IBOR Transition Floating Rates Notice Disclosure Statement

General information related to the discontinuance of benchmarks in floating rate notes documentation and some associated risks.

Please visit Westpac Banking Corporation's (**Westpac**) website for general IBOR disclosure and the Westpac IQ IBOR Transition site for a general introduction to the discontinuation of reference rates and indices (**Benchmarks**), including the London Interbank Offered Rate (LIBOR), in floating rate notes documentation and some associated risks.

The documentation for floating rate notes referencing an Interbank Offered Rate (**IBOR**) generally (although not always) includes fallbacks which apply if that IBOR is unavailable but, as with loans and derivatives, those fallback provisions were historically drafted in the context of a temporary disruption and were not intended as a solution to a permanent discontinuation of an IBOR. For example, some floating rate notes provide that, in this scenario, the rate for the previous interest period applies which would effectively convert the floating rate note into a fixed rate note. More recently, the terms of floating rate notes have incorporated additional fallbacks with the purpose of providing a solution to the permanent discontinuation of an IBOR, pursuant to which upon the occurrence of certain trigger events, a successor or alternative rate may be selected and other necessary amendments to the terms of floating rate notes made, such as adding an adjustment spread to the replacement rate.

Where additional fallbacks contemplating a permanent discontinuation of an IBOR have not been incorporated, there is typically no mechanism in the documentation to specify, after the issue date, an alternative interest rate and therefore the terms of each such floating rate note would require amendment, usually by obtaining consent from a specified percentage of holders, to address any discontinuation of the relevant IBOR on a permanent basis.

However, amendments to include a different basis of calculating interest may be difficult where the floating rate notes are broadly held (and there are difficulties in reaching a quorum or approval threshold) or narrowly held (and investors with material stakes are not receptive to any amendments) and/or have high consent thresholds once a quorum is achieved. Although these matters are largely out of Westpac's control, Westpac is considering the most efficient approach to deal with these products.

The operation of any existing fallback arrangements, including the additional fallbacks contemplating a permanent discontinuation of an IBOR, could result in a different return for the holder of the relevant product (which may include payment of a lower rate of interest or a fixed rate of interest until maturity) than they might receive under similar products which contain different or no fallback arrangements (including which they may otherwise receive in the event that legislative measures or other initiatives (if any) are introduced to transition from the relevant IBOR to an alternative rate).

This area is constantly developing and language may therefore vary between products, different issuers and different markets. There may even be instances where issuances under the same program (but with a different issue date) contain different provisions in respect of an IBOR discontinuation as the market approach to this issue evolves. For example, as described above, additional fallback language has been developed with the aim of providing a solution to the permanent discontinuation of an IBOR and specifically, the Alternative Reference Rates Committee (**ARRC**) published its recommended contractual LIBOR fallback language for floating rate notes referencing USD LIBOR in May 2019.

The secondary market value of floating rate notes referencing an IBOR may therefore be affected. Additionally, mismatches may arise if a derivative transaction is used to hedge such a product and does not deal with the discontinuation of the IBOR in the same way. This may also impact the application of the hedge accounting rules to your financial arrangements.

Where Westpac is not the issuer of the floating rate note but is offering a secondary market product, Westpac does not set the terms of those products and you should be aware that such products may (i) not include any fallbacks, (ii) include fallbacks that differ from those included in a product issued by Westpac and/or (iii) be subject to a change of the benchmark and/or repricing as a result of the discontinuation of the relevant IBOR.