

WESTPAC **CONVERTIBLE** **PREFERENCE** **SHARES**

PROSPECTUS

ISSUER

Westpac Banking Corporation
ABN 33 007 457 141

DATE OF THIS PROSPECTUS

16 February 2012

STRUCTURING ADVISER

Deutsche Bank

**JOINT LEAD MANAGERS AND JOINT
BOOKRUNNERS**

Westpac

Deutsche Bank

National Australia Bank

RBS Morgans

UBS

IMPORTANT NOTICES

About this Prospectus

This Prospectus relates to the offer of Westpac Series 1 2012 convertible preference shares ("Westpac CPS") at a Face Value of \$100 each to raise approximately \$750 million with the ability to raise more or less.

Westpac CPS are fully paid, perpetual, convertible, non-cumulative, unguaranteed and unsecured preference shares issued by Westpac.

This Prospectus is dated 16 February 2012 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the content of this Prospectus nor for the merits of the investment to which this Prospectus relates. This Prospectus expires on the date which is 13 months after the date of this Prospectus ("Expiry Date") and no Westpac CPS will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Westpac CPS are not protected accounts or deposit liabilities of Westpac for the purposes of the Banking Act 1959 (Cth) and are not subject to the depositor protection provisions of Australian banking legislation (including the Australian Government guarantee of certain bank deposits).

Westpac CPS are not secured. Investment-type products are subject to investment risk, including possible delays in payment and loss of income and principal invested. Neither Westpac nor any associate of Westpac in any way guarantees the capital value and/or performance of Westpac CPS or any particular rate of return.

Defined words and expressions

Some words and expressions used in this Prospectus are capitalised as they have defined meanings. The Glossary in Appendix A defines these words and expressions. The definitions specific to Westpac CPS are in clause 13.1 of the Terms.

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

No representations other than in this Prospectus

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

Except as required by law, and only to the extent so required, neither Westpac nor any other person warrants the future performance of Westpac CPS, Westpac or any return on any investment made under this Prospectus.

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

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

The information in this Prospectus is not investment advice and has been prepared without taking into account your investment objectives, financial situation and particular needs (including financial and taxation issues) as an investor. It is important that you read the entire Prospectus before deciding whether to invest in Westpac CPS. In particular, it is important that you consider the risk factors that could affect the financial performance and position of Westpac CPS and Westpac. You should carefully consider these factors and other information in the Prospectus in light of your particular investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional investment advice from your financial

adviser or other professional adviser before deciding whether to apply for Westpac CPS. For investment risks that you should consider, see Section 4.

Restrictions in foreign jurisdictions

This Offer is being made in Australia only. The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Prospectus in jurisdictions outside Australia, then you should seek advice on, and observe, any such restrictions. If you fail to comply with such restrictions that failure may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify Westpac CPS or the Offer or to otherwise permit a public offering of Westpac CPS in any jurisdiction outside Australia. In particular, Westpac CPS have not been, and will not be, registered under the US Securities Act. Therefore, Westpac CPS may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, US Persons, except in accordance with an available exemption from the registration requirements of the US Securities Act.

Each of the Joint Lead Managers and any Co-Manager must not offer, sell or deliver Westpac CPS within the United States or to, or for the account or benefit of, US Persons, and is required to send each distributor, dealer or other person receiving a selling concession, fee or other remuneration, to which it sells Westpac CPS during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of Westpac CPS within the United States or to, or for the account or benefit of, US Persons. Terms used in this paragraph have the meaning given to them by Regulation S under the US Securities Act.

In addition, until 40 days after the date on which Westpac CPS are Allocated under the Offer, an offer or sale of Westpac CPS within the United States by any dealer that is not participating in the Offer may violate the registration requirements of the US Securities Act.

Exposure Period

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

How to obtain a Prospectus and an Application Form

During the Offer Period, Eligible Securityholders may obtain a copy of this Prospectus with an Application Form accompanying it free of charge by:

- calling the Westpac CPS Information Line on 1300 790 223 (Monday to Friday, 8.30am to 5.30pm); or
- registering online to receive a Prospectus at www.westpac.com.au/investorcentre.

During the Offer Period, Broker Firm Applicants can obtain a copy of this Prospectus, including an Application Form, by downloading a copy from the Westpac website at www.westpac.com.au/investorcentre or from their Syndicate Broker.

An electronic copy of the Prospectus can be downloaded from the Westpac website at www.westpac.com.au/investorcentre. If you access an electronic copy of this Prospectus, you should ensure that you download and read the entire Prospectus.

Application Forms will only be available during the Offer Period together with printed or electronic copies of the Prospectus.

Applications for Westpac CPS

Applications for Westpac CPS under this Prospectus may only be made during the Offer Period, on an Application Form attached to or accompanying this Prospectus or Eligible Securityholders may apply online. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

You should read this Prospectus in its entirety before deciding to apply for Westpac CPS. If, after reading this Prospectus, you are unclear or have any questions about the Offer, then you should consult your financial adviser or other professional adviser.

For information on who is eligible to apply for Westpac CPS under the Offer and how to make an Application – see pages 5-7 for a summary, and Section 2 and the Application Forms for full details.

Electronic access to Prospectus

The following conditions apply if this Prospectus is accessed electronically:

- you must download the Prospectus in its entirety from www.westpac.com.au/investorcentre; and
- the Prospectus is only available electronically to persons accessing and downloading or printing the electronic version of the Prospectus in Australia.

No withdrawal of Application

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

Refunds

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

Trading in Westpac CPS

It is your responsibility to determine your Allocation before trading in Westpac CPS to avoid the risk of selling Westpac CPS you do not own. To assist you in determining your Allocation before the receipt of your Holding Statement, you may call the Westpac CPS Information Line on 1300 790 223 (if you are an Eligible Securityholder) or contact your Syndicate Broker if you are a Broker Firm Applicant. If you sell Westpac CPS before you receive confirmation of your Allocation, you do so at your own risk.

Providing personal information

You will be asked to provide personal information to Westpac (directly or via the Registry) if you apply for Westpac CPS. See Section 7.10 for information on how Westpac (and the Registry on its behalf) collects, holds and uses this personal information. You can also obtain a copy of that policy at www.westpac.com.au.

Enquiries

If you have any questions in relation to the Offer, please call the **Westpac CPS Information Line (Monday to Friday, 8.30am to 5.30pm) on 1300 790 223**.

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KEY DATES FOR THE OFFER AND WESTPAC CPS

KEY DATES FOR THE OFFER

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|---|------------------|
| Record date for determining Eligible Securityholders (7.00pm Sydney Time) | 9 February 2012 |
| Offer announcement and lodgement of Prospectus with ASIC | 16 February 2012 |
| Bookbuild | 23 February 2012 |
| Announcement of Margin | 24 February 2012 |
| Lodgement of replacement Prospectus with ASIC | 24 February 2012 |
| Opening Date for the Offer | 24 February 2012 |
| Closing Date for the Securityholder Offer (5.00pm Sydney Time) | 19 March 2012 |
| Closing Date for the Broker Firm Offer (10.00am Sydney Time) | 22 March 2012 |
| Issue Date | 23 March 2012 |
| Westpac CPS commence trading on ASX on a deferred settlement basis | 26 March 2012 |
| Holding Statements despatched by | 2 April 2012 |
| Westpac CPS commence trading on ASX on a normal settlement basis | 3 April 2012 |

KEY DATES FOR WESTPAC CPS

| | |
|--|--------------------------------|
| Record Date for first Dividend | 22 September 2012 |
| First Dividend Payment Date ¹ | 30 September 2012 ² |
| First Optional Conversion/Redemption Date ³ | 31 March 2018 |
| Scheduled Conversion Date ⁴ | 31 March 2020 |

Dates may change

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

Quotation of Westpac CPS on ASX

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

Making an Application

For information on who is eligible to apply for Westpac CPS under the Offer and how to make an Application – see pages 5–7 for a summary and Section 2 and the Application Forms for full details.

Note:

1. Dividends are expected to be paid semi-annually subject to certain payment conditions being satisfied (the Dividend Payment Test) – see Section 1.3.12.
2. The first Dividend Payment Date is not a Business Day, accordingly the expected first Dividend Payment will be made on the next Business Day.
3. Holders should not expect that APRA's prior written approval for any such Conversion or Redemption will be given.
4. Conversion of Westpac CPS to Ordinary Shares on this date is subject to satisfaction of the Conversion Conditions – see Section 1.6.2.

OVERVIEW OF WESTPAC CPS AND THE OFFER

| | |
|--|---|
| The Offer | The Offer is for the issue of Westpac CPS at a Face Value of \$100 each to raise approximately \$750 million with the ability to raise more or less. |
| What are Westpac CPS? | <p>Westpac CPS:</p> <ul style="list-style-type: none">• are fully paid, perpetual, convertible, unguaranteed and unsecured preference shares issued by Westpac, which rank in priority to Ordinary Shares and which qualify as Non-Innovative Residual Tier 1 Capital of Westpac for APRA purposes;• offer Holders preferred, non-cumulative, floating rate, semi-annual Dividends (subject to the Dividend Payment Test) which are expected to be fully franked; and• are being offered by Westpac to raise approximately \$750 million, with the ability to raise more or less. <p>See Section 1.11 for a comparison of Westpac CPS with certain other Westpac hybrid Tier 1 Capital securities.</p> |
| Preferred floating rate Dividends | <ul style="list-style-type: none">• Westpac CPS offer Holders preferred, non-cumulative, floating rate Dividends. Dividends are scheduled to be paid semi-annually in arrears. Dividends are discretionary and may not always be paid as they are subject to satisfaction of the Dividend Payment Test, which requires:<ul style="list-style-type: none">– the Westpac directors to determine (in their absolute discretion) that the Dividend is payable having regard to, among other things, laws relating to payment of dividends and Westpac's Constitution;– the amount of the Dividend to not exceed Distributable Profits (unless APRA gives its prior written approval); and– no objection by APRA to the payment.• Dividends are expected to be fully franked and accordingly Holders are expected to receive cash dividends and franking credits. Your ability to use franking credits will depend on your individual tax position. See Section 1.3.2 for further details. If Dividends are not fully franked or franking credits are disallowed, a Gross-Up Amount would, subject to the Dividend Payment Test, be payable to you by Westpac – see Sections 1.3.5 and 1.3.6.• The Dividend Rate is a floating rate and is determined semi-annually as the sum of the 180 day Bank Bill Rate per annum plus the Margin per annum, together multiplied by $(1 - \text{Tax Rate})^1$.• The Margin is expected to be between 3.20% and 3.50% per annum and will be determined under the Bookbuild.• As an example, if the 180 day Bank Bill Rate is 4.3633%² per annum, the Margin is 3.20% per annum and the Dividend is fully franked, then the Dividend Rate for the semi-annual period would be 5.2943%³ per annum – see Section 1.3.2 for an example of this calculation. |

Note:

1. The Tax Rate is 30% as at the date of this Prospectus.

2. The 180 day Bank Bill Rate on 13 February 2012 was 4.3633% per annum.

3. The Dividend Rate shown is for illustrative purposes only and does not indicate the actual Dividend Rate.

OVERVIEW OF WESTPAC CPS AND THE OFFER

Conversion, Transfer and Redemption

- On the Scheduled Conversion Date, Westpac CPS will either be:
 - Converted into Ordinary Shares; or
 - Transferred to a Nominated Party at the election of Westpac for cash.
- The Scheduled Conversion Date will be the earlier of:
 - 31 March 2020; and
 - the first Dividend Payment Date after 31 March 2020, on which both Conversion Conditions are satisfied – see Section 1.6.2.
- Westpac CPS will be Converted earlier upon:
 - a Capital Trigger Event (see Section 1.8.4); or
 - an Acquisition Event provided the Conversion Conditions are satisfied (see Sections 1.8.1 and 1.8.9) and Westpac has not otherwise elected to Convert or Redeem.
- Westpac CPS can also be Converted, Transferred or Redeemed at Westpac's election under certain circumstances including:
 - where a Tax Event or Regulatory Event occurs (see Sections 1.8.1, 1.8.6, 1.8.7 and 1.8.8);
 - where an Acquisition Event occurs, provided that the Acquisition Event occurs on or after the fifth anniversary of the Issue Date (see Sections 1.8.1 and 1.8.9); or
 - on an Optional Conversion/Redemption Date, which is any Dividend Payment Date falling on or after 31 March 2018 (see Sections 1.8.1 and 1.8.5).

Conversions or Redemptions at Westpac's election are subject to Westpac receiving APRA's prior written approval and, in respect of Conversions, to the Conversion Conditions being satisfied. Holders should not expect that APRA's prior written approval will be given.

Ranking and voting rights

- Westpac CPS rank for payment in a winding-up of Westpac ahead of Ordinary Shares and equally with Equal Ranking Capital Securities (which currently include TPS 2003, TPS 2004, Westpac TPS, Westpac SPS and Westpac SPS II), but are subordinated to claims of Senior Creditors.
- Westpac CPS do not carry voting rights, except in limited circumstances – see Section 1.10.

Quotation

Westpac will apply to have Westpac CPS quoted on ASX and they are expected to trade under the code WBCPC. If ASX does not grant permission for Westpac CPS to be quoted, then Westpac CPS will not be issued.

Risks

There are risks involved with investing in Westpac CPS, see Sections 1.2 and 4. These include:

- fluctuations in the market price and Dividend Rate and shifts in market liquidity;
- Dividends may not be paid or may not be fully franked or franking credits may be disallowed;
- Conversion, Transfer or Redemption may not occur, or may occur before the Scheduled Conversion Date in unfavourable market conditions; and
- valuation risks associated with Westpac's financial performance and position.

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|---------------------------|---|
| What is the Offer? | <p>The Offer is for the issue of Westpac CPS at a Face Value of \$100 each to raise approximately \$750 million with the ability to raise more or less.</p> <p>The Offer consists of:</p> <ul style="list-style-type: none"> • a Securityholder Offer; • a Broker Firm Offer; and • an Institutional Offer. |
| Who can apply? | <p>The Offer is being made to:</p> <ul style="list-style-type: none"> • Eligible Securityholders – being registered holders of Ordinary Shares, Westpac TPS, Westpac SPS and/or Westpac SPS II at 7.00pm (Sydney Time) on 9 February 2012 and shown on the Register as having an address in Australia; • Broker Firm Applicants – Australian resident retail clients of a Syndicate Broker; and • Institutional Investors – certain Institutional Investors invited by Westpac. <p>Applications made by Eligible Securityholders may be scaled back by Westpac.</p> <p>There is no general public offer of Westpac CPS. However, Westpac reserves the right to accept Applications from other persons at its discretion.</p> <p>Applications must be for a minimum of 50 Westpac CPS (\$5,000).</p> |
| When to apply | <p>The key dates for the Offer are summarised on page 2.</p> <p>Applications will only be accepted during the Offer Period.</p> <p>It is possible that the Offer will close early, so if you wish to apply for Westpac CPS you are encouraged to lodge your Application promptly after the Opening Date.</p> |
| More information | <p>If, after you have read this Prospectus, you have any questions regarding the Offer, please contact your financial adviser or other professional adviser.</p> <p>If you are an Eligible Securityholder and have any questions on how to apply for Westpac CPS, please call the Westpac CPS Information Line (Monday to Friday, 8.30am to 5.30pm) on 1300 790 223.</p> <p>If you are a Broker Firm Applicant and have any questions on how to apply for Westpac CPS, you should contact your Syndicate Broker.</p> |

WHAT YOU NEED TO DO

TO APPLY FOR WESTPAC CPS YOU MUST COMPLETE THE FOLLOWING STEPS:

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|-------------------------------------|---|
| Read this Prospectus | <p>Read this Prospectus in full, paying particular attention to the:</p> <ul style="list-style-type: none">• important information on the inside front cover;• answers to key questions about Westpac CPS in Section 1;• investment risks that may be relevant to an investment in Westpac CPS in Section 4; and• the Terms. <p>A copy of this Prospectus can be:</p> <ul style="list-style-type: none">• downloaded from the Westpac website at www.westpac.com.au/investorcentre;• sent to you free of charge if you are an Eligible Securityholder and you call the Westpac CPS Information Line (Monday to Friday, 8.30am to 5.30pm) on 1300 790 223;• sent to you if you are an Eligible Securityholder and you register online to receive a Prospectus on the website above; or• obtained from your Syndicate Broker if you are a Broker Firm Applicant. |
| Consider and consult | <p>Consider all risks and other information about Westpac CPS and Westpac in light of your particular investment objectives and your circumstances.</p> <p>Consult your financial adviser or other professional adviser if you are uncertain as to whether you should apply for Westpac CPS.</p> |
| Complete an Application Form | <p>Eligible Securityholders should either:</p> <ul style="list-style-type: none">• apply for Westpac CPS by completing and returning a personalised Securityholder Application Form which will accompany the Prospectus during the Offer Period. Personalised Securityholder Application Forms for Westpac CPS must be returned together with an Application Payment; or• apply for Westpac CPS online during the Offer Period by visiting the Westpac website at www.westpac.com.au/investorcentre and following the instructions. Online Application Payments can only be made using BPAY®¹. You will need your SRN or HIN to apply online. <p>Broker Firm Applicants should: contact your Syndicate Broker for more information about how to submit your Broker Firm Application Form and, if applicable, Application Payment.</p> |

Note:

1. BPAY® Registered to BPAY Pty Ltd (ABN 69 079 137 518).

**Submit your
Application
and Application
Payment**

Eligible Securityholders

- **Mail or deliver** your completed Securityholder Application Form together with your Application Payment:

by mail to the Registry:

Westpac CPS Offer
Link Market Services Limited
Reply Paid 3560
Sydney NSW 2001

by hand delivery to the Registry:

Westpac CPS Offer
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

Completed Securityholder Application Forms and Application Payments must be received by the Registry no later than the Closing Date for the Securityholder Offer which is expected to be **5.00pm (Sydney Time) on 19 March 2012**.

- If you are an Eligible Securityholder and you **apply online** for Westpac CPS you must submit both your Securityholder Application Form and Application Payment online by the Closing Date which is expected to be **5.00pm (Sydney Time) on 19 March 2012**.

Broker Firm Applicants

Contact your Syndicate Broker for instructions on how to submit your Broker Firm Application Form and, if applicable, Application Payment. Your Syndicate Broker must apply on your behalf by the Closing Date for the Broker Firm Offer which is expected to be **10.00am (Sydney Time) on 22 March 2012**.

The Offer may close early, so if you wish to apply for Westpac CPS, you are encouraged to lodge your Application promptly after the Opening Date.

FOR MORE INFORMATION

On applying for Westpac CPS see Section 2 and the Application Forms. If you have any questions on how to apply for Westpac CPS, call the **Westpac CPS Information Line (Monday to Friday, 8.30am to 5.30pm) on 1300 790 223** or contact your Syndicate Broker.

1

ANSWERS TO KEY QUESTIONS ABOUT WESTPAC CPS

This Section answers some key questions you may have about Westpac CPS.

The answers to these key questions are intended as a guide only. Further details are provided in other Sections of this Prospectus, which you should read in its entirety. The Terms are set out in Appendix B.

This Section sets out:

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| 1.1 | Description of Westpac CPS |
| 1.2 | Key risks of investing in Westpac CPS |
| 1.3 | Dividends |
| 1.4 | Use of proceeds |
| 1.5 | Regulatory treatment of Westpac CPS |
| 1.6 | Conversion, Transfer or Redemption |
| 1.7 | Conversion on the Scheduled Conversion Date |
| 1.8 | Early Conversion or Redemption |
| 1.9 | Return on your investment generally |
| 1.10 | Ranking and voting rights of Westpac CPS |
| 1.11 | Comparison of Westpac CPS with certain other Westpac hybrid Tier 1 Capital securities |
| 1.12 | Payment for Westpac CPS |
| 1.13 | Can you set off any amounts that you owe to Westpac? |
| 1.14 | Additional information |

1.1 DESCRIPTION OF WESTPAC CPS

1.1.1 What are Westpac CPS?

Westpac CPS are fully paid, perpetual, convertible, unguaranteed and unsecured preference shares issued by Westpac, which rank in priority to Ordinary Shares and qualify as Non-Innovative Residual Tier 1 Capital of Westpac for APRA purposes.

Westpac CPS:

- offer Holders preferred, non-cumulative, floating rate Dividends payable semi-annually in arrears (subject to the satisfaction of the Dividend Payment Test – see Section 1.3.12), which are expected to be fully franked;
- will be Converted into Ordinary Shares on the Scheduled Conversion Date¹ (subject to the Conversion Conditions being satisfied) or Transferred to a Nominated Party for cash at the election of Westpac;

- are subject to earlier Conversion upon:
 - a Capital Trigger Event (see Section 1.8.4); or
 - an Acquisition Event provided the Conversion Conditions are satisfied and Westpac has not otherwise elected to Convert or Redeem;
- can also be Converted, Transferred or Redeemed by Westpac under certain circumstances including:
 - a Tax Event or Regulatory Event (see Sections 1.8.1, 1.8.6, 1.8.7 and 1.8.8);
 - an Acquisition Event provided that the Acquisition Event occurs on or after the fifth anniversary of the Issue Date (see Sections 1.8.1 and 1.8.9), or
 - on 31 March 2018 or any subsequent Dividend Payment Date (an Optional Conversion/ Redemption Date – see Sections 1.8.1 and 1.8.5),but such Conversions or Redemptions are subject to Westpac receiving APRA's prior written approval (which Holders should not expect will be given), and any Conversions are subject to the Conversion Conditions being satisfied; and

Note:

1. The first possible Scheduled Conversion Date will be 31 March 2020 – see clause 4.4 of the Terms.

ANSWERS TO KEY QUESTIONS ABOUT WESTPAC CPS

- in a winding-up rank in priority to Ordinary Shares, and equally with Equal Ranking Capital Securities (which currently include TPS 2003, TPS 2004, Westpac TPS, Westpac SPS and Westpac SPS II) and subordinated to claims of Senior Creditors.

1.1.2 Can Westpac CPS be traded on ASX?

Westpac will apply to ASX for Westpac CPS to be quoted on ASX. It is expected that Westpac CPS will trade under ASX code 'WBCPC' however quotation is not guaranteed. If ASX does not grant permission for Westpac CPS to be quoted, then Westpac CPS will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as possible.

If Westpac CPS are quoted on ASX you will be able to buy or sell Westpac CPS through your broker at the market price at the time. The market price of Westpac CPS may fluctuate due to a number of factors – see Section 4.1.1. There can be no assurances as to what that price will be.

1.1.3 How do you find out your Allocation of Westpac CPS?

If you are a Broker Firm Applicant and wish to find out your Allocation of Westpac CPS prior to receiving your Holding Statement, you should contact your Syndicate Broker. Eligible Securityholder Applicants should call the **Westpac CPS Information Line (Monday to Friday, 8.30am to 5.30pm) on 1300 790 223**.

1.1.4 Are Westpac CPS independently rated?

Westpac CPS will not be rated.

1.1.5 Are Westpac CPS perpetual?

Westpac CPS are perpetual instruments that may only be Converted, Transferred or Redeemed in accordance with the Terms (summarised in Sections 1.6, 1.7 and 1.8).

1.1.6 What are the taxation consequences of investing in Westpac CPS?

The taxation consequences of investing in Westpac CPS will depend on your individual circumstances. You should obtain your own taxation advice before you invest in Westpac CPS.

FOR MORE INFORMATION

On the principal Australian taxation consequences of an investment in Westpac CPS – see the Taxation Letter from Allens Arthur Robinson in Section 5.

1.2 KEY RISKS OF INVESTING IN WESTPAC CPS

There are a number of potential risks of investing in Westpac CPS. These include:

- The market price for Westpac CPS may fluctuate due to various factors (including those set out in Section 4.1.1). It is possible that Westpac CPS may trade at a market price below Face Value.
- In addition, the market for Westpac CPS may be less liquid than the market for Ordinary Shares. Holders who wish to sell their Westpac CPS may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Westpac CPS.
- The Dividend Rate will fluctuate over time with movement in the 180 day Bank Bill Rate. There is a risk that the rate may become less attractive compared to returns available on comparable securities or investments.
- There is a risk that Holders will not be entitled to franking credits in respect of Dividends, depending on the position adopted by the Commissioner of Taxation in light of the outcome of pending litigation. For further details, see the Taxation Letter from Allens Arthur Robinson in Section 5 and Sections 1.3.5, 4.1.4 and 4.1.16. If franking credits are disallowed, a Gross-Up Amount would be paid by Westpac to Holders for the loss of those franking credits, subject to the Dividend Payment Test. See Section 1.3.6 for details of the consequences if franking credits are disallowed.

- There is a risk that Dividends will not be paid. See Sections 1.3.11 to 1.3.15 for details of when Dividends may not be paid and the consequences of non-payment.
- The value of your investment in Westpac CPS may be influenced by Westpac's financial performance and position, regardless of when, if ever, your Westpac CPS are Converted. Westpac's financial performance and position may be influenced by risks including the risks associated with conditions in global credit and capital markets which affect the cost and availability of credit and which could adversely affect Westpac's results of operations, liquidity and financial condition. See Section 4.2 for specific risks associated with an investment in Westpac.
- You may receive cash or shares if Westpac CPS are Converted, Transferred or Redeemed upon certain events, or Westpac CPS may remain on issue. This may be disadvantageous in light of market conditions or your individual circumstances.
- Conversion, Transfer or Redemption may occur in certain circumstances before the Scheduled Conversion Date (for example, following a Capital Trigger Event, Tax Event, Regulatory Event or Acquisition Event), which may be disadvantageous in light of market conditions or your individual circumstances. See Section 1.8.1 for a description of the circumstances in which this may occur.
- Conversion will, except following a Capital Trigger Event, be subject to the Conversion Conditions being satisfied and may not occur on a particular Conversion Date.
- In certain circumstances, the value of Ordinary Shares received on Conversion may be less than the Face Value of the Westpac CPS.
- If Westpac is replaced as the ultimate holding company of the Westpac Group by an Approved Successor, you may receive Approved Successor Shares instead of Ordinary Shares on Conversion.
- These and other risks (including risks associated with Westpac) are discussed further in Section 4.

1.3 DIVIDENDS

1.3.1 What are Dividends?

Westpac will pay preferred, non-cumulative Dividends, subject to the Dividend Payment Test.

Dividends on the Westpac CPS are based on the Dividend Rate and expected to be paid semi-annually in arrears.

Dividends are expected to be fully franked and accordingly Holders are expected to receive cash dividends and franking credits.

1.3.2 How will the Dividend Rate be determined?

The Dividend Rate is a floating rate and will be set on the first Business Day of each Dividend Period using the following formula.

$(180 \text{ day Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$

180 day Bank Bill Rate The 180 day Bank Bill Rate on the first Business Day of the Dividend Period (except for the first Dividend Period, where the 180 day Bank Bill Rate will be determined on the Issue Date).

Margin The Margin is expected to be in the range of 3.20% and 3.50% per annum (to be determined under the Bookbuild).

Tax Rate The Australian corporate tax rate applicable to the franking account of Westpac as at the Dividend Payment Date expressed as a decimal. As at the date of this Prospectus, the relevant tax rate is 30% or, expressed as a decimal in the formula, 0.30.

ANSWERS TO KEY QUESTIONS ABOUT WESTPAC CPS

As an example, assuming a Margin of 3.20% per annum (the bottom of the expected Margin range), if the 180 day Bank Bill Rate on the Issue Date was the same as on 13 February 2012 and assuming that the Dividend will be fully franked, the Dividend Rate for the first Dividend Period from (but excluding) the Issue Date to (and including) 30 September 2012 would be calculated as follows:

| | |
|--|--------------------------------------|
| 180 day Bank Bill Rate at 13 February 2012 | 4.3633% per annum |
| Plus the assumed Margin | 3.20% per annum |
| | 7.5633% per annum |
| Multiplied by (1 – Tax Rate) | x 0.70 |
| Dividend Rate | 5.2943%² per annum |

Impact of franking credits

Dividends are expected to be fully franked and accordingly Holders are expected to receive cash dividends and franking credits. The franking credits represent your share of tax paid by Westpac on the profits from which your cash dividend is paid.

If the potential value of the franking credits is taken into account in full, the Dividend Rate of 5.2943% per annum in the example above would be equivalent to an unfranked Dividend Rate of approximately 7.5633% per annum. However, you should be aware that the potential value of the franking credits does not accrue to you at the same time as you receive the cash dividend.

You should also be aware that your ability to use the franking credits, either as an offset to your tax liability or by claiming a refund after the end of the year of income, will depend on your individual tax

position, and that there is a risk of franking credits being disallowed – see Section 4.1.4. However, if franking credits are disallowed, a Gross-Up Amount would be paid by Westpac to Holders for the loss of those franking credits, subject to the Dividend Payment Test. See Section 1.3.6 for details of the consequences if franking credits are disallowed.

You should seek professional advice in relation to your tax position. Investors should also refer to the Taxation Letter from Allens Arthur Robinson in Section 5.

1.3.3 How will Dividends be calculated?

Dividends will be calculated as follows:

| <u>Dividend Rate × Face Value × N</u> | |
|--|---|
| 365 | |
| Dividend Rate | See Section 1.3.2 |
| Face Value | \$100 per Westpac CPS. |
| N | The number of days in the Dividend Period. |
| Dividend Period | The period from (but excluding) the previous Dividend Payment Date, or from (but excluding) the Issue Date in the case of the first Dividend Period, to (and including) the next Dividend Payment Date. |
| Dividend Payment Date | See Section 1.3.9 |

Notes:

- The calculation of the Dividend Rate will be rounded to four decimal places. The Dividend Rate above is for illustrative purposes only and does not indicate the actual Dividend Rate. It is not a guarantee or forecast of the actual Dividend Rate that may be achieved. The actual Dividend Rate may be higher or lower than this and may vary each Dividend Period depending on the applicable 180 day Bank Bill Rate, the Margin and the Tax Rate.

As an example, if the franked³ Dividend Rate was 5.2943% per annum as calculated in Section 1.3.2, then the cash amount of the Dividend on each Westpac CPS for a typical Dividend Period would be calculated as follows:

| | |
|--|-------------------|
| Dividend Rate | 5.2943% per annum |
| Multiplied by the Face Value | × \$100 |
| Multiplied by the number of days in the Dividend Period ⁴ (N) | × 182 |
| Divided by | ÷ 365 |
| Cash amount of Dividend⁵ | \$2.6399 |

1.3.4 Will Dividends be fully franked?

Westpac expects, but does not guarantee, that Dividends will be fully franked. If there is a change in the Tax Rate, the Dividend Rate will change accordingly – see the formula for calculating the Dividend Rate in Section 1.3.2.

1.3.5 Will Holders receive franking credits in respect of Dividends?

It is expected that Holders will receive franking credits in respect of Dividends (other than where a Holder's lack of entitlement to franking credits is a result of an act or circumstances affecting the particular Holder). However, as the Commissioner of Taxation has deferred a response to Westpac's application for an advance Private Ruling seeking confirmation of such treatment pending resolution of the Commissioner's legal position (see the Taxation Letter from Allens Arthur Robinson in Section 5), there is a risk that the Commissioner of Taxation may determine that Holders are not entitled to franking credits in respect of Dividends – see Section 4.1.4.

1.3.6 What happens if Dividends are not fully franked or franking credits are disallowed?

If a Dividend is not fully franked or if franking credits in respect of a Dividend are disallowed (other than because of an act by, or circumstance affecting, a particular Holder), then Holders would be entitled to receive a Gross-Up Amount to compensate for the unfranked amount or the loss of franking credits (as the case may be), subject to the Dividend Payment Test.

The formula for determining the Gross-up Amount is:

| | |
|------------------------|--|
| Gross-Up Amount | ED – Dividend |
| ED | $\frac{\text{Dividend}}{1 - [\text{Tax Rate} \times (1 - \text{Franking Rate})]}$ |
| Dividend | The Dividend entitlement for that Dividend Period – see Section 1.3.3. |
| Tax Rate | See Section 1.3.2. |
| Franking Rate | The percentage of the Dividend (inclusive of any Gross-Up Amount) that would carry franking credits. |

FOR MORE INFORMATION

On the franking and other taxation consequences for the Westpac CPS – see the Taxation Letter from Allens Arthur Robinson in Section 5.

1.3.7 Will the Margin change?

No. The Margin will be determined under the Bookbuild, and will not change after that determination is made.

Notes:

- Australian resident taxpayers may be entitled to utilise franking credits. Australian resident taxpayers that are individuals or complying superannuation entities may be entitled to a refund of excess franking credits. Investors should seek professional advice in relation to their tax position. Reference should also be made to the Taxation Letter from Allens Arthur Robinson in Section 5.
- Dividend Periods will generally have either 182 or 183 days in them. The first Dividend Period is an exception as it starts on the day after the Issue Date and runs to (and including) 30 September 2012, and comprises 191 days.
- All calculations of payments will be rounded to four decimal places. Any fraction of a cent is disregarded when paying Dividends on a Holder's aggregate holding of Westpac CPS. The Dividend Rate on which this calculation is based, and the Dividend, are for illustrative purposes only and do not indicate the actual Dividend Rate or Dividend. It is not a guarantee or forecast of the actual Dividend that may be obtained.

ANSWERS TO KEY QUESTIONS ABOUT WESTPAC CPS

1.3.8 What is the 180 day Bank Bill Rate?

The 180 day Bank Bill Rate (expressed as a percentage per annum) is a key benchmark interest rate for the Australian money market. It is based on an average of rates at which major Australian financial institutions lend short-term cash to each other over a 180-day period. This rate changes to reflect the supply and demand within the cash and currency markets. The graph in Section 4.1.2 illustrates the movement in the 180 day Bank Bill Rate over the last 10 years.

FOR MORE INFORMATION

On the definition of 180 day Bank Bill Rate – see clause 3.1 of the Terms.

1.3.9 When will Dividends be paid?

Dividends are scheduled to be paid semi-annually in arrears on the Dividend Payment Dates and on any Redemption Date or Conversion Date, subject to the Dividend Payment Test.

The Dividend Payment Dates are:

- each 31 March and 30 September of each year commencing on 30 September 2012, until the Westpac CPS are Converted or Redeemed; and
- on the Conversion Date or the Redemption Date, if either date is not 31 March or 30 September.

If a Dividend Payment Date is not a Business Day, then the Dividend will be paid on the next Business Day (without any interest in respect of the delay).

The first Dividend Period runs from (but excluding) the Issue Date to (and including) 30 September 2012.

Thereafter, each Dividend Period runs from (but excluding) the previous Dividend Payment Date to (and including) the next Dividend Payment Date.

The Dividend Rate for the first Dividend Period will be determined on the Issue Date.

After the first Dividend Period, the Dividend Rate will be determined on the first Business Day of each Dividend Period.

Dividends will be paid to persons who are Holders on the Record Date in respect of the Dividend.

1.3.10 How will Dividends be paid?

Dividends will be paid in Australian dollars. Westpac will only pay Dividends directly into an Australian dollar account of a financial institution. If you are Allotted any Westpac CPS, when you are sent your Holding Statement you will receive a form on which you should provide your Australian dollar financial institution account details.

If you do not provide these account details to the Registry, or if any Dividend paid to you is unsuccessful, then you will be sent a notice advising you of the amount of the Dividend. In that case the funds will be held in a trust account (maintained by Westpac) as a non-interest bearing deposit until such time as you provide appropriate account details or are paid by Westpac under legislation relating to unclaimed money.

Westpac reserves the right to vary the way in which any Dividend is paid in accordance with the Terms.

FOR MORE INFORMATION

On how your Dividends will be paid – see clause 9 of the Terms.

1.3.11 Will Dividends always be paid?

Dividends are discretionary and may not always be paid as they are subject to the satisfaction of the Dividend Payment Test.

Dividends will also be subject to the Corporations Act and any other law regulating the payment of Dividends.

The Westpac Directors are required to resolve not to pay a Dividend if in their opinion, making the payment would result in Westpac becoming, or being likely to become, insolvent.

1.3.12 What is the Dividend Payment Test?

A Dividend or any Gross-Up Amount will not be paid unless the Dividend Payment Test is satisfied. The Dividend Payment Test requires:

- the Westpac directors to determine (in their absolute discretion) that the Dividend or any Gross-Up Amount is payable having regard to, among other things, laws relating to the payment of dividends and Westpac's Constitution;

- the amount of the Dividend or any Gross-up Amount to not exceed Distributable Profits (unless APRA gives its prior written approval); and
- no objection by APRA to the payment.

1.3.13 What are Distributable Profits?

Broadly, Distributable Profits are:

- the aggregate of the consolidated profits after tax of Westpac (calculated before any dividends or distributions on Westpac's Upper Tier 2 Capital and Tier 1 Capital) for the last two six-monthly financial periods for which results have been publicly announced (or another amount as determined by APRA); less
- the aggregate amount of dividends or distributions paid or payable by Westpac on its Upper Tier 2 Capital and Tier 1 Capital in the twelve months to and including the applicable Dividend Payment Date, but excluding:
 - dividends or distributions paid or payable to another member of the Westpac Group; and
 - Dividends payable in relation to Westpac CPS on the applicable Dividend Payment Date.

Distributable Profits are the lesser of Level 1 Distributable Profits and Level 2 Distributable Profits, as determined in accordance with the Terms.

FOR MORE INFORMATION

On the definition of Distributable Profits – see clause 13.1 of the Terms.

On the investment risks associated with Westpac's financial performance and position, which could affect Westpac's profits – see Section 4.2.

1.3.14 What happens if a Dividend is not paid in full?

Dividends and Gross-Up Amounts are non-cumulative. If a Dividend or any Gross-Up Amount is not paid in full because the Dividend Payment Test is not satisfied, you will not be entitled to receive the unpaid portion of that Dividend or Gross-Up Amount. No interest accrues on any Unpaid Dividends and Westpac has no liability to the Holder and the Holder has no claim in respect of such non-payment.

1.3.15 What is the consequence for Westpac if a Dividend is not paid?

If for any reason a Dividend or any Gross-Up Amount has not been paid in full within 20 Business Days after the relevant Dividend Payment Date, Westpac must not, during a Current Distribution Period:

- declare or pay any dividends or distributions on any Ordinary Shares; or
- buy back or reduce capital on any Ordinary Shares,

(the "Dividend and Capital Restriction").

The Dividend and Capital Restriction does not apply where:

- all Westpac CPS have been Converted; or
- a Special Resolution of the Holders has been passed approving such action, and APRA does not otherwise object.

There are also a limited number of exceptions to the Dividend and Capital Restriction (see clause 3.9 of the Terms).

FOR MORE INFORMATION

On the consequence for Westpac if a Dividend is not paid – see clauses 3.8 and 3.9 of the Terms.

1.4 USE OF PROCEEDS

1.4.1 Why is Westpac issuing Westpac CPS?

The issue of Westpac CPS is consistent with Westpac's ongoing capital management strategy and will increase Westpac's capital resources. The proceeds received under the Offer will be used by Westpac for general funding purposes.

1.5 REGULATORY TREATMENT OF WESTPAC CPS

1.5.1 Who is APRA?

APRA is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, friendly societies, and most members of the superannuation industry.

ANSWERS TO KEY QUESTIONS ABOUT WESTPAC CPS

1.5.2 How are Westpac CPS treated by APRA for regulatory capital purposes?

On 6 September 2011, APRA released a discussion paper entitled *Implementing Basel III capital reforms in Australia* (“APRA Discussion Paper”), outlining its proposals to implement a package of reforms to strengthen the capital framework for certain financial institutions, including banks like Westpac. The reforms are to give effect to the measures set out by the BCBS in its December 2010 release, *Basel III: A global regulatory framework for more resilient banks and banking systems*. Together, the Basel III framework and the APRA Discussion Paper introduce a number of changes affecting the eligibility of capital instruments, including stricter criteria for eligible Tier 1 Capital instruments. The proposed new requirements will apply from 1 January 2013.

APRA has confirmed in the APRA Discussion Paper that it is prepared, on an interim basis, to accept newly issued capital instruments as eligible for transitional treatment as Additional Tier 1 Capital under the Basel III framework, on the basis that they meet:

- the current eligibility requirements in prudential standard APS 111 (“Capital Adequacy – Measurement of Capital”); and
- certain other eligibility criteria specified by APRA.

Convertible preference shares such as Westpac CPS can qualify under these interim arrangements as Additional Tier 1 Capital if certain eligibility criteria are met. One of these requirements is that Additional Tier 1 Capital instruments, recognised as liabilities under Australian accounting standards, must convert into ordinary shares if an issuer’s Core Tier 1 Ratio falls to, or below, a certain threshold.

FOR MORE INFORMATION

On the Capital Trigger Event – see Section 1.8.4.

APRA has confirmed that Westpac CPS will be treated as Non-Innovative Residual Tier 1 Capital under APRA’s current prudential standard APS 111. APRA has also confirmed that Westpac CPS will satisfy APRA’s interim arrangements for Additional Tier 1 Capital instruments and will qualify for transitional treatment under APRA’s adaptation of the Basel III capital adequacy framework.

FOR MORE INFORMATION

On Westpac’s capital management strategy and capital ratios – see Section 3.2.

On the pro-forma financial effect of the issue of Westpac CPS on Westpac’s capital adequacy – see Section 3.2.5.

1.6 CONVERSION, TRANSFER OR REDEMPTION

1.6.1 What is Conversion?

Conversion means the conversion of Westpac CPS into a number of Ordinary Shares in accordance with the formula contained in clause 4.10 of the Terms. Except for Conversion on a Capital Trigger Event, Conversion may only occur if the Conversion Conditions are satisfied – see Section 1.6.2.

The method for calculating the number of Ordinary Shares to be issued on Conversion is described in Section 1.6.5.

1.6.2 What are the Conversion Conditions?

The Conversion Conditions in relation to any possible Conversion Date (except for the Capital Trigger Event Conversion Date), are satisfied where:

- the Test Conversion Number on the 25th Business Day⁶ before the Relevant Date is no greater than 90% of the Maximum Conversion Number (the “First Conversion Condition”). This is equivalent to the VWAP of Ordinary Shares on the 25th Business Day before the relevant Conversion Date being equal to or greater than 56.12% of the Issue Date VWAP; and

Note:

6. If no trading in Ordinary Shares took place on the 25th Business Day before the relevant Conversion Date, the last Business Day prior to the 25th Business Day on which trading in Ordinary Shares occurred.

- the Conversion Number on the Relevant Date is no greater than the Maximum Conversion Number (the “Second Conversion Condition”). This is equivalent to the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares takes place before (but not including) the relevant Conversion Date being equal to or greater than 50.51% of the Issue Date VWAP.

The Issue Date VWAP means the VWAP of Ordinary Shares during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date (as adjusted in accordance with the Terms).

Other than where a Capital Trigger Event has occurred, Conversion cannot occur unless both Conversion Conditions are satisfied. Where a Capital Trigger Event has occurred, Conversion will not be subject to the Conversion Conditions. See Section 1.6.5 regarding the Conversion Number, Section 1.6.4 regarding the Maximum Conversion Number and Section 1.8.4 regarding a Capital Trigger Event.

If the Conversion Conditions are not satisfied on the Scheduled Conversion Date, Holders will hold their Westpac CPS until Conversion subsequently occurs (if at all) or until the Westpac CPS are Transferred or Redeemed – see Section 1.9.3.

The satisfaction of the Conversion Conditions on a possible Conversion Date will depend on the price of Ordinary Shares. For example, if the Issue Date VWAP is \$21.00, then, for the Conversion Conditions to be satisfied:

- the VWAP for the First Conversion Condition would need to be at least \$11.79 (56.12% of the Issue Date VWAP); and
- the VWAP for the Second Conversion Condition would need to be at least \$10.61 (50.51% of the Issue Date VWAP).

This example is for illustrative purposes only and does not indicate whether or not the Conversion Conditions will actually be satisfied in respect of a possible Conversion Date.

1.6.3 Why do Westpac CPS have Conversion Conditions?

APRA’s current eligibility requirements in prudential standard APS 111 and eligibility criteria for Additional Tier 1 Capital instruments under APRA’s interim arrangements require that the number of Ordinary Shares per Westpac CPS that Holders are issued on Conversion may not be greater than the Maximum Conversion Number – see Section 1.6.4.

The Conversion Conditions operate to ensure that if the number of Ordinary Shares that would be issued on Conversion would exceed the Maximum Conversion Number then, other than following a Capital Trigger Event, Conversion will not occur.

1.6.4 What is the Maximum Conversion Number?

The Maximum Conversion Number is calculated using the following formula:

| <u>Face Value</u> | |
|------------------------------|--|
| 0.5 x Issue Date VWAP | |
| Face Value | \$100 |
| Issue Date VWAP | The VWAP of Ordinary Shares for the 20 Business Days on which trading in Ordinary Shares took place immediately preceding, but not including, the Issue Date (as adjusted in accordance with the Terms). |

For example, if the Issue Date VWAP is \$21.00, then the Maximum Conversion Number would be 9.5238 Ordinary Shares per Westpac CPS.

The Maximum Conversion Number is set to reflect a VWAP of 50% of the Issue Date VWAP. The Second Conversion Condition, which is equivalent to 50.51% of the Issue Date VWAP, reflects the 50% limit adjusted for the 1% Conversion Discount.

As set out in Section 1.5.2, the APRA Discussion Paper proposes new minimum requirements for securities such as the Westpac CPS to qualify as Additional Tier 1 Capital under proposed new Basel III requirements. Under the proposal, the Maximum Conversion Number would be set to reflect a VWAP of 20% of the Issue Date VWAP. The change, if

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implemented by APRA, would mean that under the Terms, Holders would receive an increased number of Ordinary Shares on Conversion (which reduces the risk of loss for investors on Conversion).

The Maximum Conversion Number may be adjusted up or down to reflect transactions affecting the capital of Westpac (including bonus issues, share splits, consolidations or other similar transactions) as set out in clauses 4.12 to 4.13 of the Terms.

1.6.5 How many Ordinary Shares will I receive if Westpac CPS are Converted?

Upon Conversion, Holders will receive for each Westpac CPS a Conversion Number of Ordinary Shares.

The Conversion Number is calculated using the following formula:

| | $\frac{\text{Face Value}}{\text{VWAP} \times (1 - \text{CD})}$ |
|-------------------|---|
| Face Value | \$100 per Westpac CPS |
| CD | The Conversion Discount, which is 1% or 0.01, expressed as a decimal. |
| VWAP | The VWAP of Ordinary Shares traded on ASX for the 20 Business Days on which trading in Ordinary Shares took place immediately preceding, but not including, the relevant Conversion Date. |

However, following a Capital Trigger Event, the Conversion Conditions will not apply and the number of Ordinary Shares that Holders will receive for each Westpac CPS will be limited to the Maximum Conversion Number (see Section 1.6.4).

Where the total number of Ordinary Shares to be issued to a Holder in respect of all of that Holder's Westpac CPS being Converted includes a fraction, that fraction will be disregarded.

1.6.6 What is Transfer?

In respect of any Conversion Date, except in the case of a Capital Trigger Event or an Acquisition Event occurring prior to the fifth anniversary of the Issue Date, Westpac may elect to have the Westpac CPS Transferred instead of Converting them.

If Westpac elects to have the Westpac CPS Transferred, Westpac will arrange for a third party nominated by Westpac ("Nominated Party") to undertake to purchase from Holders all Westpac CPS for the Face Value. On Transfer, Holders will receive \$100 for each Westpac CPS from the Nominated Party.

If the Nominated Party does not pay the Face Value to Holders on the Relevant Date, or otherwise fails (or is not required to fulfil) its obligations under the Transfer Notice, the Transfer will not proceed.

The Nominated Party must have a senior credit rating equal to or higher than 'A-' from Standard & Poor's or 'A3' from Moody's. The Nominated Party may not be an affiliate of Westpac unless APRA's prior written approval is obtained.

If the Transfer does not proceed for any reason despite the issue of a Transfer Notice, Westpac CPS will not be Transferred to the Nominated Party or Converted on the Conversion Date and Holders will continue to hold their Westpac CPS. Conversion may, subject to the satisfaction of the Conversion Conditions, occur on the next Dividend Payment Date (if the Westpac CPS are not otherwise Redeemed or Transferred on that date).

FOR MORE INFORMATION

[On Transfer Notices – see clause 5 of the Terms.](#)

1.6.7 What is Redemption?

Redemption of Westpac CPS can occur by way of:

- redemption; or
- share buy-back (other than an on-market share buy-back); or
- capital reduction pursuant to a cancellation of Westpac CPS.

In each of these cases, the Redeemed Westpac CPS will be cancelled.

If Westpac CPS are Redeemed, Westpac will pay Holders the Face Value for each Westpac CPS Redeemed plus any due, but Unpaid Dividends.

If Redemption is to occur by way of share buy-back, under the Terms each Holder agrees to accept the buy-back offer to be made by Westpac at the relevant time – see clause 4.9 of the Terms.

If Redemption is to occur by way of capital reduction, each Holder agrees to vote their Westpac CPS in favour of the resolution to approve the capital reduction at the relevant time – see clause 4.9 of the Terms.

1.7 CONVERSION ON THE SCHEDULED CONVERSION DATE

1.7.1 When is the Scheduled Conversion Date?

The Scheduled Conversion Date will be the earlier of:

- i. 31 March 2020; and
- ii. the first Dividend Payment Date after 31 March 2020,

on which both Conversion Conditions are satisfied – see Section 1.6.2.

1.7.2 What will happen on the Scheduled Conversion Date?

On the Scheduled Conversion Date the Westpac CPS will be either:

- Converted into Ordinary Shares, provided the Conversion Conditions are satisfied – see Section 1.6.2; or
- Transferred to a Nominated Party at the election of Westpac for \$100 cash per Westpac CPS, provided Westpac has given Holders a Transfer Notice at least 30 Business Days, but no more than 50 Business Days, prior to that date – see Section 1.6.6.

1.8 EARLY CONVERSION OR REDEMPTION

1.8.1 When can early Conversion or Redemption of my Westpac CPS occur?

Westpac CPS will be Converted earlier upon the occurrence of:

- a Capital Trigger Event – see Section 1.8.4; or

- an Acquisition Event provided the Conversion Conditions are satisfied (see Section 1.6.2) and Westpac has not otherwise elected to Convert or Redeem.

In addition, Westpac may elect (subject to APRA's prior written approval) to Convert or Redeem (or a combination of these):

- some or all of the Westpac CPS, where a Regulatory Event or Tax Event occurs (by providing an Early Conversion/Redemption Notice to Holders within 20 Business Days of receiving APRA's written approval to Convert and/or Redeem (as applicable)); or
- all (but not some only) of the Westpac CPS, where an Acquisition Event occurs on or after the fifth anniversary of the Issue Date (by providing an Early Conversion/Redemption Notice to Holders within 10 Business Days of the Acquisition Event); or
- some or all of the Westpac CPS on any Optional Conversion/Redemption Date (by providing an Early Conversion/Redemption Notice to Holders no later than 25 Business Days and no earlier than 35 Business Days before the Optional Conversion/Redemption Date).

Holders should not expect that APRA's prior written approval for any such Conversion or Redemption will be given.

If no Early Conversion/Redemption Notice is issued by Westpac following an Acquisition Event, all Westpac CPS will be Converted (subject to the satisfaction of the Conversion Conditions) into Ordinary Shares on the Business Day prior to the date reasonably determined by Westpac to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned, or such earlier date as Westpac may reasonably determine having regard to the timing for implementation of the bid or scheme concerned.

1.8.2 What happens if my Westpac CPS are Converted into Ordinary Shares as part of an early Conversion?

If Westpac CPS are Converted, Holders will receive a variable number of Ordinary Shares on the Conversion Date.

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However, if Conversion is as a result of a Capital Trigger Event, the number of Ordinary Shares that Holders will receive for each Westpac CPS, will be limited to the Maximum Conversion Number.

The number of Ordinary Shares issued will be calculated using the method described in Section 1.6.5.

1.8.3 What are the Conversion Conditions in respect of early Conversion?

The Conversion Conditions will be the same for early Conversion as for Conversion on the Scheduled Conversion Date, with the Conversion Date no earlier than 25 Business Days and no later than 30 Business Days following the Early Conversion/Redemption Notice (which may only be issued with APRA's prior written approval).

However, in respect of a Conversion following a Capital Trigger Event, the Conversion Conditions will not apply.

See Section 1.6.2 for a description of the Conversion Conditions.

1.8.4 What is a Capital Trigger Event?

A Capital Trigger Event will occur when Westpac's Core Tier 1 Ratio as reported in its most recent relevant disclosure is equal to or less than 5.125% on a Level 2 basis.

Westpac must Convert the Westpac CPS if a Capital Trigger Event occurs. Such Conversion is not subject to the Conversion Conditions being satisfied.

Following a Capital Trigger Event the number of Ordinary Shares that Holders will receive for each Westpac CPS will be limited to the Maximum Conversion Number.

1.8.5 What is an Optional Conversion/Redemption Date?

An Optional Conversion/Redemption Date is any Dividend Payment Date falling on or after 31 March 2018.

If the Optional Conversion/Redemption Date is not a Business Day, Conversion/Redemption will occur on the next Business Day.

On an Optional Conversion/Redemption Date, Westpac may elect to Convert or Redeem (or a combination of these) some or all Westpac CPS, subject to APRA's prior written approval – see Section 1.8.1.

Holders should not expect that APRA's prior written approval for any such Conversion or Redemption will be given.

1.8.6 What is a Tax Event?

A Tax Event will occur if there is a change, amendment or clarification of tax laws or their application (including as a result of a court decision) and Westpac receives an opinion from a reputable legal counsel or other tax adviser that there is a more than insubstantial risk that:

- the Westpac Group or any Holder will incur more than an insubstantial increase in costs or taxes in relation to Westpac CPS; or
- any Dividend will not be frankable; or
- the Westpac CPS will not be treated as equity interests for Australian tax purposes.

A Tax Event will not occur if the Commissioner of Taxation makes a determination (under section 177EA of the Tax Act as in force and as interpreted at the Issue Date) that franking credits with respect to Dividends are or would be disallowed or that additional franking debits are or would be imposed on Westpac.

1.8.7 What is the effect on Westpac CPS of the Federal Court decision and pending appeal proceedings in *Mills v Federal Commissioner of Taxation*?

The judgment of the Full Federal Court of Australia in *Mills v Federal Commissioner of Taxation* [2011] FCAFC 158 ("*Mills*"), dated 8 December 2011, upheld a determination made by the Commissioner of Taxation (under section 177EA of the Tax Act) to disallow franking credits in relation to a dividend on a stapled security which was a hybrid Tier 1 Capital instrument issued by another Australian bank. The taxpayer in that case has sought special leave to appeal to the High Court of Australia against that decision.

Although Westpac does not expect the Commissioner of Taxation to make a similar determination in relation to Dividends on Westpac CPS, there is a risk that this could occur. See Section 1(c) of the Taxation Letter from Allens Arthur Robinson in Section 5 for further details.

If such a determination in relation to Dividends on Westpac CPS (including a determination to impose additional franking debits on Westpac) is made under the Tax Act as in effect and as interpreted (including by the Full Federal Court in *Mills*) as at the Issue Date, that would not constitute a Tax Event and Westpac would not have the right to Redeem or Convert the Westpac CPS. However, if there is an amendment to the Tax Act or a further court decision (including any decision of the High Court in relation to the pending appeal in *Mills*) that would, in the opinion of a reputable legal counsel or other tax advisor, allow the Commissioner to make such a determination in relation to the Westpac CPS using a basis in law that did not exist at the Issue Date, or would materially increase the likelihood that the Commissioner could make a determination using a basis in law that did not exist at the Issue Date, that amendment or decision would be a Tax Event giving Westpac the right to Redeem or Convert the Westpac CPS subject to the Conversion Conditions.

As a result:

- if the High Court refuses to hear the appeal in *Mills*, or hears it and decides it in favour of the Commissioner of Taxation, but without extending the reasoning of the Full Federal Court, that would not be a Tax Event, nor would it be a Tax Event if after that, an adverse determination was made by the Commissioner of Taxation under section 177EA in respect of Dividends on Westpac CPS (without the Tax Act having been amended in a way that enabled that determination to be made); or
- if the High Court hears the appeal in *Mills*, decides it in favour of the Commissioner of Taxation and, in its reasons for judgment, extends the reasoning of the Full Federal Court in a way which indicates that section 177EA would apply adversely in respect of Dividends on Westpac CPS, that would be a Tax Event if Westpac receives an opinion that it creates a more than insubstantial risk of such a determination being made and upheld (and that risk was materially greater than it was at the Issue Date); or

- if the High Court hears the appeal and decides it in favour of the taxpayer, that would indicate that section 177EA should not apply in respect of Dividends on Westpac CPS and should not be a Tax Event.

FOR MORE INFORMATION

On the definition and implications of a Tax Event – see clauses 4.5 and 13.1 of the Terms.

1.8.8 What is a Regulatory Event?

A Regulatory Event will occur if:

- Westpac receives advice from a reputable legal counsel that as a result of a change, amendment or clarification of Australian law or regulations, or their application, additional requirements will be imposed on Westpac in relation to Westpac CPS or there would be a negative effect on Westpac or Holders, which Westpac determines at its sole discretion to be unacceptable; or
- Westpac determines that there is a risk that some or all Westpac CPS will no longer be eligible for inclusion in Westpac's Non-Innovative Residual Tier 1 Capital, or Additional Tier 1 Capital, on a Level 1 or Level 2 basis (other than where such ineligibility is only as a result of any applicable limitation on the amount or composition of Westpac's Tier 1 Capital).

FOR MORE INFORMATION

On the definition and implications of a Regulatory Event – see clauses 4.5 and 13.1 of the Terms.

1.8.9 What is an Acquisition Event?

An Acquisition Event will occur where:

- a takeover bid is made to acquire all or some of the Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or
- a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and either:

ANSWERS TO KEY QUESTIONS ABOUT WESTPAC CPS

- the relevant classes of members of Westpac pass a resolution approving the scheme; or
- an independent expert issues a report that the proposals in connection with the scheme are in the best interests of the holders of Ordinary Shares; or
- Holders are treated as being a separate class for the purposes of a scheme of arrangement in respect of the replacement of Westpac as the ultimate holding company of the Westpac Group.

Notwithstanding the foregoing, an Acquisition Event will not have occurred where Westpac is replaced as the ultimate holding company of the Westpac Group by an Approved Successor – see Section 1.8.10.

FOR MORE INFORMATION

[On the definition and implications of an Acquisition Event – see clauses 4.5 and 13.1 of the Terms.](#)

1.8.10 What may happen if a successor holding company is put in place?

If it is proposed that Westpac be replaced as the ultimate holding company of the Westpac Group by an Approved Successor and the Approved Successor agrees to:

- deliver Approved Successor Shares under all circumstances when Westpac would have otherwise been obliged to deliver Ordinary Shares on Conversion;
- comply with the Dividend and Capital Restriction; and
- use all reasonable endeavours to procure quotation of Approved Successor Shares issued under the Terms on the stock exchanges on which other Approved Successor Shares are quoted at the time of a Conversion,

the Terms may (with APRA's prior written approval) be amended to enable the substitution of the Approved Successor as the issuer of ordinary shares on Conversion (including following the Scheduled Conversion Date). Westpac may specify the proposed amendments to the Terms in an Approved Replacement Notice which, if given, must be given to Holders not less than 10 Business Days before the Approved Successor replaces Westpac as the ultimate holding company of the Westpac Group.

The replacement, or proposed replacement, of Westpac by an Approved Successor does not allow Westpac to elect to Convert, Transfer or Redeem Westpac CPS nor does it entitle Holders to Convert, Transfer or Redeem their Westpac CPS. However, the replacement of Westpac by a successor holding company which is not an Approved Successor may constitute an Acquisition Event, leading to the Conversion, Redemption or Transfer (in certain circumstances only) of Westpac CPS.

Holders may not have any right to vote on Westpac's replacement by an Approved Successor as the ultimate holding company of the Westpac Group. Where Westpac transfers assets to the Approved Successor or another subsidiary of the Approved Successor, Westpac may as a result have reduced assets to meet the claims of its creditors and shareholders (including Holders).

Following the substitution of an Approved Successor as issuer of ordinary shares on Conversion (but prior to Conversion occurring) Holders continue to hold preference shares in Westpac which rank for payment of Dividends and in a winding-up of Westpac as described in Section 1.10.1 but which are Convertible into Approved Successor Shares (ie, ordinary shares in the Approved Successor) in the same circumstances in which they would have otherwise been Converted into Ordinary Shares in Westpac.

FOR MORE INFORMATION

[On the implications of a successor holding company for Holders – see clauses 4.6 and 11.4 of the Terms.](#)

1.9 RETURN ON YOUR INVESTMENT GENERALLY

1.9.1 Are Dividends and your investment in Westpac CPS guaranteed?

No. Dividends and amounts invested in Westpac CPS are not guaranteed by Westpac or any other member of the Westpac Group.

The value of Westpac CPS as quoted on ASX may be lower or higher than the Face Value paid by you for Westpac CPS. This may be due to a number of factors including prevailing interest rates, other

economic factors, Westpac's financial performance and position, the Dividends actually paid and other matters set out in Section 4.1.1.

In certain circumstances Westpac CPS will be Converted. In these circumstances, you will be issued with Ordinary Shares and therefore directly exposed to movements in the price of Ordinary Shares traded on ASX and the financial performance and position of Westpac.

1.9.2 Will you be able to request Conversion, Transfer or Redemption of your Westpac CPS once you have invested in them?

No. Holders have no right to request or require Westpac to Convert, arrange for a Transfer of, or Redeem their Westpac CPS. To realise your investment, you can sell your Westpac CPS on ASX at the prevailing market price. There can be no assurance as to the liquidity or the market price for Westpac CPS. The market price of Westpac CPS may be higher or lower than the Face Value, and will depend, among other things, on the level of supply and demand for Westpac CPS.

1.9.3 Is it possible that Conversion, Transfer or Redemption will not occur?

Yes. If Westpac has not elected to Transfer or Redeem Westpac CPS, APRA has not provided its prior written approval for Conversion or Redemption, the Conversion Conditions are not satisfied, or a Capital Trigger Event does not occur, Holders will not have their Westpac CPS Converted, Transferred or Redeemed and will hold their Westpac CPS until Conversion subsequently occurs (if at all), which may be dependent upon the future Ordinary Share price – see Section 4.1.7.

Additionally, in the unlikely event of a winding-up of Westpac, it is possible that Conversion, Transfer or Redemption may not occur. For example, Westpac may be prevented from issuing Ordinary Shares after the commencement of a winding-up of Westpac unless a court orders otherwise.

FOR MORE INFORMATION

On the position of Holders in a winding-up of Westpac – see Section 1.10.

On the factors that could affect the financial position of Westpac – see Section 4.2.

1.10 RANKING AND VOTING RIGHTS OF WESTPAC CPS

1.10.1 Where do Westpac CPS rank in a winding-up of Westpac?

In the unlikely event of a winding-up of Westpac and assuming the Westpac CPS are still on issue, the right of Holders to receive a return of capital will rank ahead of Ordinary Shares, equally among themselves and with the Equal Ranking Capital Securities, but subordinated to Senior Creditors.

In a winding-up of Westpac, Holders will be entitled to be paid the Liquidation Sum for each Westpac CPS they hold. This is an amount for each Westpac CPS up to its Face Value, and any due but Unpaid Dividends in respect of the Westpac CPS, as relevant, at the commencement of the winding-up of Westpac or, if less actual cash is available to Westpac for distribution, a proportionate share of that cash.

A winding-up of Westpac is the only form of default giving rise to an obligation on Westpac to pay the Liquidation Sum, which could occur in respect of Westpac CPS, and does not affect the subordination of the Westpac CPS as described in this Section 1.10.

For the potential effect on the assets of Westpac available to meet the claims of a Holder in a winding-up of Westpac if Westpac is replaced by an Approved Successor as the ultimate holding company of the Westpac Group, see Section 1.8.10. Holders do not have any claim on the assets of an Approved Successor other than following Conversion as a holder of Approved Successor Shares.

ANSWERS TO KEY QUESTIONS ABOUT WESTPAC CPS

Westpac CPS are not protected accounts or deposit liabilities of Westpac and are not subject to the depositor protection provisions of Australian banking legislation.

FOR MORE INFORMATION

On the return of capital in a winding-up of Westpac – see clause 6 of the Terms.

1.10.2 Is Westpac restricted in relation to other securities it may issue?

Westpac may issue other securities, including further Westpac CPS, or other Capital Securities that rank equally with, ahead of or behind Westpac CPS whether in respect of dividends, distributions, return of capital or principal in a winding-up of Westpac or otherwise, without the approval of Holders.

FOR MORE INFORMATION

On the investment risks associated with the ability of Westpac to issue other securities – see Section 4.1.18.

1.10.3 Do Westpac CPS have any participation rights?

Westpac CPS do not carry a right for Holders to participate in new issues of Westpac securities.

1.10.4 Do you have voting rights?

Holders have no right to vote at any general meeting of Westpac except in the following specific circumstances:

- during a period in which a Dividend (or part of a Dividend) in respect of the Westpac CPS is in arrears;
- on a proposal to reduce Westpac's share capital;
- on a proposal that affects rights attached to Westpac CPS;
- on a resolution to approve the terms of a buy-back agreement, other than a buy-back agreement relating to Westpac CPS;
- on a proposal to wind up Westpac;
- on a proposal for the disposal of the whole of Westpac's property, business and undertaking; and
- during the winding-up of Westpac.

At a general meeting of Westpac in those circumstances set out above where Holders are entitled to vote, Holders shall be entitled:

- on a show of hands, to exercise one vote; and
- on a poll, to exercise one vote for each Westpac CPS held by them when entitled to vote.

Holders will be entitled to the same rights as holders of Ordinary Shares in relation to receiving notices, reports and financial statements, and attending and being heard at all general meetings of Westpac.

FOR MORE INFORMATION

On the voting rights attaching to Westpac CPS – see clause 7 of the Terms.

On the rights attaching to Ordinary Shares – see Section 6.2.

1.10.5 Can the Terms be amended?

Subject to complying with all applicable laws and with APRA's prior written approval (as applicable), Westpac may amend the Terms without the consent of Holders provided Westpac is of the opinion that the amendment is:

- of a formal, minor or technical nature; or
- made to cure any ambiguity or correct any manifest error; or
- expedient for the purpose of enabling Westpac CPS to be listed for quotation or to retain listing on any stock exchange, or to be offered for sale, and it is otherwise not considered by Westpac to be materially prejudicial to the interests of Holders as a whole; or
- necessary to comply with the provisions of any laws or statutory authority or the ASX Listing Rules; or
- in any case, where such amendment is considered by Westpac not to be materially prejudicial to the interests of Holders as a whole.

Westpac may also amend the Terms (with APRA's prior written approval as applicable):

- if the amendment has been approved by a Special Resolution of Holders; or
- to effect the substitution of an Approved Successor as the issuer of Ordinary Shares on Conversion, in accordance with clause 11.4 of the Terms.

1.11 COMPARISON OF WESTPAC CPS WITH CERTAIN OTHER WESTPAC HYBRID TIER 1 CAPITAL SECURITIES

1.11.1 What are the differences between Westpac CPS and Westpac SPS, Westpac SPS II and Westpac TPS?

Westpac SPS, Westpac SPS II, Westpac TPS and Westpac CPS do have similarities in that they are all hybrid Tier 1 Capital securities that qualify as Residual Tier 1 Capital for Westpac under APRA's current capital adequacy standards.

However, they do differ considerably in several key respects. The table on pages 26 and 27 provides a comparison of the key terms of Westpac CPS, Westpac SPS, Westpac SPS II and Westpac TPS but is not exhaustive.

1.12 PAYMENT FOR WESTPAC CPS

1.12.1 What will you be required to pay?

The Face Value for each Westpac CPS is \$100. The minimum number of Westpac CPS that you can apply for is 50, requiring a minimum Application Payment of \$5,000. Applications for greater than the minimum Application amount must be in multiples of 10 Westpac CPS – that is \$1,000.

1.12.2 Is brokerage or stamp duty payable?

No brokerage or stamp duty is payable to Westpac on your Application. You may have to pay brokerage on any subsequent trading of your Westpac CPS on ASX after Westpac CPS have been quoted on ASX.

1.12.3 Will you be required to pay any ongoing fees or other costs?

No. You will generally not be required to pay any ongoing fees or other costs following the issue of Westpac CPS. The costs of carrying out the Offer and maintaining an ASX listing for the Westpac CPS will be paid by Westpac.

1.13 CAN YOU SET OFF ANY AMOUNTS THAT YOU OWE TO WESTPAC?

Neither Westpac nor any Holder is entitled to set off any amounts due in respect of the Westpac CPS against any amount of any nature owed by the Holder to Westpac.

1.14 ADDITIONAL INFORMATION

1.14.1 How can you find out more information about the Offer?

A number of relevant documents are available free of charge from Westpac during the Offer Period – see Section 7.2.2. If, after reading this Prospectus, you have any questions, then you should contact your financial adviser or other professional adviser or call the **Westpac CPS Information Line (Monday to Friday, 8.30am to 5.30pm) on 1300 790 223**.

ANSWERS TO KEY QUESTIONS ABOUT WESTPAC CPS

Comparison of Westpac CPS with Westpac SPS, Westpac SPS II and Westpac TPS

| | Westpac CPS | Westpac SPS II | Westpac SPS | Westpac TPS |
|--|--|---|---|---|
| ASX code | WBCPC ⁷ | WBCPB | WBCPA | WCTPA |
| Legal form | Preference Share | Stapled security – one preference share and one note issued by Westpac | Stapled security – one preference share and one note issued by Westpac | Preferred unit in the Westpac TPS Trust |
| Dividends | Floating rate Dividends – payable semi-annually in arrears subject to a Dividend Payment Test | Floating rate distributions – payable quarterly in arrears subject to a distribution payment test | Floating rate distributions – payable quarterly in arrears subject to a distribution payment test | Floating rate distributions – payable quarterly in arrears subject to a distribution payment test |
| Expected to be fully franked | Yes | Yes | Yes | Yes |
| Dividend Rate | (Margin + 180 day Bank Bill Rate) × (1 – Tax Rate) | (margin + 90 day bank bill rate) × (1 – tax rate) | (margin + 90 day bank bill rate) × (1 – tax rate) | (margin + 90 day bank bill rate) × (1 – tax rate) |
| Margin/Step-up | <ul style="list-style-type: none"> Margin (to be determined under the Bookbuild expected to be between 3.20% per annum and 3.50% per annum); There is no step-up in the Margin | <ul style="list-style-type: none"> margin of 3.80% per annum; There is no step-up in the margin | <ul style="list-style-type: none"> margin of 2.40% per annum; There is no step-up in the margin | <ul style="list-style-type: none"> margin of 1.00% per annum until the step-up date (30 June 2016); After 30 June 2016, the initial margin increases by a one time step-up of 1.00% per annum |
| Issuer redemption rights (subject to prior written APRA approval) | Yes, on 31 March 2018 and each Dividend Payment Date thereafter, and in certain specified circumstances – see Section 1.8 | Yes, in certain specified circumstances | Yes, in certain specified circumstances | Yes, on the step-up date and in certain specified circumstances |

Note:

7. Westpac has applied to have Westpac CPS quoted on ASX and they are expected to trade under the code WBCPC.

Comparison of Westpac CPS with Westpac SPS, Westpac SPS II and Westpac TPS

| | Westpac CPS | Westpac SPS II | Westpac SPS | Westpac TPS |
|--|---|--|---|--|
| Potential Conversion to Ordinary Shares | Scheduled Conversion on 31 March 2020 (subject to the satisfaction of the Conversion Conditions) or in other specified circumstances, including Conversion upon the occurrence of a Capital Trigger Event | Mandatory Conversion on 30 September 2014 (subject to the satisfaction of the conversion conditions) or in other specified circumstances | Mandatory Conversion on 26 September 2013 (subject to the satisfaction of the conversion conditions) or in other specified circumstances | Yes, on the step-up date and in certain specified circumstances |
| Ranking in winding-up | Rank in priority to Westpac Ordinary Shares, equally with Equal Ranking Capital Securities and behind Senior Creditors (including depositors) | Rank in priority to Westpac Ordinary Shares, equally with equal ranking capital securities and behind all Westpac depositors and all holders of senior and subordinated debt (in accordance with the terms of issue of Westpac SPS II) | Rank in priority to Westpac Ordinary Shares, equally with equal ranking capital securities and behind all Westpac depositors and all holders of senior and subordinated debt (in accordance with the terms of issue of Westpac SPS) | Rank equally with equal ranking preference shares as Westpac TPS will have exchanged into preference shares of Westpac but ahead of Westpac Ordinary Shares and behind all Westpac depositors and all holders of senior and subordinated debt (in accordance with the terms of issue of Westpac TPS) |

2

DETAILS OF THE OFFER

**This section sets out what you must do
if you wish to apply for Westpac CPS.**

This Section sets out:

| | |
|------|---|
| 2.1 | The Offer |
| 2.2 | Who may apply |
| 2.3 | When to apply |
| 2.4 | How to apply |
| 2.5 | Obtaining a Prospectus and an Application Form |
| 2.6 | How to pay |
| 2.7 | Where to send your completed Application Form and Application Payment |
| 2.8 | Other Application details |
| 2.9 | Allocation policy |
| 2.10 | ASX quotation, trading and Holding Statements |
| 2.11 | New Holder information |
| 2.12 | Enquiries |

2.1 THE OFFER

The Offer is for the issue of Westpac CPS at a Face Value of \$100 each to raise approximately \$750 million with the ability to raise more or less.

The Offer consists of:

- a Securityholder Offer, made to Eligible Securityholders;
- a Broker Firm Offer, made to Broker Firm Applicants; and
- an Institutional Offer, made to certain Institutional Investors invited by Westpac to bid for Westpac CPS under the Bookbuild.

There is no minimum amount to be raised by the Offer and Westpac may accept any Applications. Whilst there is no specified proportion of the Offer that may be Allocated to the Securityholder Offer, Westpac and the Joint Lead Managers reserve the right to scaleback Applications from Eligible Securityholders and to treat Applications in excess of \$250,000 as part of the Institutional Offer.

2.2 WHO MAY APPLY

You may apply for Westpac CPS if you are:

- an Eligible Securityholder – that is a registered holder of Ordinary Shares, Westpac TPS, Westpac SPS and/or Westpac SPS II at 7.00pm (Sydney Time) on 9 February 2012 who is shown on the Register to have an address in Australia – through the Securityholder Offer; or
- a Broker Firm Applicant – that is an Australian resident retail client of a Syndicate Broker who applies for a broker firm Allocation from a Syndicate Broker – through the Broker Firm Offer.

Applications made by Eligible Securityholders may be scaled back by Westpac. For the Allocation policy in relation to the Securityholder Offer – see Section 2.9.

There is no general public offer of Westpac CPS. However, Westpac reserves the right to accept Applications from persons other than Eligible Securityholders, Broker Firm Applicants and Institutional Investors at its discretion.

No action has been taken to register or qualify Westpac CPS or otherwise permit a public offer of Westpac CPS in any jurisdiction outside Australia where such an offer is made under the laws in that jurisdiction.

DETAILS OF THE OFFER

2.3 WHEN TO APPLY

The Offer opens on 24 February 2012.

The Securityholder Offer has a different Closing Date to the Broker Firm Offer. The Closing Date for:

- the Securityholder Offer is expected to be **5.00pm (Sydney Time) on 19 March 2012**. Completed Securityholder Application Forms and Application Payments must be received by the Registry no later than that time – see Section 2.7.1; and
- the Broker Firm Offer is expected to be **10.00am (Sydney Time) on 22 March 2012**. Completed Broker Firm Application Forms and, if applicable, Application Payments must be received by Syndicate Brokers in time so that they can process Applications on your behalf by **10.00am (Sydney Time) on 22 March 2012** – see Section 2.7.2.

Westpac and the Joint Lead Managers may agree to close the Offer early or extend the Offer Period without notice, or to withdraw the Offer at any time before Westpac CPS are issued. If you wish to apply for Westpac CPS you are encouraged to do so as soon as possible after the Opening Date.

2.4 HOW TO APPLY

2.4.1 Eligible Securityholders

If you are an Eligible Securityholder and want to apply for Westpac CPS, then you should either:

- complete and return a personalised Securityholder Application Form and Application Payment to either of the addresses in Section 2.7.1, so that it is received by the Registry before the expected Securityholder Offer Closing Date of 5.00pm (Sydney Time) on 19 March 2012.
- apply online by visiting the Westpac website at **www.westpac.com.au/investorcentre** and following the instructions. You will need your HIN/SRN for your holding of Ordinary Shares, Westpac TPS, Westpac SPS or Westpac SPS II to apply for Westpac CPS, which you can find on the top right hand corner of the postcard mailed to you.

2.4.2 Broker Firm Applicants

If you are a Broker Firm Applicant, then you should contact your Syndicate Broker for information on how to apply under the Broker Firm Offer, including information on how to submit a Broker Firm Application Form and, if applicable, Application Payment.

2.5 OBTAINING A PROSPECTUS AND AN APPLICATION FORM

2.5.1 Eligible Securityholders

A copy of this Prospectus may be:

- downloaded from the Westpac website at www.westpac.com.au/investorcentre; or
- sent to you free of charge during the Offer Period, with a personalised Securityholder Application Form, if you call the **Westpac CPS Information Line (Monday to Friday, 8.30am to 5.30pm) on 1300 790 223**; or
- sent to you during the Offer Period with a personalised Securityholder Application Form if you register online to receive a Prospectus on the website above.

2.5.2 Broker Firm Applicants

During the Offer Period a copy of this Prospectus including the Broker Firm Application Form may be:

- downloaded from the Westpac website at www.westpac.com.au/investorcentre; or
- obtained from your Syndicate Broker.

2.6 HOW TO PAY

2.6.1 Minimum Application amount

The Application price of each Westpac CPS is \$100, also referred to as the Face Value. Your Application must be for a minimum of 50 Westpac CPS (\$5,000). If your Application is for more than 50 Westpac CPS, then you must thereafter apply in multiples of 10 Westpac CPS (\$1,000).

Westpac and the Joint Lead Managers reserve the right to reject any Application, or to Allocate any Eligible Securityholder a lesser number of Westpac CPS than applied for, including less than the minimum Application of 50 Westpac CPS (\$5,000).

2.6.2 Eligible Securityholders

If you are an Eligible Securityholder and you are applying on a personalised Securityholder Application Form, your Application Payment can only be made by cheque(s) in Australian dollars drawn on an Australian branch of a financial institution and made payable to 'Westpac CPS Offer'. Cheque(s) should be crossed 'not negotiable'. Cash payments, money orders or bank cheques will not be accepted.

If you are an Eligible Securityholder and you wish to apply online you should visit the Westpac website at www.westpac.com.au/investorcentre and follow the instructions. Online Application Payments may only be made using BPAY®.

2.6.3 Broker Firm Applicants

If you are a Broker Firm Applicant, then you should make your Application Payment under arrangements made between you and your Syndicate Broker.

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

Westpac reserves the right not to accept your Application.

2.7 WHERE TO SEND YOUR COMPLETED APPLICATION FORM AND APPLICATION PAYMENT

2.7.1 Eligible Securityholders

Your completed Securityholder Application Form together with your Application Payment should be returned to either of the addresses below so that they are received by the Registry before the Closing Date which is expected to be 5.00pm (Sydney Time) on 19 March 2012:

by mail to the Registry:

Westpac CPS Offer
Link Market Services Limited
Reply Paid 3560
Sydney NSW 2001

or

by hand delivery to the Registry:

Westpac CPS Offer
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

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

If you are an Eligible Securityholder and you **apply online**, you must submit both your Securityholder Application Form and Application Payment online by the Closing Date, which is expected to be 5.00pm (Sydney Time) on 19 March 2012.

2.7.2 Broker Firm Applicants

If you are a Broker Firm Applicant, then you must send your completed Broker Firm Application Form and, if applicable, Application Payment to your nominated Syndicate Broker, not to the Registry, within sufficient time to enable processing by the Closing Date, which is expected to be 10.00am (Sydney Time) on 22 March 2012.

2.8 OTHER APPLICATION DETAILS

2.8.1 Brokerage and stamp duty

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

DETAILS OF THE OFFER

2.8.2 Refunds and interest

All Application Payments received by the Registry before Westpac CPS are issued will be held by Westpac in a trust account established solely for the purpose of depositing Application Payments received. Any interest that accrues on the trust account will be retained by Westpac.

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

2.8.3 Provision of personal information

The information about you included on an Application Form is used for the purposes of processing your Application and, if your Application is successful, to administer your Westpac CPS (and, if they are issued in the future upon Conversion, your holding of Ordinary Shares). For information about the acknowledgements and privacy statement in relation to personal information that you provide by completing an Application Form – see Section 7.10.

2.9 ALLOCATION POLICY

Westpac and the Joint Lead Managers reserve the right to reject any Application, or to Allocate any Eligible Securityholder a lesser number of Westpac CPS than applied for, including less than the minimum Application of 50 Westpac CPS (\$5,000).

The Allocation policy for Syndicate Brokers and Institutional Investors will be determined under the Bookbuild – see Section 2.9.1. Westpac and the Joint Lead Managers have the right to nominate the persons to whom Westpac CPS will be Allocated, including in respect of firm Allocations to Syndicate Brokers and Institutional Investors.

The final Allocation policy for the Securityholder Offer will be determined by Westpac in consultation with the Joint Lead Managers at the close of the Securityholder Offer. This Allocation policy and any scaleback will be announced on ASX on the day Westpac CPS commence trading on a deferred settlement basis – expected to be 26 March 2012.

However, Westpac reserves the right to not issue any Westpac CPS. In this instance no Applicants will receive an Allocation.

2.9.1 Bookbuild

The Bookbuild is a process that will be conducted by the Joint Lead Managers in consultation with Westpac before the Opening Date to determine the Margin and firm Allocations of Westpac CPS to Syndicate Brokers and certain Institutional Investors. In this process, Syndicate Brokers and Institutional Investors will be invited to lodge bids for a number of Westpac CPS within the Margin range of 3.20% and 3.50% per annum. On the basis of those bids, Westpac and the Joint Lead Managers will determine the Margin and firm Allocations to Syndicate Brokers and Institutional Investors. The Bookbuild will be conducted under the terms and conditions agreed by Westpac and the Joint Lead Managers in the Offer Management Agreement (“OMA”) – see Section 6.4.

2.9.2 Settlement support

The Joint Lead Managers (other than Westpac as a Joint Lead Manager) have agreed with Westpac to provide settlement support for the number of Westpac CPS Allocated to Syndicate Brokers under the Bookbuild. Settlement support means that if any of the Syndicate Brokers fail to deliver valid Applications including Application Payments to Westpac by the Issue Date, the Joint Lead Managers (other than Westpac as a Joint Lead Manager) will be issued and pay for those Westpac CPS. Under the OMA, as part of this settlement support, the Joint Lead Managers (other than Westpac as a Joint Lead Manager) will pay to Westpac, or procure payment to Westpac of, the aggregate proceeds raised from Syndicate Brokers under the Bookbuild by the Issue Date. Each Joint Lead Manager (other than Westpac as a Joint Lead Manager) is only responsible for ensuring that payment is made for Westpac CPS Allocated to them or at their direction, and for 25% of the Westpac CPS Allocated to the Co-Managers.

The OMA may be terminated by any of the Joint Lead Managers in respect of the terminating Joint Lead Manager’s obligations in certain circumstances. If any Joint Lead Manager terminates the OMA, then the other Joint Lead Managers will also have the right to terminate their obligations under the OMA.

For details of the fees to be paid to the Joint Lead Managers and the Syndicate Brokers – see Section 6.4.2.

2.9.3 Allotment

Westpac intends to issue approximately 7.5 million Westpac CPS at a Face Value of \$100 each, to raise approximately \$750 million with the ability to raise more or less.

Westpac will not Allot any Westpac CPS until it has been granted approval for Westpac CPS to be quoted on ASX and all proceeds from accepted Applications have been received by Westpac. Subject to approval for quotation being granted, Westpac intends to Allot Westpac CPS on 23 March 2012. Westpac may, in consultation with the Joint Lead Managers, change the Closing Date and the Issue Date, or may withdraw the Offer at any time before Allotment.

2.10 ASX QUOTATION, TRADING AND HOLDING STATEMENTS

2.10.1 ASX quotation

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

It is expected that Westpac CPS will be quoted under ASX code WBCPC.

2.10.2 Trading

It is expected that Westpac CPS will begin trading on ASX on a deferred settlement basis on 26 March 2012. Trading is expected to continue on that basis until 3 April 2012, when it is anticipated that trading of Westpac CPS will begin on a normal settlement basis.

Deferred settlement will occur as a consequence of trading which takes place before entries are made by the Registry in respect of your holdings of Westpac CPS and before Holding Statements are despatched to successful Applicants.

It is your responsibility to determine your Allocation before trading your Westpac CPS to avoid the risk of selling Westpac CPS you do not own. To assist you in determining your Allocation prior to receipt of your Holding Statement, Westpac will announce the basis of Allocation by placing advertisements in major national and metropolitan newspapers in Australia on or before 26 March 2012.

If you sell your Westpac CPS before you receive confirmation of your Allocation, you do so at your own risk.

2.10.3 Your Allocation

If you are a Broker Firm Applicant and wish to find out your Allocation prior to receiving your Holding Statement, you should contact your Syndicate Broker. Eligible Securityholder Applicants should call the **Westpac CPS Information Line (Monday to Friday, 8.30am to 5.30pm) on 1300 790 223**.

2.10.4 Holding Statements

Westpac expects that Holding Statements will be despatched to successful Applicants by 2 April 2012. Westpac will apply for Westpac CPS to participate in CHESS. No certificates will be issued for Westpac CPS.

2.11 NEW HOLDER INFORMATION

If you are issued Westpac CPS under the Offer you will be sent a new investor pack shortly after the Issue Date. In addition to your Holding Statement, this pack will contain important information relating to how you will be paid your Dividends.

2.11.1 Provision of bank account details for Dividends

Westpac will only pay your Dividends directly into an Australian dollar account of a financial institution nominated by you. Westpac will not pay Dividends on Westpac CPS by cheque.

As part of the new investor pack, the Registry will send you a direct credit form either requesting your account details or confirming that your preference is to use your existing dividend or distribution account details, if applicable. You must complete and return this direct credit form as soon as possible.

DETAILS OF THE OFFER

2.11.2 Provision of Tax File Number or Australian Business Number

The Registry will provide you with a form so that you may provide your Tax File Number (“TFN”), Australian Business Number (“ABN”) or both.

You do not have to provide your TFN or ABN. However, Westpac may be required to withhold Australian tax at the maximum marginal tax rate including the Medicare Levy (currently 46.5%) on the amount of any Dividend that is not 100% franked, unless you provide one of the following:

- TFN; or
- TFN exemption code (if applicable); or
- ABN if Westpac CPS are held in the course of an enterprise carried on by you.

2.12 ENQUIRIES

You can call the **Westpac CPS Information Line (Monday to Friday, 8.30am to 5.30pm) on 1300 790 223** if you:

- have further enquiries about how to apply for Westpac CPS;
- require assistance to complete the Application Form; or
- require additional copies of this Prospectus and the accompanying Application Form.

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

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

3

ABOUT WESTPAC

**This Section sets out information
about Westpac.**

ABOUT WESTPAC

This Section sets out:

-
- | | |
|-----|--|
| 3.1 | Overview of Westpac's business including summary financial information |
| 3.2 | Capital management strategy and capital ratios |
| 3.3 | Funding and liquidity risk management |
-

3.1 OVERVIEW OF WESTPAC'S BUSINESS INCLUDING SUMMARY FINANCIAL INFORMATION

3.1.1 Overview of Westpac's business

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

Westpac has branches, affiliates and controlled entities 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, the Bank of New South Wales 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.

Westpac's Ordinary Shares and certain other securities are quoted on the ASX and, as at 9 February 2012, Westpac's market capitalisation was \$64.4 billion¹.

The performance of Ordinary Shares during the period from February 2002 to February 2012 is set out in the graph below.

The Westpac Group has 3 key customer facing divisions serving around 12 million customers:

Australian Financial Services ("AFS") encompasses Westpac's retail and business banking operations in Australia and includes the businesses of Westpac Retail & Business Banking ("Westpac RBB"), St. George Banking Group and BT Financial Group ("BTFG").

- Westpac RBB is responsible for sales and service for consumer, small-to-medium enterprise customers and commercial customers (typically with turnover of up to \$100 million) in Australia under the Westpac brand. Activities are conducted through Westpac RBB's nationwide network of branches and business banking centres, home finance managers and specialised consumer and business relationship managers, with the support of cash flow, financial markets and wealth specialists, customer service centres, automatic teller machines ("ATMs"), EFTPOS terminals and internet channels.

Note:

1. Based on the closing share price of Ordinary Shares on 9 February 2012.

Westpac Ordinary Shares daily closing price²



Note:

2. Source: IRESS.

- St. George Banking Group is responsible for sales and service for consumer, business and corporate customers in Australia under the St. George, BankSA, RAMS and Bank of Melbourne brands. Consumer activities are conducted through a network of branches, third party distributors, customer service centres, ATMs, EFTPOS terminals and internet banking services. Business and corporate customers (businesses with facilities typically up to \$150 million) are provided with a wide range of banking and financial products and services, including specialist advice for cash flow finance, trade finance, automotive and equipment finance, property finance, transaction banking and treasury services. Sales and service activities for business and corporate customers are conducted by relationship managers via business banking centres, internet and customer service centre channels.
- BTFG is Westpac's wealth management business. BTFG's funds management operations include the manufacturing and distribution of investment, superannuation and retirement products, investment platforms such as Wrap and master trusts and private banking and financial planning. BTFG's insurance solutions cover the manufacturing and distribution of life, general and lenders mortgage insurance and deposit bonds. BTFG's brands include Advance Asset Management, Ascalon, Asgard, BT, BT Investment Management (64.5% owned by Westpac and consolidated in BTFG's Funds Management business at 30 September 2011), Licensee Select, Magnitude, Securitor and the advice, private banking and insurance operations of Bank of Melbourne, BankSA, St. George and Westpac. AFS also includes the product management and development responsibilities, management of customer contact centres, and online and mobile banking for Australian Banking.

Westpac Institutional Bank ("WIB") delivers a broad range of financial 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 and specialised capital. Customers are supported through branches and subsidiaries located in Australia, New Zealand, United States, United Kingdom and Asia.

ABOUT WESTPAC

New Zealand Banking is responsible for sales and service of banking, wealth and insurance products for consumers and business (including institutional) customers in New Zealand. The sales and service division operates via an extensive network of branches and ATMs across both the North and South Islands. Institutional customers are also serviced through relationship and specialist product teams. Banking products are provided under the Westpac and Westpac Institutional Bank brands while insurance and wealth products are provided under the Westpac Life and BT brands. 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 Division), a branch of Westpac.

Other business divisions in the Westpac Group comprise:

Pacific Banking – which provides banking services for retail and business customers in seven Pacific countries;

Group Services – which encompasses technology, banking operations, legal and property services;

Group Treasury – which is primarily focused on the management of the Group's interest rate risk and funding requirements; and

Core Support – which comprises those functions performed centrally, including finance, risk and human resources.

3.1.2 Overview of Westpac's results for the year ended 30 September 2011³

Westpac's statutory net profit after tax for the year ended 30 September 2011 was \$6,991 million, compared to \$6,346 million for the year ended 30 September 2010, representing a 10% increase. Cash earnings⁴ increased 7% to \$6,301 million for the year ended 30 September 2011, compared to \$5,879 million for the year ended 30 September 2010.

Basic earnings per Ordinary Share increased 9% to 233.0 cents per share for the year ended 30 September 2011, compared to 214.2 cents per Ordinary Share for the year ended 30 September 2010.

Westpac paid fully franked dividends totalling 156 cents per Ordinary Share for the year ended 30 September 2011, up 12% compared to the year ended 30 September 2010, representing a dividend payout ratio for the year ended 30 September 2011 of 67%.

For the year ended 30 September 2011, net interest income was \$11,996 million, an increase of \$154 million or 1%, compared to the year ended 30 September 2010, and non-interest income was \$4,917 million, a decrease of \$151 million or 3%, compared to the year ended 30 September 2010.

For the year ended 30 September 2011, operating expenses were \$7,406 million, a decrease of \$10 million compared to 30 September 2010. The expense to income ratio for the year ended 30 September 2011 was 10 basis points lower at 43.8%, compared to the year ended 30 September 2010.

Impairment charges on loans were \$993 million for the year ended 30 September 2011, a decrease of \$463 million or 32% compared to the year ended 30 September 2010. Lower impairments in Westpac RBB, WIB, St. George Banking Group and New Zealand Banking were the primary drivers of the reduction.

The effective tax rate for the year ended 30 September 2011 was 17.1%, 310 basis points lower than for the year ended 30 September 2010. The effective tax rate was reduced by tax adjustments following finalisation of the tax consolidation impacts related to the merger with St. George Bank Limited.

Notes:

3. Unless otherwise specified, the following financial information and discussion has been extracted from Westpac's 2011 Annual Report, including the statutory audited financial statements for the period ending 30 September 2011.
4. Cash earnings is calculated by adjusting statutory audited results for (i) material items that do not reflect ongoing operations; (ii) items that are not considered when dividends are recommended; and (iii) accounting reclassifications between individual line items that do not impact statutory results. For a detailed reconciliation of cash earnings to statutory audited results, refer to Westpac's audited financial statements for the period ending 30 September 2011.

3.1.3 December 2011 Quarterly Update

On 16 February 2012, Westpac announced that unaudited statutory net profit after tax for the three months ended 31 December 2011 (the “first quarter 2012”) was approximately \$1.4 billion.

Net operating income for the first quarter 2012 was relatively stable compared to the average of the third and fourth quarters 2011, despite a reduction in treasury and markets income which was negatively impacted by movements in credit spreads.

Loan growth over the first quarter 2012 was fully funded by an increase in customer deposits of around \$5 billion from 30 September 2011.

Impairment charges for the first quarter 2012 were around \$300 million, up modestly from the average impairment charges for the third and fourth quarters 2011. Total stressed assets declined \$1.2 billion over the first quarter 2012.

As at 31 December 2011, Westpac’s Tier 1 Capital Ratio was 9.80% and Core Tier 1 Ratio was 8.25%.

Westpac has raised approximately \$10 billion in term funding for the 2012 financial year to date, including covered bond issues in the United States, Europe and Australia.

3.1.4 Impact of the issue of Westpac CPS on Westpac’s consolidated balance sheet

The issue of the Westpac CPS will increase Westpac’s loan capital by \$739 million (\$750 million gross proceeds of the Offer, less \$11 million Offer costs) and increase Westpac’s cash balances by \$739 million, with no impact on Westpac’s net assets or shareholders’ equity. Total assets and total liabilities will increase by approximately 0.1%.

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

3.2 CAPITAL MANAGEMENT STRATEGY AND CAPITAL RATIOS

3.2.1 Capital adequacy (prudential regulation)

APRA is the prudential regulator of the Australian financial services industry. It oversees credit unions, building societies, general insurance and reinsurance companies, life insurance, friendly societies, most members of the superannuation industry, and banks like Westpac.

Currently, the regulatory limits applied to Westpac’s capital ratios are consistent with the *International Convergence of Capital Measurement and Capital Standards: A Revised Framework*, also known as Basel II, issued by the Bank of International Settlements. This framework reflects the advanced risk management practices that underpin the calculation of regulatory capital through a broad array of risk classes and advanced measurement processes.

As provided for in the Basel II accord, APRA has exercised discretions to make the framework more relevant in the Australian market, and has applied discretion in the calculation of the components of regulatory capital.

Australian banks are required to maintain a minimum ratio of capital to risk-adjusted assets of at least 8%. At least half of this capital must be in the form of Tier 1 Capital. The balance of eligible capital can be held in the form of Tier 2 Capital, subject to limitations. Westpac’s capital ratios are in compliance with APRA’s minimum capital adequacy requirements.

3.2.2 Capital management strategy

Westpac’s approach to capital management seeks to balance the fact that capital is an expensive form of funding with the need to be adequately capitalised as an ADI. Westpac considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans.

ABOUT WESTPAC

3.2.3 Proposed regulatory changes

As set out in Section 1.5.2, on 6 September 2011 APRA released the APRA Discussion Paper outlining its proposals to implement a package of reforms to strengthen the capital framework for certain financial institutions, including banks like Westpac. The reforms are to give effect to the measures set out by the BCBS in its December 2010 release, *Basel III: A global regulatory framework for more resilient banks and banking systems*. The APRA Discussion Paper proposes the introduction of Basel III capital reforms in Australia (including certain transitional arrangements) from 1 January 2013. In particular, it proposes higher minimum capital requirements and the introduction of two new capital buffers, as follows:

- a minimum Common Equity Tier 1 ratio of 4.5% from 1 January 2013;
- a minimum Tier 1 Capital Ratio of 6.0% from 1 January 2013;
- a minimum Total Capital Ratio of 8.0% from 1 January 2013;
- a capital conservation buffer of 2.5%, to be met with Common Equity Tier 1 that will apply from 1 January 2016; and
- a countercyclical buffer of between 0% to 2.5% to be met with Common Equity Tier 1. Westpac expects that this buffer will not be applicable before 1 January 2016 (timing being at APRA's discretion). The buffer is intended to be applied during times of excess credit growth.

Based on the APRA Discussion Paper, Westpac believes it is well placed to meet the new capital requirements within the timeframes proposed. However, until APRA's final prudential standards are issued and APRA advises institutions of their prudential capital ratios, the full extent of the impact on the Westpac Group cannot be confirmed.

3.2.4 Prudential capital classification

For capital adequacy purposes, a bank's capital base is the sum of Tier 1 Capital and Tier 2 Capital, net of specified deductions. Under current prudential standards, Tier 1 Capital is divided into Fundamental Tier 1 Capital and Residual Tier 1 Capital less Tier 1 Capital deductions.

APRA has confirmed that Westpac CPS will qualify as Non-Innovative Residual Tier 1 Capital under APRA's current prudential standard APS 111.

APRA has also confirmed that Westpac CPS will be eligible for transitional treatment as Additional Tier 1 Capital under the Basel III framework from 1 January 2013.

3.2.5 Westpac reported and pro-forma consolidated capital adequacy position as at 30 September 2011

The following table sets out the pro-forma capital adequacy position based on Westpac's audited consolidated balance sheet as at 30 September 2011, adjusted as if the issue of \$750 million of Westpac CPS was completed as at that date.

Westpac reported and pro-forma consolidated capital adequacy position

| | Reported 30 Sep 2011 | Pro-forma Adjustments ⁵ | Pro-forma 30 Sep 2011 |
|---|----------------------------|---------------------------------------|-----------------------------|
| Core Tier 1 Ratio | 8.1% | 0.0% | 8.1% |
| Tier 1 Capital Ratio | 9.7% | 0.3% | 10.0% |
| Tier 2 Capital Ratio | 1.3% | 0.0% | 1.3% |
| Total regulatory capital ratio | 11.0% | 0.3% | 11.3% |

3.2.6 Common Equity Tier 1 Ratio

Under APRA's existing capital adequacy standards, Westpac's Core Tier 1 Ratio was 8.1% at 30 September 2011, and 8.25% at 31 December 2011.

Under the APRA Discussion Paper, APRA proposes to replace Fundamental Tier 1 (which forms the numerator of Westpac's Core Tier 1 Ratio) and adopt the BCBS Basel III definition of Common Equity Tier 1. Where APRA's existing capital treatment is more conservative than the BCBS Basel III rules, APRA proposes to preserve certain deductions to

Note:

5. Proceeds received from the issue of \$750 million worth of Westpac CPS less expected Offer costs of \$11 million.

capital in calculating Common Equity Tier 1 capital. Based on the proposals in the APRA Discussion Paper, Westpac's Common Equity Tier 1 ratio would be 7.37% as at 30 September 2011.

Based on the APRA Discussion Paper Westpac is well in excess of the minimum Common Equity Tier 1 requirement of 4.5%. It is also well placed to meet the Common Equity Tier 1 plus capital conservation buffer minimum of 7.0%, which is not expected to be a requirement until 2016. The Common Equity Tier 1 ratio of 7.37% is also well above the Capital Trigger Event level of Common Equity Tier 1 to Risk Weighted Assets of 5.125%, on a Level 2 basis. These estimates are based on the APRA Discussion Paper and may differ if the reforms proposed in the paper are different to those released in the final prudential standard.

3.3 FUNDING AND LIQUIDITY RISK MANAGEMENT

3.3.1 Liquidity risk management framework

Westpac strictly observes its prudential obligations in relation to funding and liquidity risk management as required by APRA prudential standard APS 210, as well as the prudential requirements of overseas regulators of Westpac's offshore operations. APRA is currently in the process of revising its Liquidity Risk Prudential Standard in line with the Basel III liquidity framework.

Liquidity risk is the risk that Westpac will be unable to fund increases in assets or meet its obligations as they become due, without incurring unacceptable losses. This could potentially arise as a result of mismatched cash flows generated by the Westpac Group's banking business. Liquidity risk is managed through Westpac's Board Risk Management Committee ("BRMC") approved liquidity risk management framework.

Westpac's liquidity risk management framework models its ability to fund under both normal conditions and during crisis situations, with models run globally and for specific geographical regions: Australia, New Zealand and offshore. This approach is designed to ensure that Westpac's funding framework is sufficiently flexible to accommodate a wide range

of market conditions. The liquidity management framework is reviewed annually. The annual review encompasses the funding scenarios modelled, the modelling approach, wholesale funding capacity, limit determination and minimum holdings of liquid assets. The liquidity framework is reviewed by the Westpac Group Asset and Liability Committee ("ALCO") prior to approval by the BRMC.

As at 30 September 2011, Westpac held \$103 billion in liquid assets (which are all eligible for repurchase agreements with a central bank) up 26% compared to 30 September 2010, with all the increase coming from higher quality cash, government and semi-government paper.

3.3.2 Annual funding review

Group Treasury also undertakes an annual funding review that outlines the funding strategy for the coming year. This review encompasses trends in global markets, peer analysis, wholesale funding capacity, rating agency requirements, expected funding requirements and a funding risk analysis. This strategy is continuously reviewed to take account of changing market conditions, investor sentiment and estimations of asset and liability growth rates. The annual funding strategy is reviewed and supported by ALCO prior to approval by the BRMC.

Westpac maintains a contingency funding plan that details the broad actions to be taken in response to scenarios of severe disruptions in its ability to fund some or all of its activities in a timely manner and at a reasonable cost. This document is reviewed annually and defines a committee of senior executives to manage a crisis and allocates responsibility to individuals for key tasks.

4

INVESTMENT RISKS

This Section describes some of the potential risks associated with an investment in Westpac CPS. It is divided into risks that are specific to Westpac CPS and Westpac.

Before applying for Westpac CPS, you should consider whether Westpac CPS are a suitable investment for you. There are risks associated with an investment in Westpac CPS, many of which are outside the control of Westpac. These risks include those in this Section 4 and other matters referred to in this Prospectus.

This Section sets out:

4.1 Risks of investing in Westpac CPS

4.2 Investment risks attaching to Westpac

4.1 RISKS OF INVESTING IN WESTPAC CPS

Set out in this Section 4.1 are risks associated specifically with an investment in Westpac CPS. In particular, these risks arise from the nature of Westpac CPS and the Terms. You should also consider the other risks in Section 4.2 as they relate to Westpac.

4.1.1 Investment market price and liquidity

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

- Australian and international economic conditions, interest rates, credit margins and equity markets;
- investor perceptions;
- movement in the market price of Ordinary Shares; and
- factors which may affect Westpac's financial performance and position.

It is possible that Westpac CPS may trade at a market price below the Face Value. This may be due to various factors, including Australian and international economic conditions, interest rates, credit margins, equity markets, company performance, investor perceptions, and a range of other factors.

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

4.1.2 Changes in the Dividend Rate

The Dividend Rate is calculated for each Dividend Period by reference to the 180 day Bank Bill Rate, which is influenced by a number of factors and varies over time. The Dividend Rate will fluctuate (both increasing and decreasing) over time with movement in the 180 day Bank Bill Rate.

The movements in the 180 day Bank Bill Rate over the last 10 years are set out in the chart on the following page.

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

INVESTMENT RISKS

180 day Bank Bill Rate (% per annum)¹



Note:

1. Source: IRESS.

4.1.3 Dividends may not be fully franked

It is expected that Dividends on Westpac CPS will be fully franked. However, it is possible that Dividends payable on Westpac CPS may be unfranked or not fully franked. If a Dividend is unfranked or not fully franked, a Gross-Up Amount would be paid to compensate for the unfranked amount, subject to the Dividend Payment Test – see Section 1.3.12.

4.1.4 Holders may not receive franking credits in respect of Dividends

It is expected that Australian resident Holders will receive franking credits in respect of Dividends (other than where a Holder's lack of entitlement to franking credits is a result of an act or circumstances affecting the particular Holder). However, as the Commissioner of Taxation has deferred a response to Westpac's application for an advance Private Ruling seeking confirmation of such treatment pending resolution of the Commissioner's legal position (see the Taxation Letter from Allens Arthur Robinson in Section 5), there is a risk that the Commissioner of Taxation may determine that Holders are not entitled to franking credits in respect of Dividends. If the Commissioner of Taxation makes such a determination, a Gross-Up Amount would be paid to compensate for the loss of franking credits, subject to the Dividend Payment Test – see Sections 1.3.6 and 1.3.12.

4.1.5 Dividends and Gross-Up Amounts may not be paid

Dividends and Gross-Up Amounts are discretionary and may not always be paid as they are subject to the satisfaction of the Dividend Payment Test. The Dividend Payment Test will not be satisfied in respect of the payment of a Dividend or any Gross-Up Amount if:

- the Westpac Directors (in their absolute discretion) have not determined that the Dividend or any Gross-Up Amount is payable (for example, the Westpac Directors will not determine a Dividend or any Gross-Up Amount is payable if, in their opinion, making the payment would result in Westpac becoming, or likely to become, insolvent);
- the amount of the Dividend or any Gross-Up Amount exceeds Distributable Profits, unless APRA otherwise gives its prior written approval; or
- APRA otherwise objects to the payment.

Dividends and Gross-Up Amounts on Westpac CPS are non-cumulative and, therefore, if a Dividend or Gross-Up Amount is not paid in full for any particular Dividend Period, a Holder will not be entitled to subsequently receive that Dividend or Gross-Up Amount.

4.1.6 Exposure to Westpac's financial performance and position

Westpac can elect to Convert the Westpac CPS prior to the Scheduled Conversion Date in certain specified circumstances – see Section 1.8. If the Conversion Conditions are satisfied and Conversion occurs you will receive Ordinary Shares issued by Westpac. Therefore, if Westpac's financial position declines, or if market participants anticipate that it may decline, an investment in Westpac CPS could decline in value even if Westpac CPS have not been Converted.

Accordingly, when you evaluate whether to invest in Westpac CPS you should carefully evaluate the investment risks associated with an investment in Westpac – see Section 4.2.

4.1.7 The Ordinary Share price used for the Conversion formula 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 20 Business Days on which trading in Ordinary Shares took place immediately prior to the relevant Conversion Date. Accordingly, the Ordinary Share price used for the Conversion formula may be different to the market price of Ordinary Shares at the time of Conversion so that the value of Ordinary Shares you receive may be less than the value of those Ordinary Shares based on the Ordinary Share price on the Conversion Date.

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

- investor perception;
- domestic and international economic and market conditions; and
- factors which affect Westpac's financial performance and position.

These risks are described in Section 4.2 and may have an impact on the market price of Ordinary Shares, as well as the market price of Westpac CPS.

4.1.8 Conversion may or may not occur on 31 March 2020

Westpac CPS may Convert into Ordinary Shares on 31 March 2020, being the first possible Scheduled Conversion Date. However, there is a risk that Conversion will not occur because the Conversion Conditions will not be satisfied – see Section 1.6.2. The Conversion Conditions will not be satisfied if Westpac's Ordinary Share Price falls below 56.12% of the Issue Date VWAP in the case of the First Conversion Condition or falls below 50.51% of the Issue Date VWAP in the case of the Second Conversion Condition.

The market price of Ordinary Shares will fluctuate due to various factors including investor perception, domestic and international economic and market conditions and factors which affect Westpac's financial performance and position. There can be no assurance as to what the market price of Ordinary Shares will be around 31 March 2020. There is a risk that the Conversion Conditions will not be met which would prevent Conversion from occurring on 31 March 2020.

If Conversion does not occur on a possible Scheduled Conversion Date, Dividends will continue to be paid on Westpac CPS, subject to the Dividend Payment Test.

Westpac CPS are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers, it is possible that the Conversion Conditions will never be satisfied and, if this occurs, Westpac CPS may never Convert.

4.1.9 Conversion or Redemption at Westpac's initiation

Westpac may (subject to APRA's prior written approval) initiate Conversion (subject to the Conversion Conditions being satisfied) or Redemption (or a combination of these) of some or all Westpac CPS following the occurrence of a Tax Event, Regulatory Event or an Optional Conversion/Redemption Date.

The Commissioner of Taxation has currently deferred a response to Westpac's application for an advance Private Ruling seeking confirmation of the Commissioner's view in relation to franking credits pending resolution of the Commissioner's legal position (see the Taxation Letter from Allens

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Arthur Robinson in Section 5). There is a risk that the Commissioner of Taxation will make a determination that Holders may not receive franking credits in respect of Dividends or that Westpac should be subject to additional franking debits. If such a determination in relation to Dividends on Westpac CPS (including a determination to impose additional franking debits on Westpac) is made under the Tax Act as in effect and as interpreted (including by the Full Federal Court in *Mills*) as at the Issue Date, that would not constitute a Tax Event and Westpac would not have the right to Redeem or Convert the Westpac CPS. However, if there is an amendment to the Tax Act or a further court decision (including any decision of the High Court in relation to the pending appeal in *Mills*) that would, in the opinion of a reputable legal counsel or other tax advisor, allow the Commissioner to make such a determination in relation to the Westpac CPS using a basis in law that did not exist at the Issue Date, or would materially increase the likelihood that the Commissioner could make a determination using a basis in law that did not exist at the Issue Date, that amendment or decision would be a Tax Event giving Westpac the right to Redeem or Convert the Westpac CPS subject to the Conversion Conditions (see Section 1.8 for further details of Redemption or Conversion).

Westpac may (subject to APRA's prior written approval) elect to Convert or Redeem (or a combination of these) all (but not some only) Westpac CPS following the occurrence of an Acquisition Event, provided that the Acquisition Event occurs on or after the fifth anniversary of the Issue Date. If Westpac does not elect to Convert or Redeem within the specified timeframe following an Acquisition Event (see Section 1.8.1 and clause 4.5(h) of the Terms), all Westpac CPS will Convert (subject to the Conversion Conditions being satisfied) into Ordinary Shares on the Business Day prior to the date reasonably determined by Westpac to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned, or such earlier date as Westpac may reasonably determine having regard to the timing for implementation of the bid or scheme concerned.

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

Where you receive cash on Redemption, the rate of return at which you could re-invest your funds may be lower than the Dividend Rate at the time.

Where you receive Ordinary Shares on Conversion, you will have the same rights as other Ordinary Shareholders, which are different to the rights attaching to Westpac CPS.

However, Holders should not expect that APRA's prior written approval will be given for early Conversion or Redemption.

4.1.10 Conversion following a Capital Trigger Event

Upon the occurrence of a Capital Trigger Event, Westpac CPS will Convert into the Conversion Number of Ordinary Shares based on the VWAP during the 5 Business Days prior to but not including the Capital Trigger Event Conversion Date. Such Conversion is not subject to the Conversion Conditions being satisfied and Holders will receive the Conversion Number of Ordinary Shares on the Conversion Date, which will not exceed the Maximum Conversion Number.

Accordingly, depending on the Ordinary Share price during the 5 Business Days prior to a Capital Trigger Event Conversion Date, the value of Ordinary Shares received for each Westpac CPS may be less than the Face Value of each Westpac CPS.

4.1.11 Implementation of the Basel III framework in Australia

As set out in Sections 1.5.2 and 3.2.3, the APRA Discussion Paper proposes the introduction of Basel III capital reforms in Australia (including certain transitional arrangements) from 1 January 2013. However it is currently uncertain when APRA will release the final form of the Basel III regulatory framework to be applied in Australia or if the proposed reforms to be introduced will be in exactly the same form as outlined in the APRA Discussion Paper.

Depending on the exact nature and timing of the new prudential regime, the make-up or calculation of Westpac's Core Tier 1 Ratio may change which could result in Westpac reporting a Core Tier 1 Ratio which is lower than that which applied before the change.

Any fall in Westpac's Core Tier 1 Ratio as a result of APRA's implementation of the Basel III framework may adversely impact the market price of Westpac CPS or potentially increase the chance at a later date that Conversion of Westpac CPS takes place due to the occurrence of a Capital Trigger Event (a Capital Trigger Event will occur where Westpac's Core Tier 1 Ratio falls to, or below, 5.125% on a Level 2 basis).

See Section 4.1.10 for the risk associated with Conversion of Westpac CPS due to the occurrence of a Capital Trigger Event.

See Sections 1.5.2, 1.6.4 and 3.2.3 for more information about the Basel III capital framework.

4.1.12 Transfer

In certain circumstances Westpac may elect to issue a Transfer Notice in respect of a possible Conversion Date (except a Capital Trigger Event Conversion Date or an Acquisition Event Conversion Date occurring prior to the fifth anniversary of the Issue Date), requiring each Westpac CPS to be Transferred to a Nominated Party for a cash amount equal to the aggregate Face Value.

Transfer may occur in these circumstances on dates not previously contemplated by you, which may be disadvantageous in light of market conditions or your individual circumstances. This means that the period for which Holders will be entitled to the benefit of the rights attaching to Westpac CPS is unknown.

Upon a Transfer of Westpac CPS, it will be the Nominated Party's obligation to pay the aggregate Face Value of Westpac CPS being Transferred, not Westpac's. If the Nominated Party does not pay this amount to Holders, then Transfer will not proceed, in which case Holders will continue to hold Westpac CPS in accordance with the Terms.

Where you receive cash pursuant to a Transfer, the rate of return at which you could re-invest your funds may be lower than the Dividend Rate at the time.

4.1.13 No fixed maturity date

Westpac CPS are perpetual instruments. Westpac CPS may Convert on the Scheduled Conversion Date but it is possible that market conditions at the time may be such that the Conversion Conditions are not satisfied. If the Ordinary Share price depreciates it is possible that Westpac CPS will not Convert at any point in time. Furthermore, any Transfer or Redemption is subject to the discretion of Westpac, and, in respect of Redemption, obtaining APRA's prior written approval, and it is also possible that neither of these occur at any point in time.

4.1.14 Ranking of Westpac CPS

Westpac CPS are not protected accounts or deposit liabilities of Westpac. Westpac CPS are not subject to the depositor protection provisions of the Australian banking legislation.

In the unlikely event of a winding-up of Westpac, Westpac CPS will rank:

- ahead of Ordinary Shares;
 - equally with all Equal Ranking Capital Securities which currently include TPS 2003, TPS 2004, Westpac TPS, Westpac SPS and Westpac SPS II; and
 - behind Senior Creditors,
- see Section 1.10.

If, in a winding-up of Westpac, Westpac CPS have not been Converted or Redeemed, Holders will be entitled to be paid the Liquidation Sum for each Westpac CPS. This is an amount for each Westpac CPS up to its Face Value plus any due but Unpaid Dividends at the commencement of the winding-up of Westpac (or if less actual cash is available to Westpac for distribution to Holders, a proportionate share of that cash).

The claim for the Liquidation Sum effectively ranks equally with the Equal Ranking Capital Securities, but is subordinated to Senior Creditors. As the Westpac CPS rank after Senior Creditors, there is a risk that in the winding-up of Westpac, there will be insufficient funds to provide a return of the Liquidation Sum to Holders.

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4.1.15 Regulatory classification

APRA has provided confirmation that Westpac CPS will qualify as Non-Innovative Residual Tier 1 Capital under APRA's current prudential standard APS 111. APRA has also confirmed that Westpac CPS will satisfy APRA's interim arrangements for Additional Tier 1 Capital instruments and will qualify for transitional treatment under the Basel III capital adequacy framework. However, if APRA subsequently determines that Westpac CPS do not or will not qualify for Non-Innovative Residual Tier 1 Capital treatment or Additional Tier 1 Capital treatment (under the Basel III capital adequacy framework), Westpac may decide that a Regulatory Event has occurred and may elect Conversion or Redemption (subject to APRA's prior written approval) – see Section 1.8.

4.1.16 Taxation treatment

A general description of the Australian taxation consequences of investing in Westpac CPS is set out in the Taxation Letter from Allens Arthur Robinson in Section 5. This Taxation Letter is provided in general terms and is not intended to provide specific advice in relation to the circumstances of any particular potential investor or Holder. Accordingly, you should seek independent advice in relation to your individual tax position before you choose to apply for or invest in Westpac CPS.

At the date of this Prospectus, there is some uncertainty as to how the Commissioner of Taxation will view the distribution of franking credits with respect to Dividends. The Commissioner has deferred a response to Westpac's application for an advance Private Ruling seeking confirmation of the treatment of franking credits pending resolution of the Commissioner's legal position. If the Commissioner makes a determination to disallow those franking credits, a Gross-Up Amount would be paid to compensate for the loss of franking credits, subject to the Dividend Payment Test – see Sections 1.3.6 and 1.3.12.

Therefore, while the expected Australian taxation consequences of investing in Westpac CPS are as set out in the Taxation Letter, it is possible that the Commissioner of Taxation may make future determinations that are adverse to Holders.

A Tax Event will occur if there is a change, amendment or clarification of tax laws or their application (including as a result of a court decision) and Westpac receives an opinion from a reputable legal counsel or other tax adviser that there is a more than insubstantial risk that:

- the Westpac Group or any Holder will incur more than an insubstantial increase in costs or taxes in relation to Westpac CPS; or
- any Dividend will not be frankable; or
- the Westpac CPS will not be treated as equity interests for Australian tax purposes.

A Tax Event will not occur if the Commissioner of Taxation makes a determination (under section 177EA of the Tax Act as in force and as interpreted at the Issue Date) that franking credits with respect to Dividends are or would be disallowed or that additional franking debits are or would be imposed on Westpac. However, it may constitute a Tax Event if such a determination is made and either:

- it is authorised by an amendment made to the Tax Act after the Issue Date; or
- a court decision after the Issue Date clarifies that the determination could be made, even if there has been no amendment made to the Tax Act.

In each of those situations, the amendment or court decision may itself be a Tax Event, even prior to the determination actually being made by the Commissioner of Taxation. If a Tax Event occurs, Westpac may elect to Convert or Redeem Westpac CPS (subject to the conditions contained in the Terms) – see Section 1.8 in general and Section 1.8.7 in particular for a description of how the pending appeal in *Mills v Federal Commissioner of Taxation* would be treated in this regard.

4.1.17 FATCA withholding and reporting

Legislation incorporating provisions referred to as the Foreign Account Tax Compliance Act provisions or FATCA, was passed in the United States on 18 March 2010. This description is based on guidance issued to date by the US Internal Revenue Service (the "IRS"), including recently issued proposed regulations. Future guidance may affect the application of FATCA to Westpac CPS.

It is possible that, in order to comply with FATCA, Westpac (or, if Westpac CPS are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the IRS or under applicable law) (i) to request certain information from Holders or beneficial owners of Westpac CPS, which information may be provided to the IRS, and (ii) to withhold United States tax on some portion of payments made after 31 December 2016 with respect to Westpac CPS 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 IRS (and are not otherwise required to comply with the FATCA regime under applicable law).

If Westpac or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of Westpac CPS, Holders and beneficial owners of Westpac CPS will not be entitled to receive any gross up or additional amounts to compensate them for such withholding.

4.1.18 Future issues of securities by Westpac

Westpac and members of the Westpac Group may issue securities in the future that:

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

An investment in Westpac CPS 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 Westpac CPS.

4.1.19 Successor holding company

Where Westpac is replaced as the ultimate holding company of the Westpac Group by an Approved Successor and certain other conditions are satisfied,

Conversion, Transfer or Redemption of Westpac CPS will not be triggered but Westpac will instead be allowed to make amendments (with APRA's prior written approval) to substitute the Approved Successor as the issuer of the ordinary shares issued on Conversion and to make certain other amendments to the Terms. Accordingly, potential investors should be aware that, if:

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

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

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

Westpac has made no decision to substitute an Approved Successor as the ultimate holding company of the Westpac Group.

After Westpac is replaced by an Approved Successor, Holders will remain preference shareholders in Westpac with the same rights to Dividends and to payment in a winding-up of Westpac as before the Approved Successor became the ultimate holding company of the Westpac Group. However, on Conversion Holders will receive Approved Successor Shares and not Ordinary Shares in Westpac. Westpac CPS will remain quoted on ASX, but Westpac's Ordinary Shares may cease to be quoted.

Where Westpac transfers its assets to an Approved Successor or a subsidiary of an Approved Successor, Westpac may as a result have reduced assets which may affect its credit rating and the likelihood Holders will receive their claims in full if Westpac is wound up. Holders do not have any claim on the assets of the Approved Successor or any other subsidiary of the Approved Successor other than following Conversion as a holder of Approved Successor Shares.

There is also a risk that establishment of a successor holding company that is not an Approved Successor is treated as an Acquisition Event, leading to the

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Conversion, Redemption or Transfer (in certain circumstances only) of Westpac CPS. Further, if the establishment of a successor holding company is treated as an Acquisition Event and Conversion, Redemption or Transfer does not occur, a number of different risks may arise for Holders, including that Westpac may be assigned a different credit rating and its financial position may be materially altered thereby adversely affecting its ability to pay Dividends.

4.2 INVESTMENT RISKS ATTACHING TO WESTPAC

Set out in this Section 4.2 are specific risks associated with an investment in Westpac. These risks are relevant to an investment in Westpac CPS and Ordinary Shares as the value of such an investment in Westpac CPS will depend on Westpac's financial performance and position, regardless of when or if Westpac CPS are Converted or Redeemed.

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

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

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, as well as meeting its ethical standards.

Compliance risk arises from these legal and regulatory requirements. If Westpac fails to comply with applicable laws and regulations, it may be subject to fines, penalties or restrictions on its ability to do business. An example of the broad administrative power available to regulatory authorities is the power available to APRA under the Banking Act 1959 (Cth) 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). Any such costs and restrictions could have a material adverse effect on Westpac's business, reputation, prospects, financial performance or financial condition.

As with other financial services providers, Westpac continues to face increased supervision and regulation in most of the jurisdictions in which it operates, particularly in the areas of funding, liquidity, capital adequacy and prudential regulation. One example of this is the announcement in December 2010 by the BCBS of a revised global regulatory framework, known as Basel III, and the APRA Discussion Paper, outlining APRA's proposed implementation of that framework in Australia. Basel III will, among other things, increase the required quality and quantity of capital held by banks and introduce new minimum standards for the management of liquidity risk. The Basel III framework comes into effect from 1 January 2013, subject to various transitional arrangements. See Sections 1.5.2 and 3.2.3 for more information about the Basel III capital framework and Section 3.3.3 for more information about the Basel III liquidity framework.

Throughout the year ended 30 September 2011 there were a series of other regulatory releases from authorities in the various jurisdictions in which Westpac operates proposing significant regulatory change for financial institutions. This includes global over-the-counter derivatives reform and recovery and resolution planning requirements proposed by the Financial Stability Board. Other areas of potential change that could impact Westpac include changes to accounting and reporting requirements, tax legislation, regulation relating to remuneration,

consumer protection and competition legislation and bribery and anti-money laundering laws. In addition, further changes may occur driven by policy, prudential or political factors.

Regulation is becoming increasingly more extensive and complex. Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. Such an approach may not appropriately respond to the 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 does business or obtain 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.

Regulatory changes and the timing of their introduction continue to evolve and Westpac currently manages its businesses in the context of regulatory uncertainty. The nature and impact of future changes are not predictable and are beyond Westpac's control. Regulatory compliance and the management of regulatory change is an increasingly important part of Westpac's strategic planning. Westpac expects 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 and procedures to comply with the new regulations.

Regulatory change may also impact Westpac's operations by requiring it to have increased levels of liquidity and higher levels of, and better quality, capital as well as place restrictions on the businesses Westpac conducts or require it to alter its product and 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 have a material adverse effect on Westpac's business, financial performance, financial condition or prospects.

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

Westpac relies on 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 have experienced extreme volatility, disruption and decreased liquidity in recent years. While there have been periods of stability in these markets, the environment has become more volatile and unpredictable. Recently there has been particular focus on the potential for sovereign debt defaults and/or banking failures in Europe. Widespread unease about the strength of the European banking system has resulted in large declines in stock prices and marked widening in credit spreads. Focus has also extended to the United States following the Standard & Poor's downgrade of the sovereign credit rating of the United States. The recent volatility in global financial markets has added to the uncertainty about the global economic outlook and a number of countries are experiencing slowing economic activity. Westpac's direct exposure to the affected European countries is small, with the main risk it faces being damage to market confidence, spending and access to, and costs of, funding and a slowing in the activity of its trading partners or through other impacts on entities with whom Westpac does business. The vulnerable nature of several sovereign nations has resulted in a tightening of credit markets and wholesale funding conditions.

As of 30 September 2011, approximately 41% of Westpac's total net funding originated from domestic and international wholesale markets and of this, around 62% was sourced outside Australia and New Zealand.

A shift in investment preferences of businesses and consumers away from bank deposits toward other asset or investment classes would increase Westpac's need for funding from wholesale markets.

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If market conditions continue to deteriorate due to economic, financial, political or other reasons, Westpac's funding costs may be adversely affected and its liquidity, 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, the cost of these alternatives may be more expensive or on unfavourable terms, which could adversely affect Westpac's results of operations, 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 these additional costs.

If Westpac is unable to source appropriate funding, it may also be forced to reduce its lending or begin to sell liquid securities. Such actions may adversely impact Westpac's business, results of operations, liquidity, capital resources and financial condition.

Westpac enters into collateralised derivative positions, which may require Westpac to post additional collateral based on adverse movements in market rates, which would adversely affect Westpac's liquidity.

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

Credit ratings are 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 its 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 and structural considerations regarding the Australian financial system. A credit rating downgrade could be

driven by the occurrence of one or more of the other risks identified in this Section 4.2 or by other events including changes to the methodologies used by the rating agencies to determine ratings.

If Westpac fails to maintain its current credit ratings, this could adversely affect its cost of funds and related margins, 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 its peers or the sector.

On 31 January 2012, Westpac disclosed to the market that the four major Australian banks had their long-term issuer default ratings and viability ratings placed on rating watch negative by one of the global ratings agencies, following a review of the world's largest banking institutions. As mentioned in that announcement, this could result in a decision being made in the short term by that agency to lower Westpac's rating.

4.2.4 An economic or 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 economic or systemic shock could occur that causes an adverse impact on the Australian, New Zealand or other financial systems.

As outlined above, the financial services industry and capital markets have been, and may continue to be, adversely affected by continuing market volatility and the negative outlook for global economic conditions. Recently there has been an increased focus on the potential for sovereign debt defaults and/or significant bank failures in the 17 countries comprising the Eurozone. There can be no assurance that the market disruptions in the Eurozone, including the increased cost of funding for certain Eurozone governments, will not spread, nor can there be any assurance that future assistance packages will be available or sufficiently robust to address any further market contagion in the Eurozone or elsewhere.

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

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

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

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

Declining asset prices impact Westpac's wealth management business and other asset holdings. Earnings in Westpac's wealth management business are, in part, dependent on asset values because it 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 division.

Declining asset prices could also impact customers and counterparties and the value of security 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 profitability.

4.2.6 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, levels of employment, interest rates and trade flows in the countries in which Westpac operates.

Westpac currently 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 the Australian and New Zealand housing markets or property valuations could adversely impact Westpac's home lending activities because the ability of its borrowers to repay their loans or counterparties to honour their obligations may be affected, causing Westpac to incur higher credit losses, or the demand for Westpac's home lending products may decline.

Adverse changes to the economic and business conditions in Australia and New Zealand and other countries such as China, India and Japan, could also negatively impact the Australian economy and Westpac's customers. This 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 would negatively impact Westpac's business, financial performance, financial condition and prospects.

4.2.7 An increase in defaults in credit exposures could adversely affect Westpac's results of operations, liquidity, capital resources and financial condition

Credit risk is a significant risk and arises primarily from Westpac's lending activities. The risk arises from the likelihood that some customers and counterparties will be unable to honour their obligations to Westpac, including the repayment of loans and interest.

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

Westpac holds collective and individually assessed provisions for its credit exposures. 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 would adversely affect Westpac's operating results, liquidity, capital resources and financial condition.

4.2.8 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, and other financial service firms. 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.

If Westpac is unable to compete effectively in its various businesses and markets, its market share may decline. Increased competition may also materially adversely affect Westpac's results of operations 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 need to access other types of funding. Westpac relies on bank deposits to fund a significant portion of its balance sheet and deposits have been a relatively low cost and stable source of funding. Westpac competes with banks and other financial services firms for such deposits. To the extent that it is not able to successfully compete for deposits, Westpac would be forced to rely more heavily on more expensive or less stable 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 results of operations, financial performance and financial condition.

4.2.9 Westpac could suffer losses due to market volatility

Westpac is exposed to market risk as a consequence of its trading activities in financial markets and through the asset and liability management of its financial position. In Westpac's financial markets trading business, it is exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, commodity prices, credit prices and equity prices. If Westpac were to suffer substantial losses due to any market volatility, this may adversely affect its results of operations, liquidity, capital resources and financial condition.

4.2.10 Westpac could suffer losses due to technology failures

The reliability and security of Westpac's information and technology infrastructure and its customer databases are crucial in maintaining its banking applications and processes. There is a risk that these information and technology systems might fail to operate properly or become disabled as a result of events that are wholly or partially beyond Westpac's control or that Westpac's security measures may prove inadequate or ineffective. Any failure of these systems could result in business interruption, loss of customers, reputational damage and claims for compensation, which could adversely affect Westpac's results of operations and financial performance.

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

This includes Westpac's current Strategic Investment Priorities (SIPs) program. Failure to implement these projects or manage associated change effectively could result in cost overruns, a failure to achieve anticipated productivity, operational instability, reputational damage or operating technology that could place Westpac at a competitive disadvantage and may adversely affect its results of operations.

4.2.11 Westpac could suffer losses due to other operational risks

Operational risk refers to the risk of loss resulting from technology failure, inadequate or failed internal processes, people and systems or from external events. In addition to technology failure (see Section 4.2.10), Westpac, as a financial services organisation, is exposed to a variety of operational risks.

Westpac's operations rely on the secure processing, storage and transmission of confidential and other information on its computer systems and networks. Although Westpac implements significant measures to protect the security and confidentiality of its information, there is a risk that its computer systems, software and networks may be subject to security breaches, unauthorised access, computer viruses, external attacks or internal breaches that could have an adverse security impact and compromise Westpac's confidential information or that of its customers and counterparts. Any such security breach could result in regulatory enforcement actions, reputational damage and reduced operational effectiveness. Such events could subsequently adversely affect Westpac's financial condition and results of operations.

Westpac is also highly dependent on the conduct of its employees. Westpac could, for example, be adversely affected if human error results in a process error or if an employee engages in fraudulent conduct. While Westpac has policies and processes to minimise the risk of human error and employee misconduct, these policies and processes may not always be effective.

Fraudulent conduct can also emerge from external parties seeking to access Westpac's systems and customers' accounts. If systems, procedures and protocols for managing and minimising fraud fail, or are ineffective, they could lead to loss which could adversely affect Westpac's results of operations, financial performance or financial condition and its reputation.

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 and reputation.

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

4.2.12 Westpac could suffer losses due to failures in risk management strategies

Westpac has implemented risk management strategies and internal controls involving processes and procedures intended to identify, monitor and mitigate the risks to which it is subject, including liquidity risk, credit risk, market risk (including interest rate and foreign exchange risk) and operational risk.

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

If any of Westpac's 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 financial performance or financial condition.

INVESTMENT RISKS

4.2.13 Westpac could suffer losses due to environmental factors

Westpac and its customers operate businesses and hold assets in a diverse range of geographical locations. Any significant environmental change or external event (including fire, storm, flood, earthquake or pandemic) 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 its 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.

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

4.2.14 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 its reputation is damaged.

There are various potential sources of reputational damage including potential conflicts of interest, pricing policies, failing to comply with legal and regulatory requirements, ethical issues, failing to comply with money laundering laws, trade sanctions and counter-terrorism finance legislation or privacy laws, litigation, information security policies, improper sales and trading practices, failing to comply with personnel and supplier policies, improper conduct of companies in which Westpac holds strategic investments, technology failures, security breaches and risk management failures. Westpac's reputation could also be adversely affected by the actions of the financial services industry in general or from the actions of its customers and counterparties.

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 enforcement actions, fines and penalties or remediation costs, or harm its reputation among its customers, investors and the marketplace. This could lead to loss of business which could adversely affect Westpac's results of operations, financial performance or financial condition.

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

As a financial intermediary Westpac underwrites listed and unlisted 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 market volatility.

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

5

TAXATION LETTER

If you are considering applying for Westpac CPS, it is important that you understand the taxation consequences of investing in Westpac CPS. You should read the Taxation Letter from Allens Arthur Robinson in this Section, and discuss the taxation consequences with your tax adviser, financial adviser or other professional adviser, before deciding whether to invest.

16 February 2012

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Ladies and Gentlemen

Westpac Convertible Preference Shares 2012

We have been requested to provide a taxation summary regarding the principal Australian taxation implications for holders of Westpac Convertible Preference Shares 2012 (**Westpac CPS**) to be issued by Westpac Banking Corporation (**Westpac**) for inclusion in the Prospectus.

The summary below is a general outline of the likely tax consequences for individuals, companies and complying superannuation entities who apply to acquire Westpac CPS under the Prospectus, are residents of Australia for the purpose of Australian income tax laws and who hold Westpac CPS on capital account (**Investors**).

The summary does not address all taxation consequences of ownership of Westpac CPS, nor the positions of other Investors who acquire Westpac CPS in the course of a business of trading or investing in securities, such as share traders, investment companies, banks or insurance companies, or who otherwise hold Westpac CPS on revenue account or as trading stock.

Potential investors should be aware that the actual tax consequences of ownership of Westpac CPS may differ depending on their individual circumstances. **Information contained in this summary is necessarily general in nature and investors in Westpac CPS will need to consult their own professional tax advisers regarding the consequences of acquiring, holding or disposing of Westpac CPS in light of their particular circumstances.**

This summary assumes that all of the transactions described in the Prospectus will be carried out in the manner described in the Prospectus.

This summary is provided solely for the benefit of Westpac. It is not to be relied upon by any other person. Allens Arthur Robinson (**AAR**) has consented to the inclusion of this letter in the Prospectus, but this letter should not be taken as a statement about any other matter in the Prospectus or in relation to Westpac or the performance of any investment in Westpac, and is subject to the terms of AAR's consent to be named as set out in Section 7.3 of the Prospectus.

This summary reflects the current provisions of the *Income Tax Assessment Act 1936 (Cth)* (**1936 Act**) and the *Income Tax Assessment Act 1997 (Cth)* (**1997 Act**), the regulations made under those Acts and the current administrative practice of the Australian Taxation Office (**ATO**). Except where

Bangkok
Beijing
Beijing IP
Brisbane
Hanoi
Ho Chi Minh City
Hong Kong
Jakarta
Melbourne
Perth
Port Moresby
Shanghai
Singapore
Sydney

expressly stated, it does not otherwise take into account or anticipate changes in taxation laws, whether by way of future judicial decision or legislative actions.

Capitalised terms used in this letter have the same meaning as in the Prospectus, unless otherwise indicated.

For the purpose of preparing this summary we have been instructed by Westpac that:

- the Westpac CPS will be issued by Westpac in Australia;
- Westpac intends to apply the proceeds from the issue of the Westpac CPS for general funding purposes; and
- Dividends paid on Westpac CPS are expected, but not guaranteed, to be fully franked.

Westpac has applied for a Class Ruling requesting confirmation of the ATO's views of the principal tax issues considered below.

1. Dividends

(a) Franking credits and tax offsets

The Westpac CPS should be regarded as 'equity interests' such that payments of Dividends and any Gross-Up Amounts will be frankable distributions and Investors will be required to include those amounts in their assessable income.

Any franking credits attached to those Dividends and any Gross-Up Amounts should be included in the assessable income of Investors and tax offsets should generally be available, equal to the amount of the franking credits, subject to the requirements that the Westpac CPS be held 'at risk' for the requisite periods (see below regarding the 'holding period rule') and that the Commissioner of Taxation does not make an adverse determination (see below regarding the 'anti-avoidance rule').

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

To the extent that any Dividends and any Gross-Up Amounts are unfranked, those amounts would also be included in an Investor's assessable income, without any tax offsets.

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



(b) Holding period rule

An Investor will not be entitled to tax offsets in respect of franking credits on a franked Dividend unless the Investor is a 'qualified person' in relation to the Dividend.

To be a 'qualified person' in relation to a Dividend, Investors must have held the Westpac CPS 'at risk' for a continuous period of at least 90 days (excluding the days of acquisition and disposal) during:

- the 'primary qualification period', which is the period beginning on the day after the day on which the Westpac CPS are acquired by an Investor and ending on the 90th day after the day that the Westpac CPS became ex-Dividend; or
- if an Investor, or an associate, is under an obligation to make 'related payments' (which have the effect of passing on the benefit of Dividends to other entities) in respect of Dividends, the 'secondary qualification period', which is the period beginning on the 90th day before, and ending on the 90th day after, the day that the Westpac CPS became ex-Dividend.

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

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

The application of the franking rules to Investors will depend upon the particular circumstances of each Investor. Accordingly, each Investor should seek independent advice as to whether they will be treated as a 'qualified person' in relation to Dividends received on the Westpac CPS.

(c) Anti-avoidance rule

Section 177EA of the 1936 Act is an anti-avoidance provision which is designed to counter schemes where one of the purposes (other than an incidental purpose) of the scheme is to inappropriately divert franking credits and obtain an imputation benefit. There are a number of different objective factors that the Commissioner may take into account in forming a view as to whether a scheme has such a

purpose. Where section 177EA applies, the Commissioner may make a written determination with the effect of either:

- (i) imposing a franking debit on the distributing entity's franking account; or
- (ii) denying the imputation benefit on the distribution that flowed directly or indirectly to the relevant taxpayer.

Westpac has applied for a binding Private Ruling from the Commissioner of Taxation seeking confirmation that the Commissioner would not make any such determination under section 177EA in relation to the Westpac CPS. The Commissioner has deferred dealing with that application, pending his further consideration of the decision of the Full Federal Court, which was in favour of the Commissioner, in *Mills v Federal Commissioner of Taxation* [2011] FCAFC 158 and the course of a further appeal which the taxpayer in that case is pursuing before the High Court of Australia. That case concerns securities issued by the Commonwealth Bank of Australia which are in some respects similar to the Westpac CPS, but which are in certain other important respects distinguishable from Westpac CPS.

If the Commissioner were to make an adverse determination under section 177EA to disallow imputation benefits to Investors in relation to Dividends on the Westpac CPS, Westpac would have an obligation, subject to satisfaction of the conditions to the payment of Dividends and Gross-Up Amounts, to pay an additional amount which would reflect the loss of imputation benefits (potential investors should refer to the Terms for full details of those rights and obligations).

If it were not for the reasons given by the majority of the Full Federal Court in *Mills*, we would have concluded that in relation to the proposed issue of the Westpac CPS, the purpose of enabling holders of those shares to obtain imputation benefits was merely an incidental purpose of the scheme for the issue of those shares and, accordingly, the Commissioner would not be authorised to make any adverse determination under section 177EA in relation to Dividends on the Westpac CPS.

The principal basis for that conclusion is that the issue of the Westpac CPS is a consequence of a self-evidently commercially significant investment in Westpac by the subscribers for those shares and those subscribers are fully exposed to the risks of loss and opportunities for gain from that investment for a potentially unlimited period of time. Therefore the imputation benefits flowing from the Dividends expected to be paid on the Westpac CPS should be seen as incidental to that investment (rather than that investment being able to be characterised as a device or vehicle for enabling those benefits to be obtained in a manner which might be regarded as artificial or not appurtenant to a bona fide commercial investment).

Despite the factual differences between the Westpac CPS and the securities which were considered in *Mills*, the reasons for the judgment of the majority of the Full Federal Court in that case may be inconsistent with our preferred analysis of the Westpac CPS as outlined above. Accordingly, it must be recognised that there is a risk that if the pending appeal proceedings in that case do not overrule that

reasoning, the Commissioner may be able to successfully make an adverse determination in relation to Dividends payable on the Westpac CPS.

Having said that, it would remain to be seen whether or not the Commissioner would in fact decide to make an adverse determination in this case. It is noted in the dissenting judgment in *Mills* that the Commissioner has been of the view, which his Counsel acknowledged during argument of the appeal before the Full Federal Court in that case, that section 177EA would not generally be expected to apply to shares which had the characteristics of the Westpac CPS (and which lacked the other characteristics of the securities at issue in *Mills*, which the Commissioner found objectionable and which are not present in the Westpac CPS).

2. Disposals of Westpac CPS

(a) On-market disposals of Westpac CPS

A disposal of a Westpac CPS on-market will constitute a CGT event for the Investor. Investors may make a capital gain or a capital loss depending upon whether their capital proceeds from the disposal are more than the cost base of the Westpac CPS, or whether the capital proceeds are less than the reduced cost base of the Westpac CPS, respectively.

For Investors who acquire Westpac CPS pursuant to the Prospectus, the first element of the cost base of a Westpac CPS to an Investor will be the amount paid for the relevant Westpac CPS, which will be an amount equal to the Face Value of the Westpac CPS. Other amounts associated with holding the Westpac CPS, such as incidental costs of acquisition and disposal, may be added to the cost base.

The capital proceeds that will be received by an Investor on the disposal of a Westpac CPS on-market will be the sale price of the Westpac CPS.

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

If an Investor is an individual, complying superannuation entity or a trust, and they held their Westpac CPS for 12 months or more before a disposal of the Westpac CPS, they will be entitled to a 'CGT Discount' for any capital gain made on the disposal. The CGT Discount entitles Investors to reduce their capital gain on the disposal of a Westpac CPS (after deducting available capital losses) by half, in the case of individuals and trusts, or by one-third in the case of complying superannuation entities. However, trustees should seek specific advice regarding the tax consequences of making distributions attributable to discounted capital gains.

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

(b) Disposals of Westpac CPS pursuant to a Transfer Notice

The tax treatment of an Investor who may be required to dispose of a Westpac CPS to a third party nominated by Westpac under a Transfer Notice will be similar to that for an on-market disposal of a Westpac CPS. That is, Investors may make a capital gain or a capital loss depending upon whether their capital proceeds from the transfer are more than the cost base of the Westpac CPS, or whether the capital proceeds are less than the reduced cost base of the Westpac CPS, respectively.

The capital proceeds that will be received by an Investor on the disposal of a Westpac CPS pursuant to a Transfer Notice will be an amount equal to the Face Value of the Westpac CPS. Therefore, Investors who acquire their Westpac CPS pursuant to the Offer under the Prospectus should not make capital gains on the disposals of their Westpac CPS pursuant to a Transfer Notice.

3. Conversion of Westpac CPS

For each Westpac CPS that is Converted, the terms of the Westpac CPS will be changed such that they are the same as the terms of an Ordinary Share and additional Ordinary Shares may be allotted by Westpac to the (former) Westpac CPS Holder. The Conversion of a Westpac CPS into Ordinary Shares in this way should not give rise to a capital gain or a capital loss for an Investor. In addition, no amount should be included in an Investor's assessable income as a consequence of a Conversion and, in particular, Investors should not derive assessable income on the allotment of any additional Ordinary Shares on a Conversion.

The first element of the cost base or reduced cost base of each Ordinary Share resulting from the Conversion of a Westpac CPS should be a pro rata portion of the cost base of the Westpac CPS at the time of the Conversion.

The Ordinary Shares that will result from changes to the terms of the Westpac CPS should be taken to have been acquired by Investors, for CGT purposes, at the time that the Westpac CPS were acquired by the Investors.

Any additional Ordinary Shares that may be allotted to Investors upon Conversion of their Westpac CPS will also be taken to have been acquired by Investors, for CGT purposes, at the time that the Westpac CPS were acquired by the Investors.

4. Redemption of Westpac CPS

If the Westpac CPS are Redeemed, they will be redeemed, bought back (off-market) or cancelled pursuant to a reduction of capital, or a combination of these methods will be used, for an amount equal to their Face Value plus any due, but unpaid Dividends.

The tax consequences of any Redemption of the Westpac CPS may depend upon the method of Redemption. It is expected that further information would be provided to Investors by Westpac prior to any Redemption of the Westpac CPS.

5. Successor Holding Company

If Westpac is replaced as the ultimate holding company of the Westpac Group by a Successor Holding Company, the Terms may be amended, subject to complying with all relevant laws, to ensure that Investors may, if appropriate, participate in any relevant arrangement in connection with that event. The tax consequences for Investors in these circumstances may depend upon the method by which the Westpac CPS are to be Redeemed or Converted, or otherwise affected pursuant to any such amendments. It is expected that further information would be provided by Westpac to Investors if Westpac were to be replaced as the ultimate holding company of the Westpac Group.

6. Withholding Requirements

Westpac is required to deduct withholding tax from payments of any Dividends that may be paid in respect of the Westpac CPS and that are not 100% franked at the rate specified in the *Taxation Administration Regulations 1976* (currently 46.5%), and remit such amounts to the Australian Taxation Office, unless a Tax File Number or an Australian Business Number has been quoted by an Investor, or a relevant exemption applies (and has been notified to Westpac).

7. Taxation of Financial Arrangements (TOFA) rules

The broad objective of the TOFA rules is to tax financial arrangements on an accruals or marked-to-market basis and the rules are intended to apply to certain 'equity interests' (section 230-50) in some circumstances. The Westpac CPS are 'equity interests' for Australian tax purposes.

The TOFA rules do not generally apply to individuals, superannuation entities or funds with assets of less than \$100 million and any other entities that have aggregated turnovers of less than \$100 million, financial assets of less than \$100 million and total assets of less than \$300 million, except in certain limited circumstances where the relevant arrangement would have been subject to accruals taxation in any event. The Westpac CPS should generally not be subject to accruals taxation on that basis.

In addition, the TOFA provisions provide that the accruals, realisation, foreign exchange retranslation and, generally, the hedging financial arrangements methods, do not apply to gains or losses from a financial arrangement if the arrangement is an 'equity interest'. Therefore, only the fair value or the financial reports method may apply, depending upon an Investor's particular circumstances, to an investment in the Westpac CPS.

Investors should seek their own taxation advice as to the potential application of the TOFA rules to their investment in the Westpac CPS in their particular circumstances.

8. GST

No GST should be payable by an Investor in respect of acquiring Westpac CPS or on a sale, Conversion, Redemption or Transfer of Westpac CPS.

9. Stamp Duty

No stamp duty will be payable by an Investor on the acquisition, sale, Conversion, Redemption or Transfer of Westpac CPS, so long as the Westpac CPS are quoted on ASX (as the Prospectus states is Westpac's intention) and no Investor (on an associate-inclusive basis) will hold an interest (as respectively defined in the landholder stamp duty provisions of New South Wales, Queensland, South Australia, Western Australia and the Northern Territory) of 90% or more in Westpac (including in Westpac's Ordinary Shares).

10. Not financial product advice

The information contained in this opinion does not constitute *financial product advice* for the purposes of the *Corporations Act*. The AAR partnership providing this opinion is not licensed, under the *Corporations Act*, to provide financial product advice. To the extent that this letter contains any information about a *financial product* within the meaning of the *Corporations Act*, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. An Investor or prospective Investor should, before making any decision to invest in the Westpac CPS described above, consider taking financial advice from a person who holds an Australian Financial Services Licence under the *Corporations Act*.

Yours faithfully



ALLENS ARTHUR ROBINSON

6

SUMMARY OF IMPORTANT DOCUMENTS

This Section 6 summarises important documents. It does not summarise the Terms which are set out in full in Appendix B.

Rights attaching to Westpac CPS arise under the Terms. Some of the rights attaching to Westpac CPS are linked with rights arising under other documents.

This Section sets out:

| | |
|-----|---|
| 6.1 | Overview of rights attaching to Westpac CPS |
| 6.2 | Rights attaching to Ordinary Shares |
| 6.3 | Rights attaching to Approved Successor Shares |
| 6.4 | Summary of the Offer Management Agreement |

This is only a summary of important documents relating to the Offer. Westpac will provide a copy of certain important documents free of charge to any person who requests a copy during the Offer Period. For a list of those documents and how to get a copy – see Section 7.2.2.

6.1 OVERVIEW OF RIGHTS ATTACHING TO WESTPAC CPS

Rights attaching to Westpac CPS are contained in the Terms.

Some of the rights attaching to Westpac CPS are linked with rights arising under other documents, for example, Westpac CPS may be Converted into Ordinary Shares in certain circumstances.

The rights attaching to Ordinary Shares are set out in Westpac's Constitution, the ASX Listing Rules and the Corporations Act.

For a summary of important rights attaching to the Ordinary Shares – see Section 6.2.

6.2 RIGHTS ATTACHING TO ORDINARY SHARES

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

6.2.1 Transfers

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

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

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

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

Restrictions apply in respect of persons who become entitled to Ordinary Shares by reason of an Ordinary Shareholder's death, bankruptcy or mental incapacity.

6.2.2 Profits and dividends

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

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

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

SUMMARY OF IMPORTANT DOCUMENTS

Additionally, dividends would not be payable if making such a payment would breach or cause a breach by Westpac of applicable capital adequacy or other supervisory requirements of APRA, or if Westpac was directed by APRA not to pay a dividend under the Banking Act 1959 (Cth).

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

6.2.3 Winding-up of Westpac

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

6.2.4 Meetings and voting rights

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

6.2.5 Issue of further Ordinary Shares

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

6.3 RIGHTS ATTACHING TO APPROVED SUCCESSOR SHARES

If Westpac is replaced as the ultimate holding company of the Westpac Group by an Approved Successor, and the Terms are amended to enable substitution of the Approved Successor as the issuer of ordinary shares on Conversion, the rights attaching to the Approved Successor Shares will not be materially different to the rights attaching to Ordinary Shares. In order to be classified as an Approved Successor, the shares of the proposed successor holding company must be listed on an internationally recognised stock exchange – see

clause 13.1 of the Terms (definition of “Acquisition Event”). The Approved Successor will be obliged to use all reasonable endeavours to obtain quotation of the Approved Successor Shares issued under the Terms on the stock exchanges on which the other Approved Successor Shares are quoted at the time of a Conversion – see clause 11.4(a)(ii)(C) of the Terms.

6.4 SUMMARY OF THE OFFER MANAGEMENT AGREEMENT

Westpac and the Joint Lead Managers entered into the Offer Management Agreement (“OMA”) on 16 February 2012. Under the OMA Westpac has appointed Deutsche Bank, Westpac, National Australia Bank, RBS Morgans Limited and UBS as the Joint Lead Managers and bookrunners for the Offer.

Under the OMA, the Joint Lead Managers agree to conduct the Bookbuild principally on the basis of this Prospectus for the purpose, among other things, of setting the Margin and determining the firm Allocations to Syndicate Brokers and Institutional Investors.

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

The OMA provides that Westpac may not, without the Joint Lead Managers’ consent, make, agree to make or announce any issues of hybrids or preference securities in Australia before the Issue Date where those hybrids or preference securities represent Tier 1 Capital.

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

6.4.1 Settlement support

On completion of the Bookbuild, each Joint Lead Manager (other than Westpac as a Joint Lead Manager) has agreed to provide settlement support for the number of Westpac CPS Allocated to Syndicate Brokers under the Bookbuild. Under the OMA, as part of that settlement support, each Joint Lead Manager (other than Westpac as a Joint Lead Manager) will pay to Westpac, or procure payment to Westpac of, the proceeds raised from Syndicate Brokers under the Bookbuild on the settlement date (22 March 2012). Each Joint Lead Manager (other than Westpac as a Joint Lead Manager) is only responsible for ensuring that payment is made for Westpac CPS Allocated to them or at their direction, and for 25% of the Named Co-Manager Amount.

6.4.2 Fees

Under the OMA, Westpac will pay:

- Deutsche Bank a structuring fee of \$1.5 million;
- each Joint Lead Manager whose JLM Broker Firm Amount equals or exceeds a minimum threshold, a bookrunning fee of one-fifth of an amount calculated as 0.5% of the sum of the total JLM Broker Firm Amount and the Named Co-Manager Amount;
- Deutsche Bank a broker firm selling fee of 1.0% of the Named Co-Manager Amount to be paid to Named Co-Managers;
- each Joint Lead Manager, other than Westpac, a broker firm selling fee of 1.0% of the proceeds raised from that Joint Lead Manager's JLM Broker Firm Amount through the Bookbuild; and
- to Westpac as Joint Lead Manager:
 - a broker firm selling fee of 1.0% of its JLM Broker Firm Amount (less any proportion of its JLM Broker Firm Amount allocated in respect of Institutional Investors) for which it has obtained payment; and
 - a selling fee of 0.5% of the proceeds raised from Institutional Investors through the Bookbuild for which it has obtained payment.

The Joint Lead Managers are responsible for paying all selling fees and other commissions payable to the Syndicate Brokers. Deutsche Bank is responsible for paying all selling fees and commissions payable to the Named Co-Managers.

6.4.3 Termination

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

- a credit rating downgrade of Westpac;
- a specified fall in the All Ordinaries Index of ASX or the S&P ASX 200;
- ASIC issues a stop order in relation to the Offer;
- ASX refuses to quote Westpac CPS on ASX;
- a supplementary prospectus is required under section 719 of the Corporations Act;
- any person withdraws their consent to be named in the Prospectus;
- certain breaches of the Offer Management Agreement;
- Westpac withdraws the Prospectus or the Offer;
- trading of Ordinary Shares, Westpac TPS, Westpac SPS or Westpac SPS II is suspended for a certain period of time or Ordinary Shares, Westpac TPS, Westpac SPS or Westpac SPS II cease to be quoted on ASX;
- unauthorised alterations to Westpac's share capital or Westpac's Constitution; and
- a material adverse change in the position or prospects of members of the Westpac Group.

Certain of these events will only give rise to a right to terminate if the Joint Lead Manager reasonably believes that the event is likely to have a material adverse effect on the Offer. If this occurs, the Joint Lead Manager who terminates (or each Joint Lead Manager) will no longer be a lead manager or bookrunner and will not be obliged to conduct the Bookbuild or provide settlement support for the Bookbuild.

Under the OMA, if one Joint Lead Manager terminates, the other Joint Lead Managers must give notice in writing to Westpac and each of the terminating Joint Lead Managers stating whether it will also terminate or whether it will assume the obligations of the terminating Joint Lead Manager(s). In addition, if any Joint Lead Manager terminates its obligations under the OMA, then the obligations of the Syndicate Brokers or Institutional Investors under the Bookbuild may, by the terms of the invitation to participate in the Bookbuild, terminate.

7

ADDITIONAL INFORMATION

You should be aware of a number of other matters that may not have been addressed in detail elsewhere in this Prospectus.

These include the availability of certain relevant documents for inspection, the consents of experts whose statements have been included in this Prospectus and the concessions that regulators have granted to Westpac in respect of the Offer.

This Section sets out:

| | |
|------|--|
| 7.1 | Restrictions on ownership for Westpac |
| 7.2 | Information, disclosure and availability |
| 7.3 | Consents |
| 7.4 | Interests of advisers |
| 7.5 | Interests of Westpac Directors |
| 7.6 | Westpac legal proceedings |
| 7.7 | ASIC relief |
| 7.8 | ASX waivers and approvals |
| 7.9 | Foreign selling restrictions |
| 7.10 | Acknowledgment and privacy statement |

7.1 RESTRICTIONS ON OWNERSHIP FOR WESTPAC

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

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

7.2 INFORMATION, DISCLOSURE AND AVAILABILITY

7.2.1 Reporting and disclosure obligations

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

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

ADDITIONAL INFORMATION

7.2.2 Accessing information about Westpac

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

- the financial statements of Westpac for the year ended 30 September 2011 (being the most recent annual financial report lodged with ASIC before the lodgement of this Prospectus);
- the half-yearly financial statements of Westpac for the half year ended 31 March 2011 (being the most recent half-yearly financial report lodged with ASIC before the lodgement of this Prospectus);
- any document or financial statement lodged by Westpac with ASIC or ASX under the continuous disclosure reporting requirements in the period after the lodgement of the annual financial report and before the lodgement of the Prospectus; and
- Westpac's Constitution.

Copies of the above documents may be obtained in person or in writing from Westpac at:

Westpac Group Secretariat
Level 20
275 Kent Street
Sydney NSW 2000

7.3 CONSENTS

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

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

1. has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified in point 4 below;
2. to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name and/or statement or report included in this Prospectus with the consent of that Consenting Party;

3. has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named; and
4. in the case of Allens Arthur Robinson, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the Taxation Letter in the form and context in which it appears in this Prospectus.

| Role | Consenting parties |
|------------------------------------|--|
| Structuring Adviser | Deutsche Bank |
| Joint Lead Managers | Deutsche Bank National Australia Bank RBS Morgans UBS |
| Legal and tax adviser to the Offer | Allens Arthur Robinson |
| Auditor | PricewaterhouseCoopers |
| Accounting advisor | PricewaterhouseCoopers Securities Ltd |
| Registry | Link Market Services Limited |

7.4 INTERESTS OF ADVISERS

Deutsche Bank has acted as structuring adviser and a Joint Lead Manager, in respect of which it will receive the fees set out in Section 6.4.2. The remaining Joint Lead Managers and Co-Managers will receive fees, as also set out in Section 6.4.2.

Allens Arthur Robinson has acted as legal and tax adviser to Westpac in relation to the Offer and has performed work in relation to preparing the due diligence and verification program, performed due diligence required on legal and taxation matters, and has prepared the Taxation Letter included in Section 5. In respect of this work, Westpac estimates that it will pay to Allens Arthur Robinson approximately \$410,000 (excluding disbursements and GST). Further amounts in relation to the Offer may be paid to Allens Arthur Robinson under its normal time-based charges.

PricewaterhouseCoopers Securities Ltd has acted as the accounting advisor to Westpac. Westpac estimates that it will pay approximately \$95,000 (excluding disbursements and GST) to PricewaterhouseCoopers Securities Ltd. Further amounts in relation to the Offer may be paid to PricewaterhouseCoopers Securities Ltd under its normal time-based charges.

Other than as set out in this Prospectus:

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

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

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

Other than as set out in this Prospectus, no such person has been paid or agreed to be paid any amount, nor has any benefit been given or agreed to be given to any such persons for services provided by them, in connection with the formation or promotion of Westpac or with the Offer.

7.5 INTERESTS OF WESTPAC DIRECTORS

The Westpac Directors' interests in Ordinary Shares as at 10 February 2012 are detailed in the following table:

| Westpac Director | Ordinary Shares |
|------------------|-----------------|
| Elizabeth Bryan | 22,819 |
| Gordon Cairns | 17,038 |
| John Curtis | 60,787 |
| Robert Elstone | 10,000 |
| Peter Hawkins | 15,218 |
| Carolyn Hewson | 16,348 |
| Gail Kelly | 1,644,771 |
| Lindsay Maxsted | 15,689 |
| Ann Pickard | Nil |
| Peter Wilson | 15,956 |

The Westpac Directors and their associates may acquire Westpac CPS offered under this Prospectus subject to the ASX Listing Rules, including any waivers described in Section 7.8. Other than as set out above, no Westpac Director holds, at the date of this Prospectus, or has held in the two years before that date, an interest in:

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

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

ADDITIONAL INFORMATION

7.6 WESTPAC LEGAL PROCEEDINGS

Contingent liabilities exist in respect of actual and potential claims and proceedings. An assessment of Westpac's likely loss has been made on a case-by-case basis for the purposes of Westpac's 30 September 2011 financial statements and specific provisions have been made where appropriate.

On 20 December 2011, Westpac received a Statement of Claim in proceedings that were commenced in the Federal Court of Australia on 16 December 2011 on behalf of certain Westpac customers. A further statement of claim, filed on behalf of certain St.George and BankSA customers, was received in February 2012. The claims allege that certain exception fees charged by Westpac, St.George and BankSA prior to October 2009 were unlawful. The claims do not relate to the exception fees currently being charged. The claims are part of a series of class actions against Australian banks announced by the litigation funding company IMF (Australia) Ltd in May 2010.

Westpac does not accept the claims that are set out in the Statements of Claim, and intends to defend the proceedings.

7.7 ASIC RELIEF

ASIC relief has been obtained to enable Westpac to issue a "transaction-specific" prospectus which complies with section 713 of the Corporations Act in relation to the Offer.

7.8 ASX WAIVERS AND APPROVALS

ASX has confirmed that:

- Listing Rule 6.3.2A has been waived to the extent necessary to permit Westpac to issue Westpac CPS which do not confer on Holders the right to cast votes at a shareholders' meeting on a resolution to approve the terms of a buyback agreement where the resolution concerns the Redemption of Westpac CPS;
- Listing Rule 10.11 has been waived to the extent necessary to permit the Westpac Directors and their associates to participate in the Offer and

be issued Westpac CPS without shareholder approval on the following conditions:

- the number of Westpac CPS which may be issued to Westpac Directors and their associates collectively is no more than 0.2% of the total number of Westpac CPS issued under the Offer, and the participation of the Westpac Directors and their associates in the Offer is on the same terms and conditions as applicable to other subscribers for Westpac CPS;
- Westpac releases the terms of the waiver to the market when the Offer is announced; and
- when the Westpac CPS are issued, Westpac announces to the market the total number of Westpac CPS issued to the Westpac Directors and their associates in aggregate;
- the Terms are appropriate and equitable for the purposes of Listing Rule 6.1;
- the Terms meet the requirements of Listing Rule 6.5;
- the terms of the APRA constraints on the payment of a Dividend on Westpac CPS do not amount to removal of a right to a dividend for the purposes of Listing Rule 6.10;
- the divestment of Westpac CPS from Holders, to the extent that such divestment occurs as a result of a Conversion, Redemption or Transfer as set out in the Terms, is appropriate and equitable for the purposes of Listing Rule 6.12; and
- for the purposes of Listing Rule 7.1.4(c), ASX does not object to Westpac, for the purposes of calculating the number of Westpac CPS that may be issued without prior shareholder approval, notionally Converting the Westpac CPS into Ordinary Shares based on the market price of Ordinary Shares on the trading day prior to the date of this Prospectus.

7.9 FOREIGN SELLING RESTRICTIONS

7.9.1 Other foreign jurisdictions

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Prospectus in jurisdictions outside Australia, then you should seek advice on, and observe, any such

restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom it would not be lawful to make such an offer. No action has been taken to register or qualify Westpac CPS or the Offer or to otherwise permit a public offering of Westpac CPS in any jurisdiction outside Australia.

7.9.2 United States

This Prospectus does not constitute an offer of any Westpac CPS in the United States or to any US Person.

Westpac CPS have not been, and will not be, registered under the US Securities Act. Therefore, Westpac CPS may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, US Persons except in accordance with an available exemption from the registration requirements of the US Securities Act. Each person submitting an Application Form or otherwise purchasing Westpac CPS under the Offer will be deemed to have:

1. acknowledged that Westpac CPS have not been, and will not be, registered under the US Securities Act, and may not be offered, sold or resold in the United States or for the account or benefit of, a US Person except in accordance with an available exemption from the registration requirements of the US Securities Act; and
2. represented, warranted and agreed as follows:
 - A. it is not in the United States or a US Person and is not acting for the account or benefit of a US Person; and
 - B. it is not engaged in the business of distributing Westpac CPS, or, if it is, it will not offer, sell or resell in the United States or to any US Person any Westpac CPS it acquires:
 - a. under or according to the Offer; or
 - b. other than under or according to the Offer until the end of 40 days after the date on which Westpac CPS are Allocated under the Offer (other than by way of ordinary brokerage transactions on ASX where

neither the seller nor any person acting on its behalf knows, or has reason to know, that the sale has been prearranged with, or that the purchaser is, a person in the United States).

Any person who is in the United States, is a US Person or does not make the representation and warranty set out above is not entitled to acquire any Westpac CPS.

Until 40 days after the date on which Westpac CPS are Allocated under the Offer, an offer or sale of Westpac CPS in the United States or to any US Person by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the US Securities Act. Terms used in this Section 7.9.2 have the meanings given to them by Regulation S under the US Securities Act, except that the term “not a United States Person” means a person who is not a United States Person for US federal income tax purposes.

7.9.3 New Zealand

This Prospectus has not been and will not be registered in New Zealand. Westpac CPS may not be offered or sold directly or indirectly in New Zealand, other than:

- to persons whose principal business is the investment of money; or
- to persons who in the course of and for the purposes of their business habitually invest money; or
- in any other circumstance which does not constitute an offer to the public within the meaning of section 3(2) of the New Zealand Securities Act 1978.

ADDITIONAL INFORMATION

7.10 ACKNOWLEDGMENT AND PRIVACY STATEMENT

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

Applicants will be asked to provide personal information to Westpac (directly or via the Registry). Westpac (and the Registry on its behalf) collects, holds and uses that personal information in order to assess your Application, service your needs as a Holder (and, if they are issued in the future upon Conversion, your holding of Ordinary Shares) provide facilities and services that Applicants request, and carry out appropriate administration.

Company and tax laws require some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, if at all.

Access to the information may be provided to the Westpac Group and to Westpac's agents and service providers on the basis that they deal with such information in accordance with Westpac's privacy policy. Access to the information may also be provided by Westpac to domestic and overseas regulators or other government agencies (including ASIC and the Australian Tax Office), or provided as required or allowed by law.

By submitting an Application Form, you consent to your information being disclosed to the persons described above, in the manner set out in this section.

Under the Privacy Act 1988 (Cth), an Applicant may request access to their personal information held by (or on behalf of) Westpac. An Applicant can request access to their personal information by telephoning or writing to the privacy officer of the Registry.

More information about the way Westpac handles personal information is in the Westpac privacy policy, a copy of which can be obtained by visiting **www.westpac.com.au**



APPENDIX A GLOSSARY

The following is a glossary of terms used in this Prospectus. There is also a list of defined terms in clause 13.1 of the Terms.

GLOSSARY

Defined terms in this glossary and in clause 13.1 of the Terms are used throughout this Prospectus and the attached, or accompanying, Application Forms.

| | |
|--|---|
| ABN | Australian Business Number |
| Acquisition Event | has the meaning given in the Terms |
| Additional Tier 1 Capital | additional Tier 1 Capital as described by APRA |
| ADI | authorised deposit-taking institution |
| AFSL No. | Australian Financial Services Licence number |
| Allocation | the number of Westpac CPS allocated under the Offer to: <ul style="list-style-type: none">• Eligible Securityholders at the end of the Offer Period; and• Syndicate Brokers and Institutional Investors under the Bookbuild Allocate and Allocated have the corresponding meanings |
| Allotment | the issue of Westpac CPS to Applicants on the Issue Date under their Allocation Allotted and Allot have the corresponding meanings |
| Applicant | a person who submits an Application in accordance with the Prospectus |
| Application | a valid application made under this Prospectus by using the relevant Application Form to apply for a specified number of Westpac CPS |
| Application Form or Application Forms | the application form (the Securityholder Application Form or the Broker Firm Application Form) attached to or accompanying this Prospectus, or an online version of the Application Form, upon which an Application may be made |
| Application Payment | the monies payable on Application, calculated as the number of Westpac CPS applied for multiplied by the Face Value |
| Approved Replacement Notice | has the meaning given in the Terms |
| Approved Successor | has the meaning given in the Terms |
| Approved Successor Share | has the meaning given in the Terms |
| APRA | Australian Prudential Regulation Authority |
| APRA Discussion Paper | the discussion paper released by APRA on 6 September 2011 entitled <i>Implementing Basel III capital reforms in Australia</i> |
| ASIC | Australian Securities and Investments Commission |
| ASTC | ASX Settlement Pty Limited (ABN 49 008 504 532) |
| ASX | ASX Limited (ABN 98 008 624 691) or the financial market operated by ASX Limited, as the context requires |
| ASX Listing Rules | the listing rules of ASX with any modification or waivers which ASX may grant to Westpac |
| Bank Bill Rate | has the meaning given in the Terms |
| BCBS | Basel Committee on Banking Supervision |

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| Bookbuild | the process conducted by the Joint Lead Managers as agents for Westpac to determine the Margin and firm Allocations of Westpac CPS to Syndicate Brokers and Institutional Investors – see Section 2.9.1 |
| Broker Firm Applicant | an Australian resident retail client of a Syndicate Broker who applies for a broker firm Allocation from a Syndicate Broker under the Broker Firm Offer |
| Broker Firm Application Form | the Application Form attached to or accompanying this Prospectus upon which a Broker Firm Application can be made |
| Broker Firm Offer | the invitation made to Australian resident retail clients of the Syndicate Brokers to apply for a broker firm Allocation from the relevant Syndicate Broker under this Prospectus |
| Business Day | a business day as defined in the ASX Listing Rules |
| Capital Securities | has the meaning given in the Terms |
| Capital Trigger Event | has the meaning given in the Terms |
| Capital Trigger Event Conversion Date | has the meaning given in the Terms |
| CHESS | Clearing House Electronic Subregister System operated by ASTC |
| Closing Dates | the last day on which Applications will be accepted, expected to be: ¹ <ul style="list-style-type: none"> • 5.00pm Sydney Time on 19 March 2012 for the Securityholder Offer; and • 10.00am Sydney Time on 22 March 2012 for the Broker Firm Offer |
| Co-Managers | the Named Co-Managers |
| Common Equity Tier 1 | Common Equity Tier 1 as described by APRA in the APRA Discussion Paper, or as amended from time to time |
| Consenting Party | each of the consenting parties named in Section 7.3 |
| Conversion | has the meaning given in the Terms Convert, Converted and Convertible have the corresponding meaning |
| Conversion Conditions | has the meaning given in the Terms |
| Conversion Date | has the meaning given in the Terms |
| Conversion Discount | has the meaning given in the Terms |
| Conversion Number | has the meaning given in the Terms |
| Core Tier 1 Ratio | Fundamental Tier 1 Capital divided by Risk Weighted Assets |
| Corporations Act | Corporations Act 2001 (Cth) |
| Current Distribution Period | has the meaning given in the Terms |
| Deutsche Bank | Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162) |
| Distributable Profits | has the meaning given in the Terms |
| Dividend | has the meaning given in the Terms |

Note:

1. Westpac and the Joint Lead Managers may agree to extend the Offer Period, to close the Offer early without notice, or to withdraw the Offer at any time before Westpac CPS are issued.

GLOSSARY

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| Dividend and Capital Restriction | the restriction described in Section 1.3.15 |
| Dividend Payment Date | has the meaning given in the Terms |
| Dividend Payment Test | is described in Section 1.3.12 |
| Dividend Period | has the meaning given in the Terms |
| Dividend Rate | has the meaning given in the Terms |
| Early Conversion/ Redemption Notice | has the meaning given in the Terms |
| Eligible Securityholder | a registered holder of Ordinary Shares, Westpac TPS, Westpac SPS and/or Westpac SPS II as at 7.00pm Sydney Time on 9 February 2012 and shown on the Register to have an address in Australia |
| Equal Ranking Capital Securities | has the meaning given in the Terms |
| Exposure Period | the 7 day period commencing on the day after this Prospectus was lodged with ASIC (ASIC may extend the period by a further 7 days) |
| Face Value | the issue price for Westpac CPS, being \$100 per Westpac CPS |
| First Conversion Condition | has the meaning given in the Terms |
| Franking Rate | has the meaning given in the Terms |
| Fundamental Tier 1 Capital | has the meaning given in the Terms |
| Gross-Up Amount | has the meaning given in the Terms |
| GST | Goods and Services Tax |
| HIN | holder identification number |
| Holder | a registered holder of Westpac CPS |
| Holding Statement | a statement issued to Holders by the Registry which sets out details of Westpac CPS Allotted to them under the Offer |
| Institutional Investor | an investor to whom offers of securities can be made without the need for a Prospectus (or other formality, other than a formality which Westpac is willing to comply with), including in Australia persons to whom offers of securities can be made without the need for a lodged Prospectus under Chapter 6D of the Corporations Act |
| Institutional Offer | the invitation to certain Institutional Investors to bid for Westpac CPS in the Bookbuild |
| Issue Date | the date Westpac CPS are issued, expected to be 23 March 2012 |
| Issue Date VWAP | is described in Section 1.6.4 |
| JLM Broker Firm Amount | for each Joint Lead Manager, the Face Value multiplied by the Allocation to that Joint Lead Manager |
| Joint Lead Managers | Westpac, Deutsche Bank, National Australia Bank, RBS Morgans and UBS |
| Level 1 and Level 2 | have the meaning given in the Terms |

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|---|--|
| Level 1 Distributable Profits | has the meaning given in the Terms |
| Level 2 Distributable Profits | has the meaning given in the Terms |
| Liquidation Sum | in respect of a Westpac CPS, has the meaning given in the Terms |
| Margin | the margin for the Westpac CPS determined under the Bookbuild, that is expected to be in the range of 3.20% – 3.50% per annum |
| Maximum Conversion Number | has the meaning given in the Terms |
| Named Co-Manager | co-managers appointed to the Offer by the Joint Lead Managers and approved by the Joint Lead Managers and Westpac |
| Named Co-Manager Amount | the Allocation to the Named Co-Managers multiplied by the Face Value |
| National Australia Bank | National Australia Bank Limited (ABN 12 004 044 937) |
| Nominated Party | has the meaning given in the Terms |
| Non-Innovative Residual Tier 1 Capital | non-innovative residual Tier 1 Capital as described by APRA |
| Offer | the offer of Westpac CPS under this Prospectus at a Face Value of \$100 each to raise approximately \$750 million with the ability to raise more or less |
| Offer Period | the period from the Opening Date to the Closing Dates ² |
| OMA (or Offer Management Agreement) | the Offer Management Agreement entered into between Westpac and the Joint Lead Managers as summarised in Section 6.4 |
| Opening Date | the day the Offer opens, expected to be 24 February 2012 |
| Optional Conversion/ Redemption Date | has the meaning given in the Terms |
| Ordinary Share | has the meaning given in the Terms |
| Ordinary Shareholder | has the meaning given in the Terms |
| Prospectus | this document (including the electronic form of this Prospectus), and any supplementary or replacement Prospectus in relation to the Offer |
| RBS Morgans | RBS Morgans Limited (ABN 49 010 669 726) |
| Record Date | has the meaning given in the Terms |
| Redemption | has the meaning given in the Terms Redeem, Redeemed and Redeemable have the corresponding meaning |
| Redemption Date | has the meaning given in the Terms |
| Register | the official register of Ordinary Shares and Westpac CPS (if issued) maintained by Westpac, or the official register of Westpac TPS, Westpac SPS or Westpac SPS II, maintained by the Registry on the issuer's behalf, and includes any sub-register established and maintained under CHES |

Note:

2. Westpac and the Joint Lead Managers may agree to extend the Offer Period, to close the Offer early without notice, or to withdraw the Offer at anytime before Westpac CPS are issued.

GLOSSARY

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| Registry | Link Market Services Limited (ABN 54 083 214 537) or any other registry that Westpac appoints to maintain a register of its securities |
| Regulatory Event | has the meaning given in the Terms |
| Relevant Date | has the meaning given in the Terms |
| Residual Tier 1 Capital | residual Tier 1 Capital as described by APRA |
| Risk Weighted Assets | risk weighted assets as defined by APRA |
| Scheduled Conversion Date | has the meaning given in the Terms |
| Second Conversion Condition | has the meaning given in the Terms |
| Securityholder Application Form | the Application Form (or an online version of such a form) accompanying this Prospectus upon which an Eligible Securityholder Application can be made |
| Securityholder Offer | the invitation to Eligible Securityholders to apply for Westpac CPS under this Prospectus |
| Senior Creditors | has the meaning given in the Terms |
| Special Resolution | has the meaning given in the Terms |
| SRN | securityholder reference number |
| Sydney Time | time in Sydney, New South Wales, Australia |
| Syndicate Broker | any of the Joint Lead Managers or Co-Managers |
| Tax Act | has the meaning given in the Terms |
| Tax Event | has the meaning given in the Terms |
| Tax Rate | has the meaning given in the Terms |
| Taxation Letter | the taxation letter from Allens Arthur Robinson dated 16 February 2012 in Section 5 |
| Terms | the Westpac CPS terms of issue set out in Appendix B |
| Test Conversion Number | has the meaning given in the Terms |
| TFN | Tax File Number |
| Tier 1 Capital | tier 1 capital as described by APRA |
| Tier 1 Capital Ratio | Tier 1 Capital divided by Risk Weighted Assets |
| Tier 2 Capital | tier 2 capital as described by APRA |
| Total Capital | total capital as described by APRA |
| TPS 2003 | 750,000 trust preferred securities issued by Westpac Capital Trust III at US\$1,000 each on 13 August 2003 (referred to in the Terms as TPS 2003 Preference Shares) |
| TPS 2004 | 525,000 trust preferred securities issued by Westpac Capital Trust IV at US\$1,000 each on 5 April 2004 (referred to in the Terms as TPS 2004 Preference Shares) |
| Transfer | a transfer to a Nominated Party in accordance with clause 5 of the Terms, and Transferred has a corresponding meaning |

| | |
|-------------------------------|---|
| Transfer Notice | has the meaning given in clause 5.1 of the Terms |
| UBS | UBS AG, Australia Branch (ABN 47 088 129 613) |
| Unpaid Dividends | has the meaning given in the Terms |
| Upper Tier 2 Capital | has the meaning given in the Terms |
| US Person | has the meaning given in Regulation S of the US Securities Act |
| US Securities Act | United States Securities Act of 1933, as amended |
| VWAP | has the meaning given in the Terms |
| Westpac | Westpac Banking Corporation (ABN 33 007 457 141, AFSL No. 233714) |
| Westpac Group | Westpac and its controlled entities |
| Westpac's Constitution | the constitution of Westpac |
| Westpac CPS | a fully paid, perpetual, convertible, non-cumulative, unguaranteed and unsecured preference share in the capital of Westpac issued under the Offer in accordance with the Terms |
| Westpac Directors | has the meaning given in the Terms |
| Westpac SPS | the 10,362,670 Stapled Preferred Securities issued by Westpac under a prospectus dated 26 June 2008 (referred to in the Terms as SPS 2008 I Preference Shares) |
| Westpac SPS II | the 9,083,278 Stapled Preferred Securities issued by Westpac under a prospectus dated 2 March 2009 (referred to in the Terms as SPS 2008 II Preference Shares) |
| Westpac TPS | the 7,627,375 Westpac Trust Preferred Securities issued under a product disclosure statement dated 19 May 2006 |

B

APPENDIX B WESTPAC CPS TERMS

1 FORM, FACE VALUE AND ISSUE PRICE

- a. Preference Shares are fully paid, unsecured, perpetual, non-cumulative preference shares in the capital of Westpac. They are issued, and may be Redeemed or Converted by Westpac, on the terms set out in these Preference Share Terms.
- b. Each Preference Share will be issued by Westpac as fully paid at an issue price of \$100 (**Face Value**).
- c. The Preference Shares are designated as the “2012 Series 1 Preference Shares” and comprise a separate class of shares in the capital of Westpac.

2 REGISTER OF HOLDERS

2.1 Register

Westpac must ensure that the Register of Shareholders is maintained and that it records the names of the Preference Shareholders, the number of Preference Shares held and any additional information required by the Corporations Act or the ASX Listing Rules.

3 DIVIDENDS

3.1 Dividends

Subject to these Preference Share Terms, each Preference Share entitles the Preference Shareholder on a Record Date to receive on the relevant Dividend Payment Date a dividend (**Dividend**) calculated using the following formula:

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

where:

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

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

where:

Bank Bill Rate (expressed as a percentage per annum) means, for each Dividend Period, the average mid-rate for bills of a term of 180 days which average rate is displayed on Reuters page BBSW (or any page that replaces that page) at 10.30am (Sydney time) on, in the case of the first Dividend Period, the Preference Share Issue Date, and in the case of any other Dividend Period, the first Business Day of that Dividend Period, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed at 10.30am (Sydney time) on that date, the rate specified in good faith by Westpac at or around that time on that date having regard, to the extent possible, to:

- a. the rates otherwise bid and offered for bills of a term of 180 days or for funds of that tenor displayed on Reuters page BBSW (or any page which replaces that page) at that time on that date; and
- b. if bid and offer rates for bills of a term of 180 days are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;

Preference Share Margin (expressed as a percentage per annum) is as determined by the bookbuild;

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

N means the number of days from (but excluding) the Preference Share Issue Date until (and including) the first Dividend Payment Date or thereafter from (but excluding) each Dividend Payment Date until (and including) the next Dividend Payment Date (a **Dividend Period**).

3.2 Gross-Up Amount of Dividend

If any Dividend will not be franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that Part), or if franking credits (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) in respect of a franked or partially franked Dividend are disallowed, otherwise than because of any act by, or circumstance affecting, any particular Preference Shareholder, each Preference Share entitles the Preference Shareholder on a Record Date to receive on the relevant Dividend Payment Date an amount (the **Gross-Up Amount**) calculated using the following formula:

$$\text{Gross-Up Amount} = \text{ED} - \text{D}$$

where:

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

where:

D means the Dividend entitlement on that Dividend Payment Date as calculated under clause 3.1; and

Franking Rate (expressed as a decimal) means the percentage of Dividend that would carry franking credits (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part), which are not disallowed, applicable to the relevant Dividend entitlement on that Dividend Payment Date.

3.3 Conditions to Dividends and Gross-Up Amounts

- a. A Dividend and Gross-Up Amount must not be paid to Preference Shareholders if:
 - i. the Westpac Directors, in their absolute discretion, have not determined that the Dividend and Gross Up Amount is payable;
 - ii. the amount of the Dividend and Gross-Up Amount will exceed Distributable Profits, unless APRA otherwise gives its prior written approval; or
 - iii. APRA otherwise objects to the payment.

- b. Without limiting clause 3.3(a)(i), the Westpac Directors will not determine a Dividend and Gross Up Amount to be payable if, in their opinion, making the payment would result in Westpac becoming, or being likely to become, insolvent for the purposes of the Corporations Act.
- c. Dividends and Gross-Up Amounts shall be paid in accordance with clause 9. For the purposes of making any Dividend and Gross-Up Amount payment in respect of a Preference Shareholder's total holding of Preference Shares, any fraction of a cent will be disregarded.

3.4 Dividends are non-cumulative

Dividends and Gross-Up Amounts are non-cumulative. If all or any part of a Dividend and Gross-Up Amount is not paid because of the provisions of clause 3.3 or because of any applicable law, Westpac has no liability to pay such Dividend and Gross-Up Amount to the Preference Shareholder and the Preference Shareholder has no:

- a. claim (including, without limitation, on the winding-up of Westpac); or
- b. right to apply for the winding-up or administration of Westpac, or right to cause a receiver or manager to be appointed in respect of Westpac, in respect of such non-payment.

Non-payment of a Dividend and Gross-Up Amount because of the provisions of clause 3.3, or because of any applicable law, does not constitute an event of default.

No interest accrues on any unpaid Dividends and Gross-Up Amounts, and the Preference Shareholder has no claim or entitlement in respect of interest on any unpaid Dividends and Gross-Up Amounts.

3.5 Dividend Payment Dates

Subject to this clause 3, Dividends and Gross-Up Amounts are to be paid in arrear on the following dates (each a **Dividend Payment Date**):

- a. each 31 March and 30 September of each year commencing on 30 September 2012 until the Preference Shares are Redeemed or Converted; and

-
- b. on the Redemption Date or the Conversion Date (as the case may be) on which such Preference Shares are Redeemed or Converted, if that Redemption Date or Conversion Date is not 31 March or 30 September.

3.6 Record Dates

A Dividend and Gross-Up Amount is only payable on a Dividend Payment Date to those persons registered as Preference Shareholders on the Record Date for that Dividend and Gross-Up Amount.

3.7 Deductions

Westpac or the Nominated Party, as applicable, may deduct or withhold any tax, duty, assessment, levy, governmental charge or other amount from any Dividend, Gross-Up Amount or amount payable upon Redemption or transfer to the Nominated Party of any Preference Share (or upon or with respect to the issuance of any Ordinary Shares upon any Conversion), as required by applicable law or any agreement with a governmental authority. If any such deduction or withholding has been made and paid over to the relevant governmental authority and the balance of the Dividend, Gross-Up Amount or other amount payable has been paid (or, in the case of a Conversion, Ordinary Shares issued) to the relevant Preference Shareholder, then the full amount payable (or, in the case of a Conversion, the Conversion Number of Ordinary Shares) to such Preference Shareholder shall be deemed to have been duly paid and satisfied (or, in the case of a Conversion, issued) by Westpac or the Nominated Party, as applicable.

Westpac or the Nominated Party, as applicable, shall pay the full amount required to be deducted or withheld to the relevant governmental authority within the time allowed for such payment without incurring any penalty under applicable law and shall, if requested by any Preference Shareholder, deliver to such Preference Shareholder confirmation of such payment without delay after it is received by Westpac or the Nominated Party, as applicable.

3.8 Restrictions in the case of non-payment

Subject to clause 3.9, if for any reason a Dividend and Gross-Up Amount has not been paid in full within 20 Business Days after the relevant Dividend

Payment Date, Westpac must not during a Current Distribution Period:

- a. declare or pay any dividends or distributions on any Ordinary Shares; or
 - b. buy back or reduce capital on any Ordinary Shares, unless:
 - c. all Preference Shares have been Converted; or
 - d. a Special Resolution of the Preference Shareholders has been passed approving such action,
- and APRA does not otherwise object.

3.9 Restrictions not to apply in certain circumstances

The restrictions in clause 3.8 do not apply to:

- a. repurchases, redemptions or other acquisitions of shares of Westpac in connection with:
 - i. any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of Westpac or any member of the Westpac Group;
 - ii. a dividend plan or shareholder share purchase or disposal plan; or
 - iii. the issuance of shares of Westpac, or securities convertible into or exercisable for such shares, as consideration in an acquisition transaction entered into prior to the occurrence of the failure to pay a Dividend on the relevant Dividend Payment Date;
- b. an exchange, redemption or conversion of any class or series of Westpac's shares, or any shares of a member of the Westpac Group, for any class or series of Westpac's shares, or of any class or series of Westpac's indebtedness for any class or series of Westpac's shares;
- c. the purchase of fractional interests in shares of Westpac under the conversion or exchange provisions of the shares or the security being converted or exchanged;
- d. any payment or declaration of a dividend in connection with any shareholders' rights plan, or the issuance of rights, shares or other property under any shareholders' rights plan, or the redemption or repurchase of rights pursuant to the plan;

- e. any dividend or distribution on any Ordinary Shares in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are Ordinary Shares; or
- f. Westpac or any of its controlled entities purchasing shares in Westpac in connection with transactions for the account of customers of Westpac or any of its controlled entities or in connection with the distribution or trading of shares in Westpac in the ordinary course of business.

3.10 Dividends on Preference Shares are preferred

Preference Shareholders are entitled (subject to these Preference Share Terms) to receive Dividends and Gross-Up Amounts:

- a. in priority to holders of Ordinary Shares; and
- b. equally with the holders of Equal Ranking Capital Securities.

4 CONVERSION OR REDEMPTION

4.1 Conversion or Redemption of Preference Shares

- a. Preference Shareholders have no right to seek or initiate Conversion or Redemption;
- b. The Preference Shares will mandatorily Convert to Ordinary Shares following a Capital Trigger Event or, subject to clause 4.5, on a Scheduled Conversion Date or following an Acquisition Event;
- c. Westpac may not Redeem the Preference Shares following a Capital Trigger Event; and
- d. Westpac may Redeem the Preference Shares, or Convert them to Ordinary Shares, on the occurrence of a Tax Event, or Regulatory Event, or following certain Acquisition Events or on an Optional Conversion/Redemption Date, in accordance with clause 4.5.

4.2 Conversion Conditions

- a. Where indicated in these terms, Conversion is subject to the satisfaction of the **Conversion Conditions**, which are that:

- i. the Test Conversion Number on the 25th Business Day before the Relevant Date is no greater than 90% of the Maximum Conversion Number (**First Conversion Condition**); and
 - ii. the Conversion Number on the Relevant Date is no greater than the Maximum Conversion Number (**Second Conversion Condition**).
- b. **Relevant Date** means:
- i. for mandatory Conversion, each of the dates set out in clauses 4.4(b)(i) and (ii);
 - ii. for early Conversion, the relevant Conversion Date.

4.3 Test Conversion Number and Maximum Conversion Number

- a. The **Test Conversion Number** means the Conversion Number calculated under clause 4.10(a) using the Test Reference Period and assuming that:
 - i. in respect of mandatory Conversion, the Relevant Date is the Scheduled Conversion Date or Acquisition Event Conversion Date; and
 - ii. in respect of early Conversion, the Relevant Date is the Conversion Date notified in the Conversion Notice under clause 4.5(g).
- b. Subject to any adjustments under clauses 4.12 to 4.13, the **Maximum Conversion Number** is equal to the number of Ordinary Shares calculated (to four decimal places) using the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Face Value}}{0.5 \times \text{VWAP}}$$

where:

VWAP (expressed as a dollars and cents amount) means the VWAP during the Reference Period:

where:

Reference Period means the period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the Preference Share Issue Date.

- c. Westpac will make an announcement to ASX to notify Preference Shareholders of the Maximum Conversion Number within a reasonable period after the Preference Share Issue Date.

4.4 Scheduled Conversion

- a. Subject to clauses 4.5 and 5, on the earlier of the Scheduled Conversion Date and the Capital Trigger Event Conversion Date (if any), Westpac must Convert all Preference Shares on issue at that date into Ordinary Shares under clauses 4.8 and 4.10.
- b. Subject to clause 4.4(e), the Scheduled Conversion Date will be the earlier of:
 - i. 31 March 2020; and
 - ii. the first Dividend Payment Date after 31 March 2020,
on which both Conversion Conditions are satisfied.
- c. If, in respect of any Relevant Date for mandatory Conversion, the First Conversion Condition is not satisfied Westpac will make an announcement to ASX not less than 21 Business Days prior to the Relevant Date notifying Preference Shareholders that mandatory Conversion will not proceed on the Relevant Date.
- d. The Capital Trigger Event Conversion Date will be the date nominated by Westpac for Conversion of the Preference Shares following the occurrence of a Capital Trigger Event, which date must be as soon as practicable and in any event no later than 10 Business Days after the occurrence of the Capital Trigger Event.
- e. Conversion on the Capital Trigger Event Conversion Date:
 - i. will not be subject to the Conversion Conditions; and
 - ii. will operate in precedence to any Conversion contemplated on a Scheduled Conversion Date.
- iii. in respect of some or all of the Preference Shares, on any Optional Conversion/Redemption Date.
- b. Westpac must notify Preference Shareholders of the occurrence of an Acquisition Event by announcement to ASX as soon as practicable after becoming aware of the occurrence of that event.
- c. If Westpac serves an Early Conversion/Redemption Notice, Westpac must include in that notice which, or which combination, of the following it intends to do in respect of Preference Shares the subject of the notice:
 - i. Convert Preference Shares into Ordinary Shares under clauses 4.8 and 4.10; or
 - ii. Redeem Preference Shares in accordance with clause 4.9 on the relevant Redemption Date.
- d. Westpac may only apply the mechanisms in clause 4.5(c) if APRA has given its prior written approval to such mechanisms being applied.
Preference Shareholders should not expect that APRA's prior written approval will be given.
- e. Westpac may apply the mechanism in clause 4.5(c)(i) only if the Conversion Conditions are satisfied.
- f. Where Westpac has elected to serve an Early Conversion/Redemption Notice under clause 4.5(a), Westpac must serve the Early Conversion/Redemption Notice:
 - i. subject to paragraphs (ii) and (iii), no later than 20 Business Days after APRA has given its prior written approval to the application of any of the mechanisms in clause 4.5(c) in respect of some or all of the Preference Shares;
 - ii. in respect of an Acquisition Event, no later than the 10th Business Day immediately following the Acquisition Event; or
 - iii. in respect of an Optional Conversion/Redemption Date, no later than the 25th Business Day, and no earlier than the 35th Business Day, preceding the Optional Conversion/Redemption Date.

4.5 Early Conversion or Redemption

- a. Subject to APRA's prior written approval, Westpac may serve an Early Conversion/Redemption Notice:
 - i. in respect of some or all of the Preference Shares, following the occurrence of a Tax Event or Regulatory Event;
 - ii. in respect of all (but not some only) of the Preference Shares, following the occurrence of an Acquisition Event, provided that the Acquisition Event occurs on or after the fifth anniversary of the Preference Share Issue Date; and

- g. If Westpac serves an Early Conversion/Redemption Notice under clause 4.5(a)(i) or (ii), the Conversion Date or Redemption Date (as appropriate) is the date stated in the Early Conversion/Redemption Notice provided that:
- i. the Conversion Date, where relevant, is a Business Day that is no earlier than 25 Business Days and no later than 30 Business Days after the date of the Early Conversion/Redemption Notice; and
 - ii. the Redemption Date, where relevant, is a Business Day that is no earlier than 10 Business Days and no later than 20 Business Days after the date of the Early Conversion/Redemption Notice.
- h. If an Acquisition Event occurs and Westpac has not issued an Early Conversion/Redemption Notice under clause 4.5(a)(ii) within 10 Business Days after the Acquisition Event, Westpac must, provided the Conversion Conditions are satisfied, Convert all Preference Shares on issue into Ordinary Shares in accordance with clauses 4.8 and 4.10 on the Business Day prior to the date reasonably determined by Westpac to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such earlier date as Westpac may reasonably determine having regard to the timing for implementation of the bid or scheme concerned (the **Acquisition Event Conversion Date**).
- i. If, in respect of the Relevant Date for early Conversion, the First Conversion Condition is not satisfied:
- i. Westpac will make an announcement to ASX not less than 21 Business Days prior to the Relevant Date notifying Preference Shareholders that early Conversion will not proceed on the Relevant Date; and
 - ii. Westpac may, subject to APRA's prior written approval, elect to Redeem all (but not some) Preference Shares on the Relevant Date in accordance with clause 4.9 by issuing an Early Conversion/Redemption Notice not less than 21 Business Days prior to the Relevant Date.

4.6 Issue of ordinary shares of a successor holding company

Where there is a replacement of Westpac as the ultimate holding company of the Westpac Group and the successor holding company is an Approved Successor, mandatory Conversion of the Preference Shares may not occur as a consequence of the Replacement. Instead, these Preference Share Terms may be amended in accordance with clause 11.4.

4.7 Early Conversion/Redemption Notice irrevocable

- a. Subject to paragraph (b), an Early Conversion/Redemption Notice given by Westpac under clause 4.5(a) is irrevocable and may include any other information that Westpac considers necessary or appropriate to effect the Conversion or Redemption in an orderly manner.
- b. On the occurrence of a Capital Trigger Event, any Early Conversion/Redemption Notice then on issue will become immediately void and the Preference Shares will Convert to Ordinary Shares in accordance with clause 4.4.

4.8 Meaning of Conversion

Each Preference Share, on any Conversion, confers all of the rights attaching to one fully paid Ordinary Share but these rights do not take effect until 5.00pm on the Conversion Date. At that time:

- a. all other rights and restrictions conferred on Preference Shares under these Preference Share Terms will no longer have any effect (except for any rights relating to a Dividend payable on or before the Conversion Date and any rights to any allotment of additional Ordinary Shares issued upon Conversion under clause 4.10, which will subsist); and
- b. each Preference Share on Conversion will rank equally with all other Ordinary Shares then on issue and Westpac will issue a statement that the holder of those shares holds a share so ranking.

The variation of the status of, and the rights attaching to, a Preference Share under this clause 4.8 and any allotment of additional Ordinary Shares under clause 4.10 is, for the purposes of these Preference Share Terms, together termed 'Conversion'. Conversion does not constitute redemption, cancellation or buy-back of a Preference Share or an issue, allotment or creation of a new share (other than any additional Ordinary Shares allotted under clause 4.10).

4.9 Meaning of Redemption

Redemption, in respect of a Preference Share, means the Preference Share is redeemed, bought back (other than by an on-market buy-back) or cancelled pursuant to a reduction of capital (or any combination of these) for an amount of cash equal to the Face Value. Subject to APRA's prior written approval, if Westpac elects to Redeem the Preference Shares, the following provisions apply:

- a. Westpac will Redeem the Preference Shares specified in the Early Conversion/Redemption Notice by payment of the Face Value and any due but Unpaid Dividends per Preference Share to the Preference Shareholder on the relevant Redemption Date;
- b. upon payment of the Face Value and any due but Unpaid Dividends per Preference Share, all other rights conferred, or restrictions imposed, by those Preference Shares held by that Preference Shareholder under these Preference Share Terms will no longer have effect;
- c. if the Redemption involves a buy-back of Preference Shares:
 - i. each Preference Shareholder agrees to accept the buy-back offer for their Preference Shares to which the Early Conversion/Redemption Notice relates and will be deemed to have sold those Preference Shares to Westpac on the Redemption Date. For the avoidance of doubt, no agreement arises under this clause 4.9(c)(i) until the later of the date the Early Conversion/Redemption Notice is sent to Preference Shareholders, the date all relevant consents to the buy-back have been procured and the Record Date for the final Dividend to be paid as identified in the Early Conversion/Redemption Notice; and

- ii. if under applicable law Preference Shareholders are entitled to vote on a resolution to approve that buy-back, each Preference Shareholder agrees to vote in favour of that resolution;
- d. if the Redemption involves a reduction of capital with respect to Preference Shares and under applicable law Preference Shareholders are entitled to vote on a resolution to approve that reduction of capital, each Preference Shareholder agrees to vote in favour of that resolution.

4.10 Conversion and issue of Ordinary Shares

- a. On the Conversion Date in respect of any Conversion:
 - i. each Preference Share being Converted will Convert into one fully paid Ordinary Share; and
 - ii. subject to clause 4.10(b), each Preference Shareholder will be allotted an additional number of fully paid Ordinary Shares for each Preference Share that is being Converted equal to one less than the Conversion Number, where the Conversion Number means the number of Ordinary Shares calculated (to four decimal places) using the following formula:

$$\text{Conversion Number} = \frac{\text{Face Value}}{\text{VWAP} \times (1 - \text{Conversion Discount})}$$

where:

VWAP (expressed as a dollars and cents amount) means the VWAP during the Reference Period:

where:

Reference Period means for the purpose of calculating the Conversion Number:

- A. for the Test Conversion Number, the period of trading in the Ordinary Shares on ASX on the 25th Business Day before the Relevant Date (or if trading in Ordinary Shares did not occur on that date, the period of trading on the last Business Day prior to that date on which trading in Ordinary Shares occurred) (**Test Reference Period**);

- B. for Conversion in respect of an Acquisition Event, the lesser of:
1. 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the relevant Conversion Date; and
 2. the number of Business Days that Ordinary Shares are quoted for trading on ASX or the principal securities exchange on which Ordinary Shares are then quoted following the occurrence of the Acquisition Event and preceding, but not including, the relevant Conversion Date,

or if there is no trading in Ordinary Shares after the Acquisition Event, the offer price for Ordinary Shares under the relevant Acquisition Event;

- C. for Conversion in respect of a Capital Trigger Event, the period of 5 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the date of the Capital Trigger Event Conversion Date; and
- D. in all other cases, the period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the relevant Conversion Date.

Conversion Discount (expressed as a decimal) means 0.01.

- b. If, following a Capital Trigger Event, the number of Ordinary Shares that a Preference Shareholder would be entitled to receive for each Preference Share calculated in accordance with clause 4.10(a) would exceed the Maximum Conversion Number, the Preference Shareholder will instead receive a number of Ordinary Shares equal to the Maximum Conversion Number for each Preference Share.
- c. If, pursuant to the introduction of Basel III for Australian ADIs, there is a determination by APRA in relation to Additional Tier 1 Capital securities, the effect of which is such that the number of Ordinary Shares that may be issued on a Conversion Date is greater than the Maximum Conversion Number, then the number of Ordinary

Shares that a Preference Shareholder will receive on a Conversion Date shall not be limited to the Maximum Conversion Number as provided in clause 4.10(b), but will instead be limited to such greater number of Ordinary Shares as may be issued in accordance with such determination by APRA.

- d. Where the total number of Ordinary Shares that a Preference Shareholder is entitled to in respect of the total number of Preference Shares being Converted at that time includes a fraction, that fraction will be disregarded.

4.11 Adjustments to VWAP

For the purposes of calculating VWAP in clause 4.10(a):

- a. where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Preference Shares will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend, distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend, cum distribution or cum entitlement shall be reduced by an amount (**Cum Value**) equal to in the case of:
- i. a dividend or other distribution, the amount of that dividend or distribution including, if the dividend or distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person resident in Australia under the Tax Act;
 - ii. an entitlement that is not a dividend or other distribution under clause 4.11(a)(i) and which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the Reference Period on the Business Days on which those entitlements were traded; or
 - iii. an entitlement that is not a dividend or other distribution under clause 4.11(a)(i) and which is not traded on ASX during the Reference Period, the value of the entitlement as reasonably determined by the Westpac Directors;

- b. where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and Preference Shares will Convert into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value; and
- c. where during the relevant Reference Period the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities (not involving any form of cash consideration to, or from, Ordinary Shareholders) (each a **Reconstruction**), in calculating the VWAP for that Reference Period, the daily volume weighted average share price for each Business Day in the relevant Reference Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reconstruction basis will be adjusted under the following formula:

$$\text{Daily VWAP(R)} = \text{Daily VWAP} \times \frac{\text{RD}}{\text{RN}}$$

where:

Daily VWAP(R) means the daily volume weighted average share price applying immediately after the application of this formula;

Daily VWAP means the daily volume weighted average share price applying immediately prior to the application of this formula;

RD means the number of Ordinary Shares on issue immediately before the Reconstruction;

RN means the number of Ordinary Shares on issue immediately after the Reconstruction.

Any adjustment made under this paragraph will constitute an alteration to these Preference Share Terms and will be binding on all Preference Shareholders and these Preference Share Terms will be construed accordingly. Any such adjustment will promptly be notified to all Preference Shareholders.

4.12 Adjustments to Maximum Conversion Number for bonus issues

- a. Subject to clauses 4.12(b) and 4.12(c), if Westpac makes a bonus issue (being a pro rata issue) of Ordinary Shares to Ordinary Shareholders generally, the Maximum Conversion Number will be adjusted immediately under the following formula:

$$\text{CN} = \text{CNo} \times \frac{(\text{RD} + \text{RN})}{\text{RD}}$$

where:

CN means the Maximum Conversion Number applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

RD means the number of Ordinary Shares on issue immediately before the issue of new Ordinary Shares under the bonus issue;

RN means the number of Ordinary Shares issued under the bonus issue; and

- b. Clause 4.12(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 purpose of this clause 4.12, an issue will be regarded as a pro rata issue notwithstanding that Westpac does not make offers to some or all Ordinary Shareholders with registered addresses outside Australia, provided that in so doing Westpac is not in contravention of ASX Listing Rules.

4.13 Adjustments to Maximum Conversion Number for share splits, consolidations or other similar transactions

- a. Where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities (not involving any form of cash consideration to, or from, Ordinary Shareholders) (each a **Reconstruction**), the Maximum Conversion Number will be adjusted immediately under the following formula:

$$\text{CN} = \text{CNo} \times \frac{\text{RN}}{\text{RD}}$$

where:

CN means the Maximum Conversion Number applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

RN means the number of Ordinary Shares on issue immediately after the Reconstruction;

RD means the number of Ordinary Shares on issue immediately before the Reconstruction.

- b. Any adjustment made under this clause will constitute an alteration to these Preference Share Terms and will be binding on all Preference Shareholders and these Preference Share Terms will be construed accordingly. Any such adjustment will promptly be notified to all Preference Shareholders.

4.14 On-market buy-backs

Subject to APRA's prior written approval, Westpac may buy back Preference Shares at any time and at any price by an on-market buy-back.

4.15 Power of attorney

Each Preference Shareholder irrevocably appoints each of Westpac, its officers and any liquidator or administrator of Westpac (each an **Attorney**) severally to be the attorney of the Preference Shareholder with power in the name and on behalf of the Preference Shareholder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Preference Shareholder to observe or perform the Preference Shareholder's obligations under these Preference Share Terms including, but not limited to:

- a. accepting any buy-back offer or exercising voting power in relation to any consent or approval required for Redemption or Conversion; or
- b. voting in favour of any scheme of arrangement in respect of the proposed replacement of Westpac as the ultimate holding company of the Westpac Group under which Preference Shareholders may receive shares in the successor holding company and where the scheme does not, in the reasonable opinion of Westpac, otherwise adversely affect the interests of Preference Shareholders; or
- c. as otherwise contemplated under these Preference Share Terms.

The power of attorney given in this clause 4.15 is given for valuable consideration and to secure the performance by the Preference Shareholder of the Preference Shareholder's obligations under these Preference Share Terms and is irrevocable.

5 TRANSFER NOTICE

5.1 Transfer Notice

- a. Except in respect of a Capital Trigger Event Conversion Date and an Acquisition Event Conversion Date occurring prior to the fifth anniversary of the Preference Share Issue Date, Westpac may issue to Preference Shareholders a notice (**Transfer Notice**) specifying that all Preference Shares then outstanding will be acquired by a party nominated by Westpac (the **Nominated Party**) on the relevant Conversion Date for cash for the amount of the Face Value per Preference Share provided:

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- i. in the case of the Scheduled Conversion Date, the Transfer Notice is issued no less than 30 Business Days, and no more than 50 Business Days prior to the Scheduled Conversion Date;
 - ii. in the case of an Acquisition Event Conversion Date occurring on or after the fifth anniversary of the Preference Share Issue Date, the Transfer Notice is issued no less than 25 Business Days prior to the Acquisition Event Conversion Date; and
 - iii. in any other case, the Transfer Notice is issued on, or within 3 Business Days, of the relevant Early Conversion/Redemption Notice being issued.
- b. The Nominated Party:
- i. may not be an affiliate of Westpac unless otherwise approved by APRA in writing; and
 - ii. must have a senior credit rating of either:
 - A. "A-" or higher by Standard & Poor's Ratings Services; or
 - B. "A3" or higher by Moody's Investors Service, Inc.
- c. Westpac must not issue a Transfer Notice if it believes in good faith that there is a more than insubstantial risk that the Nominated Party will be unable (or will otherwise not be required) to fulfil its obligations under the Transfer Notice or that the transfer to the Nominated Party would otherwise not occur.
- d. If, following the issue of a Transfer Notice in respect of a Conversion Date, the Nominated Party fails (or is otherwise not required) to fulfil its obligations under the Transfer Notice, then:
- i. the transfer to the Nominated Party will not occur and Preference Shareholders will continue to hold the Preference Shares; and
 - ii. Conversion to Ordinary Shares will not occur on that date, and other than a Conversion scheduled in connection with an Acquisition Event, Conversion will occur on the next Dividend Payment Date.
- e. A Transfer Notice given in accordance with this clause 5.1 shall bind Preference Shareholders in accordance with its terms.

6 PREFERENCE SHARES GENERAL RIGHTS

6.1 Ranking on winding-up

Preference Shares and due but unpaid Dividends on them will rank upon a winding-up of Westpac:

- a. senior to Ordinary Shares;
- b. senior to any Junior Ranking Capital Securities;
- c. equally among themselves and with all other Equal Ranking Capital Securities;
- d. junior to, equally with or senior to any other notes or preference shares Westpac may issue, as may be designated in the terms of issue for such notes or preference shares; and
- e. junior to, and are conditional on the prior payment in full of, the claims of all Senior Creditors.

6.2 Not deposit liabilities

Preference Shares are not deposit liabilities of Westpac and are not subject to the depositor protection provisions of Australian banking legislation.

6.3 Further issues

Westpac reserves the right to issue further Preference Shares or preference shares or permit the exchange of shares to preference shares, which rank senior to, equally with or behind existing Preference Shares, whether in respect of dividends, return of capital on a winding-up or otherwise. Such an issue does not constitute a variation or cancellation of the rights attached to the then existing Preference Shares.

6.4 No set-off

Neither Westpac nor any Preference Shareholder is entitled to set off any amounts due in respect of the Preference Shares against any amount of any nature owed by the Preference Shareholder to Westpac.

6.5 Return of capital

If there is a return of capital on a winding-up of Westpac, Preference Shareholders will be entitled to receive out of the assets of Westpac available for distribution to holders of shares and securities of Westpac, in respect of each Preference Share held, an amount of cash (**Liquidation Sum**) equal to the sum of:

- a. the amount of any Unpaid Dividends; and
 - b. the Face Value,
- before any return of capital is made to Ordinary Shareholders or any other Junior Ranking Capital Securities. A winding-up of Westpac is the only form of default which could occur in respect of the Preference Shares which would give rise to an obligation on Westpac to pay the Liquidation Sum, and does not affect the subordination of the Preference Shares as set out in clause 6.1.

6.6 Shortfall on winding-up

If, upon a return of capital on a winding-up of Westpac, there are insufficient funds to pay in full the Liquidation Sum and the amounts payable in respect of any other shares or securities in Westpac ranking equally with Preference Shares on a winding-up of Westpac, Preference Shareholders and the holders of any such other shares and securities will share in any distribution of assets of Westpac in proportion to the amounts to which they are entitled respectively.

6.7 No participation in surplus assets

Preference Shares do not confer on their Preference Shareholders any further right to participate in the surplus assets of Westpac on a winding-up of Westpac beyond payment of the Liquidation Sum.

6.8 No other rights

Preference Shares do not confer on Preference Shareholders any right to participate in profits or property of Westpac except as set out in these Preference Share Terms.

Preference Shares do not confer on Preference Shareholders any right to subscribe for new securities in Westpac or to participate in any bonus issues of shares in Westpac's capital.

7 VOTING RIGHTS

7.1 Voting

Preference Shareholders will not be entitled to vote at any general meeting of Westpac except in the following circumstances:

- a. on a proposal:
 - i. to reduce the share capital of Westpac;
 - ii. that affects rights attached to Preference Shares;
 - iii. to wind up Westpac; or
 - iv. for the disposal of the whole of the property, business and undertaking of Westpac;
- b. on a resolution to approve the terms of a share buy-back agreement other than a resolution to approve a Redemption;
- c. during a period in which a Dividend or part of a Dividend is in arrears; or
- d. during the winding-up of Westpac.

7.2 General meeting

At a general meeting of Westpac, Preference Shareholders are entitled, when entitled to vote in respect of the matters listed in clause 7.1:

- a. on a show of hands, to exercise one vote; and
- b. on a poll, to one vote for each Preference Share.

8 NOTICE AND REPORTS

Each Preference Shareholder is entitled to receive notice of any general meeting of Westpac and a copy of every circular and like document sent out by Westpac to Ordinary Shareholders and to attend and speak at general meetings of Westpac.

9 PAYMENTS

- a. Any Dividend or other money payable on or in respect of the Preference Shares must be paid:
 - i. in Australian dollars only; and
 - ii. free of any set off, deduction or counter claim except as required by law.
- b. All calculations of payments will be rounded to four decimal places. For the purposes of making any payment in respect of a Preference Shareholder's aggregate holding of Preference Shares, any fraction of a cent will be disregarded.
- c. If the date scheduled for any payment under these Preference Share Terms is not a Business Day, then the payment will be made on the next Business Day (and without any interest or other payment in respect of such delay).
- d. Westpac may pay a person entitled to any Dividend or other amount payable in respect of a Preference Share by:

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- i. crediting an account nominated in writing by that person;
 - ii. cheque made payable to the person, sent to the address of that person as notified to Westpac by that person; or
 - iii. any other manner as Westpac determines.
- e. Westpac may send a cheque referred to in clause 9(d)(ii), if relevant, to:
- i. the address in the Register of Shareholders;
 - ii. if that Preference Share is jointly held, the address in the Register of Shareholders named first in the register in respect of the Preference Share; or
 - iii. any other address which that person directs in writing.
- f. If Westpac decides to make a payment by electronic or other means determined under clause 9(d)(iii) and an account is not nominated by the Preference Shareholder or joint Preference Shareholder, Westpac may hold the amount payable in a separate account of Westpac until the Preference Shareholder or joint Preference Shareholder nominate an account, without any obligation to pay interest, and the amount so held is to be treated as having been paid to the Preference Shareholder or joint Preference Shareholder at the time it is credited to that separate account of Westpac.
- g. All amounts payable but unclaimed may be invested by Westpac as it thinks fit for the benefit of Westpac until claimed or until required to be dealt with in accordance with any law relating to unclaimed monies.
- h. Westpac, in its absolute discretion, may withhold payment to a Preference Shareholder where it is required to do so under any applicable law, including any law prohibiting dealings with terrorist organisations or money laundering, or any other type of sanction, or where it has reasonable grounds to suspect that the Preference Shareholder may be subject to any such law or sanction or involved in acts of terrorism or money laundering, and may deal with such payment and the Preference Shareholder's Preference Shares in accordance with such applicable law or the requirements of any relevant government

or regulatory authority. Westpac shall not be liable for any costs or loss suffered by a Preference Shareholder in exercising its discretion under this clause, even where a Preference Shareholder later demonstrates that they were not subject to such law or sanction.

10 QUOTATION

Westpac must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of Preference Shares on the financial market operated by ASX.

11 AMENDMENT OF THESE PREFERENCE SHARE TERMS

11.1 Amendment generally

No amendment to these Preference Share Terms is permitted without APRA's prior written approval if such amendment would impact, or potentially impact, the classification of the Preference Shares as Non-innovative residual Tier 1 Capital, or Additional Tier 1 Capital, on a Level 1 or Level 2 basis.

11.2 Amendment without consent

Subject to clause 11.1, and complying with all applicable laws and with APRA's prior written approval (except in the case of paragraph (a)(iii) below), Westpac may, without the authority, assent or approval of Preference Shareholders, amend these Preference Share Terms:

- a. if Westpac is of the opinion that the amendment is:
 - i. of a formal, minor or technical nature;
 - ii. made to cure any ambiguity;
 - iii. made to correct any manifest error;
 - iv. expedient for the purpose of enabling the Preference Shares to be listed for quotation or to retain listing on any stock exchange or to be offered for, or subscription for, sale under the laws for the time being in force in any place and it is otherwise not considered by Westpac to be materially prejudicial to the interests of Preference Shareholders as a whole; or

- v. necessary to comply with the provisions of any statute, the requirements of any statutory authority, the ASX Listing Rules or the listing or quotation requirements of any stock exchange on which the Preference Shares are quoted; or
- b. generally, in any case where such amendment is considered by Westpac not to be materially prejudicial to the interests of Preference Shareholders as a whole.

11.3 Amendment with consent

Without limiting clause 11.2 and subject to clause 11.1, Westpac may, with APRA's prior written approval, amend these Preference Share Terms if the amendment has been approved by a Special Resolution.

11.4 Amendment for successor holding company

- a. If:
 - i. it is proposed that Westpac be replaced as the ultimate holding company of the Westpac Group by an Approved Successor (**Replacement**); and
 - ii. the Approved Successor agrees for the benefit of Preference Shareholders:
 - A. to deliver Approved Successor Shares under all circumstances when Westpac would have otherwise been obliged to deliver Ordinary Shares on a Conversion, subject to the same terms and conditions of these Preference Share Terms as amended by this clause 11.4;
 - B. to comply with the restriction in clause 3.8 (with all appropriate modifications) of these Preference Share Terms; and
 - C. to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of the Approved Successor Shares issued under these Preference Share Terms on the stock exchanges on which the other Approved Successor Shares are quoted at the time of a Conversion,

Westpac may, with APRA's prior written approval, but without the authority, assent or approval of Preference Shareholders, give a notice (an **Approved Replacement Notice**) to Preference Shareholders (which, if given, must be given as soon as practicable before the Replacement and in any event no later than 10 Business Days before the Replacement occurs) specifying the amendments to these Preference Share Terms which will be made in accordance with this clause 11.4 to effect the substitution of an Approved Successor as the issuer of ordinary shares on Conversion (the **Approved Replacement Terms**).

An Approved Replacement Notice, once given, is irrevocable.

- b. If Westpac gives an Approved Replacement Notice to Preference Shareholders in accordance with clause 11.4(a), the Approved Replacement Terms:
 - i. will have effect on and from the date specified in the Approved Replacement Notice; and
 - ii. may:
 - A. amend the definition of Conversion in these Preference Share Terms such that, with APRA's prior written approval, on the date on which the Preference Shares are to be Converted:
 - 1. each Preference Share that is being Converted will be automatically transferred by each Preference Shareholder free from encumbrances to the Approved Successor (or another member of the Westpac Group) (the **Transferee**) on the date the Conversion is to occur;
 - 2. each Preference Shareholder will be issued a number of Approved Successor Shares equal to the Conversion Number (which is calculated using the formula in clause 4.10 of these Preference Share Terms as though references in that clause to Ordinary Shares are references to Approved Successor Shares); and

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3. as between Westpac and the Transferee:
- I. each Preference Share held by the Transferee as a result of the transfer will be automatically Converted into an Ordinary Share; and
 - II. an additional number of Ordinary Shares will be issued to the Transferee,

such that the total number of Ordinary Shares held by the Transferee by reason of sub-paragraphs (I) and (II) increases by the number which equals the number of Approved Successor Shares issued by the Approved Successor to Preference Shareholders on Conversion; and

- B. make such other amendments as in Westpac's reasonable opinion are necessary and appropriate to effect the substitution of an Approved Successor as the provider of the ordinary shares on Conversion in the manner contemplated by these Preference Share Terms.
- c. Where an amendment under clause 11.4(b) results in Approved Successor Shares being issued to Preference Shareholders, each Preference Shareholder agrees to become a member of the Approved Successor immediately prior to the issue of the Approved Successor Shares and appoints Westpac as its attorney as contemplated under clause 4.15 to do all things necessary or desirable to give effect to this clause 11.4.
- d. Nothing in this clause 11.4 prevents Westpac from proposing, or limits, any scheme of arrangement or other similar proposal that may be put to Preference Shareholders or other members of Westpac.

11.5 Meanings

In this clause **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

12 GOVERNING LAW

These Preference Share Terms are governed by the laws of New South Wales, Australia. Each party irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales, and agrees that it will not object to the venue or claim that the relevant action or proceedings have been brought in an inconvenient forum.

13 DEFINITIONS AND INTERPRETATION

13.1 Definitions

The following words and expressions in bold have these meanings in these Preference Share Terms unless the contrary intention appears or the context otherwise requires.

Acquisition Event means:

- a. a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or
- b. a court orders one or more meetings to be convened to approve a scheme of arrangement under Part 5.1 of the Corporations Act which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and either:
 - i. the relevant classes of members pass a resolution approving the scheme; or
 - ii. an independent expert issues a report that the proposals in connection with the scheme are in the best interests of the holders of Ordinary Shares; or
 - iii. Preference Shareholders are treated as being a separate class for the purposes of a scheme of arrangement in respect of the replacement of Westpac as the ultimate holding company of the Westpac Group.

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Notwithstanding the foregoing, the proposed replacement of Westpac as the ultimate holding company of the Westpac Group shall not constitute an Acquisition Event if:

- c. the proposed successor holding company complies with all applicable legal requirements and obtains any necessary regulatory approvals (including APRA's prior written approval);
- d. the proposed successor holding company agrees to take any necessary action to give effect to an amendment to the Preference Share Terms as contemplated in clauses 11.4(a) to (c);
- e. the ordinary shares of the proposed successor holding company are to be listed on an internationally recognised stock exchange; and
- f. the proposed replacement of Westpac and the events described in paragraphs (c) to (e) would not, in the reasonable opinion of Westpac, otherwise adversely affect the interests of Preference Shareholders.

Acquisition Event Conversion Date has the meaning given in clause 4.5(h).

Additional Tier 1 Capital has the meaning contained in the paper *Basel III: A global regulatory framework for more resilient banks and banking systems*, published by the Basel Committee on Banking Supervision on 16 December 2010, as adapted and implemented by APRA, and as subsequently amended and modified by APRA, from time to time.

Administrative Action means any judicial decision, official administrative pronouncement or action, published or private ruling, interpretative decision, regulatory procedure or policy, application of a regulatory procedure or policy and any notice or announcement (including any notice or announcement of intent to adopt or make any of those things).

Approved Replacement Notice has the meaning given to that term in clause 11.4(a).

Approved Replacement Terms has the meaning given to that term in clause 11.4(a).

Approved Successor means a holding company that replaces, or is proposed to replace, Westpac as the ultimate holding company of the Westpac Group and that satisfies the requirements under paragraphs (c) to (f) of the definition of Acquisition Event.

Approved Successor Share means a fully paid ordinary share in the capital of the Approved Successor.

APRA means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any authority succeeding to its powers or responsibilities.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

ASX means ASX Limited (ABN 98 008 624 691).

ASX Listing Rules means the listing rules of ASX from time to time with any modifications or waivers in their application to Westpac, which ASX may grant.

ASX Market Rules means the operating rules of ASX from time to time.

Bank Bill Rate has the meaning given to that term in clause 3.1.

Business Day means a business day as defined in the ASX Listing Rules.

Capital Securities means shares or any equity, hybrid or subordinated debt capital security (whether comprised of one or more instruments) issued by Westpac excluding the Preference Shares. **Capital Security** has the corresponding meaning.

Capital Trigger Event means the ratio of Westpac's Fundamental Tier 1 Capital (or from 1 January 2013, Westpac's Common Equity Tier 1), to risk weighted assets (each as published from time to time) falls to, or below, 5.125%, calculated on a Level 2 basis.

Capital Trigger Event Conversion Date has the meaning given to that term in clause 4.4(d).

Common Equity Tier 1 has the meaning contained in the paper *Basel III: A global regulatory framework for more resilient banks and banking systems* published by the Basel Committee on Banking Supervision on 16 December 2010, as adapted and implemented by APRA, and as subsequently amended and modified by APRA, from time to time.

Conversion has the meaning given in clause 4.8 and includes mandatory Conversion under clause 4.4 and **Convert** and **Converted** have corresponding meanings.

Conversion Conditions has the meaning given to that term in clause 4.2.

Conversion Date means the Scheduled Conversion Date, the Capital Trigger Event Conversion Date, the Acquisition Event Conversion Date or, in respect of early Conversion, the date on which Conversion is to occur as notified in the Early Conversion/Redemption Notice under clause 4.5(g), as the context requires.

Conversion Discount has the meaning given to that term in clause 4.10.

Conversion Number has the meaning given to that term in clause 4.10.

Corporations Act means the *Corporations Act 2001* (Cth).

Current Distribution Period means the period from (but excluding) the most recent Dividend Payment Date in respect of which a Dividend was not paid, to (and including) the next scheduled Dividend Payment Date.

Distributable Profits means the lesser of Level 1 Distributable Profits and Level 2 Distributable Profits.

Dividend has the meaning given to that term in clause 3.1.

Dividend Payment Date has the meaning given to that term in clause 3.5 whether or not a Dividend and Gross-Up Amount is paid on that date.

Dividend Period has the meaning given to that term in clause 3.1.

Dividend Rate has the meaning given to that term in clause 3.1.

Early Conversion/Redemption Notice means a notice given by Westpac to a Preference Shareholder under clause 4.5 specifying that their Preference Shares will be Redeemed or Converted (or combination of both), as the case may be.

Equal Ranking Capital Securities means:

- a. in the case of a dividend, distribution or interest in respect of the Capital Security, a Capital Security (including TPS 2003 Preference Shares, TPS 2004 Preference Shares, TPS 2006 Preference Shares, SPS 2008 I Preference Shares and SPS 2008 II Preference Shares) which ranks or is expressed to rank for payment of the dividend, distribution or interest equally with Preference Shares; and
- b. in the case of redemption or repayment of, reduction of capital on, cancellation of or acquisition of the Capital Security, a Capital Security (including TPS 2003 Preference Shares, TPS 2004 Preference Shares, TPS 2006 Preference Shares, SPS 2008 I Preference Shares and SPS 2008 II Preference Shares) which ranks or is expressed to rank equally with Preference Shares for repayment or a return of capital if Westpac is wound up.

Face Value has the meaning given to that term in clause 1(b).

First Conversion Condition means the condition set out in clause 4.2(a)(i).

Franking Rate has the meaning given to that term in clause 3.2.

Fundamental Tier 1 Capital has the meaning contained in APRA *Prudential Standard APS111 Capital Adequacy: Measurement of Capital*, as subsequently amended and modified by APRA from time to time, net of all Tier 1 Capital deductions otherwise listed in that standard.

Gross-Up Amount has the meaning given to that term in clause 3.2.

Junior Ranking Capital Securities means:

- a. in the case of a dividend, distribution or interest in respect of the Capital Security, a Capital Security which ranks for payment of the dividend, distribution or interest behind Preference Shares; and

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- b. in the case of redemption or repayment of, reduction of capital on, cancellation of or acquisition of the Capital Security, a Capital Security which:
- i. is, or is expressed to be, subordinated on a winding-up of Westpac to the claims of Preference Shareholders; or
 - ii. ranks behind Preference Shares for repayment or a return of capital if Westpac is wound up.

Level 1 and Level 2 means those terms as defined by APRA from time to time.

Level 1 Distributable Profits means:

- a. the aggregate of the consolidated profits after tax of Westpac, its subsidiaries and other entities whose financial results are required to be consolidated with Westpac on a Level 1 basis (calculated before any dividends or distributions on Westpac's Upper Tier 2 Capital and Tier 1 Capital (on a Level 1 basis)) for the immediately preceding two six-monthly financial periods for which results have been publicly announced (or such other amount as determined by APRA in its discretion to be appropriate in Westpac's circumstances for the purposes of paying dividends or distributions on Westpac's Upper Tier 2 and Tier 1 Capital on a Level 1 basis), less
- b. the aggregate amount of dividends or distributions paid or payable by Westpac, its subsidiaries and other entities whose financial results are required to be consolidated with Westpac on a Level 1 basis, on its Upper Tier 2 Capital and Tier 1 Capital in the twelve months to and including the applicable Dividend Payment Date, but excluding:
 - i. dividends or distributions paid or payable to a member of the Level 1 group; and
 - ii. dividends payable in relation to the Preference Shares on the applicable Dividend Payment Date.

Level 2 Distributable Profits means:

- a. the aggregate of the consolidated profits after tax of Westpac, its subsidiaries and other entities whose financial results are required to be consolidated with Westpac on a Level 2 basis (calculated before any dividends or distributions on Westpac's Upper Tier 2 Capital and Tier 1 Capital (on a Level 2 basis)) for the immediately

preceding two six-monthly financial periods for which results have been publicly announced (or such other amount as determined by APRA in its discretion to be appropriate in Westpac's circumstances for the purposes of paying dividends or distributions on Westpac's Upper Tier 2 and Tier 1 Capital on a Level 2 basis), less

- b. the aggregate amount of dividends or distributions paid or payable by Westpac, its subsidiaries and other entities whose financial results are required to be consolidated with Westpac on a Level 2 basis, on Upper Tier 2 Capital and Tier 1 Capital (on a Level 2 basis) in the twelve months to and including the applicable Dividend Payment Date, but excluding:
 - i. dividends or distributions paid or payable to a member of the Level 2 group; and
 - ii. dividends payable in relation to the Preference Shares on the applicable Dividend Payment Date.

Liquidation Sum has the meaning given in clause 6.5.

Maximum Conversion Number has the meaning given to that term in clause 4.3.

Nominated Party has the meaning given to that term in clause 5.1(a).

Optional Conversion/Redemption Date means any Dividend Payment Date falling on or after 31 March 2018.

Ordinary Share means a fully paid ordinary share in the capital of Westpac.

Ordinary Shareholder means a person whose name is registered as the holder of an Ordinary Share.

Preference Share has the meaning given in clause 1(a).

Preference Share Issue Date means the date on which Preference Shares are issued, which is expected to be on or about 23 March 2012.

Preference Share Margin has the meaning given to that term in clause 3.1.

Preference Share Terms means these terms of issue of Preference Shares.

Preference Shareholder means a person entered on the Register of Shareholders as the holder of a Preference Share.

Record Date means for payment of a Dividend and Gross-Up Amount, the date which is 8 calendar days before the Dividend Payment Date for that Dividend and Gross-Up Amount, or such other date as may be required by ASX and adopted by Westpac.

Redemption has the meaning given in clause 4.9 and Redeem and Redeemed have corresponding meanings.

Redemption Date means the date on which Redemption is to occur as notified in the Early Conversion/Redemption Notice under clause 4.5(g).

Register of Shareholders means the register of the holders of Preference Shares maintained by Westpac or its agent and includes any subregister established and maintained under the Clearing House Electronic Subregister System operated by ASTC.

Regulatory Event means either:

- a. receipt by Westpac of advice from a reputable legal counsel to the effect that, as a result of:
 - i. any amendment to, clarification of, or change (including any announcement of a prospective change) in, the laws or regulations of Australia; or
 - ii. any Administrative Action or any amendment to, clarification of, or change in an Administrative Action,

in each case, by any legislative body, court, governmental authority or regulatory body (irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known), which amendment, clarification, change or Administrative Action is effective or Administrative Action is announced on or after the Preference Share Issue Date (whether or not the subject of a notice or announcement prior to that date) (including clarification that does not change the law but differs from Westpac's understanding of the law at the Preference Share Issue Date):

- iii. additional requirements would be imposed on Westpac in relation to the Preference Shares; or
 - iv. there would be a negative impact on Westpac or holders of Preference Shares, which Westpac determines, at its sole discretion, to be unacceptable; or
- b. the determination by Westpac (at its sole discretion) that there is a risk that the Preference Shares will not be included (in whole or in part) in Westpac's Non-innovative residual Tier 1 Capital, or Additional Tier 1 Capital, on a Level 1 or Level 2 basis (except where the non-inclusion results by reason only of any applicable limitation on the amount or composition of Westpac's Tier 1 Capital on a Level 1 or Level 2 basis).

Relevant Date has the meaning given to that term in clause 4.2.

Replacement has the meaning given to that term in clause 11.4(a).

Scheduled Conversion Date has the meaning given to that term in clause 4.4.

Second Conversion Condition means the condition set out in clause 4.2(a)(ii).

Senior Creditors means all creditors of Westpac (present and future), including depositors of Westpac and all holders of Westpac's senior or subordinated debt:

- a. whose claims are admitted in the winding-up of Westpac; and
- b. whose claims are not made as holders of indebtedness arising under:
 - i. an Equal Ranking Capital Security; or
 - ii. a Junior Ranking Capital Security.

Special Resolution means:

- a. a resolution passed at a meeting of Preference Shareholders by a majority of at least 75% of the votes validly cast by Preference Shareholders in person or by proxy and entitled to vote on the resolution; or
- b. the written approval of Preference Shareholders holding at least 75% of the Preference Shares.

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SPS 2008 I Preference Shares means the preference shares of Westpac designated as 2008 Series I Preference Shares.

SPS 2008 II Preference Shares means the preference shares of Westpac designated as 2008 Series II Preference Shares.

Tax Act means:

- a. the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) as the case may be and a reference to any section of the *Income Tax Assessment Act 1936* (Cth) includes a reference to that section as rewritten in the *Income Tax Assessment Act 1997* (Cth); and
- b. any other law setting the rate of income tax payable; and
- c. any regulation made under such laws.

Tax Event means:

- a. any amendment to, clarification of, or change (including any announced prospective change), in the laws or treaties (or any regulations made under such laws or treaties) of any jurisdiction or any political subdivision or taxing authority of the jurisdiction;
- b. any Administrative Action or any amendment to, clarification of, or change in, an Administrative Action, (other than a determination made pursuant to subsection 177EA(5) of the Tax Act which is authorised under the Tax Act as in effect on the Preference Share Issue Date),
in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which amendment, clarification, change or Administrative Action is effective, or which Administrative Action is announced, on or after the Preference Share Issue Date (whether or not the subject of a notice or announcement prior to that date), where Westpac has received an opinion from a reputable legal counsel or other tax adviser experienced in such matters to the effect that, as a result of such amendment, clarification, change or Administrative Action (or amendment, clarification or change in respect of an Administrative Action), there is more than an insubstantial risk (and that risk is materially greater than it was at the Preference Share Issue Date) that:

- c. the Westpac Group would be exposed to a more than *de minimis* increase in its costs in relation to the Preference Shares or any holder of Preference Shares would be exposed to such an increase in relation to the Preference Shares; or
- d. there would be more than a *de minimis* increase in the taxes, duties or government charges imposed on the Westpac Group in respect of or resulting from the Preference Shares or imposed on any holder of Preference Shares; or
- e. Preference Shares would not be treated as equity interests for Australian taxation purposes or any Dividend would not be a frankable distribution within the meaning of Division 202 of the Tax Act or holders of Preference Shares would be denied or otherwise not be entitled to franking credits in respect of Dividends (other than where the Preference Shareholder's lack of entitlement to franking credits in respect of Dividends is a result of any act by or circumstance affecting the Preference Shareholder) or franking debits would be posted to Westpac's franking account.

Tax Rate has the meaning given to that term in clause 3.1.

Test Conversion Number has the meaning given to that term in clause 4.3.

Test Reference Period has the meaning given to that term in clause 4.10(a).

Tier 1 Capital means at any time any equity, debt or hybrid so described by APRA.

TPS 2003 Preference Shares means the preference shares of Westpac designated as 2003 Series 1 Preference Shares.

TPS 2004 Preference Shares means the preference shares of Westpac designated as 2004 Series 1 Preference Shares.

TPS 2006 Preference Shares means the preference shares of Westpac designated as 2006 Series 1 Preference Shares.

Unpaid Dividends means any unpaid Dividends and Gross-Up Amount in respect of the Preference Shares.

Upper Tier 2 Capital means at any time any equity, debt or hybrid so described by APRA.

VWAP means, subject to any adjustments under clause 4.11, the average of the daily volume weighted average sale prices (rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any “crossing” transacted outside the “Open Session State” or any “special crossing” transacted at any time, each as defined in the ASX Market Rules or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

Westpac means Westpac Banking Corporation (ABN 33 007 457 141).

Westpac Directors means some or all of the directors of Westpac acting as a board.

Westpac Group means Westpac and its controlled entities.

13.2 Interpretation

The following rules of interpretation apply in these Preference Share Terms unless the contrary intention appears or the context otherwise requires.

- a. Definitions and interpretation under Westpac’s constitution will also apply to these Preference Share Terms unless the contrary intention is expressed.
- b. Unless the context otherwise requires, if there is any inconsistency between the provisions of these Preference Share Terms and Westpac’s constitution then, to the maximum extent permitted by law, the provisions of these Preference Share Terms will prevail.
- c. Unless otherwise specified, the Westpac Directors may exercise all powers of Westpac under these Preference Share Terms as are not, by the Corporations Act or by Westpac’s constitution, required to be exercised by Westpac in general meeting.
- d. Notices may be given by Westpac to a Preference Shareholder in the manner prescribed by Westpac’s constitution for the giving of notices to members of Westpac and the relevant provisions of Westpac’s constitution apply with all necessary modification to notices to Preference Shareholders.
- e. Unless otherwise specified, a reference to a clause is a reference to a clause of these Preference Share Terms.
- f. If a calculation is required under these Preference Share Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- g. If a payment is required to be made under these Preference Share Terms, unless the contrary intention is expressed, the payment will be made in Australian dollars only.
- h. Any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to Westpac only if Westpac is an entity, or the holding company of an entity, subject to regulation and supervision by APRA at the relevant time.
- i. Any provisions in these Preference Share Terms requiring the prior written approval by APRA for a particular course of action to be taken by Westpac do not imply that APRA has given its consent or approval to the particular action as of the Preference Share Issue Date.
- j. The terms takeover bid, relevant interest, scheme of arrangement, buy-back and on-market buy-back when used in these Preference Share Terms have the meaning given in the Corporations Act.
- k. Headings and boldings are for convenience only and do not affect the interpretation of these Preference Share Terms.
- l. The singular includes the plural and vice versa.
- m. A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re enactments or replacements of any of them.
- n. If an event under these Preference Share Terms must occur on a stipulated day which is not a Business Day, then the event will be done on the next Business Day.
- o. A reference to \$, dollars or cents is a reference to the lawful currency of Australia. A reference to time in these Preference Share Terms is a reference to Sydney, New South Wales, Australia time.

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- p. Calculations, elections and determinations made by Westpac under these Preference Share Terms are binding on Preference Shareholders in the absence of manifest error.

- q. If any provision of these Preference Share Terms is prohibited or unenforceable in its terms but would not be prohibited or unenforceable if it were read down, and is capable of being read down, that provision must be read down accordingly. If, despite this clause, a provision is still prohibited or unenforceable, if the provision would not be prohibited or unenforceable if a word or words were omitted, the relevant words must be severed and, in any other case, the whole provision must be severed. However, the remaining provisions of the Preference Share Terms are of full force and effect.

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