior claims of the covered bond holders and certain other secured creditors in respect of the covered bonds.

Under section 16(2) of the Banking Act, certain other debts of the ADI due to APRA shall in a winding-up of an ADI have, subject to section 13A(3) of the Banking Act, priority over all other unsecured debts of that ADI. Further, section 86 of the Reserve Bank Act provides that, in a winding-up of the ADI, debts due by the ADI to the RBA shall, subject to section 13A(3) of the Banking Act, have priority over all other debts of the ADI.

The Subordinated Instruments will not constitute protected accounts or deposit liabilities for the purposes of the Banking Act.

The liabilities which are preferred by law to the claim of a Holder in respect of a Subordinated Instrument will be substantial and these Terms and Conditions do not limit the amount of such liabilities which may be incurred or assumed by the Issuer from time to time.

In addition, the Subordinated Instruments are not guaranteed or insured by the Australian Government or under any compensation scheme of the Australian Government, or by any other government, under any other compensation scheme or by any government agency or any other party.

Acknowledgements

- 4.1 Each Holder by its purchase or holding of a Subordinated Instrument is taken to acknowledge that:
- (a) the Issuer intends that Subordinated Instruments constitute Tier 2 Capital and be able to absorb losses at the point of non-viability as described in the Prudential Standards;
 - (b) the Issuer's obligations in respect of Subordinated Instruments are subordinated in

the manner provided in Condition 4.2; and

- (c) Subordinated Instruments are subject to Conversion or Write-off in accordance with Conditions 5 and 6. There are two methods of loss absorption:
 - (i) Conversion, subject to possible Write-off in accordance with Condition 5.3; or
 - (ii) Write-off without Conversion in accordance with Condition 5.3.

Unless the applicable Pricing Supplement specifies otherwise, the primary method of loss absorption will be Conversion, subject to possible Write-off in accordance with Condition 5.3.

Status and Subordination

4.2

- (a) Holders do not have any right to prove in a Winding-Up in respect of Subordinated Instruments, except as permitted under Condition 4.4.
- (b) Subordinated Instruments constitute direct and unsecured subordinated obligations of the Issuer and will rank for payment in a Winding-Up as set out in Condition 4.4.
- (c) Subordinated Instruments will not constitute protected accounts or deposit liabilities of the Issuer in Australia for the purposes of the Banking Act.

Solvency Condition

4.3 Prior to a Winding-Up:

- (a) the obligation of the Issuer to make any payment of principal or interest in respect of Subordinated Instruments shall be conditional upon the Issuer being Solvent at the time the payment or other amount owing falls due; and
- (b) no payment of principal or interest shall be made in respect of Subordinated Instruments except to the extent that the Issuer may make such payment and still be Solvent immediately thereafter.

A certificate as to whether the Issuer is Solvent signed by two authorised signatories of the Issuer or, if the Issuer is in Winding-Up, the Liquidator, shall, in the absence of fraud or manifest or proven error, be conclusive evidence of the information contained in that certificate. In the absence of such a certificate, a Holder shall be entitled to assume (unless the contrary is proved) that the Issuer is, and will after any payment as aforesaid, be Solvent.

For the avoidance of doubt, and provided that Subordinated Instruments have not been Converted or Written-off:

- (i) interest will continue to accrue on any principal not paid as a consequence of

this Condition 4.3 at the Interest Rate; and

- (ii) any interest not paid to a Holder as a consequence of this Condition 4.3 remains due and payable and accumulates with compounding.

Any amount not paid as a consequence of this Condition 4.3: (x) remains a debt owing to the Holder by the Issuer until it is paid and shall be payable on the first date on which paragraphs (a) and (b) of this Condition 4.3 would allow payment of that amount (whether or not such date is otherwise an Interest Payment Date or other date on which such amount falls due); and (y) shall not constitute an Event of Default.

Winding-Up

4.4 In a Winding-Up:

- (a) Holders shall have no right or claim against the Issuer in respect of the principal of or interest on Subordinated Instruments, to the extent any such Subordinated Instruments have been Converted or Written-Off; and
- (b) the rights and claims of Holders against the Issuer to recover any principal or interest in respect of Subordinated Instruments that have not been Converted or Written-off:
 - (i) shall be subordinate to, and rank junior in right of payment to, the obligations of the Issuer to Senior Creditors and all such obligations to Senior Creditors shall be entitled to be paid in full before any payment shall be paid on account of any sums payable in respect of such Subordinated Instruments;
 - (ii) shall rank equally with the obligations of the Issuer to the holders of other Subordinated Instruments 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
 - (iii) shall rank prior to, and senior in right of payment to, the obligations of the Issuer to holders of Ordinary Shares, and other Junior Ranking Capital Instruments.

Unless and until Senior Creditors have been paid in full, Holders will not be entitled to claim in the Winding-Up in competition with Senior Creditors so as to diminish any payment which, but for that claim, Senior Creditors would have been entitled to receive.

In a Winding-Up, Holders shall only be entitled to prove for any sums payable in respect of their Subordinated Instruments as a liability which is subject to prior payment in full of Senior Creditors. Holders of Subordinated Instruments waive in respect of any Subordinated Instrument or Coupon, to the fullest extent permitted by law, any right to prove in a Winding-Up as a creditor ranking for payment in any other manner.

However, it is unlikely a Winding-Up will occur without a Non-Viability Trigger Event having occurred first and the Subordinated Instruments being Converted or Written-off. In that event:

- *if the Subordinated Instruments have Converted into Ordinary Shares, Holders will rank equally with existing holders of Ordinary Shares; and*
- *if the Subordinated Instruments are Written-off, all rights in relation to the Subordinated Instruments will be terminated, and Holders will not have their Outstanding Principal Amount repaid or receive any outstanding interest or accrued interest, or have the right to have the Subordinated Instruments Converted into Ordinary Shares. In such an event, a Holder's investment in the Subordinated Instruments will lose all of its value and such Holder will not receive any compensation.*

No Set-Off

- 4.5 Neither the Issuer nor any Holder is entitled to set-off any amounts due in respect of Subordinated Instruments held by the Holder against any amount of any nature owed by the Issuer to the Holder or by the Holder to the Issuer.

Clawback

- 4.6 Each Holder by its purchase or holding of a Subordinated Instrument is taken to have irrevocably acknowledged and agreed that it shall pay or deliver to the Liquidator any payment or asset, whether voluntary or in any other circumstances, received by the Holder from or on account of the Issuer (including by way of credit, set-off or otherwise howsoever) or from any Liquidator (or any provisional or other liquidator, receiver, manager or statutory manager of the Issuer) in breach of either Condition 4.2 or Condition 11.

Other provisions

- 4.7 Each Holder by its purchase or holding of a Subordinated Instrument is taken to have irrevocably acknowledged and agreed:
- that Condition 4.2 constitutes a debt subordination for the purposes of section 563C of the Corporations Act 2001;
 - without limiting its rights existing otherwise than as a Holder of a Subordinated Instrument, that it must not exercise its voting rights as an unsecured creditor in the Winding-Up of the Issuer to defeat, negate or in any way challenge the enforceability of the subordination in Condition 4.2; and
 - that the debt subordination effected by Condition 4.2 is not affected by any act or omission of the Issuer or a Senior Creditor which might otherwise affect it at law or in equity.

No consent of any Senior Creditor shall be required for any amendment of Condition 4.2 in relation to any Outstanding Subordinated Instruments.

Amendments affecting regulatory treatment

- 4.8 No amendment to the Terms and Conditions of a Subordinated Instrument 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 Instrument as Tier 2 Capital as described in the Prudential Standards.

5. Non-viability, Conversion and Write-off

Non-Viability Trigger Event

5.1

- (a) If a Non-Viability Trigger Event occurs, the Issuer must:
- (i) subject to the limitations described in Condition 5.3, Convert; or
 - (ii) if the applicable Pricing 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 Instruments 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 Instruments (or a percentage of the Outstanding Principal Amount of each Subordinated Instrument), such that the aggregate Outstanding Principal Amount of all Subordinated Instruments 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 Instruments (or a percentage of the Outstanding Principal Amount of each Subordinated Instrument), as is necessary to satisfy APRA that the Issuer will no longer be non-viable).

- (b) In determining the Subordinated Instruments or percentage of the Outstanding Principal Amount of each Subordinated Instrument 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 Instruments; 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 Instruments) and convert, write-off or write-down (in the case of any other 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 Outstanding Principal Amount of each Subordinated Instrument and outstanding principal amount of all other Relevant Tier 2 Securities (subject to such adjustments as the Issuer may determine to take into account the effect on marketable parcels, the need to round to whole numbers of Ordinary Shares and the authorised

denominations of any Relevant Tier 2 Securities remaining on issue, and the need to effect the conversion immediately), and, for the purposes of this Condition 5.1(b)(ii), where the Specified Currency of the outstanding principal amount of the Relevant Tier 2 Securities is not Australian dollars, the Issuer may for purposes of determining the outstanding principal amount to be converted, written-off or written-down, convert the outstanding principal amount to Australian dollars at such rate of exchange as the Issuer in good faith considers reasonable,

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

- (c) If a Non-Viability Trigger Event occurs:
- (i) the Subordinated Instruments or the percentage of the Outstanding Principal Amount of each Subordinated Instrument 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 and 6. The Conversion or Write-off will be irrevocable;
 - (ii) the Issuer must give notice to Holders in accordance with Condition 16 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 in accordance with Condition 16;
 - (iii) the notice must specify (A) the date on which Conversion or Write-off occurred (the “**Non-Viability Trigger Event Date**”) and the Subordinated Instruments or percentage of the Outstanding Principal Amount of each Subordinated Instrument which was Converted or, if Condition 5.3 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 Instruments 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.

Automatic Conversion or Write-off upon the occurrence of a Non-Viability Trigger Event

5.2 If a Non-Viability Trigger Event has occurred and all or some Subordinated Instruments are (or a percentage of the Outstanding Principal Amount of each Subordinated Instrument is) required to be Converted or Written-off in accordance with Condition 5.1, then:

- (a) Conversion or Write-off of such Subordinated Instruments or percentage of the Outstanding Principal Amount of each Subordinated Instrument will occur in

accordance with Condition 5.1 and, if applicable Condition 5.3, immediately upon the Non-Viability Trigger Event Date;

- (b) in the case of Conversion and subject to Condition 6.10, a Holder of a Subordinated Instrument that has been Converted in whole or in part in accordance with Condition 5.1 will be entitled to (i) the Conversion Number of Ordinary Shares in respect of such Subordinated Instruments or percentage of the Outstanding Principal Amount of each Subordinated Instrument held by such Holder so Converted in accordance with Condition 6.1, and (ii) unless the Subordinated Instruments shall have been Converted or Written-off in full, to Subordinated Instruments with an Outstanding Principal Amount equal to the aggregate of the remaining percentage of the Outstanding Principal Amount of each Subordinated Instrument held by such Holder, and the Issuer will recognise the Holder as having been issued the Conversion Number of Ordinary Shares in respect of such portion of Converted Subordinated Instruments 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 of Subordinated Instruments has no further right or claim under these Terms and Conditions in respect of such Subordinated Instruments or percentage of the Outstanding Principal Amount of each Subordinated Instrument so Converted or Written-off (including to payments of interest and accrued interest and the repayment of the Outstanding Principal Amount), except the Holder's entitlement, if any, to Subordinated Instruments which have not been required to be Converted or Written-off or Subordinated Instruments representing the Outstanding Principal Amount of such Subordinated Instruments which have not been required to be Converted or Written-off and, in the case of Conversion, subject to Condition 6.10, to the Conversion Number of Ordinary Shares issuable in accordance with Condition 6.

No further rights

5.3 If:

- (a) for any reason, Conversion of a Subordinated Instrument (or a percentage of the Outstanding Principal Amount of each Subordinated Instrument) required to be Converted under Condition 5.1 does not occur within 5 ASX Business Days after the Non-Viability Trigger Event Date; or
- (b) the applicable Pricing Supplement specifies that the primary method of loss absorption will be Write-off without Conversion in accordance with Condition 5.3,

then:

- (c) the relevant Holders' rights and claims under these Terms and Conditions in relation to such Subordinated Instruments or the percentage of the Outstanding Principal Amount of such Subordinated Instruments to be Converted or Written-off (including to payments of interest and 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 Instruments or percentage of the Outstanding Principal Amount of each Subordinated Instrument), 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 such Subordinated Instruments shall be reduced on the Non-Viability Trigger Event Date by the Outstanding Principal Amount of the Subordinated Instruments to be Converted or Written-off, as determined in accordance with Conditions 5.1(a) and (b) and any accrued and unpaid interest shall be correspondingly reduced.

Consent to receive Ordinary Shares and other acknowledgements

5.4 Subject to any Write-off required in accordance with Condition 5.3, each Holder by its purchase or holding of a Subordinated Instrument shall be taken to have irrevocably agreed that:

- (a) upon Conversion in accordance with Condition 5 and Condition 6, it consents to becoming a member of the Issuer and agrees to be bound by the constitution of the Issuer;
- (b) unless (x) it has given notice in accordance with Condition 6.10 that it does not wish to receive Ordinary Shares as a result of Conversion, or (y) it is an Ineligible Holder, or (z) it has not satisfied the requirements of Condition 6.10 to receive Ordinary Shares, it is obliged to accept Ordinary Shares of the Issuer on Conversion notwithstanding anything that might otherwise affect a Conversion of Subordinated Instruments, including:
 - (i) any change in the financial position of the Issuer since the issue of the Subordinated Instruments;
 - (ii) any disruption to the market or potential market for Ordinary Shares or capital markets generally; or
 - (iii) any breach by the Issuer of any obligation in connection with the Subordinated Instruments;
- (c)
 - (i) Conversion is not subject to any conditions other than those expressly provided for in Condition 5 and Condition 6;
 - (ii) Conversion must occur immediately on the Non-Viability Trigger Event Date and that may result in disruption or failures in trading or dealings in the Subordinated Instruments;
 - (iii) it will not have any rights to vote in respect of any Conversion (whether as a Holder of a Subordinated Instrument or as a prospective holder of an Ordinary Share); and

- (iv) notwithstanding Condition 6.9, Ordinary Shares issued on Conversion may not be quoted at the time of Conversion or at all;
- (d) where Condition 5.3 applies, no other conditions or events will affect the operation of that Condition and it will not have any rights to vote in respect of any Write-off under that Condition; and
- (e) it has no remedies on account of the failure of the Issuer to issue Ordinary Shares in accordance with Condition 6 other than, subject to Condition 5.3, to seek specific performance of the Issuer's obligation to issue Ordinary Shares.

Issue of ordinary shares of successor holding company

- 5.5 Where there is a replacement of the Issuer as the ultimate holding company of the Westpac Group and the successor holding company is an Approved Successor, the Terms and Conditions may be amended in accordance with Condition 6.14.

No Conversion at the option of the Holders

- 5.6 Holders do not have a right to request Conversion of their Subordinated Instruments at any time.

No rights before Conversion

- 5.7 Before Conversion, a Subordinated Instrument confers no rights on a Holder:
- (a) to vote at, or receive notices of, any meeting of shareholders or members of the Issuer;
 - (b) to subscribe for new securities or to participate in any bonus issues of securities of the Issuer; or
 - (c) to otherwise participate in the profits or property of the Issuer,
- except as expressly set out in these Terms and Conditions or in an applicable Pricing Supplement.

6. Procedures for Conversion

Conversion

- 6.1 On the Non-Viability Trigger Event Date, subject to Condition 5.3 and Condition 6.10, the following provisions will apply.
- (a) The Issuer will allot and issue the Conversion Number of Ordinary Shares for each Subordinated Instrument to each Holder. The Conversion Number is, subject always to the Conversion Number being no greater than the Maximum Conversion Number, either (x) the number specified in, or determined in accordance with the relevant provisions in, the Pricing Supplement or, (y) if no Conversion Number and no such

provisions are specified in the Pricing Supplement, calculated according to the following formula:

$$\text{Conversion Number for each Subordinated Instrument} = \frac{\text{Outstanding Principal Amount of the Subordinated Instrument (translated into Australian dollars in accordance with paragraph (b) of the definition of Outstanding Principal Amount where the calculation date shall be the Non-Viability Trigger Event Date)}}{P \times \text{VWAP}}$$

where:

Outstanding Principal Amount has the meaning given to it in Condition 1.1, as adjusted in accordance with Condition 6.13.

P means the number specified in the Pricing Supplement.

VWAP means the VWAP during the VWAP Period.

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

$$\text{Maximum Conversion Number} = \frac{\text{Outstanding Principal Amount of the Subordinated Instrument (translated into Australian dollars in accordance with paragraph (b) of the definition of Outstanding Principal Amount where the calculation date shall be the ASX Business Day prior to the Issue Date)}}{0.20 \times \text{Issue Date VWAP}}$$

where:

Outstanding Principal Amount has the meaning given to it in Condition 1.1, as adjusted in accordance with Condition 6.13.

If any Subordinated Instruments are Converted following a Non-Viability Trigger Event, it is likely that the Maximum Conversion Number will apply and limit the number of Ordinary Shares to be issued. In this case, the value of the Ordinary Shares received is likely to be significantly less than the Outstanding Principal Amount of those Subordinated Instruments. Where the Specified Currency is other than the Australian dollar, the Australian dollar may depreciate in value against the Specified Currency by the time of Conversion. In that case, the Maximum Conversion Number is more

likely to apply.

- (b) Subject to Condition 6.10, each Holder's rights in relation to each Subordinated Instrument 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 of such Subordinated Instruments to be Converted as determined in accordance with Condition 5.1, and the Issuer will apply such Outstanding Principal Amount of each such Subordinated Instrument 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 Terms and 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 Instruments includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will not be issued or delivered on Conversion.
- (d) Subject to Condition 6.10, where Subordinated Instruments are to be Converted, the Issuer will allot and issue the Ordinary Shares to the Holder on the basis of the Holder's name and address provided to the Issuer for entry into any register of title and receipt of any certificate or holding statement in respect of any Ordinary Shares issued on Conversion unless:
 - (i) a Holder has notified the Issuer of a different name and address; and
 - (ii) a Holder has provided such other information as is reasonably requested by the Issuer (including, without limitation, details of the Holder's account to which the Ordinary Shares issued on Conversion are to be credited),

which notice may be given at any time on or after the Issue Date and no less than 15 Business Days prior to the Non-Viability Trigger Event Date.

Adjustments to VWAP generally

6.2 For the purposes of calculating VWAP under Condition 6.1:

- (a) where, on some or all of the ASX 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 Subordinated Instruments 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 ASX 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 Legislation;
 - (ii) in the case of any entitlement that is not a dividend or other distribution for which adjustment is made under Condition 6.2(a)(i) which is traded on ASX on any of those ASX Business Days, the volume weighted average price of all such entitlements sold on ASX during the VWAP Period on the ASX 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
 - (iii) in the case of other entitlements for which adjustment is not made under Conditions 6.2(a)(i) or (ii), the value of the entitlement as reasonably determined by the Issuer; and
- (b) where, on some or all of the ASX Business Days in the VWAP Period, Ordinary Shares have been quoted as ex dividend or ex any other distribution or entitlement, and Subordinated Instruments will be Converted into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the ASX 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.

Adjustments to VWAP for capital reconstruction

6.3

- (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.

- (b) Any adjustment made by the Issuer in accordance with Condition 6.3(a) will be effective and binding on Holders under these Terms and Conditions and these Terms and Conditions will be construed accordingly.

Adjustments to Issue Date VWAP generally

6.4 For the purposes of determining the Issue Date VWAP under Condition 6.1, adjustments will be made in accordance with Conditions 6.2 and 6.3 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 the Issuer in accordance with Conditions 6.5, 6.6 and 6.7; and
- (b) if so made, will be effective and binding on Holders under these Terms and Conditions and these Terms and Conditions will be construed accordingly.

Adjustments to Issue Date VWAP for bonus issues

6.5

- (a) Subject to Conditions 6.5(b) and 6.5(c), if the Issuer 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 another 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_o 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) Condition 6.5(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 Condition 6.5, an issue will be regarded as a bonus issue notwithstanding that the Issuer does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing the Issuer is not in contravention of the ASX Listing Rules.

Adjustments to Issue Date VWAP for capital reconstruction

- 6.6 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 another 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 ASX 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.

No adjustment to Issue Date VWAP in certain circumstances

- 6.7 Notwithstanding the provisions of Condition 6.5, no adjustment will be made to the Issue Date VWAP where any such adjustment (expressed in Australian dollars and cents and rounded to the nearest whole cent with A\$0.005 being rounded upwards) would be less than one per cent of the Issue Date VWAP then in effect.

Announcement of adjustments to Issue Date VWAP

- 6.8 The Issuer will notify any adjustment to the Issue Date VWAP under this Condition 6 to ASX and to the Holders in accordance with Condition 16 within 10 ASX Business Days of the Issuer determining the adjustment and the adjustment will be final and binding.

Status and listing of Ordinary Shares

- 6.9
- (a) Ordinary Shares issued or arising from Conversion will rank equally with, and will have the same rights as, 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).
 - (b) The Issuer will use all reasonable endeavours to list the Ordinary Shares issued on Conversion of Subordinated Instruments on ASX.

Conversion: Clearing Systems; where the Holder does not wish to receive Ordinary Shares or

is an Ineligible Holder

6.10

(a) If Subordinated Instruments 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 Instrument being Converted shall be immediately and irrevocably terminated and the Issuer will issue the relevant aggregate Conversion Number of Ordinary Shares due to such Holder in uncertificated form through the Issuer's share registry provider to one or more Sale and Transfer Agents for no additional consideration to hold on trust for the transfer or for sale for the benefit of the participants in, or members of, the relevant Clearing System or Clearing Systems who held the corresponding Subordinated Instruments 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.

(b) Where Ordinary Shares are issued to one or more Sale and Transfer Agents in accordance with Condition 6.10(a), a Clearing System Participant may, no later than the date specified in the Pricing Supplement ("**Clearing System Cut-off Date**"), provide to the Issuer, or, if appointed, the relevant Sale and Transfer Agent:

- (i) its name and address for entry into any register of title and receipt of any certificate or holding statement in respect of any Ordinary Shares issued on Conversion;
- (ii) details of the Holder's account to which the Ordinary Shares issued on Conversion are to be credited; and
- (iii) such other information as is reasonably requested by the Issuer,

and, if it does so, the Clearing System Participant must make arrangements to transfer the relevant Subordinated Instruments held by it through the relevant Clearing System or Clearing Systems immediately prior to Conversion to the Issuer (or the Issuer's nominee) in accordance with accepted market practice, and the rules and regulations of the relevant Clearing System or Clearing Systems or in such other manner that is, in the opinion of the Issuer, fair and reasonable. The Issuer and the relevant Sale and Transfer Agent will, as soon as possible thereafter and without delay on the part of the Issuer or the relevant Sale and Transfer Agent, take any appropriate procedural steps to record the transfer of the relevant Ordinary Shares to the Clearing System Participant, including updating the Ordinary Share register.

(c) If a Clearing System Participant:

- (i) fails to provide the information required by Condition 6.10(b) by the Clearing

System Cut-off Date;

- (ii) notifies the Issuer that it does not wish to receive Ordinary Shares on or prior to the Clearing System Cut-off Date; or
- (iii) would be an Ineligible Holder,

then, with effect from the Clearing System Cut-off Date, the Clearing System Participant will cease to be entitled to receive Ordinary Shares in relation to each corresponding Subordinated Instrument which was Converted and at the first opportunity to sell the Ordinary Shares after the Non-Viability Trigger Event Date, the Sale and Transfer Agent will arrange for their sale and pay the net proceeds received after deducting any applicable brokerage, stamp duty and other similar taxes (including, without limitation, FATCA Withholding) and charges to the Clearing System Participant.

- (d) If Subordinated Instruments are required to be Converted and:
 - (i) the Holder has notified the Issuer that it does not wish to receive Ordinary Shares as a result of the Conversion (whether entirely or to the extent specified in the notice), which notice may be given at any time on or after the Issue Date and no less than 15 Business Days prior to the Non-Viability Trigger Event Date;
 - (ii) the Holder is an Ineligible Holder;
 - (iii) for any reason (whether or not due to the fault of the Holder), the Issuer has not received the information required by Condition 6.1(e) prior to the Non-Viability Trigger Event Date and the lack of such information would prevent the Issuer from issuing the Ordinary Shares to the Holder on the Non-Viability Trigger Event Date; or
 - (iv) FATCA Withholding is required to be made in respect of the Ordinary Shares issued upon Conversion,

then, on the Non-Viability Trigger Event Date, the Holder's rights (including to payments of interest and accrued interest, and the repayment of the Outstanding Principal Amount) in relation to each such Subordinated Instrument being Converted are immediately and irrevocably terminated and the Issuer will issue the relevant aggregate Conversion Number of Ordinary Shares due to such Holder to one or more Sale and Transfer Agents 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, each Sale and Transfer Agent will arrange for their sale and pay the proceeds less any brokerage fees, stamp duty and other taxes (including, without limitation, FATCA Withholding) and charges to the relevant Holder, in each case arising in connection with the issuance or sale of such Ordinary Shares, and each Sale and Transfer Agent shall use the proceeds from such sale to pay any such fees, duties, taxes, charges and any FATCA Withholding arising in connection with such issuance or sale.

- (e) If Conversion under this Condition 6.10 does not occur within 5 ASX Business Days, then the Holder's rights will be immediately and irrevocably written-off and terminated in accordance with Condition 5.3.
- (f) The provisions of this Condition 6.10 will not impede the immediate Conversion or Write-off of the relevant Subordinated Instruments or percentage of the Outstanding Principal Amount of each Subordinated Instrument (as the case may be).

Conversion or Write-off if amounts not paid

- 6.11 For the avoidance of doubt, Conversion or Write-off may occur even if an amount is not paid to a Holder of Subordinated Instruments as a consequence of Condition 4.3.

Conversion or Write-off after Winding Up commences

- 6.12 If an order is made by a court, or an effective resolution is passed, for a Winding-Up, and a Non-Viability Trigger Event occurs, then Conversion or Write-off shall occur (subject to Condition 5.3) in accordance with Conditions 5.1 and 5.2.

Conversion or Write-off of a percentage of Outstanding Principal Amount

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

Amendment of Terms and Conditions relating to Conversion for Approved Successor

6.14

- (a) If:
 - (i) it is proposed that the Issuer 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 the Issuer's obligations in respect of the Subordinated Instruments by entering into a deed of covenant for the benefit of Holders under which it agrees (among other things):
 - (a) to deliver fully paid ordinary shares in the capital of the Approved Successor ("**Approved Successor Shares**") under all circumstances when the Issuer would have otherwise been obliged to deliver Ordinary Shares on a Conversion, subject to the same terms and conditions as set out in these Terms and Conditions as amended by this Condition 6.14; and

- (b) 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 and Conditions on the stock exchanges on which the other Approved Successor Shares are quoted at the time of a Conversion,

the Issuer 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 in accordance with Condition 16 (which, if given, must be given as soon as practicable before the Replacement and in any event no later than 10 ASX Business Days before the Replacement occurs).

- (b) An Approved Replacement Notice must specify the amendments to these Terms and Conditions in respect of the Subordinated Instruments which will be made in accordance with this Condition 6.14, being those amendments which in Westpac's reasonable opinion are necessary, expedient or appropriate to effect the substitution of the Approved Successor as the debtor in respect of Subordinated Instruments and the issuer of ordinary shares on Conversion (including such amendments as are necessary, expedient or appropriate for the purposes of complying with the provisions of Chapter 2L of the Corporations Act 2001 where the Approved Successor is not an authorised deposit-taking institution under the Banking Act) or which are necessary, expedient or convenient in relation to taxes where the Approved Successor is incorporated outside Australia.
- (c) An Approved Replacement Notice, once given, is irrevocable.
- (d) If the Issuer gives an Approved Replacement Notice to Holders in accordance with Condition 6.14(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, the Issuer in respect of the Subordinated Instruments with the same effect as if the Approved Successor had been the original Issuer of the Subordinated Instruments;
 - (ii) the Issuer (or any corporation which has previously assumed the obligations of the Issuer) will be released from its liability under these Terms and Conditions in respect of the Subordinated Instruments; and
 - (iii) references to the Issuer in these Terms and Conditions (and in any Pricing Supplement) will be taken to be references to the Approved Successor and references to Ordinary Shares in these Terms and Conditions (and in any Pricing Supplement) will be taken to be references to Approved Successor Shares.
- (e) If the Issuer gives an Approved Replacement Notice in accordance with Condition 6.14(a), then each Holder by its purchase and holding of a Subordinated Instrument

shall be taken to have irrevocably consented to becoming a member of the Approved Successor in respect of Approved Successor Shares issued on Conversion and to have agreed to be bound by the constitution or other organisational documents of the Approved Successor.

- (f) The Issuer must not issue an Approved Replacement Notice unless:
- (i) APRA is satisfied that the capital position of the Issuer on a “Level 1 basis” and “Level 2 basis” in accordance with the Prudential Standards will not be adversely affected by the Replacement; or
 - (ii) the Approved Successor or another entity which is not a Related Entity of the Issuer (other than an entity which is a direct or indirect parent entity of the Issuer) and is 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 the Issuer on a “Level 1 basis” and “Level 2 basis” in accordance with the Prudential Standards will not be adversely affected by the Replacement, including, if required by APRA or the Prudential Standards, undertaking any capital injection in relation to the Issuer to replace the Subordinated Instruments.

Any capital injection carried out pursuant to Condition 6.14(f)(ii) must:

- (a) be unconditional;
- (b) occur simultaneously with the substitution of the Approved Successor; and
- (c) be of equal or better quality capital and at least the same amount as the Subordinated Instruments, unless otherwise approved by APRA in writing.

Nothing in this Condition 6.14 prevents the Issuer from proposing, or limits, any scheme of arrangement or other similar proposal that may be put to Holders of Subordinated Instruments or shareholders or members of the Issuer.

Power of attorney

- 6.15 By holding a Subordinated Instrument each Holder irrevocably appoints each of the Issuer, its directors or authorised signatories and any Liquidator or administrator of the Issuer (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 to give effect to, or for the Holder to observe or perform the Holder’s obligations under, Conditions 5 and 6.

The power of attorney given in this Condition 6.15 is given for valuable consideration and to secure the performance by the Holder of the Holder’s obligations under Conditions 5 and 6 and is irrevocable.

Cancellation

- 6.16 All Subordinated Instruments so Converted (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of Conversion) will forthwith be cancelled and may not be re-issued or resold.

7. Interest

Interest

- 7.1 Subordinated Instruments are interest-bearing. Words and expressions appearing in this Condition 7 and not otherwise defined herein or in the Pricing Supplement shall have the meanings given to them in Condition 1.1.

Fixed Rate Subordinated Instrument Provisions

- 7.2 *This Condition 7.2 applies to Fixed Rate Subordinated Instruments only. The applicable Pricing Supplement contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 7.2 for full information on the manner in which interest is calculated on Fixed Rate Subordinated Instruments. In particular, the applicable Pricing Supplement will specify the Interest Commencement Date, the Interest Rate, the Interest Payment Date(s), the Interest Period End Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Business Day Convention and the Day Count Fraction.*

- (a) Application: This Condition 7.2 is applicable to the Subordinated Instruments only if the Fixed Rate Subordinated Instrument Provisions are specified in the Pricing Supplement as being applicable.
- (b) Accrual of interest: The Subordinated Instruments bear interest from the Interest Commencement Date at the Interest Rate and such interest is payable in arrear on each Interest Payment Date, as provided in Condition 9, subject to Condition 6. Each Subordinated Instrument which remains Outstanding will cease to bear interest from the due date for final redemption unless, upon due presentation, payment in full of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Subordinated Instrument up to that day are received by or on behalf of the relevant Holder and (ii) the day which is seven days after the Fiscal Agent has notified the Holders that it has received all sums due in respect of the Subordinated Instruments up to such seventh day (except to the extent that there is any subsequent default in payment). Subordinated Instruments which remain Outstanding will not cease to bear interest on the due date for redemption if payment is not made on that date because of Condition 4.3.
- (c) Fixed Coupon Amount: Except where the Outstanding Principal Amount has been adjusted in accordance with paragraph (c) of the definition of Outstanding Principal Amount, the amount of interest payable in respect of each Subordinated Instrument for any Interest Period shall be the relevant Fixed Coupon Amount (or, in respect of

the Interest Period beginning on the Interest Commencement Date or the Interest Period ending on the Maturity Date, the Broken Amount, if so specified in the Pricing Supplement).

- (d) Calculation of Interest Amount: The amount of interest payable in respect of each Subordinated Instrument for any Interest Accrual Period for which (x) a Fixed Coupon Amount is not specified or (y) a Fixed Coupon Amount and/or Broken Amount is specified but the Outstanding Principal Amount of each Subordinated Instrument has been adjusted in accordance with paragraph (c) of the definition of Outstanding Principal Amount, shall be calculated by applying the Interest Rate to the Calculation Amount of such Subordinated Instrument and multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

Floating Rate Subordinated Instrument Provisions

7.3 *This Condition 7.3 applies to Floating Rate Subordinated Instruments only. The applicable Pricing Supplement contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 7.3 for full information on the manner in which interest is calculated on Floating Rate Subordinated Instruments. In particular, the applicable Pricing Supplement will identify Interest Payment Date(s), the Interest Period End Date(s), the Maturity Date, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centre(s), whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Pricing Supplement will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Pricing Supplement will also specify the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.*

- (a) Application: This Condition 7.3 is applicable to the Subordinated Instruments only if the Floating Rate Subordinated Instrument Provisions are specified in the Pricing Supplement as being applicable.
- (b) Accrual of interest: The Subordinated Instruments bear interest from the Interest Commencement Date at the Interest Rate and such interest is payable in arrear on each Interest Payment Date, as provided in Condition 9, subject to Condition 6. Each Subordinated Instrument which remains Outstanding will cease to bear interest from the due date for final redemption unless, upon due presentation, payment in full of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Subordinated Instrument up to that day are received by or on behalf of the relevant Holder and (ii) the day which is seven days after the Fiscal Agent has notified the Holders that it has received all sums due in respect of the Subordinated Instruments

up to such seventh day (except to the extent that there is any subsequent default in payment). Subordinated Instruments which remain Outstanding will not cease to bear interest on the due date for redemption if payment is not made on that date because of Condition 4.3.

- (c) Screen Rate Determination: If Screen Rate Determination is specified in the Pricing Supplement as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Subordinated Instruments for each Interest Accrual Period will be the sum of the Margin and the rate determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iii) if, in the case of (a) above, such rate does not appear on that page or, in the case of (b) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (a) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (b) determine the arithmetic mean of such quotations; and
 - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (rounded, if necessary, to the nearest one-hundred-thousandth of a percentage point, 0.000005 per cent. being rounded up to 0.00001 per cent.) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Accrual Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Accrual Period and in an amount that is representative for a single transaction in that market at that time, and the Interest Rate for such Interest Accrual Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Accrual

Period, the Interest Rate applicable to the Subordinated Instruments during such Interest Accrual Period will be the sum of the Margin and the rate (or as the case may be the arithmetic mean of the rates) last determined in relation to the Subordinated Instruments in respect of the last preceding Interest Accrual Period.

- (d) ISDA Determination: If ISDA Determination is specified in the Pricing Supplement as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Subordinated Instruments for each Interest Accrual Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Accrual Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the Pricing Supplement;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the Pricing Supplement; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") for a currency, the first day of that Interest Accrual Period or (B) in any other case, as specified in the Pricing Supplement.
- (e) Calculation of Interest Amount: The Calculation Agent will, as soon as practicable after the time at which the Interest Rate is to be determined in relation to each Interest Accrual Period, calculate the Interest Amount payable in respect of each Subordinated Instrument for such Interest Accrual Period. The Interest Amount will be calculated by applying the Interest Rate for such Interest Accrual Period to the Calculation Amount of such Subordinated Instrument during such Interest Accrual Period and multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.
- (f) Calculation of other amounts: If the Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent (including, in respect of the Interest Period beginning on the Interest Commencement Date or the Interest Period ending on the Maturity Date, the Broken Amount, if so specified in the Pricing Supplement), the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The

relevant amount will be calculated by the Calculation Agent in the manner specified in the Pricing Supplement.

- (g) **Publication:** The Calculation Agent will cause each Interest Rate and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority and/or stock exchange (if any) by which the Subordinated Instruments are then listed and/or traded as soon as practicable after such determination but (in the case of each Interest Rate, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Holders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.
- (h) **Notifications etc.:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents and the Holders (subject as aforesaid) and no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Redemption and Purchase

No redemption prior to the Maturity Date or purchase of any Subordinated Instrument pursuant to this Condition 8 may be made without the prior written approval of APRA. As set out in greater detail below approval is at the discretion of APRA and may or may not be given.

Scheduled redemption

- 8.1 Unless previously redeemed, purchased and cancelled, Converted or Written-off and subject to Condition 4.3, the Subordinated Instruments will be redeemed at their Final Redemption Amount, together with interest accrued (if any) on the Maturity Date, as provided in Condition 9.

Purchase of Subordinated Instruments

- 8.2 The Issuer or any of its Related Entities may, subject to prior written approval having been obtained from APRA, at any time purchase Subordinated Instruments in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith and such Subordinated Instruments are not acquired by a controlled entity that is not a tax resident of Australia unless such Subordinated Instruments are acquired by it as part of a business carried on by it through a permanent establishment located within Australia. All unmatured Subordinated Instruments purchased in accordance with this Condition may be held, resold or cancelled at the discretion of the Issuer, subject to compliance with all legal and regulatory requirements. For the purposes of the meetings provisions set out in the Issue and Paying Agency Agreement, in determining whether the provisions relating to quorum are complied with, any Subordinated Instruments which are beneficially held by or on behalf of the Issuer

or any of its Related Entities will be disregarded.

Early redemption at the option of the Issuer

8.3

- (a) If this Condition 8.3 is specified in the Pricing Supplement as being applicable to the Subordinated Instruments of any Series, and:
- (i) subject to Condition 4.3 and 8.3(c), and satisfaction of any relevant conditions specified in the Pricing Supplement; and
 - (ii) unless previously redeemed, purchased and cancelled, Converted or Written-off,

then the Issuer having given notice in accordance with Condition 8.7 may redeem in whole (but not, unless and to the extent that the Pricing Supplement specifies otherwise, in part) the Subordinated Instruments on the Early Redemption Date (Call) at the relevant Early Redemption Amount (Call).

- (b) In this Condition 8:

“Early Redemption Amount (Call)” means, in respect of the Subordinated Instruments, their Outstanding Principal Amount or such other Early Redemption Amount (Call) as is specified in, or determined in accordance with, the Pricing Supplement, together with (unless otherwise specified in the Pricing Supplement) accrued and unpaid interest (if any) thereon to, but excluding, the Early Redemption Date (Call); and

“Early Redemption Date (Call)” means an Interest Payment Date(s) or such other date(s) specified in the Pricing Supplement.

- (c) The Issuer may give a notice under this Condition 8.3 only if:
- (i) the Early Redemption Date (Call) occurs on, or after, the fifth anniversary of the Issue Date;
 - (ii) the Issuer has received the prior written approval of APRA (approval is at the discretion of APRA and may or may not be given); and
 - (iii) before or concurrently with redemption, the Issuer:
 - (a) replaces the Subordinated Instruments with a capital instrument which is of the same or better quality (for the purposes of the Prudential Standards) than the Subordinated Instruments and the replacement of the Subordinated Instruments 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 Instruments.

Early redemption for adverse tax events

8.4

- (a) If this Condition 8.4 is specified in the Pricing Supplement as being applicable to the Subordinated Instruments of any Series and if, in respect of the Subordinated Instruments of any Series and subject to Conditions 4.3 and 8.4(c), the Issuer determines (supported by an opinion, as to such determination, from legal or tax advisers of recognised standing in Australia) that an Adverse Tax Event has occurred, then the Issuer having given notice in accordance with Condition 8.7 may redeem in whole (but not, unless and to the extent that the Pricing Supplement specifies otherwise, in part) of the Subordinated Instruments on the Early Redemption Date (Adverse Tax Event) at the Early Redemption Amount (Adverse Tax Event).
- (b) In this Condition 8:

“Administrative Action” means any judicial decision, official administrative pronouncement or action, published or private ruling, interpretative decision, regulatory procedure or policy, application or 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);

“Adverse Tax Event” means the Issuer determines that as a result of:

- (A) any amendment to, clarification of, or change in, the Tax Legislation which has been or will be effected; or
- (B) any Administrative Action under or in connection with the Tax Legislation or any amendment to, clarification of, or change in, any such Administrative Action,

being 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 announced) on or after the Issue Date (but which the Issuer did not expect at the Issue Date); and

- (i) there is a material risk that the Issuer would be exposed to a more than de minimis adverse tax consequence in relation to the Subordinated Instruments; or
- (ii) the Issuer determines that any interest payable on the Subordinated Instruments is not, or may not be, allowed as a deduction for the purposes of Australian income tax; or

- (iii) the Issuer has or will become obliged to pay Additional Amounts in accordance with Condition 10.1;

“Early Redemption Amount (Adverse Tax Event)” means, in respect of the Subordinated Instruments, their Outstanding Principal Amount or such other Early Redemption Amount (Adverse Tax Event) specified in, or determined in accordance with, the Pricing Supplement, together with (unless otherwise specified in the Pricing Supplement) accrued and unpaid interest (if any) thereon, to, but excluding, the Early Redemption Date (Adverse Tax Event); and

“Early Redemption Date (Adverse Tax Event)” means the next Interest Payment Date or such other date as is specified in the Pricing Supplement.

- (c) The Issuer may give a notice under Condition 8.4(a) only if:
 - (i) the Issuer has received the prior written approval of APRA (approval is at the discretion of APRA and may or may not be given); and
 - (ii) before or concurrently with redemption, the Issuer:
 - (a) replaces the Subordinated Instruments with a capital instrument which is of the same or better quality (for the purposes of the Prudential Standards) than Subordinated Instruments and the replacement of the Subordinated Instruments 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 Instruments.

Early redemption for regulatory events

8.5

- (a) If this Condition 8.5 is specified in the Pricing Supplement as being applicable to the Subordinated Instruments of any Series and if, in respect of the Subordinated Instruments of any Series and subject to Conditions 4.3 and 8.5(c), the Issuer determines (supported, in the case of an event described in paragraph (i) of the definition of “Regulatory Event” below, by an opinion as to such determination from advisers of recognised standing in Australia) that a Regulatory Event has occurred, then the Issuer having given notice in accordance with Condition 8.7 may redeem in whole (but not, unless and to the extent that the Pricing Supplement specifies otherwise, in part) of the Subordinated Instruments of such Series on the Early Redemption Date (Regulatory Event) at the Early Redemption Amount (Regulatory Event).
- (b) In this Condition 8:

“Early Redemption Amount (Regulatory Event)” means, in respect of the Subordinated Instruments, their Outstanding Principal Amount or such other Early Redemption Amount (Regulatory Event) as is specified in, or determined in accordance with, the Pricing Supplement), together with (unless otherwise specified in the Pricing Supplement) accrued and unpaid interest (if any) thereon to, but excluding, the Early Redemption Date (Regulatory Event);

“Early Redemption Date (Regulatory Event)” means the next Interest Payment Date or such other date as is specified in the Pricing Supplement; and

“Regulatory Event” means that either:

(i) as a result of any amendment to, clarification of or change (including any announcement of a change that will be introduced) in, any law or regulation of the Commonwealth of Australia or the Prudential Standards, or any official administrative pronouncement or action or judicial decision interpreting or applying such law, regulation or Prudential Standards, which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date; or

(ii) written confirmation is received from APRA after the Issue Date that,

the Issuer is not or will not be entitled to treat all of the Subordinated Instruments of a Series as Tier 2 Capital in whole, provided that, in each case, the Issuer did not expect at the Issue Date that the matter giving rise to the Regulatory Event would occur.

(c) The Issuer may give a notice under Condition 8.5(a) only if:

(i) the Issuer has received the prior written approval of APRA (approval is at the discretion of APRA and may or may not be given); and

(ii) before or concurrently with redemption, the Issuer:

(a) replaces the Subordinated Instruments with a capital instrument which is of the same or better quality (for the purposes of the Prudential Standards) than the Subordinated Instruments and the replacement of the Subordinated Instruments 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 Instruments.

Partial redemption

8.6 If the Subordinated Instruments are to be redeemed in part only on any date in accordance

with Condition 8.3:

- (a) in the case of Subordinated Instruments (other than a Temporary Global Instrument or a Permanent Global Instrument) the Subordinated Instruments to be redeemed shall be selected by the drawing of lots in such European city as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate; and
- (b) in the case of a Temporary Global Instrument or a Permanent Global Instrument, the Subordinated Instruments to be redeemed shall be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or the CMU Service and/or any other relevant clearing system.

subject always to compliance with applicable law and the rules of each listing authority and/or stock exchange on or by which the Subordinated Instruments are then listed and/or traded and the notice to Holders referred to in Condition 8.3 shall specify the serial numbers of the Subordinated Instruments so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the Pricing Supplement, then the Early Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

Notice of redemption

8.7 Any notice of redemption given by the Issuer under this Condition 8 must be given in accordance with Condition 16 not more than 45 or less than 15 days before the relevant redemption date, and shall specify:

- (a) the Series of Subordinated Instruments subject to redemption;
- (b) the Early Redemption Date (Call), Early Redemption Date (Adverse Tax Event) or Early Redemption Date (Regulatory Event), as the case may be;
- (c) the Early Redemption Amount (Call), Early Redemption Amount (Adverse Tax Event) or Early Redemption Amount (Regulatory Event), as the case may be, at which such Subordinated Instruments are to be redeemed;
- (d) whether or not accrued interest is to be paid upon redemption and, if so, the amount thereof or the basis or method of calculation thereof, all as provided in the Pricing Supplement; and
- (e) subject to the Pricing Supplement specifying that a partial redemption is permissible, whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Subordinated Instruments of the relevant Series which are to be redeemed. In the case of a partial redemption, the Subordinated Instruments to be redeemed will be selected in accordance with the provisions of Condition 8.6, and the notice will also specify the Subordinated Instruments selected for redemption.

The notice is irrevocable and subject to Condition 4.3, obliges the Issuer to redeem the Subordinated Instruments at the time and in the manner specified in the notice.

Cancellation

8.8 All Subordinated Instruments so redeemed, and all unmatured Coupons attached to or surrendered with them, shall be cancelled and may not be reissued or resold, and all Subordinated Instruments so purchased by the Issuer or any of its Related Entities and all unmatured Coupons attached to or surrendered with them may, at the option of the Issuer, be cancelled, held, reissued or resold.

9. Payments

9A. Payments — Subordinated Instruments

9A.1 This Condition 9A is applicable in relation to Subordinated Instruments in bearer form.

Principal

9A.2 Payments of principal due in respect of Subordinated Instruments shall be made in cash only against presentation and (provided that payment is made in full) surrender of the relevant Subordinated Instruments at the Specified Office of any Paying Agent outside the United States, by cheque drawn in the currency in which the payment is due on, or by transfer to an account outside the United States denominated in that currency or to which such currency may be transferred and maintained by the payee with, a bank in the Principal Financial Centre of that currency. Notwithstanding the above, in the case of any payment in Renminbi, payment shall be made by transfer to a Renminbi account maintained by or on behalf of the Holder with a bank in Hong Kong.

Interest

9A.3 Payment of amounts in respect of interest on Subordinated Instruments will be made:

- (a) in the case of a Temporary Global Instrument or Permanent Global Instrument, in cash against presentation of the relevant Temporary Global Instrument or Permanent Global Instrument at the Specified Office of any of the Paying Agents outside Australia and (unless Condition 9A.4 applies) the United States and, in the case of a Temporary Global Instrument, upon due certification as required therein, by cheque drawn in the currency in which the payment is due on, or by transfer to an account outside the United States denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency;
- (b) in the case of Definitive Subordinated Instruments without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Subordinated Instruments at the Specified Office of any of the Paying Agents outside Australia and (unless Condition 9A.4 applies) the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account outside the United States denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency; and

- (c) in the case of Definitive Subordinated Instruments delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Subordinated Instruments, in either case at the Specified Office of any of the Paying Agents outside Australia and (unless Condition 9A.4 applies) the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account outside the United States denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

Payments in New York City

- 9A.4 Payments of principal and interest on the Subordinated Instruments and exchanges of Talons for Coupon Sheets in accordance with Condition 9A.8 may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Subordinated Instruments in United States dollars, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of interest in United States dollars and (iii) payment is permitted by applicable United States law.

Payments on business days

- 9A.5 If the due date for payment of any amount in respect of any Subordinated Instrument or Coupon is not a Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. This Condition 9A.5 does not apply to the payment referred to in Condition 6.1(b).
- 9A.6 Each Definitive Subordinated Instrument initially delivered with Coupons or Talons attached thereto shall be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Coupons and Talons relating thereto, failing which:
- (a) if the Pricing Supplement specifies that this paragraph (a) of Condition 9A.6 is applicable (and, in the absence of specification this paragraph (a) shall apply to Definitive Subordinated Instruments which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph (c) below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the Specified Office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such Redemption Amount;

- (b) if the Pricing Supplement specifies that this paragraph (b) of Condition 9A.6 is applicable (and, in the absence of specification, this paragraph (b) shall apply to Subordinated Instruments which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (c) below, Talons) relating to such Definitive Subordinated Instruments (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and
- (c) in the case of Definitive Subordinated Instruments initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them.

The provisions of paragraph (a) of this Condition 9A.6 notwithstanding, if any Definitive Subordinated Instruments are issued with a maturity date and an Interest Rate or Rates such that, on the presentation for payment of any such Definitive Subordinated Instrument without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (a) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Subordinated Instrument, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof as shall be required so that, upon application of the provisions of paragraph (a) in respect of such Coupons as have not so become void, the amount required by paragraph (a) to be deducted would not be greater than the Redemption Amount otherwise due for payment). Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Subordinated Instrument to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

Exchange of Talons

9A.7 In relation to Definitive Subordinated Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon Sheet matures, the Talon comprised in the Coupon Sheet may be surrendered at the Specified Office of any Paying Agent outside (unless Condition 9A.4 applies) the United States in exchange for a further Coupon Sheet (including any appropriate further Talon), subject to the provisions of Condition 12 below. Each Talon shall, for the purpose of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon Sheet matures.

Payments other than in respect of matured Coupons

9A.8 Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Subordinated Instruments at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 9A.4).

Partial payments

9A.9 If a Paying Agent makes a partial payment in respect of any Subordinated Instrument or

Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

9B. Payments — General Provisions

Payments will, without prejudice to the provisions of Condition 10.1 (*Taxation*) (unless Condition 10.1 is specified in the Pricing Supplement as being not applicable), be subject in all cases to any applicable fiscal or other laws and any other directives, agreements and administrative practices and procedures of fiscal and other authorities in relation to tax, anti-money laundering and other requirements which may apply to the payment of amounts due (whether in respect of principal, Redemption Amount, Interest Amount or otherwise or upon or with respect to the issuance of any Ordinary Shares upon any Conversion in respect of the Subordinated Instruments (including, without limitation, any withholding or deduction arising under or in connection with FATCA)). No Commissions or expense shall be charged to the Holder(s) of the Subordinated Instruments or the Coupons in respect of such payments.

If any withholding or deduction arises under or in connection with FATCA, the Issuer will not be required to pay any Additional Amount under Condition 10.1, on account of such withholding or deduction and, accordingly, the Issuer shall be acquitted and discharged of so much money as is represented by any such withholding or deduction as if such sum had been actually paid to the Holder(s) of the Subordinated Instruments or the Coupons.

Except to the extent that the Issuer is required to pay any Additional Amount under Condition 10.1 (unless Condition 10.1 is specified in the Pricing Supplement as being not applicable) on account of a withholding or deduction, the Issuer will not be required to pay any Additional Amount to Holders on account of a withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature required by law. If any such withholding or deduction is required, then the Issuer shall pay the amounts payable net of, and after deducting the applicable amount of, such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted and, accordingly, the Issuer shall be acquitted and discharged of so much money as is represented by any such withholding or deduction as if such sum had been actually paid to the Holder(s) of the Subordinated Instruments or the Coupons.

9C. Payments – Inconvertibility, Non-transferability or Illiquidity

Notwithstanding any other provision in these Terms and Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity (each a “**Renminbi Disruption Event**”) as determined by the Issuer acting in good faith and in a commercially reasonable manner, the Issuer is not able, or it would be impracticable for it, to satisfy (in whole or in part) any payment due under the Subordinated Instruments or the Coupons in Renminbi in Hong Kong, the Issuer may, in its sole and absolute discretion:

- a) postpone payment of such amounts to two Business Days after the date on which the Renminbi Disruption Event ceases to exist or, if such payment would not be possible or it would be impracticable (as determined by the Issuer acting in good faith), as soon as reasonably practicable thereafter, unless the Renminbi Disruption Event continues to exist for 14 consecutive calendar days from the original date that, but for the occurrence of the Renminbi Disruption Event, would have been the date of such payments;

- b) (if the Renminbi Disruption Event continues to exist for 14 consecutive calendar days from the original date that, but for the occurrence of the Renminbi Disruption Event, would have been the date of such payments) on giving not less than five days' irrevocable notice to the Holders, settle any such payment (in whole or in part) in U.S. dollars on the date that is three Business Days after the expiration of the aforementioned 14 calendar day period at the U.S. Dollar Equivalent of any such Renminbi denominated amount or, if such payment would not be possible or it would be impracticable (as determined by the Issuer acting in good faith), as soon as reasonably practicable thereafter; and/or
- c) on giving not less than five and not more than 30 days' irrevocable notice to the Holders prior to the due date for the relevant payment, settle any such payment (in whole or in part) in U.S. dollars on the due date at the U.S. Dollar Equivalent of the relevant Renminbi denominated amount.

Upon the occurrence of a Renminbi Disruption Event, the Issuer shall give notice as soon as reasonably practicable to the Holders in accordance with Condition 16 (*Notices*) stating the occurrence of the Renminbi Disruption Event, giving details thereof and the action proposed to be taken in relation thereto.

Holders will not be entitled to further interest or other payment in respect of any such postponement of the payment of any such amounts.

Any such payment of the U.S. Dollar Equivalent of the relevant amounts due under the Subordinated Instruments, the Receipts or the Coupons shall be made in accordance with Condition 9A (*Payments – Subordinated Instruments*).

Any payment made under such circumstances in U.S. dollars will constitute valid payment and will not constitute a default in respect of the Subordinated Instruments.

In this Condition 9C:

“Governmental Authority” means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the PRC or Hong Kong (including the HKMA);

“Illiquidity” means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy (in whole or in part) its obligation to make any payment due under the Subordinated Instruments or the Coupons, as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers;

“Inconvertibility” means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Subordinated Instruments or the Coupons in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date on which agreement is reached to issue the first Tranche of Subordinated Instruments and it is

impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

“Non-transferability” means the occurrence of any event that makes it impossible for the Issuer to deliver Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong or from an account outside Hong Kong to an account inside Hong Kong (including where the Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date on which agreement is reached to issue the first Tranche of Subordinated Instruments and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“Rate Calculation Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange) in Hong Kong, Sydney, London, Beijing and New York City;

“Rate Calculation Date” means the day which is two Rate Calculation Business Days before the due date for any payment of the relevant amount under these Terms and Conditions;

“Renminbi” means the lawful currency of the PRC;

“Renminbi Dealer” means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong;

“U.S. Dollar Equivalent” means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Rate Calculation Date; and

“Spot Rate”, for a Rate Calculation Date, means the spot rate between Renminbi and U.S. dollars as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on such date in good faith and in a reasonable commercial manner; and if a spot rate is not readily available, the Calculation Agent may determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in Hong Kong or elsewhere and the PRC domestic foreign exchange market.

10. Taxation

Gross up

- 10.1 All payments of principal and interest in respect of the Subordinated Instruments and the Coupons or upon or with respect to the issuance of any Ordinary Shares upon any Conversion of Subordinated Instruments by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges

of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of Australia or any political subdivision or any authority thereof or therein having power to tax ("**Withholding Taxes**"), unless such withholding or deduction is required by law. In that event, unless Condition 10.1 is specified in the Pricing Supplement as being not applicable, the Issuer shall pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the Holders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such Additional Amounts shall be payable:

- (a) in respect of any Subordinated Instrument or Coupon presented for payment or held by, or by a third party on behalf of, a Holder, or any beneficial owner of any interest in, or rights in respect of, such Subordinated Instrument or Coupon held by a Holder, who is liable to Withholding Taxes in respect of such Subordinated Instrument or Coupon by reason of the Holder or beneficial owner having some connection (whether past or present) with Australia other than (a) the mere holding of such Subordinated Instrument or Coupon or (b) the receipt of principal, interest or other amount in respect of such Subordinated Instrument or Coupon; or
- (b) in respect of any Subordinated Instrument or Coupon presented for payment or held by, or by a third party on behalf of, a Holder, or any beneficial owner of any interest in, or rights in respect of, such Subordinated Instrument or Coupon held by a Holder, who could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future or by making a declaration of non-residence or other claim or filing for exemption; or
- (c) in respect of any Subordinated Instrument or Coupon presented for payment more than 30 days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such Additional Amounts if it had presented such Subordinated Instrument or Coupon on the last day of such period of 30 days; or
- (d) in respect of any Subordinated Instrument or Coupon on account of taxes which are payable by reason of the Holder of such Subordinated Instrument or Coupon or beneficial owner of any interest therein or rights in respect thereof being an associate of the Issuer for the purposes of Section 128F(9) of the Tax Legislation; or
- (e) on account of taxes which are payable by reason of the Holder of such Subordinated Instrument or Coupon or beneficial owner or any interest therein or rights in respect thereof being party to or participating in a scheme to avoid tax; or
- (f) to, or to a third party on behalf of, a Holder, or any beneficial owner of any interest in, or rights in respect of, such Subordinated Instruments, upon, with respect to, or by reason of, such person being issued Ordinary Shares; or
- (g) in respect of any Subordinated Instrument or Coupon presented for payment or held by, or by a third party on behalf of, a Holder who is a resident of Australia or a non-resident who is engaged in carrying on business in Australia at or through a permanent establishment of that non-resident in Australia (the expressions "resident of Australia", "non-resident" and "permanent establishment" having the meanings given to them by the Tax Legislation) if, and to the extent that, Section 126 of the Tax Legislation (or any equivalent provision) requires the Issuer to pay income tax in

respect of interest payable on such Subordinated Instrument or Coupon and the income tax would not be payable were the Holder not a “resident of Australia” or a “non-resident” so engaged in carrying on business; or

- (h) in respect of any Subordinated Instrument or Coupon on account of Australian interest withholding tax imposed as a result of a determination by the Commissioner of Taxation of the Commonwealth of Australia that such tax is payable under the Tax Legislation in circumstances where the Holder, or a third person on behalf of the Holder, is party to or participated in a scheme to avoid such tax which the Issuer was neither a party to nor participated in; or
- (i) in respect of any Subordinated Instrument or Coupon presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Subordinated Instrument or Coupon to another Paying Agent; or
- (j) for or on account of any withholding or deduction arising under or in connection with FATCA.

Taxing jurisdiction

- 10.2 If at any time the home jurisdiction for tax purposes of the Issuer is not Australia, references to Australia in Condition 8.4 and Condition 10.1 (unless Condition 10.1 is specified in the Pricing Supplement as being not applicable) shall be read and construed as including references to such other home jurisdiction for tax purposes of the Issuer.

11. Events of Default

- 11.1 The following events or circumstances as modified by, and/or such other events as may be specified in, the Pricing Supplement (each an “**Event of Default**”) shall be events giving rise to the limited remedies set out in Condition 11.2 below:

- (a)
 - (i) the Issuer fails to pay any Outstanding Principal Amount in respect of the Subordinated Instruments of the relevant Series or any of them due within seven days of the Maturity Date; or
 - (ii) the Issuer fails to pay any amount of interest in respect of the Subordinated Instruments of the relevant Series or any of them within 14 days of the due date for payment thereof,

unless, prior to the commencement of a Winding-Up, the failure to pay is as a consequence of the Solvency Condition not being satisfied; or

- (b) a Winding-Up.

- 11.2 (a) In the event of the occurrence of either of the Events of Default set out above at Condition 11.1(a), the Holder of any Subordinated Instruments of the relevant Series may bring proceedings:

- (i) to recover any amount then due and payable but unpaid on its Subordinated Instruments (subject to the Issuer being able to make the payment and remain Solvent);
 - (ii) to obtain an order for specific performance of any other obligation in respect of its Subordinated Instrument; or
 - (iii) for a Winding-Up.
- (b) In the event of the occurrence of the Event of Default set out above at Condition 11.1(b), the Subordinated Instruments of the relevant Series will, without further action, become immediately due and payable, unless they have been Converted or Written-off and the Holder of any Subordinated Instruments of the relevant Series may institute proceedings for a Winding-Up or, subject to Condition 4, prove or claim in any Winding-Up.

However, it is unlikely a Winding-Up will occur without a Non-Viability Trigger Event having occurred first and the Subordinated Instruments being Converted or Written-off. In that event:

- *if the Subordinated Instruments have Converted into Ordinary Shares, Holders will rank equally with existing holders of Ordinary Shares; and*
 - *if the Subordinated Instruments are Written-off, all rights in relation to the Subordinated Instruments will be terminated, and Holders will not have their Outstanding Principal Amount repaid or receive any outstanding interest or accrued interest, or have the right to have the Subordinated Instruments Converted into Ordinary Shares. In such an event, a Holder's investment in the Subordinated Instruments will lose all of its value and such Holder will not receive any compensation.*
- (c) In the event of the occurrence of any Event of Default set out above at Condition 11.1(a) or 11.1(b), no remedy against the Issuer (including, without limitation, any right to sue for a sum of damages which has the same economic effect as an acceleration of the Issuer's payment obligations) shall be available to the Holders of any Subordinated Instruments for the recovery of amounts owing in respect of the Subordinated Instruments or in respect of any breach by the Issuer of any obligation, condition or provision binding on it under the terms of the Subordinated Instruments other than as specified in this Condition 11.2. A Holder will have no right to accelerate payment or exercise any other remedies (including any right to sue for damages) as a consequence of any default other than as specifically described herein. In the event of a Winding-Up, the Subordinated Instruments will become immediately due and payable, unless they have been Converted or Written-off. This will be the only circumstance in which the payment of principal on the Subordinated Instruments may be accelerated.

- 11.3 If any Subordinated Instrument becomes due and payable pursuant to this Condition 11, it shall be paid at its early termination amount (the "**Early Termination Amount**") (which shall be its Outstanding Principal Amount or such other Early Termination Amount as may be specified in or determined in accordance with the Pricing Supplement) together with all

interest (if any) accrued but unpaid thereon.

12. Prescription

- 12.1 Claims against the Issuer for payment of principal and interest in respect of Subordinated Instruments will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date for payment thereof.
- 12.2 In relation to Definitive Subordinated Instruments initially delivered with Talons attached thereto, there shall not be included in any Coupon Sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 9A.7 or the due date for the payment of which would fall after the due date for the redemption of the relevant Subordinated Instrument or which would be void pursuant to this Condition 12 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Subordinated Instrument.

13. The Paying Agents and the Calculation Agent

- 13.1 The initial Paying Agents and their respective initial Specified Offices are specified below. The Calculation Agent in respect of any Subordinated Instruments shall be specified in the Pricing Supplement. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Calculation Agent and to appoint additional or other Paying Agents or another Calculation Agent provided that it will at all times maintain (i) a Fiscal Agent, (ii) a Paying Agent (which may be the Fiscal Agent) with a Specified Office in a continental European city, (iii) so long as the Subordinated Instruments are listed on or admitted to trading by a competent listing authority and/or stock exchange, a Paying Agent (which may be the Fiscal Agent) with a Specified Office in such place as may be required by such competent listing authority and/or stock exchange, (iv) in the circumstances described in Condition 9A.4, a Paying Agent with a Specified Office in New York City, (v) a Calculation Agent where required by these Terms and Conditions applicable to any Subordinated Instruments (in the case of (i), (ii) and (iii) with a Specified Office located in such place (if any) as may be required by these Terms and Conditions), (vi) so long as any Subordinated Instruments are represented by a Temporary Global Instrument or a Permanent Global Instrument which is held in the CMU Service, a Paying Agent with a Specified Office in Hong Kong, and (vii) so long as any Subordinated Instruments are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, a Paying Agent in Singapore. The Paying Agents and the Calculation Agent reserve the right at any time to change their respective Specified Offices to some other specified office in the same city. Notice of all changes in the identities or Specified Offices of any Paying Agent or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 16.
- 13.2 The Paying Agents and the Calculation Agent act solely as agents of the Issuer and, save as provided in the Issue and Paying Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Subordinated Instrument or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Issue and Paying Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

14. Replacement of Subordinated Instruments

If any Subordinated Instrument or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the Pricing Supplement (“**Replacement Agent**”) subject to all applicable laws and the requirements of any stock exchange and/or competent listing authority on or by which the Subordinated Instruments are listed and/or traded upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Subordinated Instruments and Coupons must be surrendered before replacements will be delivered therefor.

15. Meetings of Holders and Modification

The Issue and Paying Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Subordinated Instruments of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution of these Terms and Conditions and the Deed of Covenant insofar as the same may apply to such Subordinated Instruments. Such a meeting may be convened by the Issuer and shall be convened upon a request in writing by Holders of Subordinated Instruments holding not less than one-tenth of the Outstanding Principal Amount of the Subordinated Instruments for the time being outstanding of any Series. An Extraordinary Resolution passed at any meeting of the Holders of Subordinated Instruments of any Series will be binding on all Holders of the Subordinated Instruments of such Series, whether or not they are present at the meeting, and on all Holders of Coupons relating to Subordinated Instruments of such Series.

Alternatively, Holders of any particular Series of Subordinated Instruments may duly pass in writing either an Ordinary Resolution or an Extraordinary Resolution provided that such written resolution is signed by or on behalf of such Holders holding, in the case of an Ordinary Resolution, not less than a simple majority or, in the case of an Extraordinary Resolution, not less than three-fourths of the aggregate Outstanding Principal Amount of the relevant Subordinated Instruments.

The Issuer may, with the consent of the Fiscal Agent, but without the consent of the Holders of the Subordinated Instruments of any Series or Coupons, amend these Terms and Conditions, the Pricing Supplement and the Deed of Covenant insofar as they may apply to such Subordinated Instruments to correct a manifest or a proven error. Subject as aforesaid and to Condition 6.14, no other modification may be made to these Terms and Conditions, or the Deed of Covenant except with the sanction of an Extraordinary Resolution.

The prior written approval of APRA is required:

- (a) to modify the terms of any series of Subordinated Instruments; and
- (b) for the exercise by Holders of the rights or powers given to them under the Agency Agreement,

where such modification or exercise of rights or powers may affect the eligibility of such

Subordinated Instruments as Tier 2 Capital. See also Condition 4.8.

16. Notices

Notices to Holders will, save where another means of effective communication has been specified herein or in the Pricing Supplement, be deemed to be validly given if:

- (a) published in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times); or
- (b) if such publication is not practicable, published in a leading English language daily newspaper having general circulation in Europe; or
- (c) if permitted by the rules of the relevant competent listing authority and/or stock exchange, in the case of Subordinated Instruments represented by a Temporary Global Instrument or Permanent Global Instrument, delivered to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein; or
- (d) in the case of Subordinated Instruments represented by a Temporary Global Instrument or a Permanent Global Instrument which is held in the CMU Service, given to the persons shown in a "CMU Subordinated Instrument Position Report" issued by the CMU Service on the Business Day immediately before the preceding Interest Payment Date, or (in the case of notices given pursuant to Condition 8.3) on the Business Day immediately before the date on which such notices are given, or any other date as agreed between the Hong Kong Paying Agent or Lodging Agent and the CMU Service holding interests in the relevant Temporary Global Instrument or Permanent Global Instrument, as the case may be.

The Issuer shall also ensure that notices are duly published in compliance with the requirements of each competent listing authority and/or stock exchange on or by which the Subordinated Instruments are listed and/or traded. Any notice so given will be deemed to have been validly given: (a) on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers) or (b) unless it has been specified otherwise in the Pricing Supplement on the date of such delivery to Euroclear and/or Clearstream, Luxembourg and/or such other clearing system or the persons shown in the "CMU Subordinated Instrument Position Report". Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Subordinated Instruments in accordance with this Condition 16.1. A copy of each notice given pursuant to this Condition will in any event be delivered to Euroclear, Clearstream, Luxembourg, the CMU Service and/or any other relevant clearing system.

17. Further Issues

The Issuer may from time to time, without the consent of the Holders of any Subordinated Instruments or Coupons, create and issue (x) further instruments, bonds or debentures having the same terms and conditions as such Subordinated Instruments in all respects (or in all

respects except for the first payment of interest, if any, on them and/or the denomination or the issue price thereof) so as to be consolidated to form a single series with the Subordinated Instruments of any particular Series, or (y) any securities ranking equally with Subordinated Instruments (on the same terms or otherwise) or ranking in priority or junior to Subordinated Instruments.

18. Currency Indemnity

The currency or currencies in which the Subordinated Instruments are payable from time to time, as specified in these Terms and Conditions or the Pricing Supplement (each a “**Contractual Currency**” and together the “**Contractual Currencies**”), is the only currency or are the only currencies of account and payment for applicable sums payable by the Issuer in respect of the Subordinated Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency applicable to the payment to which such amount is referable (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of a Subordinated Instrument or Coupon in respect of any sum expressed to be due to it from the Issuer in such Contractual Currency shall only constitute a discharge to the Issuer to the extent of the amount in such Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the applicable Contractual Currency expressed to be due to any Holder of a Subordinated Instrument or Coupon in respect of such Subordinated Instrument or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute separate and independent obligations from the Issuer’s other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Subordinated Instrument or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Subordinated Instruments or Coupons or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of a Subordinated Instrument or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

19. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of any Subordinated Instrument, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

20. Law and Jurisdiction

20.1 Subject as provided in Condition 20.2, the Subordinated Instruments, the Issue and Paying Agency Agreement and the Deed of Covenant are governed by, and shall be construed in accordance with, English law. Any matter, claim or dispute arising out of or in connection with

the Subordinated Instruments, the Issue and Paying Agency Agreement and the Deed of Covenant, whether contractual or non-contractual, is governed by, and shall be determined in accordance with, English law.

- 20.2 The provisions of Conditions 4, 5 and 6 (and the defined terms when used in those Conditions) shall be governed by and construed in accordance with the laws of New South Wales, Australia.
- 20.3 Subject as provided in Condition 20.5, the courts of England and Wales have jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Subordinated Instruments.
- 20.4 The Issuer agrees that the courts of England and Wales are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- 20.5 Condition 20.3 is for the benefit of the Holders of the Subordinated Instruments only. As a result, nothing in this Condition 20 shall prevent any Holder of the Subordinated Instruments from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Holders of the Subordinated Instruments may take concurrent Proceedings in any number of jurisdictions.
- 20.6 The Issuer agrees that if at any time it ceases to be registered under Part 34 of the *Companies Act 2006* it will appoint a person with a registered office in London as its agent to accept service of process in the United Kingdom on its behalf in respect of any Proceedings.

21. Third Parties

No person shall have any right to enforce any term or condition of any Subordinated Instrument under the *Contracts (Rights of Third Parties) Act 1999* but this shall not affect any right or remedy of a third party which exists or is available apart from that Act.

PRO FORMA PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Subordinated Instruments issued under the Programme, amended (if necessary) and completed to reflect the particular terms of the relevant Subordinated Instruments and their issue. Text in this section appearing in italics does not form part of the form of the Pricing Supplement but is included as directions for completing the Pricing Supplement.

PRICING SUPPLEMENT

Series No.: []

Tranche No.: []

WESTPAC BANKING CORPORATION ABN 33 007 457 141

Programme for the Issuance of Debt Instruments

Issue of

[Aggregate Principal Amount of Tranche]

[Title of Subordinated Instruments]

by Westpac Banking Corporation

This document constitutes the Pricing Supplement relating to the issue of Subordinated Instruments described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Terms and Conditions**”) set forth in the Information Memorandum dated 23 June 2017 [and the supplement to the Information Memorandum dated [●]] ([together,] the “**Information Memorandum**”). This Pricing Supplement must be read in conjunction with the Information Memorandum [as so supplemented].

Full information on the Issuer and the Subordinated Instruments described herein is only available on the basis of a combination of this Pricing Supplement and the Information Memorandum dated 23 June 2017 [as so supplemented]. The Information Memorandum is available for viewing at Camomile Court, 23 Camomile Street, London EC3A 7LL, United Kingdom and copies may be obtained from the Specified Offices of the Paying Agents.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Subordinated Instruments are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MIFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would

not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Subordinated Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Subordinated Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]¹

¹ Note: This paragraph will be used for subordinated instruments issued on or after 1 January 2018, the date that the PRIIPS Regulation comes into effect.

Part A: Contractual Terms

The Subordinated Instruments being purchased have the following terms:

- | | | | |
|---|--------------------------------------|---|---|
| 1 | Issuer | : | Westpac Banking Corporation
acting through its head office |
| 2 | Date of Board Approval of the Issuer | : | [Specify] |
| 3 | Status | : | Subordinated |

[The primary method of loss absorption is [Conversion, subject to possible Write-off in accordance with Condition [5.3] / Write-off without Conversion in accordance with Condition [5.3]]

[Insert where the primary method of loss absorption is Conversion, subject to possible Write-off in accordance with Condition [5.3]] [For the purposes of:

- Condition 6.1, the formula to be used for calculating the Conversion Number, P is [insert number, which will usually be 0.99 but may be another number which is greater than or less than 1.00]; and
- Condition 6.10(b), the Clearing System Cut-off Date is [10] Business Days prior to the Non-Viability Trigger Event Date.]

[Insert where the Conversion Number, or provisions for determining the Conversion Number, is to be specified.]
[For the purposes of Condition [6.1], the Conversion Number is [insert number] / [determined by reference to *[insert provisions for determining Conversion Number]*].

- | | | | |
|---|---------------------|---|-----------|
| 4 | Specified Currency: | | |
| | (i) of denomination | : | [Specify] |
| | (ii) of payment | : | [Specify] |

- 5 Aggregate Principal Amount of Tranche : [Specify]
- 6 If interchangeable with existing Series, Series No. : [Specify]
- 7 Issue Date : [Specify]
- 8 Interest Commencement Date : [Specify]
- 9 Issue Price : [Specify]
- 10 Maturity Date : [Specify]²
- 11 Total Expenses [related to admission to trading] : [Specify]
- 12 Form of Subordinated Instruments: : Bearer
- (i) Initially represented by a Temporary Global Instrument or Permanent Global Instrument : [Temporary Global Instrument]/[Permanent Global Instrument]
- (ii) Temporary Global Instrument exchangeable for a Permanent Global Instrument or for Definitive Instruments : [Yes/No]
[The Exchange Date shall be [•]]
- (iii) Permanent Global Instrument exchangeable at the option of the bearer for Definitive Instruments : [No. Permanent Global Instruments are only exchangeable for Definitive Instruments in the limited circumstances set out in Conditions [•] and [•]]
- (iv) Talons for future Coupons to be attached to Definitive Instruments : [Yes/No] [As the Subordinated Instruments have more than 28 Coupons, Talons will be attached]
- 13 Denomination : [Specify amount and currency]

² The Maturity Date must be at least five years from the Issue Date

- [[•] and integral multiples of [•] in excess thereof up to and including [•]. [No Definitive Subordinated Instruments will be issued with a denomination above [•]]]
- 14 Calculation Amount : [•]
- 15 Type of Subordinated Instrument(s) : [Fixed Rate / Floating Rate / *Specify other*]
- 16 Interest : [[•] per cent. Fixed Rate]
- [[•] month [LIBOR/EURIBOR/[•]]+/- [•]per cent. Floating Rate]
- [*Specify other*]
- 17 Fixed Rate Subordinated Instruments : [Applicable / Not Applicable]
- (i) Fixed Coupon Amount : [[•] per Calculation Amount/Not Applicable]
- (N.B. The Fixed Coupon Amount will not apply if the Outstanding Principal Amount of each Subordinated Instrument has been adjusted in accordance with paragraph (c) of the definition of Outstanding Principal Amount and the amount of interest payable in respect of each Subordinated Instrument for such Interest Accrual Period shall be calculated in accordance with Condition 7.2(d))*
- (ii) Interest Rate : [Specify]
- (iii) Interest Commencement Date (if not Issue Date) : [Specify]
- (iv) Interest Payment Date(s) : [Specify]
- (v) Interest Period End Date(s) : [Specify]
- (vi) Day Count Fraction : [Specify] [*if none specified, the Day Count Fraction will be Actual/365 (Fixed) (as defined in the Terms and Conditions)*].

- (vii) Broken Amount : [[•] per Calculation Amount/Not Applicable]
- (N.B. The Broken Amount will not apply if the Outstanding Principal Amount of each Subordinated Instrument has been adjusted in accordance with paragraph (c) of the definition of Outstanding Principal Amount and the amount of interest payable in respect of each Subordinated Instrument for such Interest Accrual Period shall be calculated in accordance with Condition 7.2(d))*
- (viii) Applicable Business Day Convention : [Specify]
- for Interest Payment Dates:
 - for Interest Period End Dates:
 - for Maturity Date:
 - any other date:
- (ix) Additional Business Centre(s) : [Specify]
- 18 Floating Rate Subordinated Instruments : [Applicable / Not Applicable]
- (i) Interest Commencement Date (if not Issue Date) : [Specify]
 - (ii) Specified Period : [Specify]
 - (iii) Interest Rate : [Screen Rate Determination / ISDA Determination]
 - (iv) Interest Payment Date(s) : [Specify]
 - (v) Interest Period End Date(s) : [Specify]
 - (vi) Applicable Business Day Convention : [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / Specify other]
 - [- for Interest Payment Dates:]
 - [- for Interest Period End Dates:]
 - [- for Maturity Date:]
 - [- any other date:]
- (vii) Additional Business Centre(s) : [Specify]

- (viii) ISDA Determination : [Applicable / Not Applicable]
- (a) Floating Rate Option : [Specify]
- (b) Designated Maturity : [Specify]
- (c) Reset Date : [Specify]
- (ix) Screen Rate Determination : [Applicable / Not Applicable]
- (a) Relevant Screen Page : [Specify]
- (b) Relevant Time : [Specify]
- (c) Reference Rate : [Specify]
- (d) Reference Banks : [Specify]
- (e) Relevant Financial Centre : [Specify]
- (f) Interest Determination Date : [Specify]
- (g) Additional Business Centre(s) : [Specify]
- (x) Margin(s) : [Plus / Minus] [Specify]
- (xi) Day Count Fraction : [Specify]
- 19 Final Redemption Amount of each Subordinated Instrument : [[●] per Calculation Amount]
- 20 Early Redemption at the option of the Issuer (Call) : [Applicable, but only in respect of the Interest Payment Date scheduled to fall on *[date which is no earlier than fifth anniversary of Issue Date]* and each Interest Payment Date thereafter./Not Applicable]³
- (i) Early Redemption Date (Call) : [Specify]
- (ii) Early Redemption Amount (Call) of each Subordinated Instrument : [[●] per Calculation Amount]
- (iii) Series redeemable in part : [Specify]
- (iv) Notice period(s) : [Specify if other than as set out in

³ First possible Early Redemption Date (Call) must be a minimum of five years from the Issue Date

- Condition [8.7]]
- (v) Specify any additional conditions to exercise of the call option : [Specify]
- 21 Early Redemption (Adverse Tax Event) [Applicable / Not Applicable]
- (i) Early Redemption Amount (Adverse Tax Event) of each Subordinated Instrument : [[●] per Calculation Amount]
- (ii) Series redeemable in part : [Specify]
- (iii) Notice period(s) : [Specify if other than as set out in Condition [8.7]]
- (iv) Specify any additional conditions to exercise of option : [Specify]
- 22 Early Redemption (Regulatory Event) [Applicable / Not Applicable]
- (i) Early Redemption Amount (Regulatory Event) of each Subordinated Instrument : [[●] per Calculation Amount]
- (ii) Series redeemable in part : [Specify]
- (iii) Notice period(s) : [Specify if other than as set out in Condition [8.7]]
- (iv) Specify any additional conditions to exercise of option : [Specify]
- 23 Early Termination (Event of Default) : [Applicable / Not Applicable]
- Early Termination Amount : [Specify]
- 24 Taxation : [Condition 10.1 is applicable / not applicable]
- 25 Other terms and conditions : [Specify any Conditions to be altered, varied, deleted otherwise than as provided above and also any additional Conditions to be included]
- 26 Lead Manager[s] : [Name(s)]
- 27 Relevant Dealer[s] : [Name(s)]
- 28 Paying Agent(s) : [Name(s)]

- 29 Calculation Agent : [Name(s)]
- 30 Commissions Payable : [Specify]
- 31 Selling Concession : [Specify]
- 32 Purchase Price : [Specify]
- 33 Notices : [Condition 16 applies]
- 34 U.S. selling restrictions : [No sales to U.S. persons permitted]
- [[TEFRAC/TEFRAD] Rules apply to the Subordinated Instruments]/[TEFRA Not Applicable]
- [•]

Part B: Other Information

1. **Listing** : [Australian Securities Exchange's wholesale Interest Rate Securities Market/ Irish Stock Exchange's Global Exchange Market/ Specify other]

2. **Ratings** : [Specify]

3. **Interests of natural and legal persons involved in the issue** : [•]/[Save as discussed in the ["**Subscription and Sale**"] section of the Information Memorandum, so far as the Issuer is aware, no person involved in the offer of the Subordinated Instruments has an interest material to the offer.]

4. **Operational Information**
 - (i) ISIN : [Specify]
 - (ii) Common Code : [Specify]
 - (iii) Common Depository/Lodging Agent : [Specify]
 - (iv) Any Clearing System other than Euroclear and Clearstream : [Specify]
 - (v) CMU Service Instrument Number: [Specify]
 - (vi) Settlement procedures [Specify whether customary medium term note / other settlement and payment procedures apply]

5. **Other**
 - (i) Distribution of Information Memorandum : [Specify and restrictions on the distribution of the Information Memorandum]
 - (ii) Other selling restrictions : [Specify any variation to the dealer's restrictions]
 - (iii) Stabilisation Manager : [Specify if applicable]
 - (iv) Other amendments : [Specify]
 - (v) Additional disclosure : [Specify]

WESTPAC BANKING CORPORATION

Overview

Westpac is one of the four major banking organisations in Australia and one of the largest banking organisations in New Zealand. Westpac provides a broad range of banking and financial services in these markets, including consumer¹, business and institutional banking and wealth management services.

Westpac has branches, affiliates and controlled entities² (the “**Westpac Group**”) throughout Australia, New Zealand and the Pacific region, and maintains branches and offices in some of the key financial centres around the world.

Westpac was founded in 1817 and was the first bank established in Australia. In 1850, Westpac was incorporated as the Bank of New South Wales by an Act of the New South Wales Parliament. In 1982 Westpac changed its name to Westpac Banking Corporation following its merger with the Commercial Bank of Australia. On 23 August 2002, Westpac was registered as a public company limited by shares under the Corporations Act 2001.

Westpac’s principal office is located at 275 Kent Street, Sydney, New South Wales 2000, Australia and its telephone number is (+61) (2) 9293 9270.

The registered business number of Westpac is A.B.N. 33 007 457 141.

As at 31 March 2017, Westpac’s market capitalisation was A\$118 billion³ and it had total assets of A\$840 billion.

Westpac’s operations comprise the following key customer-facing business divisions operating under multiple brands:

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 relationship managers along with an extensive network of branches, call centres and ATMs. Customers are also supported by a range of internet and mobile banking solutions. Consumer Bank works in an integrated way with BTFG and WIB in the sales and service of select financial services and products including in wealth management and foreign exchange.

Business Bank is responsible for sales and service to micro, SME and commercial business customers

¹ A consumer is defined as a person that uses products and services. It does not include business entities.

² Refer to note 35 of Westpac’s 2016 audited consolidated financial statements as updated by reference to section 6.5 of the Interim Financial Report (both of which are incorporated by reference in this Information Memorandum) for a list of Westpac’s controlled entities as at 31 March 2017.

³ Market capitalisation is based on the closing share price of Westpac’s ordinary shares on the ASX as at 31 March 2017.

for facilities up to approximately A\$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 certain consumer customers with auto finance loans. Business Bank 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.

BTFG is Westpac's 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 and retirement products, wealth administration platforms including 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 across all insurance classes. BTFG operates a range of wealth, funds management (including Ascalon, which is a boutique incubator of emerging fund managers) and financial advice brands and operates under the banking brands of Westpac, St. George, BankSA and Bank of Melbourne for Private Wealth and Insurance.

WIB delivers a broad range of financial products and services to commercial, corporate, institutional and government customers with 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 branches and subsidiaries located in Australia, New Zealand, the U.S., the UK and Asia. WIB is also responsible for Westpac Pacific currently providing a range of banking services in Fiji and Papua New Guinea. WIB works in an integrated way with all of the Westpac Group's divisions in the provision of more complex financial needs including across foreign exchange and fixed interest solutions.

Westpac New Zealand is responsible for 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 in New Zealand:

- Westpac New Zealand Limited, which is incorporated in New Zealand; and
- Westpac Banking Corporation (NZ Branch), which is incorporated in Australia.

Westpac New Zealand 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 and WIB brands while insurance and wealth products are provided under Westpac Life and BT brands respectively.

Westpac Group businesses include:

- Treasury, which is responsible for the management of the Westpac Group's balance sheet, including wholesale funding, capital and management of liquidity. Treasury also manages the

interest rate risk and foreign exchange risks inherent in the balance sheet, including managing the mismatch between the Westpac Group's assets and liabilities. Treasury's earnings are primarily sourced from managing the Westpac Group's balance sheet and interest rate risk, with set risk limits.

- Group Technology, which comprises functions responsible for technology strategy and architecture, infrastructure and operations, applications development and business integration; and
- Core Support, which comprises functions performed centrally, including banking operations, property services, strategy, finance, risk compliance, legal and human resources.

Trends

The Australian economy has endured a turbulent period. The economy contracted by 0.4 per cent in the quarter ended September 2016, impacted by the July Federal Government election and weather disruptions. However the GDP increased again in December 2016 by 1.1 per cent.. This trend continued in the first quarter of 2017, albeit at a slower rate of 0.3 per cent. growth with weather disruptions a factor once again, impacting housing (which detracted 0.3 percentage points from growth) and resource exports (which detracted 0.5 percentage points from growth). Annual GDP growth fell to 1.7 per cent. in the first quarter of 2017 (from growth of 2.5 per cent. in 2016), the slowest pace of growth seen since 2009 during the global financial crisis.

Westpac is of the view that the 2017 outlook for the Australian economy remains sound, with conditions expected to recover from temporary disruptions, particularly home building and exports. Real GDP for the year to December 2017 is forecast to grow at around 2.8 per cent. However, with the end of the mining investment downturn in sight its drag on growth is also expected to reduce from a direct subtraction of 1.0 percentage point in 2016 to a forecast subtraction of 0.5 percentage points in 2017 and 0.1 percentage points in 2018. Economic activity will be supported in the near future by the strengthening of global growth, the lower U.S. dollar, an increase in exports, low interest rates, and robust public demand led by an upswing in investment centred on transport projects.

The mix of growth (more services-led) is more labour intensive and is expected to be supportive of sound employment growth overall. Lead indicators point to the unemployment rate remaining little changed over the year. Financial system credit grew by 5.6 per cent. in the year to December 2016 with system housing credit rising 6.3 per cent. and system business credit expanding by 5.5 per cent., a result constrained by continuing uncertainty in light of the political situation post the July 2017 Federal election. Similar to recent years, there has been no growth in other consumer credit.

Given the economic backdrop, financial system credit growth in the year to December 2017 is expected to be lower than the current year at around 5.5 per cent. Housing-related activity may ease a little over the year as price growth slows and business credit is also expected to weaken with continued low levels of consumer confidence.

The underlying economics of the wealth industry continues to be sound. In addition to mandatory superannuation contributions, the ageing of the population is expected to see a higher portion of funds directed to retirement savings.

However some concerning trends persist, most notably weakness in wages growth, which is restraining

consumer spending and in turn overall economic activity.

Moving into 2018, a downturn in home building activity and the associated negative effects on employment and household spending will impact on growth. Westpac continues to expect real GDP growth in 2018 to be 2.5 per cent., a below trend performance. Despite the slowdown, the RBA is unlikely to respond with additional policy stimulus, as growth will be just marginally below trend with the bank and will be reluctant to provide what is likely to be a small rate cut boost to demand given other concerns around potential financial stability risks.

In New Zealand, the economy has also been sound with a large pipeline of construction projects, strong population growth and low interest rates supporting growth. This has been despite some pressure on export returns. The outlook for the dairy sector has improved significantly over the year. Global dairy prices are nearly 50 per cent. higher than mid-2016.

International conditions have improved somewhat over the last year but are likely to become more challenging in 2018. Growth across Westpac's major trading partners has lifted slightly over the last year but remains subdued by historical standards. The US economic expansion continues to track a solid pace, tightening labour markets prompting the U.S. Federal Reserve to raise rates from abnormally low levels in recent years. Growth in China has also stabilised at around 6.5 per cent. Conditions in Europe and Japan remain weak, with lacklustre growth and inflation undershooting policy targets.

Concerns heading into 2018 surround overly-optimistic expectations for fiscal stimulus, deregulation and economic reform in the US under the Trump administration which look unlikely to be met, a temporary fiscal boost from public investment in China that is set to roll off, and the potential impact on the financial markets of reduced liquidity across the major G3 economies as the U.S. Federal Reserve looks to normalise its balance sheet and the European Central Bank scales back asset purchases. Political risk is also elevated given the unpredictable political situation in the US, potential tensions between China and the US, and the potential for more unsettled conditions in Europe as the UK seeks to leave the EU. The legacy of high debt levels in developed economies and a sharp run up in debt in China also present medium term risks.

Westpac Group will continue executing its strategy of creating a great service company with its five strategic priorities assisting to guide this transformation. These include:

- maintaining Westpac's performance disciplines – continuing to be prudent in the management of capital, managing returns effectively and maintaining the strength in its capital, funding and liquidity positions;
- through service leadership, continue to grow customer numbers reaching 1 million additional customers between 2015 and 2017 while also increasing the depth of customer relationships;
- digital transformation, utilising technology to materially improve efficiency and reduce the Westpac Group's cost to income ratio to below 40 per cent. over the next 2 years;
- wealth, small and medium business enterprises are Westpac's areas of *targeted growth*. These include commercialising Westpac's investment in the Westpac Group's new wealth management system, called Panorama, and using new technologies to make business banking more accessible to customers; and

- through its *workforce revolution* priority, Westpac is seeking to build a stronger and more diverse workforce where the best people want to work.

The financial services industry continues to experience significant regulatory change and scrutiny. Globally this includes the expected release of a revised capital framework by the Basel Committee on Banking Supervision, and further developments on the implementation of the Net Stable Funding Ratio (“*NSFR*”) and Total Loss Absorbing Capacity (“*TLAC*”). Given the strength of Westpac’s business, and its balance sheet, Westpac is well placed to respond to any additional regulatory requirements.

Looking ahead, with Westpac’s strong positioning, disciplined growth and solid operating performance across all divisions, combined with good progress on its strategic priorities, Westpac believes it is well positioned to continue delivering sustainable outcomes to shareholders.

Significant developments

Impact of new major bank tax on Westpac

The Australian Federal Government has enacted legislation that introduces a major bank levy (the “*Levy*”). It will apply to Authorised Deposit-taking Institutions (“*ADIs*”) with licensed entity liabilities of at least A\$100 billion, from 1 July 2017. This Levy will apply to the top five largest banks in Australia, including Westpac.

The Levy will be calculated quarterly as 0.015 per cent of an ADI’s licensed entity liabilities as at each of APRA’s mandated quarterly reporting date (for an annualised rate of 0.06 per cent).

The Levy will apply to the ADIs’ liabilities less: additional Tier 1 capital, deposits of individuals, businesses and other entities protected by the Financial Claims Scheme (the “*Financial Claims Scheme*”), exchange settlement account balances, and the lesser of the derivative assets and liabilities balances.

The amount of the Levy will depend on the liability balance at the reporting date.

Based on Westpac’s balance sheet at 31 March 2017, the announced 0.06 per cent (or 6 basis point) Levy would apply to approximately A\$623 billion of Westpac’s liabilities (“**Impacted liabilities**”). Impacted liabilities would exclude certain prescribed items including approximately A\$174 billion of financial claims scheme eligible deposits. The Levy is tax deductible, but will not attract franking credits (Australian tax imputation credits).

As the Levy will apply from 1 July 2017, it will impact Westpac’s full year 2017 financial results (year ended 30 September 2017). On the basis of the above estimates, it would result in a new cost in Westpac’s second half of 2017 of approximately A\$65 million after tax. On an annualised basis, that represents a cost of approximately A\$370 million or approximately A\$260 million after tax. The exact cost will depend on the exact composition of Westpac’s liabilities at the respective time.

Consideration is being given to how Westpac will manage this significant impost on the bank. Westpac plans to consult with stakeholders, including shareholders, on the Levy.

House of Representatives Standing Committee on Economics Review of the Four Major Banks

and other reviews

On 16 September 2016, the Chairman of the House of Representatives Standing Committee on Economics announced that the committee had commenced its Review of the Four Major Banks ("**Parliamentary Review**"). The terms of reference for the Parliamentary Review are wide-ranging, with one area of focus being how individual banks and the industry as a whole are responding to issues identified through other inquiries, including through the ABA action plan. Westpac attended the first public hearing of the Parliamentary Review on 6 October 2016.

The first report of the Parliamentary Review was published on 24 November 2016 and contained a number of recommendations, including:

- that a new banking tribunal be created;
- that a new regime for executive accountability be introduced;
- that banks be required to open up access to customer data; and
- that the Australian Competition and Consumer Commission establish a small team to make recommendations to the Treasurer every six months to improve competition in the banking sector.

Westpac attended a second public hearing of the Parliamentary Review on 8 March 2017. The second report of the Parliamentary Review was published on 21 April 2017. The Committee restated its support for the recommendations in the first report and supported a recommendation of the Australian Small Business and Family Enterprise Ombudsman to remove non-monetary default clauses in small business loan contracts.

The Federal Government has not responded to either the first or second report of the Parliamentary Review. It is expected that the Federal Government will respond to the recommendations set out in these reports in 2017.

On 29 November 2016, the Senate referred an inquiry into the regulatory framework for the protection of consumers, including small businesses, in the banking, insurance and financial services sector to the Senate Economics References Committee. The terms of reference for the inquiry focus on a range of matters relating to the protection of consumers against wrongdoing in the sector. They also require the inquiry to examine the availability and adequacy of redress and support for consumers that have been victims of wrongdoing. The inquiry is scheduled to produce a report in the first half of 2018.

In addition, there are a number of other reviews commissioned by the Federal Government that may impact upon Westpac and the financial services sector. These reviews include an inquiry into business lending by the Australian Small Business and Family Enterprise Ombudsman. The report from this inquiry was released on 3 February 2017 and contained 15 recommendations (including the recommendation about removing non-monetary default clauses from small business loan contracts that was supported in the second report of the Parliamentary Review). The Federal Government is expected to respond to this report before 30 June 2017. The Government also commissioned a review into external dispute resolution schemes, which considered the design, operation and powers of a proposed banking tribunal. The report from this review is expected to be released publicly in the first

half of 2017.

Australian Bankers' Association ("ABA") action plan and industry reviews

On 21 April 2016, the ABA announced an action plan to protect consumer interests, increase transparency and accountability and build trust and confidence in banks.

The plan includes a number of industry-led initiatives including:

- a review of product-based sales commissions;
- a review of the Code of Banking Practice;
- the establishment of an independent customer advocate in each bank;
- supporting the broadening of external dispute resolution schemes;
- strengthening protections available to whistleblowers;
- the implementation of an industry register to identify poor conduct across bank employees, including those in customer-facing and non-customer facing roles; and
- an evaluation of the establishment of an industry wide, mandatory last resort compensation scheme covering financial advisers.

On 21 April 2017, the independent governance expert overseeing the ABA action plan released his fourth report titled 'Australian banking industry: Package of Initiatives', which noted that banks were making good progress in delivering the initiatives but also recognised that expectations are constantly changing and there are government processes that will need to be carefully factored into the reform program.

ASIC reform package

On 20 April 2016, the Federal Government announced a package of policy reforms designed primarily to strengthen the powers of ASIC and to provide ASIC with additional resources through increased funding.

As part of this package, the Federal Government announced that it would accelerate the implementation of certain recommendations made by the FSI, including granting ASIC a product intervention power and introducing a new 'principles-based' product design and distribution obligation on issuers and distributors.

On 13 December 2016, the Federal Government released a consultation paper seeking feedback on these proposed reforms. Submissions on the consultation paper closed on 15 March 2017 and the Federal Government has indicated that, depending on the outcome of the consultation process, it expects to consult on draft legislation by mid-2017.

In addition, on 19 October 2016, the Federal Government released the terms of reference for the ASIC Enforcement Review Taskforce, which will assess the suitability of ASIC's existing regulatory tools (including the penalties available) and whether they need to be strengthened.

On 11 April 2017, the Federal Government released its first consultation paper from the ASIC Enforcement Review Taskforce titled '*Self-reporting of contraventions by financial services and credit licensees*'. The paper suggests a number of reforms, including clarifying when a reporting obligation is triggered, expanding the class of reports that must be made to include misconduct by individual

advisers and employees and strengthening the penalties for failing to report, including through the introduction of an infringement notice regime.

The taskforce is scheduled to report its recommendations to the Federal Government in September 2017.

Financial benchmarks reform

In October 2016, the Federal Government announced a package of measures designed to strengthen the regulation of financial benchmarks. The measures were recommended to the Federal Government by the Council of Financial Regulators, who recently concluded a consultation process on financial benchmark reform.

The key measures announced include:

- ASIC will be empowered to develop enforceable rules for administrators and entities that make submissions to significant benchmarks (such as Westpac), including the power to compel submissions to benchmarks in the case that other calculation mechanisms fail;
- administrators of significant benchmarks will be required to hold a new 'benchmark administration' licence issued by ASIC (unless granted an exemption); and
- the manipulation of any financial benchmark or financial product used to determine a financial benchmark (such as negotiable certificates of deposit) will be made a specific criminal and civil offence.

These measures are expected to be introduced over the next 18 months.

Professional standards for financial advisers

Following consultations with industry and consumer groups, the Federal Government passed the *Corporations Amendment (Professional Standards of Financial Advisers) Act* on 9 February 2017. The new legislation includes reforms such as:

- requiring new advisers to hold a relevant degree before they commence the supervision year and to sit the mandated exams;
- requiring existing advisers to pass the mandated exams by 1 January 2021 and obtain a standard equivalent to a degree by 1 January 2024;
- the introduction of a code of ethics; and
- the establishment of an industry-funded independent body charged with governing the professional standing of the financial advice industry.

The new educational and training regime will commence on 1 January 2019 and the code of ethics will commence on 1 January 2020.

BBSW proceedings

As part of ASIC's ongoing industry-wide investigations into the interbank short-term money market and its impact on the setting of the BBSW, on 5 April 2016, ASIC commenced civil proceedings against

Westpac in the Federal Court of Australia, alleging certain misconduct 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 2001* 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.

In August 2016, a class action was filed in the United States District Court for the Southern District of New York against Westpac and a large number of other Australian and international banks alleging misconduct in relation to BBSW. These proceedings are at an early stage and the level of damages sought has not been specified. Westpac is defending these proceedings.

ASIC's responsible lending litigation against Westpac

On 1 March 2017, ASIC commenced Federal Court proceedings against Westpac in relation to home loans entered into between December 2011 and March 2015, which were automatically approved by Westpac's systems. ASIC has alleged that the way in which Westpac used the Household Expenditure Measure ("**HEM**") benchmark to assess the suitability of home loans for customers in this period was in contravention of the *National Consumer Credit Protection Act 2009* (Cth). ASIC has also raised specific allegations in respect of seven loan applications. ASIC alleges that Westpac improperly assessed whether those loans were unsuitable because of the way Westpac used the HEM benchmark, and for five of the loan applications which are loans with an interest-only period, because of the way Westpac assessed serviceability. ASIC has not made any criminal allegations, or allegations against specific individuals. Westpac is defending the proceedings.

Outbound scaled advice division proceedings

On 22 December 2016, ASIC commenced Federal Court proceedings against BT Financial Management Limited ("**BTFM**") and Westpac Securities Administration Limited ("**WSAL**") in relation to a number of superannuation account consolidation campaigns conducted between 2013 and 2016. ASIC has alleged that in the course of some of these campaigns, customers were provided with personal advice in contravention of a number of *Corporations Act 2001* provisions. ASIC has selected 15 specific customers as the focus of their claim. BTFM and WSAL are defending the proceedings.

Brexit

On 29 March 2017, the Prime Minister of the United Kingdom notified the European Council in accordance with Article 50(2) of the Treaty on European Union of the UK's intention to withdraw from the European Union. The notification triggers a two year negotiation period under which the UK and the European Union will negotiate the terms of the UK's departure.

As Westpac's business and operations are based predominantly in Australia and New Zealand, the direct impact of the UK's departure from the European Union is unlikely to be material to Westpac. However, it is currently difficult to predict the full impact that Brexit may have on financial markets, the

global economy and the global financial services industry.

Reduction to the corporate tax rate

On 1 September 2016, the Federal Government introduced legislation to reduce the corporate tax rate progressively from 30 per cent. to 25 per cent. over the next 10 years. The legislation was amended on 31 March 2017 to exclude companies with turnovers greater than \$50 million from receiving the benefit of the reduced corporate tax rate. If the amended legislation is passed in its current form, the reduced corporate tax rate will not apply to Westpac. Accordingly, the value of imputation credits attached to franked dividends and distributions paid by Westpac to security holders will not be impacted by the reduced corporate tax rate.

Taxation of cross-border financing arrangements

The Federal Government has decided to implement the Organisation for Economic Co-operation and Development's ("**OECD**") proposals relating to the taxation treatment of cross-border financing arrangements. These proposals may affect the taxation arrangements for 'hybrid' regulatory capital instruments issued by Westpac. The Board of Taxation of the Federal Government has provided recommendations to the Government about implementing the OECD proposals. If implemented without grandfathering, the potential effect of the OECD proposals is to increase the after-tax cost to Westpac of certain previously issued additional tier 1 capital securities.

The New Zealand Government has also commenced a public consultation process to consider whether the OECD proposals should be implemented in New Zealand.

Regulatory significant developments

FSI's recommendations on bank capital

The Federal Government's response to the FSI has endorsed APRA's actions in implementing the FSI's capital-related recommendations, and has confirmed APRA's responsibility for implementing the remaining capital proposals.

To date, APRA has formally responded to two of the FSI's recommendations:

- *Comparison of capital ratios against internationally active banks*

On 4 July 2016, APRA released a comparison of Australian banks' capital ratios relative to internationally-active banks using a common method of calculation. The comparison was based on a quantitative impact study ("**QIS**") published by the BCBS. The QIS included the capital ratios of internationally-active banks as of 30 June 2015, with APRA using capital ratios as of 31 December 2015 for the Australian banks. APRA concluded that the relative positioning of the major Australian banks' Common Equity Tier 1 ratios was broadly in line with the benchmark suggested by the FSI of capital ratios in the top quartile of internationally-active banks.

- *Narrow mortgage risk weight differences*

On 20 July 2015, APRA announced an interim change to how risk weighted assets ("**RWA**")

would be calculated on Australian residential mortgages for banks that use the Advanced Internal-Ratings Based (“**IRB**”) approach to credit risk. This change was in response to Recommendation 2 of the FSI regarding the differential in mortgage capital requirements between Advanced IRB and Standardised banks. This change led to the ratio of mortgage RWA to mortgage exposures for the Westpac Group increasing to approximately 24 per cent. on 1 July 2016. In August 2016, APRA reaffirmed its objective of a risk weight for Australian residential mortgages of an average of at least 25 per cent., measured across all Advanced IRB banks.

In February 2017, APRA announced that it expects to further address the FSI recommendations, including setting ‘unquestionably strong’ capital standards for Australian banks during 2017. Closely related to this are changes to regulatory capital requirements as part of international reforms. This includes reviews being undertaken by the BCBS and the Financial Stability Board (“**FSB**”) considering leverage ratios, risk weight models for Advanced and Standardised banks, and TLAC for Global Systemically Important Banks (“**GSIBs**”). The final outcomes of these reviews remain uncertain. APRA will be responsible for interpreting these international developments in the context of Australia’s circumstances and the final impact on Westpac will depend on any changes APRA makes to Australian regulations.

Macro prudential regulation

From December 2014, APRA has made use of macro prudential measures targeting a number of segments of mortgage lending that continue to impact lending practices in Australia. The measures include constraining growth in certain segments of mortgage lending, limiting investment property lending to within a benchmark of 10 per cent. and imposing additional levels of conservatism in serviceability assessments.

On 31 March 2017, APRA added to these requirements by outlining its expectation that ADIs restrict mortgage lending on interest only terms to 30 per cent. of new mortgage lending. APRA also indicated that it expects ADIs to place strict internal limits on the volume of interest only loans with loan-to-valuation ratios above 80 per cent.. APRA is expected to engage with ADIs on the practical implementation of these new measures in the coming months.

Westpac is underway with implementing the steps required to achieve these limits, which will involve continuing to reduce the proportion of interest only residential mortgages.

Basel Committee on Banking Supervision

Regulatory reforms and significant developments arising in relation to changes initiated by the BCBS and the FSB include:

Increased loss absorbency

In November 2015, the FSB issued a final paper for enhancing TLAC for GSIBs to operate alongside the Basel III capital requirements. At the same time, a consultation paper on TLAC was issued by the BCBS. These proposals form part of the G20’s initiatives aimed at ‘ending too-big-to-fail’ and ensuring that the resolution of a failing Global Systemically Important Financial Institution can be carried out without causing systemic disruption or resorting to taxpayer support. In October 2016, the BCBS issued a final standard for TLAC holdings of GSIBs. This standard will take effect from 1 January 2019 for

most GSIBs.

The FSI recommended the implementation in Australia of a framework for minimum loss absorbing and recapitalisation capacity sufficient to facilitate the orderly resolution of ADIs and minimise taxpayer support. In its response to the FSI, the Federal Government endorsed implementation of the recommendation by APRA in line with emerging international practice. APRA has yet to release any consultation papers on TLAC.

Reform of the risk-based capital framework

In December 2014, the BCBS released two consultation papers on proposals for Capital Floors and proposed revisions to the Standardised Approach for Credit Risk. Since then, the BCBS has released two further 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 risk weighted assets. In March 2016, the BCBS also released a consultation paper covering the Standardised Measurement Approach for Operational Risk. This paper proposed the removal of the use of internal model approaches to measure operational risk capital and replacement of these with a revised framework based on the proposed Standardised Measurement Approach. The final standards for the Minimum Capital Requirements for Market Risk were released by the BCBS in January 2016.

In combination, these reform measures are intended to improve the global consistency and comparability of bank capital ratios. However, the timing for finalisation of the remaining BCBS changes is not clear, after which APRA will need to consult on, and then finalise, the Australian standards. Until that time, it is not possible to properly determine the impact on Westpac.

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 January 2014, the BCBS published an amended leverage ratio framework. In May 2015, APRA released new disclosure requirements in relation to the leverage ratio which will initially only apply to select ADIs, including Westpac, and from 1 July 2015 required the disclosure of the leverage ratio on a quarterly basis. In April 2016, the BCBS published a consultation paper requiring a minimum leverage ratio of 3 per cent. as a Pillar 1 requirement from January 2018.

Other regulatory developments

Net Stable Funding Ratio

APRA released a revised prudential standard on liquidity ("**APS 210**") on 20 December 2016. This prudential standard includes the NSFR requirement, a measure designed to encourage longer-term funding of assets. The revised APS 210, inclusive of the NSFR, will commence from 1 January 2018 in line with the BCBS's effective date. Westpac is taking steps to comply with the NSFR from 1 January 2018.

Committed Liquidity Facility (“CLF”) annual revision

Due to the low levels of high quality liquid assets in Australia, the Reserve Bank of Australia makes available to ADIs the CLF that, subject to qualifying conditions, can be accessed to meet Liquidity Coverage Ratio requirements under APS 210. APRA reviews the size of this facility annually. Westpac has received approval for a CLF of A\$49.1 billion for the 2017 calendar year (2016 calendar year: A\$58.6 billion).

OECD Common Reporting Standard

The OECD has developed Common Reporting Standard (“**CRS**”) rules for the automatic exchange of customer tax residency and financial account information amongst participating CRS countries.

CRS will require the Westpac Group to collect and check the tax residency of all customers and to report the tax residency and financial account details of non-resident customers to the relevant authorities in jurisdictions with which Australia has entered into an exchange of information agreement.

Australian financial institutions will have to collect tax residency information from 1 July 2017 and will have to report these details and associated financial account information from July 2018. Implementation of the rules will impose additional costs and operational requirements on Westpac.

Certain countries (such as the UK and India) have implemented the rules with effect from 1 January 2016. Westpac has implemented changes to its business operations to comply with the CRS requirements in these countries from 1 January 2016.

OTC derivatives reform

International regulatory reforms relating to over-the-counter (“**OTC**”) derivatives continue to be implemented by financial regulators across the globe, with the focus moving to implementing margin requirements for non-centrally cleared derivatives.

Globally, there has been significant progress in developing requirements to implement the final policy framework for the margining of uncleared OTC derivatives as published by the BCBS and the International Organization of Securities Commissions (“**IOSCO**”) in September 2013.

Variation margin requirements in a number of major jurisdictions, including Australia, became effective on 1 March 2017 for all covered entities. However, in many of these jurisdictions (including Australia) regulators have taken transitional approaches that allowed market participants to continue to transact while proceeding to implement the variation margin requirements as soon as possible. These approaches are generally effective until September 2017. In addition, initial margin requirements commenced on 1 September 2016. These requirements are being introduced in phases through to 1 September 2020.

Westpac has completed a substantial amount of work to comply with applicable margin requirements, and continues work towards achieving full compliance for all in-scope transactions in accordance with the transitional approaches of regulators.

In other areas, Westpac continues to work with ASIC and industry associations in relation to the reporting and clearing of OTC derivative trades and the implementation of various rules, such as new

risk mitigation requirements. APRA has published its standards on risk mitigation for non-centrally cleared OTC derivatives which are due to commence on 1 March 2018.

Westpac has been analysing and implementing changes in OTC derivatives trade reporting regulations imposed by the European Securities and Markets Authority, the Monetary Authority of Singapore, Hong Kong Monetary Authority and various provincial financial regulators in Canada. Certain changes to trade reporting have commenced in these jurisdictions and continue to be implemented and enhanced in phases.

New Zealand

Regulatory reforms and significant developments in New Zealand include:

Reserve Bank of New Zealand (RBNZ) – macro prudential policy framework

In addition to restrictions on high loan-to-value-ratio lending which the RBNZ has employed as part of its macro-prudential policy framework since 2013, the RBNZ is investigating the case for introducing restrictions on the total debt-to-income ratios of borrowers. The RBNZ is expected to consult on the introduction of these restrictions during the first half of 2017.

RBNZ – Review of Outsourcing Policy

In March 2017, the RBNZ released an exposure draft of its revised Outsourcing Policy. Key changes under the revised policy are:

- banks will need to obtain a non-objection letter from the RBNZ before entering into outsourcing arrangements with a parent or other related party;
- a bank that outsources certain functions to its overseas parent or to a related party will need to have robust back-up arrangements in place;
- banks will be required to maintain a compendium of functions and processes that have been outsourced; and
- banks that are members of foreign-owned banking groups, such as Westpac New Zealand Limited, will be required to have a separation plan which describes how they would operate previously outsourced services if a statutory manager is appointed.

The RBNZ expects to release a final version of the policy (and require compliance through changes to banks' conditions of registration) by July 2017. There will be a five year transitional period before the revised policy comes into full effect.

RBNZ Capital Review

In March 2017, the RBNZ outlined its plans for its review of bank capital requirements. The RBNZ's aim is to agree a capital regime that ensures a very high level of confidence in the solvency of the banking system while avoiding economic inefficiency. The review will look at the three key components

of the regulatory capital regime:

- the definition of eligible capital instruments;
- the measurement of risk, in particular the risk weights attached to credit exposures; and
- the minimum capital ratio and buffers.

The RBNZ has said that the outcomes of the review will be heavily influenced by the international regulatory context, the risk characteristics of the New Zealand system, and the RBNZ's regulatory capital approach. The RBNZ released a high-level issues paper in May 2017 and expects to conclude its review by the first quarter of 2018.

Financial Advisers Act ("FAA")

The New Zealand Government announced plans for changes to the FAA regime in July 2016. An exposure draft of this legislation was released for consultation in February 2017, and is expected to be introduced into parliament before September 2017. Under the proposed new regime, financial advice will be provided by licensed firms who will employ financial advisers and financial advice representatives. A code of conduct will apply to all advice and advisers and representatives will be subject to the same duties and ethical standards, including a duty to put the client's interest first. Firms will be responsible for ensuring their advisers and representatives comply with these duties. The reforms will also remove legislative barriers to the provision of robo-advice.

A two stage transition is proposed with all industry participants being required to be operating under a full licence two and half years after the code of conduct has been approved. The current expectation is that the code of conduct will be approved by August 2018.

Supervision and regulation

Australia

Within Australia, Westpac is subject to supervision and regulation by six principal agencies: APRA; the RBA; ASIC; the ASX; the ACCC; and AUSTRAC.

APRA is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance, re-insurance, life insurance and private health insurance companies, friendly societies and most of the superannuation (pension) industry. APRA's role includes establishing and enforcing prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by the institutions it supervises are met within a stable, efficient and competitive financial system.

As an ADI, Westpac reports prudential information to APRA, including information in relation to capital adequacy, large exposures, credit quality and liquidity. Westpac's controlled entities in Australia that are authorised insurers and trustees of superannuation funds are also subject to the APRA regulatory regime. Reporting is supplemented by consultations, on-site inspections and targeted reviews. Westpac's external auditor also has an obligation to report on compliance with certain statutory and regulatory banking requirements and on any matters that in their opinion may have the potential to materially prejudice the interests of depositors and other stakeholders.

Australia's risk-based capital adequacy guidelines are based on the approach agreed upon by the

BCBS. National discretion is then applied to that approach, which results in Australia's capital requirements being more stringent.

The RBA is responsible for monetary policy, maintaining financial system stability and promoting the safety and efficiency of the payments system. The RBA is an active participant in the financial markets, manages Australia's foreign reserves, issues Australian currency notes and serves as banker to the Australian Government.

ASIC is the national regulator of Australian companies. Its primary responsibility is to regulate and enforce company, consumer credit, financial markets and financial services laws that protect consumers, investors and creditors. With respect to financial services, it promotes fairness and transparency by providing consumer protection, using regulatory powers to enforce laws relating to deposit-taking activities, general insurance, life insurance, superannuation, retirement savings accounts, securities (such as shares, debentures and managed investments) and futures contracts and financial advice. ASIC has responsibility for supervising trading on Australia's domestic licensed markets and of trading participants.

The ASX operates Australia's primary national market for trading of securities issued by listed companies. Some of Westpac's securities (including Westpac's ordinary shares) are listed on the ASX and Westpac therefore has obligations to comply with the ASX Listing Rules, which have statutory backing under the *Corporations Act 2001*. The ASX has responsibility for the oversight of listed entities under the ASX Listing Rules and for monitoring and enforcing compliance with the ASX Operating Rules by its market, clearing and settlement participants.

The ACCC is an independent Commonwealth statutory authority responsible for the regulation and prohibition of anti-competitive and unfair market practices and mergers and acquisitions in Australia. Its broad objective is to administer the *Competition and Consumer Act 2010* (Cth) and related legislation to bring greater competitiveness, fair trading, consumer protection and product safety to the Australian economy. The ACCC's role in consumer protection complements that of Australian state and territory consumer affairs agencies that administer the unfair trading legislation of their jurisdictions.

The Australian Government's present policy, known as the 'four pillars policy', is that there should be no fewer than four major banks to maintain appropriate levels of competition in the banking sector. Under the *Financial Sector (Shareholdings) Act 1998* (Cth), the Australian Government's Treasurer must approve an entity acquiring a stake of more than 15 per cent. in a particular financial sector company.

Proposals for foreign acquisitions of a stake in Australian banks are subject to the Australian Government's foreign investment policy and, where required, approval by the Australian Government under the *Australian Foreign Acquisitions and Takeovers Act 1975* (Cth).

AUSTRAC oversees the compliance of Australian reporting entities (including Westpac), within the requirements under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and the *Financial Transaction Reports Act 1988* (Cth). These requirements include:

- implementing programs for identifying and monitoring customers, and for managing the risks of money laundering and terrorism financing;

- reporting suspicious matters, threshold transactions and international funds transfer instructions; and
- submitting an annual compliance report.

AUSTRAC provides financial information to state, territory and Australian federal law enforcement, security, social justice and revenue agencies, and certain international counterparts.

New Zealand

The RBNZ is responsible for supervising New Zealand registered banks. The New Zealand prudential supervision regime requires that registered banks publish quarterly disclosure statements, which contain information on financial performance and risk positions as well as attestations by the directors about the bank's compliance with its conditions of registration and certain other matters. The RBNZ is currently considering changes to the requirements applying to off-quarter disclosure statements.

The FMA is a financial conduct regulator whose main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets. Its functions include promoting the confident and informed participation of businesses, investors, and consumers in those markets. The Financial Markets Conduct Act, which was passed in 2013, resulted in the FMA having extensive new responsibilities in the licensing and supervision of various market participants as well as new enforcement powers.

United States

Westpac's New York branch is a U.S. federally licensed branch and therefore is subject to supervision, examination and regulation by the OCC and the Board of Governors of the Federal Reserve System (the "**U.S. Federal Reserve**") under the U.S. *International Banking Act of 1978* ("**IBA**") and related regulations.

A U.S. federal branch must maintain, with a U.S. Federal Reserve member bank, a capital equivalency deposit as prescribed by the OCC, which is at least equal to 5 per cent. of its total liabilities (including acceptances, but excluding accrued expenses, and amounts due and other liabilities to other branches, agencies and subsidiaries of the foreign bank).

In addition, a U.S. federal branch is subject to periodic onsite examination by the OCC. Such examination may address risk management, operations, asset quality, compliance with the record-keeping and reporting, and any additional requirements prescribed by the OCC from time to time.

A U.S. federal branch of a foreign bank is, by virtue of the IBA, subject to the receivership powers exercisable by the OCC.

As of 22 June 2016, Westpac elected to be treated as a financial holding company in the U.S. pursuant to the *Bank Holding Company Act of 1956* and Federal Reserve Board Regulation Y. Westpac's election will remain effective so long as it meets certain capital and management standards prescribed by the U.S. Federal Reserve.

Westpac and some of its affiliates are engaged in various activities that are subject to regulation by other U.S. federal regulatory agencies, including the U.S. Securities and Exchange Commission and

the U.S. Commodity Futures Trading Commission.

Anti-money laundering regulation and related requirements

Australia

Westpac has a group-wide program to manage its obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth). Westpac continues to actively engage with the regulator, AUSTRAC, on its activities.

United States

The *USA PATRIOT Act of 2001* requires U.S. financial institutions, including the U.S. branches of foreign banks, to take certain steps to prevent, detect and report individuals and entities involved in international money laundering and the financing of terrorism. The required actions include verifying the identity of financial institutions and other customers and counterparties, terminating correspondent accounts for foreign 'shell banks' and obtaining information about the owners of foreign bank clients and the identity of the foreign bank's agent for service of process in the U.S. The anti money laundering compliance requirements of the *USA PATRIOT Act of 2001* include requirements to adopt and implement an effective anti-money laundering program, report suspicious transactions or activities, and implement due diligence procedures for correspondent and other customer accounts. Westpac's New York branch and Westpac Capital Markets LLC maintain an anti-money laundering compliance program designed to address U.S. legal requirements.

US economic and trade sanctions, as administered by the Office of Foreign Assets Control ("**OFAC**"), prohibit or significantly restrict U.S. financial institutions, including the U.S. branches and operations of foreign banks, and other U.S. persons from doing business with certain persons, entities and jurisdictions. Westpac's New York branch and Westpac Capital Markets LLC maintain compliance programs designed to comply with OFAC sanctions programs, and Westpac has a group-wide program to ensure adequate compliance.

Legal proceedings

Westpac entities are defendants from time to time in legal proceedings arising from the conduct of its business. Material legal proceedings, if any, are described in Note 31 to the financial statements and under '*Significant developments*' above. As appropriate, a provision has been raised in respect of these proceedings and disclosed in the financial statements.

Competition

The Westpac Group operates in a highly competitive environment across the regions in which it does business.

The Westpac Group serves the banking, wealth and risk management needs of customer segments from consumers to small businesses through to large corporate and institutional clients. The Westpac Group competes with other financial services industry players for customers by covering their transacting, saving, investing, protecting and borrowing needs with a wide set of products and services. Its competitors range from large global organisations with broad offerings to entities more focused on specific regions or products. Its competitors include financial services and advisory companies such

as banks, investment banks, credit unions, building societies, mortgage originators, credit card issuers, brokerage firms, fund and asset management companies, insurance companies and internet-based financial services providers. The Westpac Group operates in an environment where digital innovation is changing the competitive landscape and there are new competitors emerging from other sectors, including retail, technology and telecommunications.

Westpac's competitive position across customer segments, products and geographies is determined by a variety of factors. These factors include:

- the type of customer served;
- customer service quality and convenience;
- the effectiveness of, and access to, distribution channels;
- brand reputation and preference;
- the quality, range, innovation and pricing of products and services offered;
- digital and technology solutions; and
- the talent and experience of Westpac's employees.

In Australia, Westpac has seen competition for deposits partly driven by clearer global regulatory requirements for liquidity management. Banks and other financial institutions also seek to achieve a higher proportion of high quality deposit funding as credit rating agencies and debt investors look for strong balance sheet positions in their assessment of quality institutions.

Competition for lending is also expected to remain high. At the same time, businesses and consumers are cautious about the global outlook and continue to reduce gearing. The residential mortgage market continues to be highly competitive, with market participants seeking to maintain or expand their market share using price. This is expected to continue. Serving business customers' transaction and trade financing needs has been at the centre of competitive activity as customer expectations increase.

In its wealth business, Westpac expects competition to increase as financial institutions and industry funds move to capture a greater share of this fast growing market, particularly in superannuation (or pensions) and financial advice as the market responds to regulatory change.

The New Zealand market is experiencing strong competition as banks vie for new customers. Competition for deposits remains intense and the home lending market is particularly competitive on price and switching incentives.

Majority Shareholders and Share Capital

As at 31 March 2017, the number of Westpac ordinary shares in issue was 3,356,614,808. Westpac has no partly paid share capital.

Westpac is not directly or indirectly owned or controlled by any other corporation(s) or by any foreign

government.

There is no provision in Westpac's constitution that requires a shareholder to disclose the extent of their ownership of Westpac's ordinary shares.

Under the *Corporations Act 2001*, any person who begins or ceases to have a substantial holding of Westpac's shares must notify Westpac within two business days after they become aware of that information. A further notice must be given to Westpac if there is an increase or decrease of 1 per cent in a person's substantial holding. Copies of these notices must also be given to the ASX. A person has a substantial holding of Westpac's shares if the total votes attached to Westpac's voting shares in which they or their associates have relevant interests is 5 per cent. or more of the total number of votes attached to all of Westpac's voting shares.

Westpac has a statutory right under the *Corporations Act 2001* to trace the beneficial ownership of Westpac's shares, by giving a direction to a shareholder or certain other persons, requiring disclosure to Westpac of, among other things, their own relevant interest in Westpac's shares, the nature and extent of that interest and the circumstances that gave rise to that other person's interest. Such disclosure must, except in certain limited circumstances, be provided within two business days after the direction is received.

The Board of Directors

The Board Charter outlines the roles and responsibilities of the Board. Key responsibilities in summary are:

- approving the strategic direction of the Westpac Group;
- evaluating Board performance and determining Board size and composition;
- considering and approving the Westpac Board Renewal Policy;
- appointing and determining the duration, remuneration and other terms of appointment of the CEO, Deputy CEO, Chief Financial Officer (“**CFO**”) and other Group Executives;
- determining the remuneration of persons whose activities in the Board’s opinion affects the financial soundness of Westpac, any person specified by APRA, and any other person the Board determines;
- evaluating the performance of the CEO;
- succession planning for the Board, CEO and Group Executives;
- approving the appointment of Group Executives, General Manager Group Audit and Group General Counsel & Chief Compliance Officer and monitoring the performance of senior management;
- approving the annual targets and financial statements and monitoring performance against forecast and prior periods;
- determining Westpac’s dividend policy;
- determining Westpac’s capital structure;
- approving Westpac’s risk management strategy and frameworks and monitoring their effectiveness;
- considering the social, ethical and environmental impact of Westpac’s activities and monitoring compliance with Westpac’s sustainability policies and practices;
- monitoring Workplace Health and Safety (“**WH&S**”) issues in the Westpac Group and considering appropriate WH&S reports and information; and
- maintaining an ongoing dialogue with Westpac’s auditors and, where appropriate, principal regulators.

Directors

The Directors of Westpac, the business address of each of whom should be regarded for the purposes of this Information Memorandum as Level 20, 275 Kent Street, Sydney, New South Wales 2000, Australia, and their respective principal outside activities, where significant, are at the date of this Information Memorandum as follows:

Lindsay Maxsted, DipBus (Gordon), FCA, FAICD. Age 63. Director since March 2008 and Chairman since December 2011. Lindsay was formerly a partner at KPMG and was the CEO of that firm from 2001 to 2007. His principal area of practice prior to his becoming CEO was in the corporate recovery field managing a number of Australia's largest insolvency/workout/turnaround engagements including Linter Textiles (companies associated with Abraham Goldberg), Bell Publishing Group, Bond Brewing, McEwans Hardware and Brashes. He is also a former Director and Chairman of the Victorian Public Transport Corporation. He is Chairman of Transurban Group, Managing Director of Align Capital Pty Ltd and a director of BHP Billiton Limited, BHP Billiton plc and Baker IDI Heart and Diabetes Institute Holdings Limited.

Brian Hartzler, BA, CFA. Age 50. Managing Director & Chief Executive Officer since February 2015. Brian was appointed Managing Director & Chief Executive Officer in February 2015. Brian joined Westpac as Chief Executive, Australian Financial Services in June 2012 encompassing Westpac Retail & Business Banking, St. George Banking Group and BT Financial Group. Prior to joining Westpac, Brian spent three years in the UK as CEO for Retail, Wealth and Ulster Bank at the Royal Bank of Scotland Group. Prior to that, he spent ten years with Australia and New Zealand Banking Group Limited (ANZ) in Australia in a variety of roles, including his final role as CEO, Australia and Global Segment Lead for Retail and Wealth. Before joining ANZ, Brian spent ten years as a financial services consultant in New York, San Francisco and Melbourne. He is a director of The Financial Markets Foundation for Children and the Australian Banker's Association Incorporated.

Ewen Crouch AM, BEc (Hons.), LLB, FAICD. Age 61. Director since February 2013. Ewen was a partner at Allens from 1988 to 2013 where he was one of Australia's most accomplished mergers and acquisitions lawyers. He served as a member of the firm's board for 11 years including four years as Chairman of Partners. His other roles at Allens included: Co-Head Mergers and Acquisitions and Equity Capital Markets, Executive Partner, Asian offices and Deputy Managing Partner. He is now a Consultant to Allens. Ewen served as a director of Mission Australia from 1995 and as a Chairman from 2009, before retiring in November 2016. From 2010 to 2015, Ewen was a member of the Takeovers Panel. In 2013, Ewen was awarded an Order of Australia in recognition of his significant service to the law as a contributor to legal professional organisations and to the community. Ewen is currently a director of BlueScope Steel Limited. He is also a member of each of the Commonwealth Remuneration Tribunal, the Law Committee of the Australian Institute of Company Directors, Corporations Committee of the Law Council of Australia and a Board member of the Sydney Symphony Orchestra and Jawun.

Alison Deans, BA, MBA, GAICD. Age 49. Director since April 2014. Alison has more than 20 years' experience in senior management and strategy consulting roles focused on e-commerce, media and financial services in Australia. During this time, Alison held a number of senior executive roles including as the CEO of eCorp Limited, Hoyts Cinemas and eBay, Australia and New Zealand. Most recently, she was the CEO of the technology-based investment company netus Pty Ltd, which was acquired by Fairfax Media Limited in 2012. She was also an Independent Director of Social Ventures Australia from September 2007 to April 2013. Alison was formerly appointed by the Australian Government to a panel

of experts conducting an independent cost-benefit analysis and regulatory review of the National Broadband Network. She is currently a Senior Advisor to McKinsey & Company. Alison is a director of Insurance Australia Group Limited, Cochlear Limited, kikki-K Holdings Pty Limited and SCEGGS Darlinghurst Limited.

Craig Dunn, BCom, FCA. Age 53. Director since June 2015. Craig has more than 20 years' experience in financial services, including as CEO of AMP Limited from January 2008 to December 2013. Craig was previously a Board member of the Australian Japanese Business Cooperation Committee, and former Chairman of the Investment and Financial Services Association (now the Financial Services Council). He was also a member of the Financial Services Advisory Committee, the Australian Financial Centre Forum, the Consumer and Financial Literacy Taskforce and a Panel member of the Australian Government's Financial System Inquiry. Craig is currently Chairman of the Australian Government's Fintech Advisory Group and the International Standards Committee on Blockchain and Distributed Ledgers (ISO/TC 307). He is also a Board member of each of the New South Wales Government's Financial Services Knowledge Hub and Jobs for New South Wales, and a member of the ASIC External Advisory Panel and the New South Wales Government's Advisory Panel (regarding its investment in the Australian Quantum Computing Initiative). Craig is also a consultant to King & Wood Mallesons. Craig is currently Chairman of The Australian Ballet and Stone and Chalk Limited. He is also a director of Telstra Corporation Limited and Financial Literacy Australia Limited.

Robert Elstone, BA (Hons.), MA (Econ.), MCom. Age 63. Director since February 2012. Robert has over 30 years' experience in senior management roles spanning investment banking, corporate finance, wholesale financial markets and risk management. From July 2006 to October 2011, Robert was Managing Director and CEO of ASX Limited. Previously, he was Managing Director and CEO of the Sydney Futures Exchange from May 2000 to July 2006, and from January 1995 to May 2000, he was Finance Director of Pioneer International. Robert was a Non-executive Director of the National Australia Bank from September 2004 to July 2006, an inaugural member of the Board of Guardians of the Future Fund, and former Chairman of the Financial Sector Advisory Council to the Federal Treasurer. Robert is an Adjunct Professor at the Business Schools of the Universities of Sydney and Western Australia. He is also a Board Member of the University of Western Australia Business School Board.

Peter Hawkins, BCA (Hons.), SF Fin, FAIM, ACA (NZ), FAICD. Age 62. Director since December 2008. Peter's career in the banking and financial services industry spans over 40 years in Australia and overseas at both the highest levels of management and directorship of major organisations. Peter has held various senior management and directorship positions with Australia and New Zealand Banking Group Limited from 1971 to 2005. He was also previously a Director of BHP (NZ) Steel Limited, ING Australia Limited, Esanda Finance Corporation, Visa Inc, Murray Goulburn Co-operative Co. Limited and MG Responsible Entity Limited (the responsible entity for ASX listed MG Unit Trust). Peter is currently a director of Mirvac Group, Liberty Financial Pty Ltd and Clayton Utz. He is also a member of the Bank of Melbourne Advisory Board.

Peter Marriott, BEc (Hons.), FCA. Age 60. Director since June 2013. Peter has over 30 years' experience in senior management roles in the finance industry encompassing international banking, finance and auditing. Peter joined Australia and New Zealand Banking Group Limited (ANZ) in 1993 and held the role of Chief Financial Officer from July 1997 to May 2012. Prior to his career at ANZ, Peter was a banking and finance, audit and consulting partner at KPMG Peat Marwick. Peter was formerly a Director of ANZ National Bank Limited in New Zealand and various ANZ subsidiaries. Peter is currently a Non-executive director of ASX Limited. He is also Chairman of Austraclear Limited and a

director of ASX Clearing Corporation Limited and ASX Settlement Corporation Limited. He is also a member of the Review Panel & Policy Council of the Banking & Finance Oath.

Independence

Together, the Board members have a broad range of relevant financial and other skills and knowledge, combined with the extensive experience necessary to guide Westpac's business.

All of Westpac's Non-executive Directors satisfy its criteria for independence, which align with the guidance provided in the ASXCGC Recommendations and the criteria applied by the New York Stock Exchange ("**NYSE**") and the SEC.

The Board assesses the independence of its Directors on appointment and annually. Each Director provides an annual attestation of his or her interests and independence.

Directors are considered independent if they are independent of management and free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. Materiality is assessed on a case-by-case basis by reference to each Director's individual circumstances rather than by applying general materiality thresholds.

Each Director is expected to disclose any business or other relationship that he or she has directly or as a partner, shareholder or officer of a company or other entity that has an interest in Westpac or a related entity. The Board considers information about any such interests or relationships, including any related financial or other details, when it assesses the Director's independence.

As at the date of this Information Memorandum, taking into account the above criteria and relationships, there are no existing or potential conflicts of interest between any duties owed to Westpac by its directors and the private interests or duties of those directors. In respect of potential conflicts of interest that may arise in the future, Westpac will manage such conflicts in accordance with the requirements of the *Corporations Act 2001* and other principles referred to above such that it does not expect that any actual conflicts of interest would arise.

Westpac's Corporate Governance

Framework and approach

Westpac's approach to corporate governance is based on a set of values and behaviours that underpin day to day activities, provide transparency and fair dealing, and seek to protect stakeholder interests.

This approach includes a commitment to excellence in governance standards which Westpac sees as fundamental to the sustainability of its business and performance. It includes monitoring local and global developments in corporate governance and assessing their implications.

Westpac has equity securities quoted on securities exchanges in Australia, New Zealand and the United States.

Australia

The principal listing of Westpac's ordinary shares is on the ASX, trading under the code WBC. Westpac also has hybrid securities, preference shares, capital notes, senior notes and subordinated notes listed on the ASX.

Westpac complies with the ASX Corporate Governance Principles and Recommendations (third edition) ("**ASXCGC Recommendations**") published by the ASX Limited's Corporate Governance Council ("**ASXCGC**"). Westpac must also comply with the *Corporations Act 2001* and as an ADI Westpac must also comply with governance requirements prescribed by APRA under *Prudential Standard CPS 510 (Governance)*.

Westpac's Corporate Governance Statement addresses each of the ASXCGC Recommendations with an explanation of Westpac's corporate governance practices, demonstrating its compliance with each Recommendation.

Further details about the ASXCGC Recommendations can be found on the ASX website www.asx.com.au.

New Zealand

Westpac's ordinary shares are also quoted on the NZX, which is the main board equity security market operated by NZX Limited. As an overseas listed issuer in New Zealand, Westpac is deemed to satisfy and comply with the NZX Listing Rules, provided that it remains listed on the ASX and complies with the ASX Listing Rules.

The ASX, through the ASXCGC Recommendations and the NZX, through the NZX Corporate Governance Best Practice Code, have adopted similar 'comply or explain' approaches to corporate governance. The ASXCGC Recommendations may, however, materially differ from the corporate governance rules and the principles of NZX's Corporate Governance Best Practice Code.

United States

Westpac has American Depositary Shares ("**ADS**") representing its ordinary shares quoted on the NYSE, trading under the symbol WBK. Under the NYSE Listing Rules, foreign private issuers (like Westpac) are permitted to follow home country practice in respect of corporate governance in lieu of the NYSE Listing Rules. However, Westpac is still required to comply with certain audit committee and additional notification requirements.

Westpac complies in all material respects with all NYSE Listing Rules applicable to it.

Under the NYSE Listing Rules, foreign private issuers are required to disclose any significant ways in which their corporate governance practices differ from those followed by domestic U.S. companies. Westpac has compared its corporate governance practices to the corporate governance requirements of the NYSE Listing Rules and notes the significant differences below.

The NYSE Listing Rules require that, subject to limited exceptions, shareholders be given the opportunity to vote on equity compensation plans and material revisions to those plans. In Australia, there are no laws or ASX Listing Rules that require shareholder approval of equity based incentive

plans or individual grants under those plans (other than for Directors, including the Chief Executive Officer (“**CEO**”)).

The NYSE Listing Rules provide that the Board Nominations Committee’s responsibilities should include selecting, or recommending that the Board select, the Director nominees for the next annual meeting for shareholders, and overseeing the evaluation of the Board. The Board, rather than the Board Nominations Committee, reviews and recommends the Director nominees for election at the AGM and undertakes an annual review of its performance.

Westpac’s Board Audit Committee

Role of the Board Audit Committee

As detailed in its charter, the Board Audit Committee has oversight of:

- the integrity of the financial statements and financial reporting systems and matters relating to taxation risks;
- the external audit engagement, including the external auditor’s qualifications, performance, independence and fees;
- performance of the internal audit function;
- financial reporting and compliance with prudential regulatory reporting. With reference to the Board Risk & Compliance Committee, this includes an oversight of regulatory and statutory reporting requirements; and
- procedures for the receipt, retention and treatment of financial complaints, including accounting, internal controls or auditing matters and the confidential reporting by employees of concerns regarding accounting or auditing matters.

The Board Audit Committee reviews, discusses with management and the external auditor, and assesses:

- any significant financial reporting issues and judgements made in connection with the preparation of the financial reports;
- the processes used to monitor and comply with laws, regulations and other requirements relating to external reporting of financial and non-financial information;
- the major financial risk exposures; and
- the process surrounding the disclosures made by the CEO and CFO in connection with their personal certifications of the annual financial statements.

In addition, the Board Audit Committee maintains an ongoing dialogue with the external auditor, including regarding those matters that are likely to be designated as Key Audit Matters in the external auditors report. Key Audit Matters are those matters which, in the opinion of the external auditor, are of the most significance in their audit of the financial report.

As part of its oversight responsibilities, the Board Audit Committee also conducts discussions with a wide range of internal and external stakeholders, including:

- the Board Risk & Compliance Committee, CFO, Chief Risk Officer (“**CRO**”), General Manager Group Audit, management and the external auditor, about Westpac’s major financial risk exposures and the steps management has taken to monitor and control such exposures;
- the General Manager Group Audit and external auditor concerning their audits and any significant findings and the adequacy of management’s responses;
- management and the external auditor concerning the half-year and annual financial statements;
- management and the external auditor regarding any correspondence with regulators or government agencies, and reports which raise material issues or could impact on matters regarding the Westpac Group’s financial statements or accounting policies; and
- the Westpac Group General Counsel & Chief Compliance Officer regarding any legal matters that may have a material impact on, or require disclosure in, the financial statements.

Periodically, the Board Audit Committee consults with the external auditor without the presence of management about internal controls over financial information, reporting and disclosure and the fullness and accuracy of Westpac’s financial statements. The Board Audit Committee also meets with the General Manager, Group Audit without management being present.

Financial knowledge

The Board Audit Committee comprises four independent, Non-executive Directors and is chaired by Peter Marriott.

All Board Audit Committee members have appropriate financial experience, an understanding of the financial services industry and satisfy the independence requirements under the ASXCGC Recommendations, the *United States Securities Exchange Act of 1934* (as amended) and its related rules and the NYSE Listing Rules.

The Board has determined that Mr Marriott, member of the Board Audit Committee, is an ‘audit committee financial expert’ and independent in accordance with U.S. securities law.

The designation of Mr Marriott as an audit committee financial expert does not impose duties, obligations or liability on him that are greater than those imposed on him as a Board Audit Committee member, and does not affect the duties, obligations or liability of any other Board Audit Committee member or Board member. Audit committee financial experts are not deemed as an ‘expert’ for any other purpose.

CEO and CFO assurance

The Board receives regular reports from management about Westpac’s financial condition and operational results, as well as that of its controlled entities. Before the Board approves the financial statements for a financial period, the CEO and the CFO provide formal statements to the Board, and

have done so for the financial half year ended 31 March 2017, that state that in all material respects:

- Westpac’s financial records have been properly maintained in that they:
 - correctly record and explain its transactions, and financial position and performance;
 - enable true and fair financial statements to be prepared and audited; and
 - are retained for seven years after the transactions covered by the records are completed;
- the financial statements and notes comply with the appropriate accounting standards;
- the financial statements and notes give a true and fair view of Westpac’s and its consolidated entities’ financial position and of their performance;
- any other matters that are prescribed by the *Corporations Act 2001* and regulations as they relate to the financial statements and notes are satisfied; and
- the declarations provided in accordance with section 295A of the *Corporations Act 2001* are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

External auditor

The role of the external auditor is to provide an independent opinion that Westpac’s financial reports are true and fair and comply with applicable regulations.

Westpac’s external auditor is PricewaterhouseCoopers (“**PwC**”), appointed by shareholders at the 2002 Annual General Meeting (“**AGM**”). Westpac’s present PwC lead audit partner is Michael Codling and the quality review partner is Wayne Andrews. Mr Codling and Mr Andrews assumed responsibility for these roles in December 2011 and January 2015 respectively.

The external auditor receives all Board Audit Committee, Board Risk & Compliance Committee and Board Technology Committee papers, attends all meetings of these committees and is available to Committee members at any time. The external auditor also attends the AGM to answer questions from shareholders regarding the conduct of its audit, the audit report and financial statements and its independence.

As Westpac’s external auditor, PwC is required to confirm its independence and compliance with specified independence standards on a quarterly basis.

Westpac strictly governs its relationship with the external auditor, including restrictions on employment, business relationships, financial interests and use of its financial products by the external auditor.

Engagement of the external auditor

To avoid possible independence or conflict issues, the external auditor is not permitted to carry out certain types of non-audit services for Westpac and may be limited as to the extent to which it can

perform other non-audit services, as specified in Westpac's 'Pre-approval of engagement of PwC for audit and non-audit services' ("**Guidelines**"). Use of the external audit firm for any non-audit services must be assessed and approved in accordance with the pre-approval process determined by the Board Audit Committee and set out in the Guidelines.

The breakdown of the aggregate fees billed by the external auditor in respect of each of the two most recent financial years for audit, audit-related, tax and other services is provided in Note 39 to the financial statements for the year ended 30 September 2016.

Group Audit (internal audit)

Group Audit is Westpac's internal audit function and includes the Credit Portfolio Review team both of which provide the Board and Executive Management with an independent and objective evaluation of the adequacy and effectiveness of management's control over risk. Group Audit is governed by a Charter approved by the Board Audit Committee that sets out the purpose, role, scope, and high level standards for the function. Group Audit covers the governance, risk management and internal control frameworks of Westpac and its wholly owned subsidiaries. It has access to all of Westpac Group's wholly owned entities and conducts audits and reviews following a risk-based planning approach. The General Manager Group Audit has a direct reporting line to the Chairman of the Board Audit Committee and an administrative line to the Chief Financial Officer. Group Audit also has direct access to the Chief Executive Officer.

Group Audit's responsibilities include providing regular reports to the Board Audit Committee and, as deemed appropriate, the Board Risk & Compliance Committee, and raising any significant issues with those committees.

Other matters

Litigation

Contingent liabilities exist in respect of actual and potential claims and proceedings. An assessment of the Westpac Group's likely loss has been made on a case-by-case basis for the purpose of the financial statements and specific provisions have been made where appropriate.

Organisational Structure

Westpac's controlled entities are set out in Note 35 to the 2016 audited annual financial statements, as updated by reference to section 6.5 of the Interim Financial Report, both of which are incorporated by reference and form part of this Information Memorandum. Westpac Banking Corporation is the ultimate parent of the Westpac Group.

INFORMATION CONCERNING THE UNDERLYING SECURITIES

1. Share Capital

As at 31 May 2017, Westpac had 3,356,614,808 ordinary shares in issue (the “**Ordinary Shares**”).

2. Description of the type and class of securities admitted

The Ordinary Shares were created under Australian legislation and are admitted to trading on the ASX.

Information concerning the past and future performance of the Ordinary Shares and their volatility may be obtained from:

<http://www.asx.com.au/asx/share-price-research/company/WBC>

3. Form and currency of the Ordinary Shares

The Ordinary Shares are denominated in A\$. The Ordinary Shares are in uncertified, registered form.

4. Rights attaching to the Ordinary Shares

Westpac was registered on 23 August 2002 as a public company limited by shares under the *Corporations Act 2001*. Westpac’s constitution was most recently amended at the general meeting held on 13 December 2012 (the “**Constitution**”, as amended from time to time). The rights attaching to Westpac’s Ordinary Shares are set out in the *Corporations Act 2001* and its Constitution, and include:

(a) Profits and dividends

Holders of Ordinary Shares are entitled to receive such dividends on those shares as may be determined by Westpac’s Directors from time to time. Dividends that are paid but not claimed may be invested by Westpac’s Directors for the benefit of Westpac until required to be dealt with in accordance with any law relating to unclaimed monies.

Westpac’s constitution requires that dividends be paid out of Westpac’s profits. In addition, under the *Corporations Act 2001*, Westpac must not pay a dividend unless its assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for payment of the dividend. In addition, the payment must be fair and reasonable to the Westpac’s shareholders and must not materially prejudice Westpac’s ability to pay its creditors.

Subject to the *Corporations Act 2001*, the constitution, the rights of persons (if any) entitled to shares with special rights to dividend and any contrary terms of issue of or applying to any shares, Westpac’s Directors may determine that a dividend is payable, fix the amount and the time for payment and authorize the payment or crediting by Westpac to, or at the direction of, each shareholder entitled to that dividend.

If any dividends are returned unclaimed, Westpac is generally obliged, under the Banking Act, to hold those amounts as unclaimed monies for a period of three years. If at the end of that period the monies remain unclaimed by the shareholder concerned, Westpac must submit an annual unclaimed money return to the Australian Securities and Investment Commission by

31 March each year containing the unclaimed money as at 31 December of the previous year. Upon such payment being made, Westpac is discharged from further liability in respect of that amount.

Westpac's Directors may, before paying any dividend, set aside out of Westpac's profits such sums as they think proper as reserves, to be applied, at the discretion of Westpac's Directors, for any purpose for which the profits may be properly applied. Westpac's Directors may carry forward so much of the profits remaining as they consider ought not to be distributed as dividends without transferring those profits to a reserve.

The following restrictions apply to Westpac's ability to declare and/or pay dividends:

- if the payment of the dividend would breach or cause a breach by Westpac of applicable capital adequacy or other supervisory requirements of APRA. Currently, one such requirement is that a dividend should not be paid without APRA's prior consent if payment of that payments on more senior capital instruments, in the preceding 12 consecutive months to which they relate, would cause the aggregate of such dividend payments to exceed Westpac's after tax earnings for the preceding 12 consecutive months, as reflected in Westpac's relevant audited consolidated financial statements. 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 APRA's capital conservation buffer range;
- if, under the Banking Act, Westpac is directed by APRA not to pay a dividend;
- if the declaration or payment of the dividend would result in Westpac becoming insolvent; and
- if any interest payment, dividend, redemption payment or other distribution on certain Additional Tier 1 securities issued by the Westpac Group is not paid in accordance with the terms of those securities, Westpac may be restricted from declaring and/or paying dividends on Ordinary Shares (and certain Additional Tier 1 securities). This restriction is subject to a number of exceptions.

(b) Voting rights

Holders of Westpac's fully paid Ordinary Shares have, at general meetings (including special general meetings), one vote on a show of hands and, upon a poll, one vote for each fully paid Ordinary Share held by them.

(c) Winding up

Subject to any preferential entitlement of holders of Westpac preference shares on issue at the relevant time, holders of Westpac Ordinary Shares are entitled to share equally in any surplus assets if Westpac is wound up.

Under the Corporations Act 2001, unless otherwise provided by the terms of issue of a class of shares, the terms of issue of a class of shares in Westpac can only be varied or cancelled in any way by a special resolution of Westpac and with either the written consent of Westpac's shareholders holding at least three quarters of the votes in that class of shares or with the sanction of a special resolution passed at a separate meeting of the holders of that class of

shares.

5. Change of control restrictions

Restrictions apply under the Corporations Act 2001, the *Financial Sector (Shareholdings) Act 1998 of Australia* and the *Foreign Acquisitions and Takeovers Act 1975 of Australia*.

6. Listing

(a) Ordinary Shares

The Ordinary Shares are admitted to trading on the ASX, which handles the primary, secondary and derivative market services of the ASX Group. ASX operates Australia's primary national market for trading of securities issued by listed companies.

ASX was created by the merger of the Australian Stock Exchange and the Sydney Futures Exchange in July 2006. The origins of ASX can be traced to the formation of Australia's first stock exchange in Melbourne in 1861.

ASX functions as a market operator, clearing house and payments system facilitator. It also oversees compliance with its operating rules, promotes standards of corporate governance among Australia's listed companies and helps to educate retail investors.

ASX has over 2,100 listed companies, spread across all industry sectors and a range of geographical regions. It is the world's eighth largest equity market by free-float market capitalisation, the seventh largest exchange organisation and is consistently ranked in the top five exchanges for equity capital raising.

Price information is published on the ASX's website with a 20 minute delay. The volume of equity trades on the ASX on 31 May 2017 was 1,222,804 and for the month of May 2017 was 26,429,978. Daily trading volumes are calculated as at 5 p.m. on each trading day and do not include off-market trades occurring after 5 p.m. Monthly trading volumes include all trades occurring within a particular month, including those conducted off market, so the sum of the figures for the daily trading volumes for any given month may not equal the monthly trading volume figure.

Confidence in the operations of ASX is reinforced by the market supervision and regulatory role undertaken by the Australian Securities and Investments Commission ("**ASIC**") across all trading venues and clearing and settlement facilities, as well as through the Reserve Bank of Australia's oversight of financial system stability. ASIC also supervises ASX's own compliance as a listed public company.

Further information on the ASX is available on the ASX's website.

(b) The Subordinated Instruments

The Subordinated Instruments may be listed and admitted to trading on the wholesale Interest Rate Securities Market of the ASX. The Subordinated Instruments may also be issued under the Programme on the basis that they will be admitted to the official list of the Irish Stock

Exchange and to trading on the Irish Stock Exchange's Global Exchange Market.

7. Conversion

Where the primary method of loss absorption is conversion in accordance with Condition 5.1(a) the Subordinated Instruments are subject to conversion into Ordinary Shares as described more fully in Conditions 5 and 6 of the Terms and Conditions of the Subordinated Instruments, as set out on pages 71 to 86 of this Information Memorandum.

TAXATION

The information provided below does not purport to be a complete summary of Australian tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisers.

Australia

THE FOLLOWING IS A SUMMARY OF THE AUSTRALIAN WITHHOLDING TAX TREATMENT UNDER THE *INCOME TAX ASSESSMENT ACTS OF 1936 AND 1997 OF AUSTRALIA* (TOGETHER, THE "**AUSTRALIAN TAX ACT**") AND THE *TAXATION ADMINISTRATION ACT 1953 OF AUSTRALIA* AT THE DATE OF THIS INFORMATION MEMORANDUM OF PAYMENTS OF INTEREST BY THE ISSUER ON THE SUBORDINATED INSTRUMENTS AND CERTAIN OTHER MATTERS.

IT IS NOT EXHAUSTIVE AND, IN PARTICULAR, DOES NOT DEAL WITH THE POSITION OF CERTAIN CLASSES OF HOLDERS OF SUBORDINATED INSTRUMENTS (INCLUDING, WITHOUT LIMITATION, AUSTRALIAN RESIDENTS, NON-RESIDENTS THAT HOLD THE SUBORDINATED INSTRUMENTS THROUGH A PERMANENT ESTABLISHMENT IN AUSTRALIA, DEALERS IN SECURITIES, OR CUSTODIANS OR THIRD PARTIES THAT HOLD THE SUBORDINATED INSTRUMENTS ON BEHALF OF ANY PERSON). NOR DOES IT DEAL WITH SUBORDINATED INSTRUMENTS ISSUED BY THE ISSUER FROM A BRANCH OUTSIDE AUSTRALIA, OR WITH DUAL CURRENCY SUBORDINATED INSTRUMENTS OR PARTLY PAID SUBORDINATED INSTRUMENTS. IF SUCH SUBORDINATED INSTRUMENTS ARE ISSUED, THEIR AUSTRALIAN TAXATION TREATMENT WILL BE SUMMARISED IN THE RELEVANT PRICING SUPPLEMENT.

THE FOLLOWING SUMMARY IS A GENERAL GUIDE AND SHOULD BE TREATED WITH APPROPRIATE CAUTION. IT IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED AS, LEGAL OR TAX ADVICE TO ANY PARTICULAR HOLDER. PROSPECTIVE HOLDERS SHOULD BE AWARE THAT THE PARTICULAR TERMS OF ISSUE OF ANY SERIES OF SUBORDINATED INSTRUMENTS MAY AFFECT THE TAX TREATMENT OF THAT AND OTHER SERIES OF SUBORDINATED INSTRUMENTS. HOLDERS SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

Australian interest withholding tax ("IWT")

Generally, payments of principal and interest on the Subordinated Instruments made by the Issuer to a Holder that is not a resident of Australia for Australian tax purposes ("**a Non-Resident**") (other than one deriving the interest in carrying on business in Australia at or through a permanent establishment in Australia) will not be subject to Australian taxes or duties other than IWT at a rate of 10 per cent. of the amount of an interest payment. However, IWT will not be payable if an exemption applies.

For IWT purposes, "interest" is defined to include amounts in the nature of, or paid in substitution for, interest and certain other amounts. Any premium or issue discount would be interest for these purposes.

There are also specific rules that can apply to treat a portion of the purchase price of the Subordinated Instruments as interest for IWT purposes when Subordinated Instruments that are originally issued at a discount, or with a maturity premium, or which do not pay interest at least annually, are sold by a Non-Resident (other than one holding the Subordinated Instruments as part of a business carried on by it at or through a permanent establishment in Australia) to:

- a resident of Australia for Australian tax purposes ("**a Resident**") that does not acquire them in carrying on business at or through a permanent establishment in a country outside Australia; or
- a Non-Resident that acquires them in carrying on business in Australia at or through a permanent establishment in Australia.

Exemption from IWT under section 128F of the Australian Tax Act

Interest on the Subordinated Instruments will be exempt from IWT if the requirements of section 128F of the Australian Tax Act ("**section 128F**") are satisfied in relation to the Subordinated Instruments.

The Issuer proposes to issue the Subordinated Instruments in a manner which will satisfy the requirements of section 128F.

The exemption from IWT available under section 128F is not intended to apply to related party loans. In particular, in order for that exemption to apply, the Issuer must not have known or had reasonable grounds to suspect, at the time of their issue, that any of the Subordinated Instruments, or an interest in the Subordinated Instruments, were being or would later be acquired either directly or indirectly by an Offshore Associate of the Issuer (other than one acting in the capacity of a dealer, manager or underwriter in relation to the placement of the Subordinated Instruments or in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered scheme (as defined in the *Corporations Act 2001*)).

In addition, the exemption from IWT available under section 128F will not apply if, at the time of an interest payment in respect of a Subordinated Instrument, the Issuer knew or had reasonable grounds to suspect that the recipient of the payment was an Offshore Associate of the Issuer (other than one receiving the payment in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme (as defined in the *Corporations Act 2001*)).

For these purposes, an "**Offshore Associate**" means an associate (as defined in section 128F) of the Issuer that is either:

- a Non-Resident that does not acquire the Subordinated Instruments or an interest in the Subordinated Instruments and does not receive all payments under them in carrying on business in Australia at or through a permanent establishment in Australia; or
- a Resident that acquires the Subordinated Instruments or an interest in the Subordinated Instruments and receives payments under them in carrying on business at or through a permanent establishment in a country outside Australia.

Accordingly, if you are an Offshore Associate of the Issuer, you should not acquire any of the Subordinated Instruments.

Payment of additional amounts because of a deduction or withholding in respect of IWT

If the Issuer is, at any time, compelled by law to deduct or withhold an amount in respect of IWT, then it must, subject to certain exceptions set out in Condition 10 (*Taxation*), pay such additional amounts as will result in the receipt by the Holders of such Subordinated Instruments of such amounts as would

have been received by them had no such deduction or withholding been required.

However, it is noted that Condition 10 (*Taxation*) provides that the Issuer will not be obliged to pay such additional amounts on account of IWT which is payable by reason of the Holder being an associate (as defined in section 128F) of the Issuer.

Withholding under section 126 of the Australian Tax Act (“*section 126*”) on certain Subordinated Instruments in bearer form

Section 126 imposes a withholding tax, at the rate of (currently) 47 per cent. (and, under current law, will be reduced to 45 per cent. following the 2016-17 income year), on the payment of interest on bearer debentures if the issuer fails to disclose the names and addresses of certain holders of those debentures to the ATO. Section 126 does not apply to the payment of interest on debentures held by Non-Residents that do not carry on business at or through a permanent establishment in Australia where the issue of the debentures satisfied the requirements of section 128F. However, the operation of section 126 in relation to debentures held in some circumstances can be complex. Section 126 will not apply in any circumstances if the name and address of the holder of the bearer debentures is disclosed to the ATO. The ATO has issued a Taxation Determination stating that where interests in debentures are held by persons through a clearing house which lodges the bearer debentures with a common depositary, the disclosure of the name and address of the clearing house will be sufficient for section 126 purposes.

Condition 10 (*Taxation*) provides that the Issuer will not be obliged to pay additional amounts on account of taxes which it is required to deduct and withhold under section 126 (or any equivalent provision) in respect of interest payable on such bearer Subordinated Instruments where the tax would not be payable were the Holder not a "Resident of Australia" or a "Non-Resident" engaged in carrying on business in Australia at or through a permanent establishment of that "Non-Resident" in Australia.

Withholding for failure to provide Tax File Number (“*TFN*”) / Australian Business Number (“*ABN*”)

The Issuer is required to deduct and withhold tax from payments of interest at a rate that is currently 49 per cent. for the 2016-17 income year (and, under current law, will be reduced to 47 per cent. following the 2016-17 income year) on the Subordinated Instruments unless a TFN or, in certain circumstances, an ABN has been provided to the Issuer by the Holder, or the Holder has supplied the Issuer with proof of some other relevant exemption.

Provided that the requirements of section 128F have been satisfied with respect to the Subordinated Instruments, the TFN / ABN withholding rules will not apply to payments to Holders that are Non-Residents and do not hold the Subordinated Instruments in carrying on business in Australia at or through a permanent establishment in Australia.

Condition 10 (*Taxation*) provides that the Issuer will not be obliged to pay additional amounts on account of taxes deducted or withheld on payments made in respect of Subordinated Instruments in certain circumstances including payments made to a Holder that could lawfully avoid (but has not so avoided) such deduction or withholding by (i) providing (or procuring that a third party provides) the Holder’s TFN and/or ABN to the Issuer, or evidence that the Holder is not required to provide a TFN and/or ABN to the Issuer or to an applicable revenue authority and/or (ii) complying (or procuring that a third party complies) with any statutory requirements or making a declaration of non-residence or

other claim or filing for exemption.

Other Australian withholding taxes

Non-resident withholding tax

Under section 12-315 of Schedule 1 to the *Taxation Administration Act 1953 of Australia* (“**TAA**”), regulations may be made that require amounts to be withheld on account of tax liabilities of Non-Residents from certain payments that are made by an Australian entity to such Non-Residents.

These rules do not currently apply to payments in relation to the Subordinated Instruments by the Issuer. However, the possible application of any future regulations to payments received by Non-Residents in respect of the Subordinated Instruments will need to be monitored.

Supply withholding tax

Payments in respect of the Subordinated Instruments will be able to be made free and clear of the “supply withholding tax” imposed under section 12-190 of Schedule 1 to the TAA.

Other Australian tax matters

Gains on disposal of Subordinated Instruments by Non-Residents

Non-Residents that have never held their Subordinated Instruments in the course of carrying on business at or through a permanent establishment within Australia will not be subject to Australian income tax on gains realised by them on the sale or redemption of the Subordinated Instruments provided that such gains do not have an Australian source. A gain arising on the sale of Subordinated Instruments by a Non-Resident Holder to another Non-Resident where the Subordinated Instruments are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia would not generally be regarded as having an Australian source.

Garnishee directions

The Commissioner of Taxation for Australia may give a direction under section 255 of the Australian Tax Act or section 260-5 of Schedule 1 to the TAA or any similar provision requiring the Issuer to deduct or withhold from any payment to any other party (including any Holder) any amount in respect of tax payable by that other party. If the Issuer is served with such a direction, the Issuer intends to comply with that direction and make any deduction or withholding required by that direction.

Goods and services tax (“GST”)

Neither the issue, nor the receipt, of the Subordinated Instruments will give rise to a liability for GST in Australia on the basis that the supply of the Subordinated Instruments will comprise either an “input taxed financial supply” or (in the case of a supply to a Non-Resident Holder outside Australia and certain areas offshore of Australia, which together comprise the “indirect tax zone”) a “GST-free supply”. Furthermore, neither the payment of principal or interest by the Issuer, nor the disposal or redemption of the Subordinated Instruments, would give rise to any GST liability in Australia.

Estate duties

No Subordinated Instruments will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death.

Stamp duties

No ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Subordinated Instruments.

SUBSCRIPTION AND SALE

Subordinated Instruments may be issued from time to time by the Issuer to any one or more of Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Nomura International plc, RBC Europe Limited, Standard Chartered Bank, UBS Limited, Westpac Banking Corporation and Westpac Europe Limited (the “**Dealers**”). Subordinated Instruments may also be issued by the Issuer direct to institutions who are not Dealers. The arrangements under which Subordinated Instruments may from time to time be agreed to be issued by the Issuer to, and subscribed by, Dealers are set out in an amended and restated dealership agreement dated on or about 15 November 2013 as supplemented by way of a supplemental dealership agreement dated 14 November 2014, a supplemental dealership agreement dated 12 November 2015 and a supplemental dealership agreement dated 10 November 2016 (the “**Dealership Agreement**”) and made between the Issuer and the Dealers. Any such agreement will, inter alia, make provision for the form and terms and conditions of the relevant Subordinated Instruments, the price at which such Subordinated Instruments will be subscribed for by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Subordinated Instruments.

Certain Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer’s affiliates. Dealers or their affiliates which have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which would consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially any Subordinated Instruments issued under the Programme. Any such short positions could adversely affect future trading prices of any Subordinated Instruments issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

United States of America:

Regulation S Category 2; TEFRA D, unless TEFRA C is specified as applicable in the relevant Pricing Supplement.

Neither Subordinated Instruments nor, if applicable, any Ordinary Shares issuable upon Conversion have been or will be registered under the *United States Securities Act of 1933*, as amended (the “**Securities Act**”), or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Subordinated Instruments in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Subordinated Instruments or, if applicable, any Ordinary Shares issuable upon Conversion, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Subordinated Instruments comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Subordinated Instruments to or through more than one Dealer, by each of such Dealers as to Subordinated Instruments of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons, and such Dealer will have sent to each dealer to which it sells Subordinated Instruments or, if applicable, any Ordinary Shares issuable upon Conversion during the restricted period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Subordinated Instruments or, if applicable, any Ordinary Shares issuable upon Conversion within the United States or to or for the account or benefit of U.S. persons.

In addition, until 40 days after the commencement of the offering of Subordinated Instruments comprising any Tranche or, if applicable, any Ordinary Shares issuable upon Conversion, any offer or sale of Subordinated Instruments or, if applicable, any Ordinary Shares issuable upon Conversion within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom:

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (1) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Subordinated Instruments in, from or otherwise involving the United Kingdom; and
- (2) Financial promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Subordinated Instruments in circumstances in which section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer.

Australia:

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that in connection with the distribution of the Subordinated Instruments, it:

- will not make any offer or invitation in Australia or any offer or invitation which is received in Australia in relation to the issue, sale or purchase of any Subordinated Instruments unless the

offeree is required to pay at least A\$500,000 in aggregate for the Subordinated Instruments or its foreign currency equivalent (in either case disregarding amounts, if any, lent by the Issuer or other person offering the Subordinated Instruments or its associates (within the meaning of that expression in Part 6D.2 of the *Corporations Act 2001*)), or it is otherwise an offer or invitation for which by virtue of section 708 of the *Corporations Act 2001* no disclosure is required to be made under Part 6D.2 of the *Corporations Act 2001* or is otherwise required under Part 7 of the *Corporations Act 2001* and is not made to a retail client (as defined in section 761G of the *Corporations Act 2001*); and

- has not circulated or issued and will not circulate or issue a disclosure document relating to the Subordinated Instruments in Australia or received in Australia which requires lodging under Part 6D.2 or Part 7 of the *Corporations Act 2001*.

Hong Kong:

In relation to each Tranche of Subordinated Instruments, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (A) it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), by means of any document, any Subordinated Instruments other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the *Laws of Hong Kong*, the "**SFO**") and any rules made under the SFO; (b) in other circumstances which do not result in the document being a prospectus as defined in the *Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)* or which do not constitute an offer to the public within the meaning of that Ordinance; or (c) Subordinated Instruments which are a "structured product" as defined in the SFO; and
- (B) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Subordinated Instruments, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Subordinated Instruments which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan:

The Subordinated Instruments have not been and will not be registered under the *Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended (the "FIEL"))* and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Subordinated Instruments, directly or indirectly, in Japan or to, or for the account or benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any Japanese Person, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

France:

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, any Subordinated Instruments to the public in France, and that offers and sales of Subordinated Instruments in France will be made only to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in Articles L.411-1, L.411-2 and D.411-1 of the *French Code monétaire et financier*, but excluding individuals.

No re-transfer, directly or indirectly, of the Subordinated Instruments in France, other than in compliance with applicable laws and regulations shall be made.

In addition, each of the Dealers has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France, this Information Memorandum or any other offering material relating to the Subordinated Instruments other than to investors to whom offers and sales of Subordinated Instruments in France may be made as described above.

The Republic of Ireland:

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (A) it will not underwrite the issue of, or place the Subordinated Instruments, otherwise than in conformity with the provisions of the *European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended)*, including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the *Investor Compensation Act 1998*;
- (B) it will not underwrite the issue of, or place, the Subordinated Instruments, otherwise than in conformity with the provisions of the *Companies Acts 1963 - 2013 (as amended) of Ireland (as amended)*, the *Central Bank Acts 1942 - 2013 (as amended)* and any codes of conduct rules made under Section 117(1) of the *Central Bank Act 1989*; and
- (C) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Subordinated Instruments, otherwise than in conformity with the provisions of the *Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended)* and any rules issued under Section 34 of the *Investment Funds, Companies and Miscellaneous Provisions Act 2005* by the Central Bank of Ireland.

Italy:

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offering of the Subordinated Instruments has not been registered pursuant to Italian securities legislation and, accordingly, the Subordinated Instruments may not be offered, sold or delivered, nor may copies of this Information Memorandum or any other document relating to the Subordinated Instruments be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended ("**Decree No. 58**") and Article 34-ter, first paragraph, letter b, of the Italian Securities Exchange Commission ("**CONSOB**") Regulation No. 11971 of 14 May 1999, as amended (the "**11971 Regulation**") provided that such qualified investors will act in that capacity and not as depositaries or nominees for other holders; or
- (b) in any other circumstances which are exempted from the rules on offers to the public pursuant to Article 100 of Decree No. 58 and 34-ter of the 11971 Regulation.

Furthermore, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer, sale or delivery of the Subordinated Instruments or distribution of copies of this Information Memorandum or any other document relating to the Subordinated Instruments in the Republic of Italy under (a) or (b) above must be:

- made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with *Decree No. 58, Legislative Decree No. 385 of 1 September 1993, as amended ("Decree No. 385")*, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations;
- in compliance with Article 129 of Decree No. 385 and the implementing guidelines of the Bank of Italy, as amended from time to time (*Istruzioni di Vigilanza della Banca d'Italia*), pursuant to which the issue, offer, sale, trading, or placement of securities in Italy may need to be followed by appropriate notice to be filed with the Bank of Italy; and
- in accordance with any other applicable notification requirements, limitations, laws and regulations, including (but not limited to) those imposed by CONSOB or by the Bank of Italy.

Each Dealer has acknowledged that, and agreed that it is aware of the fact that, pursuant to Italian laws, including Article 100-bis of Decree No. 58:

- (a) any subsequent resale of the Subordinated Instruments - which have been previously the subject of an exempted offer - shall be subject to registration and shall be accompanied by a prospectus to the extent that such a resale qualifies as an offer to the public and it is not exempted from the registration and prospectus requirements;
- (b) any subsequent and systematic resale of the Subordinated Instruments – which have been previously allotted in Italy or abroad to Qualified Investors (as defined above) – to individuals (or entities) other than Qualified Investors over the 12 months following the original allotment qualifies as an offer to the public (subject to registration and to the publication of a prospectus) to the extent that it is not exempted from the registration and prospectus requirements;
- (c) if the resale under letter (b) above occurs in the absence of a properly published prospectus, the purchaser of the Subordinated Instruments – who has acted outside its professional or business purposes – may obtain a court order declaring the agreement for the purchase of the Subordinated Instruments null and void and obliging the authorised dealer who sold the Subordinated Instruments to pay damages incurred by the purchaser. Furthermore, the seller of the Subordinated Instruments:

- (i) shall ensure the repayment of the Subordinated Instruments' nominal value to the purchaser;
- (ii) will be fined not less than one fourth of the overall counter value of the offer and not more than the double of that amount (unless such a counter value cannot be determined, in which case the fine would be not lower than EUR 100,000 and not higher than EUR 2,000,000);

and as a result of the levy of the financial sanctions referred to above, directors and officers of the seller are temporarily suspended from their office and are prevented from taking up or, as the case may be, are suspended from management and control positions in listed companies for a period of not less than two months and not more than three years.

The Netherlands:

The Subordinated Instruments may not be offered or sold, directly or indirectly, as part of any initial distribution or at any time thereafter, directly or indirectly, to any person other than to professional market parties (professionele marktpartijen) as defined in *1:107 paragraph 2 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht)*, as amended, restated or re-enacted at any time, in The Netherlands.

In addition and without prejudice to the relevant restrictions set out directly above, each Dealer has represented, warranted and agreed, and each further Dealer appointed will be required to represent, warrant and agree, that as of 1 January 2012 it shall include in:

- (a) any offer of Subordinated Instruments to the public in The Netherlands other than an offer:
 - in respect of which a prospectus (and, as the case may be, any supplement or supplements if required) approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the "**AFM**") (or, where appropriate, by the competent authority in another Member State of the EEA which has implemented the Prospectus Directive and notified to the AFM in accordance with the Prospectus Directive) has been made generally available; or
 - only to qualified investors as defined in the Prospectus Directive; and
- (b) any advertisement relating to such an offer, and any document in which the prospect of such offer is held out, that:
 - (A) no prospectus approved by the AFM has been or will be made generally available; and
 - (B) such offer is not supervised by the AFM,

in such manner as prescribed by the AFM from time to time.

New Zealand:

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and agrees it will not, directly or indirectly, offer, sell or deliver any Subordinated Instruments, Coupons and Talons in New Zealand or distribute any information memorandum (including this Information Memorandum), any Pricing Supplement or other offering memorandum or any advertisement in relation to any offer of Subordinated Instruments, Coupons and Talons 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) 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

- (b) a person who meets the “investment criteria” specified in clause 38 of *Schedule 1 to the Financial Markets Conduct Act 2013 of New Zealand*.

Where Subordinated Instruments are issued by the Issuer acting through its New Zealand branch or amounts payable in relation to any Subordinated Instruments are payable in New Zealand Dollars, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Subordinated Instruments, Coupons and Talons to persons whom it reasonably believes to be persons to whom any amounts payable on the Subordinated Instruments, Coupons and Talons are or would be subject to New Zealand resident withholding tax, unless such persons:

- (a) certify they hold a valid RWT exemption certificate for New Zealand resident withholding tax purposes, and
- (b) provide a New Zealand tax file number to such Dealer (in which event the Dealer shall provide details thereof to the Issuer, the Registrar or any Paying Agent pursuant to the Issue and Paying Agency Agreement).

Singapore:

This Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the *Securities and Futures Act, Chapter 289 of Singapore, as amended* (the “SFA”). Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Subordinated Instruments may not be circulated or distributed, nor may Subordinated Instruments be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a

relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Subordinated Instruments are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Subordinated Instruments pursuant to an offer made under Section 275 of the SFA except:

1. to an institutional investor or to a relevant person defined in Section 275 (2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
2. where no consideration is or will be given for the transfer;
3. where the transfer is by operation of law;
4. as specified in Section 276(7) of the SFA; or
5. as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Spain:

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent or agree, that the Subordinated Instruments may not be offered, sold or distributed, nor may any subsequent resale of Subordinated Instrument be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the *Spanish Securities Market Law, of 28 July 1988 (Ley 24/1988, de 28 de julio, del Mercado de Valores)*, as amended and restated, and further developing legislation or without complying with all legal and regulatory requirements under Spanish securities laws.

Switzerland

Each Dealer has represented and agreed that this Information Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Subordinated Instruments described herein. The Subordinated Instruments may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Information Memorandum nor any other offering

or marketing material relating to the Subordinated Instruments constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Information Memorandum nor any other offering or marketing material relating to the Subordinated Instruments may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Information Memorandum nor any other offering or marketing material relating to the offering, nor the Issuer nor the Subordinated Instruments have been or will be filed with or approved by any Swiss regulatory authority. The Subordinated Instruments are not subject to the supervision by any Swiss regulatory authority, for example, the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Subordinated Instruments will not benefit from protection or supervision by such authority.

Taiwan:

The Subordinated Instruments may not be sold, offered or issued to Taiwan resident investors or in Taiwan unless they are made available, (i) outside Taiwan for purchase outside Taiwan by such investors and/or (ii) in Taiwan, (A) in the case of Subordinated Instruments which are a “structured product” as defined in the *Regulation Governing Offshore Structured Products of the Republic of China (“OSP Regulation”)* through bank trust departments, licensed securities brokers and/or insurance company investment linked insurance policies pursuant to the OSP Regulation or (B) in the case of Subordinated Instruments which are not “structured products” under the OSP Regulation, through properly licensed Taiwan intermediaries (including the non-discretionary monetary trust of licensed banks in Taiwan acting as trustees) in such manner as complies with Taiwan law and regulation and/or (iii) in such other manner as may be permitted in accordance with applicable laws and regulations of Taiwan.

Prohibition of Sales to EEA Retail Investors:

From 1 January 2018, no Subordinated Instruments which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto may be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "*MiFID II*"); or
- (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

General:

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Subordinated Instruments or possesses, distributes or publishes this Information Memorandum or any Pricing Supplement or any related offering material. Other persons into whose hands this Information

Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Subordinated Instruments or possess, distribute or publish this Information Memorandum or any Pricing Supplement or any related offering material.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in official interpretation, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in this section.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Subordinated Instruments) or (in any other case) in a supplement to this document.

In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, in connection with the distribution of the Subordinated Instruments, it has not sold Subordinated Instruments nor will it sell any Subordinated Instrument to a person if, at the time of the sale, the Dealer knew or had reasonable grounds to suspect that, as a result of the sale, the Subordinated Instrument, or an interest in the Subordinated Instrument, was being, or would later be, acquired either directly or indirectly by an Offshore Associate of the Issuer other than one acting in the capacity of dealer, manager or underwriter in relation to the placement of the Subordinated Instruments or in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered scheme within the meaning of the *Corporations Act 2001*.

GENERAL INFORMATION

1. Subordinated Instruments may be admitted to listing and/or trading on the wholesale Interest Rate Securities Market of the ASX. Subordinated Instruments may be issued pursuant to the Programme which will not be admitted to listing and/or trading on the ASX or any other listing authority and/or stock exchange or which will be admitted to listing and/or trading on such listing authority and/or stock exchange as the Issuer and the relevant Dealer(s) may agree.
2. The update of the Programme was authorised pursuant to a resolution of Westpac Banking Corporation's Directors passed on 31 October 2006, by an approval given on 29 April 2014 by Westpac Banking Corporation's Managing Director and Chief Executive Officer and by an approval given on 5 September 2016 by Alexander Bischoff, Executive Director, Group Treasury, Westpac Banking Corporation. The issuance of Subordinated Instruments under the Programme was authorised pursuant to a resolution of Westpac Banking Corporation's Directors passed on 5 March 2014. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Subordinated Instruments.
3. The Subordinated Instruments have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Subordinated Instruments of each Series will be specified in the Pricing Supplement relating thereto. The Subordinated Instruments have been accepted for clearance through the CMU Service. The CMU Service Subordinated Instrument Number for each Series of Subordinated Instruments intended to be cleared through the CMU Service will be specified in the Pricing Supplement relating thereto. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Subordinated Instruments for clearance together with any further appropriate information.
4. Subordinated Instruments (other than where such Subordinated Instruments are Temporary Global Instruments) and any Coupon appertaining thereto will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Subordinated Instrument or Coupon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Subordinated Instrument or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
5. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Fiscal Agent in relation to each Tranche of Subordinated Instruments.
6. The Australian Autonomous Sanctions Act 2011 and the Autonomous Sanctions Regulations 2011, the Charter of the United Nations Act 1945 of Australia and the Charter of the United Nations (Dealing with Assets) Regulations 2008, and other laws and regulations in Australia, restrict or prohibit payments, transactions and dealings with assets having a proscribed connection with certain countries or named individuals or entities subject to international sanctions or associated with terrorism or money laundering.

The Australian Department of Foreign Affairs and Trade maintains a list of all persons and entities having a proscribed connection with terrorism and a list of all persons and entities that

are subject to sanctions (which include economic sanctions) which is available to the public at the Department's website at <http://www.dfat.gov.au/international-relations/security/sanctions/Pages/consolidated-list.aspx>.

7. There are no, nor during the 12 months before the date of this Information Memorandum have there been any, legal, arbitration or governmental proceedings (including any such proceedings which are pending or threatened) of which the Issuer or its controlled entities are aware involving the Issuer or any of its controlled entities which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and its controlled entities taken as a whole.
8. Since 30 September 2016, the last day of the financial period in respect of which the most recent published audited consolidated financial statements of the Issuer have been prepared, there has been no material adverse change in the prospects of the Issuer and its controlled entities taken as a whole.
9. Since 31 March 2017, the last day of the financial period in respect of which the most recent published unaudited consolidated financial statements of the Issuer have been prepared, there has been no significant change in the financial position of the Issuer and its controlled entities taken as a whole.
10. The Issuer's consolidated financial statements for the periods ended 30 September 2016 and 30 September 2015 have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board as well as the *Corporations Act 2001* and comply with International Financial Reporting Standards ("*IFRS*") as issued by the International Accounting Standards Board and Interpretations as issued by the IFRS Interpretations Committee. PwC Australia, Chartered Accountants, audited the Issuer's consolidated financial statements for the periods ended 30 September 2016 and 30 September 2015 in accordance with Australian Auditing Standards. PwC Australia partners are members or affiliate members of Chartered Accountants Australia and New Zealand
11. The liability of PwC Australia, with respect to claims arising out of its audit reports, is subject to the limitations set forth in the Professional Standards Act and the NSW Accountants Scheme. For matters occurring on or prior to 7 October 2014, the liability of PwC Australia may be subject to the limitations set forth in predecessor schemes. The current NSW Accountants Scheme expires on 7 October 2019 unless further extended or replaced.
12. The Professional Standards Act and the NSW Accountants Scheme may limit the liability of PwC Australia for damages with respect to certain civil claims arising in, or governed by the laws of, New South Wales directly or vicariously from anything done or omitted in the performance of its professional services for the Issuer, including, without limitation, its audits of the Issuer's financial statements. The extent of the limitation depends on the timing of the relevant matter and is:
 - (a) in relation to matters occurring on or after 8 October 2013, a maximum liability for audit work of A\$75 million; or
 - (b) in relation to matters occurring on or prior to 7 October 2013, to the lesser of (in the case of audit services) ten times the reasonable charge for the service provided and a maximum liability for audit work of A\$75 million.

The limitations do not apply to claims for breach of trust, fraud or dishonesty.

In addition, there is equivalent professional standards legislation in place in other states and territories in Australia and amendments have been made to a number of Australian federal statutes to limit liability under those statutes to the same extent as liability is limited under state and territory laws by professional standards legislation. Accordingly, liability for acts or omissions by PwC Australia in Australian states or territories other than New South Wales may be limited in a manner similar to that in New South Wales.

These limitations of liability may limit recovery upon the enforcement in Australian courts of any judgment under English or other foreign laws rendered against PwC Australia based on or related to its audit report on the Issuer's financial statements. Substantially all of PwC Australia's assets are located in Australia. However, the Professional Standards Act and the NSW Accountants Scheme have not been subject to extensive judicial consideration and therefore how the limitation will be applied by the courts and the effect of the limitation remain untested in a number of respects, including its effect in respect of the enforcement of foreign judgments.

13. For so long as the Programme remains in effect or any Subordinated Instruments are outstanding, copies of the following documents may be inspected in physical form during normal business hours at the office of the Fiscal Agent (or the other specified office(s) of the Paying Agent(s) in the United Kingdom) specified on page 173 of this Information Memorandum and at the registered head office of the Issuer, namely:
 - (a) the constitutional documents of the Issuer;
 - (b) the Information Memorandum in relation to the Programme, together with any supplements thereto;
 - (c) the Issue and Paying Agency Agreement;
 - (d) the Deed of Covenant;
 - (e) the most recently publicly available audited financial statements of the Issuer beginning with such financial statements (including the auditors' report thereon and notes thereto) for the years ended 30 September 2016 and 30 September 2015, and the unaudited consolidated interim financial statements (including the auditor's review report thereon and the notes thereto) as at and for the six month period ended 31 March 2017; and
 - (f) any Pricing Supplement relating to Subordinated Instruments which are listed, traded and/or quoted on or by any competent listing authority, stock exchange and/or quotation system. (In the case of any Subordinated Instruments which are not listed, traded and/or quoted on or by any competent listing authority, stock exchange and/or quotation system, copies of the relevant Pricing Supplement will only be available for inspection by a Holder of or, as the case may be, a Relevant Account Holder (as defined in the Deed of Covenant) in respect of, such Subordinated Instruments).
14. The price at which any Series of Subordinated Instruments will be offered will be established by the Issuer and relevant Dealer(s) on or before the applicable Issue Date of the relevant Series of Subordinated Instruments in accordance with prevailing market conditions and will

be disclosed in the applicable Pricing Supplement. The Issue Price of the Subordinated Instruments of any Series may be less than, equal to or greater than the par value of the relevant Series of Subordinated Instruments.

The amount of any expenses and/or taxes (if any) specifically charged to any subscriber or purchaser of the Subordinated Instruments of any Series will be disclosed in the applicable Pricing Supplement.

REGISTERED AND HEAD OFFICE OF THE ISSUER**Westpac Banking Corporation**

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 Australia

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 Canary Wharf
 London E14 5LB
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Deutsche Bank AG, London Branch

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 London EC2N 2DB
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Goldman Sachs International

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 133 Fleet Street
 London EC4A 2BB
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J.P. Morgan Securities plc

25 Bank Street
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 London E14 5JP
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HSBC Bank plc

8 Canada Square
 London E14 5HQ
 United Kingdom

Morgan Stanley & Co. International plc

25 Cabot Square
 Canary Wharf
 London E14 4QA
 United Kingdom

Merrill Lynch International

2 King Edward Street
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 United Kingdom

Nomura International plc

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HONG KONG PAYING AGENT AND LODGING AGENT

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