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18 June 2008

Company Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Westpac SPS Prospectus

Attached is a copy of the Westpac SPS Prospectus lodged with ASIC this morning.

Yours sincerely

Alex Crompton
Head of Group Secretariat

Westpac Stapled Preferred Securities

PROSPECTUS

ISSUER

Westpac Banking Corporation
ABN 33 007 457 141

Date of this Prospectus

18 June 2008

STRUCTURING ADVISER:

Deutsche Bank

JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS:

Westpac, Citi, Deutsche Bank, Goldman Sachs JBWere, Macquarie, UBS

Important notices

About this Prospectus

This Prospectus relates to the offer of Westpac Stapled Preferred Securities (Westpac SPS) at an Issue Price of \$100 each to raise approximately \$600 million with the ability to raise more or less ("Offer").

Each Westpac SPS consists of one fully paid, convertible, perpetual Preference Share issued by Westpac stapled to one fully paid, perpetual, non-cumulative, subordinated, unsecured Note issued by Westpac's New York branch.

This Prospectus is dated 18 June 2008 and was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. ASIC and ASX Limited ("ASX") take no responsibility for the content of this Prospectus nor for the merits of the investment to which this Prospectus relates. This Prospectus expires on the date which is 13 months after the date of this Prospectus ("Expiry Date") and no Westpac SPS will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Westpac SPS are not deposit liabilities of Westpac for the purposes of the Banking Act 1959 and are not subject to the depositor protection provisions of Australian banking legislation. The Notes do not constitute deposits of Westpac's New York branch, nor are they insured by the United States Federal Deposit Insurance Corporation or any other governmental agency or compensation scheme of Australia, the United States or any other jurisdiction.

Westpac SPS 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 SPS 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 SPS are in clause 13 of the Preference Share Terms and clause 12 of the Note 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 SPS, Westpac or any return on any investment made under this Prospectus.

The pro-forma 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 SPS. In particular, it is important that you consider the risk factors that could affect the financial performance and position of Westpac SPS 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 SPS. For investment risks that you should consider see Section 5.

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 SPS or the Offer or to otherwise permit a public offering of Westpac SPS in any jurisdiction outside Australia. In particular, Westpac SPS have not been, and will not be, registered under the US Securities Act. Therefore, Westpac SPS 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 each Co-Manager must not offer, sell or deliver Westpac SPS 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 SPS during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of Westpac SPS within the United States or to, or for the account or benefits 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 SPS are Allocated under the Offer, an offer or sale of Westpac SPS within the United States by any dealer that is not participating in the Offer may violate the registration requirements of the 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 the Prospectus to be examined by market participants before the Opening Date.

How to obtain a Prospectus and Application Form

During the Exposure Period, this Prospectus will be available electronically without an Application Form at www.westpac.com.au/investorcentre. Application Forms will not be made available until after the Exposure Period.

During the Offer Period, printed copies of this Prospectus with an Application Form attached to it will be available free of charge by:

- calling the **Westpac SPS Information Line on 1300 139 843** (Monday to Friday, between 8.30am – 5.30pm); or
- if you are an Eligible Securityholder, registering on-line to receive a Prospectus at www.westpac.com.au/investorcentre; or
- downloading it electronically 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 SPS

Applications for Westpac SPS under this Prospectus may only be made during the Offer Period, on an Application Form attached to this Prospectus. 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 SPS. 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 SPS under the Offer and how to make an Application – see pages 6, 7 and 8 for a summary and Section 2 and the Application Forms for full details.

Application Forms will not be made available until after the Exposure Period.

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 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 SPS that you applied for, you will receive a refund cheque as soon as possible after the Closing Date. No interest will be payable on Application Payments.

Trading in Westpac SPS

It is your responsibility to determine your Allocation before trading in Westpac SPS to avoid the risk of selling Westpac SPS you do not own. To assist you in determining your Allocation before the receipt of your Holding Statement, you may call the **Westpac SPS Information Line on 1300 139 843** (if you are an Eligible Securityholder) or contact your Syndicate Broker if you are a Broker Firm Applicant. If you sell Westpac SPS 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 SPS. See Section 8.10 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 SPS Information Line on 1300 139 843**.

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Key dates for the Offer and Westpac SPS

KEY DATES FOR THE OFFER

Date for determining Eligible Securityholders	11 June 2008
Offer Announcement and lodgement of Prospectus with ASIC	18 June 2008
Bookbuild	25 June 2008
Announcement of Margin	26 June 2008
Opening Date for the Offer	26 June 2008
Closing Date for the Securityholder Offer	23 July 2008
Closing Date for the Broker Firm Offer	28 July 2008
Westpac SPS commence trading on ASX on a conditional and deferred settlement basis	29 July 2008
Issue Date	30 July 2008
Westpac SPS commence trading on ASX on an unconditional and deferred settlement basis	31 July 2008
Holding Statements despatched by	6 August 2008
Westpac SPS commence trading on ASX on a normal settlement basis	7 August 2008

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 to withdraw the Offer at any time before Westpac SPS are issued. Accordingly, if you wish to apply for Westpac SPS, 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 SPS on ASX

Westpac will apply to ASX within seven days after the date of this Prospectus for Westpac SPS to be quoted on ASX. Quotation of Westpac SPS is not guaranteed. If ASX does not grant permission for Westpac SPS to be quoted, then Westpac SPS will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as possible.

KEY DATES FOR WESTPAC SPS

Record Date for first Distribution	23 September 2008
Expected first Distribution Payment Date ¹	30 September 2008
Initial Mandatory Conversion Date ²	26 September 2013

Note:

1. Distributions are expected to be paid quarterly subject to certain payment conditions being satisfied (the "Distribution Payment Test" – see Section 1.3.11).
2. Conversion of Westpac SPS to Westpac Ordinary Shares on this date is subject to satisfaction of certain Conversion Conditions – see Section 1.7.4.

Making an Application

The Westpac SPS offer is being made to Eligible Securityholders, Broker Firm Applicants and Institutional Investors. No Application will be accepted (and no Westpac SPS will be issued) until seven days after the date this Prospectus is lodged with ASIC. ASIC may extend that period for up to a further seven days (up to a total of 14 days) by notice in writing to Westpac.

Applications will only be accepted during the Offer Period. Before applying for Westpac SPS, you should read this Prospectus in full. During the Offer Period, Application Forms will be available with a copy of this Prospectus, which can be:

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

- sent to you if you call the **Westpac SPS Information Line on 1300 139 843**; or

- sent to you if you are an Eligible Securityholder and you register on-line to receive a Prospectus via the website address above.

Broker Firm Applicants can obtain a copy of this Prospectus, including a grey Broker Firm Application Form, from their Syndicate Broker during the Offer Period.

For information on who is eligible to apply for Westpac SPS under the Offer and how to make an Application – see pages 6, 7 and 8 for a summary and Section 2 and the Application Forms for full details.

A new security called Westpac SPS

What are Westpac SPS? Westpac SPS are stapled securities that qualify as regulatory capital of Westpac for APRA purposes.

Each Westpac SPS consists of:

- a perpetual, unsecured, non-cumulative subordinated Note issued by Westpac's New York branch ("Westpac NY");

stapled to

- a Preference Share issued by Westpac.

The Notes and Preference Shares cannot be traded separately while they remain Stapled. While Notes and Preference Shares are Stapled, Distributions are payable in respect of the Notes only.

Westpac SPS are being offered by Westpac to raise approximately \$600 million, with the ability to raise more or less. There are risks associated with an investment in Westpac SPS – see Section 5 for a description of risks.

Preferred floating rate Distributions

- Westpac SPS offer Holders preferred, non-cumulative, floating rate Distributions. Distributions are scheduled to be paid quarterly in arrear (subject to the satisfaction of the Distribution Payment Test).
- Distributions are expected to be fully franked and accordingly Holders are expected to receive cash distributions and franking credits. Your ability to use franking credits will depend on your individual tax position. See Section 1.3 for further details. If Distributions are not fully franked, additional Distributions may be payable to you by Westpac – see Section 1.3.5.
- The Distribution Rate is a floating rate and is calculated each quarter as the sum of the Bank Bill Rate per annum plus a Margin per annum, together multiplied by $(1 - \text{Tax Rate})^1$.
- The Margin is expected to be between 2.30% and 2.80% and will be determined following a Bookbuild.
- As an example, if the Bank Bill Rate is 7.9000%² per annum, the Margin is 2.30% per annum and the Distribution is fully franked, then the Distribution Rate for the quarter would be 7.1400% per annum – see Section 1.3.2 for an example of this calculation.
- While the Notes and Preference Shares are Stapled, Distributions are payable in respect of the Notes only. Upon the occurrence of certain events ("Assignment

Note:

1. The Tax Rate is 30% as at the date of this Prospectus.
2. The Bank Bill Rate on 11 June 2008 was 7.9000% per annum.

Events”), the Notes and Preference Shares to which the relevant Assignment Event applies will Unstaple, the relevant Notes will be transferred to Westpac or a relevant member of the Westpac Group (“Assignee”) and Distributions will then only be payable on the Preference Shares (calculated on the same basis as Distributions on the Notes).

Conversion, Transfer and Redemption

- On 26 September 2013 (the “Initial Mandatory Conversion Date”), it is expected that the Westpac SPS will be either:
 - Converted into Ordinary Shares, provided certain conditions (the “Conversion Conditions” – see Section 1.7.4) are satisfied; or
 - Transferred to a Nominated Party at the election of Westpac for cash.
 - Conversion may not occur if the “Conversion Conditions” are not satisfied. If the Conversion Conditions are not satisfied, Westpac SPS may in certain circumstances (subject to APRA’s prior written approval) be Redeemed for cash.
 - If Westpac SPS are not Converted, Transferred, or Redeemed on the Initial Mandatory Conversion Date, then they will remain on issue and may either be Converted, Transferred or Redeemed at the next possible Conversion Date (subject to the same Conversion Conditions as applicable).
 - Westpac SPS may be Transferred for cash or (subject to APRA’s prior written approval) Redeemed for cash or Converted into Ordinary Shares prior to a Mandatory Conversion Date in certain other circumstances – see Section 1.8.1 to 1.8.4.
-

Ranking

- Westpac SPS rank for payment in a winding-up of Westpac ahead of Ordinary Shares and equally with Equal Ranking Capital Securities (which currently include the TPS 2003, TPS 2004 and Westpac TPS), but are subordinated to claims of Westpac deposit holders and other Senior Creditors.
-

Ratings

- Westpac SPS are expected to be rated ‘A+’ by Standard & Poor’s and ‘Aa3’ by Moody’s³.
-

Quotation

- Westpac will apply to have Westpac SPS quoted on ASX and they are expected to trade under the code WBCPA.
-

Note:

3. No consent has been obtained from Standard & Poor’s and Moody’s for the disclosure of these ratings in the Prospectus.

A new security called Westpac SPS

What is the Offer?	The Offer is for the issue of Westpac SPS at an Issue Price of \$100 each to raise approximately \$600 million with the ability to raise more or less.
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 or Westpac TPS at 7.00pm on 11 June 2008 and shown on the Register as having an address in Australia;■ Broker Firm Applicants – Australian retail clients of a Syndicate Broker; and■ Institutional Investors – invited by the Joint Lead Managers. <p>Applications made by Eligible Securityholders may be scaled back by Westpac.</p> <p>There is no general public offer of Westpac SPS. 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 SPS (\$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 SPS 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 SPS, please call the Westpac SPS Information Line on 1300 139 843.</p> <p>If you are a Broker Firm Applicant and have any questions on how to apply for Westpac SPS, you should contact your Syndicate Broker.</p>

What you need to do

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

Read this Prospectus **Read** this Prospectus in full, paying particular attention to the:

- important information on the inside front cover;
- answers to key questions in Section 1;
- investment risks that may be relevant to an investment in Westpac SPS in Section 5; and
- Preference Share Terms in Appendix B and Note Terms in Appendix C.

Consider and consult **Consider** all risks and other information about Westpac SPS in light of your particular investment objectives and your circumstances.

Consult your financial adviser or other professional adviser if you are uncertain as to whether you should apply for Westpac SPS.

Complete an Application Form

Eligible Securityholders:

Option 1: During the Offer Period Eligible Securityholders can apply for Westpac SPS by completing and lodging a pink Securityholder Application Form, which is attached to the Prospectus. Application Forms for Westpac SPS must be lodged together with an Application Payment.

A copy of this Prospectus can be:

- downloaded from the Westpac website at www.westpac.com.au/investorcentre; or
- sent to you if you call the **Westpac SPS Information Line on 1300 139 843**; or
- sent to you if you register on-line to receive a Prospectus on the website above.

Option 2: Eligible Securityholders may also apply for Westpac SPS on-line once the Offer has opened by visiting the Westpac website at www.westpac.com.au/investorcentre and following the instructions. You will need to supply your SRN or HIN to apply on-line.

Broker Firm Applicants: You should contact your Syndicate Broker for more information about how to submit your grey Broker Firm Application Form, Application Payment and Supporting Documentation.

What you need to do

Submit your Application

Eligible Securityholders

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

by mail to the Registry:

Westpac SPS Offer
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

by hand delivery to the Registry:

Westpac SPS Offer
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Your completed pink Securityholder Application Form and Application Payment must be received by the Registry no later than the Closing Date for the Securityholder Offer – which is expected to be **5.00pm on 23 July 2008**.

Eligible Securityholders may also apply for Westpac SPS on-line by visiting the Westpac website at **www.westpac.com.au/investorcentre** and following the instructions. You will need to supply your SRN or HIN to apply on-line.

Broker Firm Applicants

Mail or deliver your completed grey Broker Firm Application Form, Application Payment and Supporting Documentation to your Syndicate Broker in accordance with their instructions. It must be received by the Syndicate Broker in time for them to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer – which is expected to be **10.00am on 28 July 2008**.

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

FOR MORE INFORMATION

On applying for Westpac SPS see Section 2 and the Application Forms. If you have any questions on how to apply for Westpac SPS, call the Westpac SPS Information Line on 1300 139 843 or contact your Syndicate Broker.

Answers to key questions about Westpac SPS

1

This Section answers some key questions you may have about the Offer.

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 Preference Share Terms are set out in Appendix B and the Note Terms are set out in Appendix C.

- 1.1 Description of Westpac SPS
- 1.2 Key risks of investing in Westpac SPS
- 1.3 Distributions
- 1.4 Use of proceeds
- 1.5 Regulation of Westpac
- 1.6 Assignment Event
- 1.7 Mandatory Conversion, Transfer or Redemption
- 1.8 Early Conversion or Redemption and early Transfer
- 1.9 Return of your investment generally
- 1.10 Ranking and voting rights of Westpac SPS
- 1.11 Comparison of Westpac SPS to Westpac TPS
- 1.12 Payment for Westpac SPS
- 1.13 No Set-off
- 1.14 Additional information

Answers to key questions about Westpac SPS

1.1 Description of Westpac SPS

1.1.1 What are Westpac SPS?

Westpac SPS is an acronym for Westpac Stapled Preferred Securities. Each Westpac SPS is a stapled security consisting of:

- a perpetual, unsecured, non-cumulative subordinated Note issued by Westpac NY; stapled to

- a Preference Share issued by Westpac.

Westpac SPS:

- offer Holders non-cumulative, floating rate Distributions payable quarterly in arrear (subject to the satisfaction of the Distribution Payment Test – see Section 1.3.11), which are expected to be fully franked;
- on the Initial Mandatory Conversion Date are expected to be Converted into Ordinary Shares or Transferred to a Nominated Party for \$100 cash per Westpac SPS at the election of Westpac – see Section 1.7.2;
- in the event that Westpac SPS are not Converted, Redeemed or Transferred on the Initial Mandatory Conversion Date, will remain on issue and may be Converted, Redeemed or Transferred at the next possible Conversion Date (subject to the same Conversion Conditions as applicable);
- may, at the election of Westpac, be Converted, Redeemed or Transferred prior to the Initial Mandatory Conversion Date if a Tax Event, Regulatory Event or Acquisition Event occurs;
- will be Converted following an Acquisition Event (subject to the Conversion Conditions being satisfied) if Westpac does not give Holders an Early Conversion/Redemption Notice in respect of the Acquisition Event; and
- rank in priority to Ordinary Shares.

1.1.2 Can Westpac SPS be traded on ASX?

Westpac will apply to ASX within seven days after the date of this Prospectus for Westpac SPS to be quoted on ASX. Quotation is not guaranteed. If ASX does not grant permission for Westpac SPS to be quoted, then Westpac SPS will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as possible.

If Westpac SPS are quoted on ASX you will be able to buy or sell Westpac SPS at the market price at the time through any stockbroker in Australia. There can be no assurances as to what that price will be. It is expected that Westpac SPS will trade under ASX code 'WBCPA'.

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

If you are a Broker Firm Applicant and wish to find out your Allocation of Westpac SPS prior to receiving your Holding Statement, you should contact your Syndicate Broker. Eligible Securityholder Applicants should call the **Westpac SPS Information Line on 1300 139 843**.

1.1.4 Are Westpac SPS independently rated?

Westpac expects that, on issue, the Westpac SPS will be assigned an issue credit rating of 'A+' by Standard & Poor's and 'Aa3' by Moody's.

FOR MORE INFORMATION

On credit ratings relevant to the Offer – see Section 3.5 and for information about the risks associated with credit ratings – see Section 5.1.12

1.1.5 Are Westpac SPS perpetual?

Westpac SPS are effectively perpetual instruments that may only be Converted, Redeemed or Transferred in accordance with their terms (summarised in Sections 1.7 and 1.8).

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

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

FOR MORE INFORMATION

On the Australian taxation consequences of an investment in Westpac SPS – see the Taxation letter from Allens Arthur Robinson in Section 6.

On the potential United States tax consequences of an investment in Westpac SPS – see Section 2.10.3.

1.2 Key risks of investing in Westpac SPS

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

- The market price for Westpac SPS may fluctuate due to various factors (including those set out in Section 5.1.1). It is possible that Westpac SPS may trade at a market price below the Issue Price.
- In addition, the market for Westpac SPS may be less liquid than the market for Ordinary Shares. Holders who wish to sell their Westpac SPS may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Westpac SPS.
- The Distribution Rate will fluctuate over time with movement in the Bank Bill Rate. There is a risk that the rate may become less attractive compared to returns available on comparable securities.
- There is a risk that Distributions will not be paid. See Sections 1.3.10 to 1.3.15 for details of when Distributions may not be paid and the consequences of non-payment.
- The value of your investment in Westpac SPS may be influenced by Westpac's financial performance and position, regardless of when, if ever, your Westpac SPS are Converted. See Sections 5.2 and 5.3 for specific risks associated with an investment in Westpac and Westpac's proposed merger with St.George.

- You may receive cash on the Initial Mandatory Conversion Date if Westpac SPS are Transferred or Redeemed, or Westpac SPS may remain on issue. This may be disadvantageous in light of market conditions or your individual circumstances.
- Conversion, Redemption or Transfer may occur in certain circumstances before the Initial Mandatory Conversion Date (for example, following a Tax Event, Regulatory Event or Acquisition Event), which may be disadvantageous in light of market conditions or your individual circumstances. See Section 1.8 for a description of the circumstances in which this may occur.
- Mandatory Conversion is subject to the Conversion Conditions being satisfied and may not occur on the Initial Mandatory Conversion Date.

These and other risks (including risks associated with Westpac and the proposed merger between Westpac and St.George) are discussed further in Section 5.

1.3 Distributions

1.3.1 What are Distributions?

Distributions paid to Holders will consist of Interest on Notes until an Assignment Event occurs. After an Assignment Event has occurred – see Section 1.6.1, Distributions will consist of Dividends on Preference Shares.

Regardless of whether a Distribution is paid as Interest on Notes or a Dividend on Preference Shares, the amount of the Distribution will be calculated on the same basis. Holders will not be entitled to both Interest on Notes and Dividends on Preference Shares while the Notes and the Preference Shares remain Stapled.

Distributions are based on the Distribution Rate and expected to be paid quarterly in arrear.

Distributions are non-cumulative and subject to the Distribution Payment Test – see Section 1.3.11.

Distributions are expected to be fully franked and accordingly Holders are expected to receive cash distributions and franking credits.

1.3.2 How will the Distribution Rate be determined?

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

(Bank Bill Rate + Margin) × (1 – Tax Rate)	
Bank Bill Rate	The Bank Bill Rate on the first Business Day of the Distribution Period.
Margin	The Margin will be in the range of 2.30%–2.80% 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 Distribution Payment Date expressed as a decimal. As at the date of this Prospectus, the relevant rate is 30% or, expressed as a decimal in the formula, 0.30.

As an example, if the Bank Bill Rate on the Issue Date was the same as on 11 June 2008 and the Margin was at the bottom of the Margin range (2.30%), then assuming that the Distribution will be fully franked the Distribution Rate for the first Distribution Period from (but excluding) the Issue Date to (and including) 30 September 2008 would be calculated as follows:

Bank Bill Rate at 11 June 2008	7.9000% per annum
Plus the Margin	2.30% per annum
	10.2000% per annum
Multiplied by (1 – Tax Rate)	0.70
Distribution Rate	7.1400%¹ per annum

Note:

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

Impact of franking credits

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

If the potential value of the franking credits is taken into account in full, the Distribution Rate of 7.1400% in the example above would be equivalent to an unfranked distribution rate of approximately 10.2000%. However, you should be aware that the potential value of the franking credits does not accrue to you at the same time as you receive the cash distribution.

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.

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 6.

1.3.3 How will Distributions be calculated?

Distributions will be calculated as follows:

Distribution Rate × Issue Price × N	
365	
Distribution Rate	See Section 1.3.2.
Issue Price	\$100 per Westpac SPS.
N	Is the number of days in the Distribution Period.
Distribution Period	Is the period from (but excluding) the previous Distribution Payment Date, or from (but excluding) the Issue Date in the case of the first Distribution Period, to (and including) the relevant Distribution Payment Date.
Distribution Payment Date	See Section 1.3.8.

As an example, if the franked¹ Distribution Rate was 7.1400% per annum as calculated in Section 1.3.2, then the Distribution on each Westpac SPS for a typical Distribution Period would be calculated as follows:

Distribution Rate	7.1400% per annum
Multiplied by the Issue Price	× \$100.00
Multiplied by the number of days in the Distribution Period ² (N)	× 90
Divided by	÷ 365
Cash amount of Distribution³	\$1.7605

Note:

1. 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 information in Section 6 of this Prospectus.
2. Distribution Periods will generally have approximately 90-92 days in them. The first Distribution Period is an exception as it starts on the day after the Issue Date and runs to (and including) 30 September 2008, and comprises 62 days.
3. All calculations of payments will be rounded to four decimal places. Any fraction of a cent is disregarded when paying Distributions on a Holder's aggregate holding of Westpac SPS. The Distribution Rate on which this calculation is based, and the Distribution, are for illustrative purposes only and do not indicate the actual Distribution Rate or Distribution. It is not a guarantee or forecast of the actual Distribution that may be obtained.

1.3.4 Will Distributions be fully franked?

Westpac expects, but does not guarantee, that Distributions will be fully franked. This means that Distributions are expected to carry full franking credit benefits. If there is a change in the Tax Rate, the Distribution Rate will change accordingly – see the formula for calculating the Distribution Rate in Section 1.3.2.

1.3.5 What happens if Distributions are not fully franked?

If a Distribution is not fully franked (other than because of an act by, or circumstance affecting, a particular Holder), then Holders will be entitled to receive a Gross-Up Amount on the Distribution Payment Date to compensate for the unfranked amount. The payment of any applicable Gross-Up Amount is also subject to the Distribution Payment Test – see Section 1.3.11.

The formula for determining the Gross-up Amount is:

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

FOR MORE INFORMATION

On the franking and other taxation consequences for Notes and Preference Shares – see the Taxation letter from Allens Arthur Robinson in Section 6.

1.3.6 Will the Margin change?

The Margin will be determined under the Bookbuild, and will not change after that determination is made.

1.3.7 What is the Bank Bill Rate?

The Bank Bill Rate is determined from a key per annum benchmark interest rate for the Australian money market, commonly used by major Australian financial institutions to lend short-term cash to each other over a 90-day period. This rate changes to reflect the supply and demand within the cash and currency markets. The graph in Section 5.1.2 illustrates the movement in the 90-day Bank Bill Rate over the last 10 years.

FOR MORE INFORMATION

On the definition of Bank Bill Rate – see clause 12 of the Note Terms and clause 13 of the Preference Share Terms.

1.3.8 When will Distributions be paid?

Distributions are scheduled to be paid quarterly in arrear on the Distribution Payment Dates and on any Redemption Date or Conversion Date, subject to the Distribution Payment Test.

The Distribution Payment Dates are:

- 30 September, 31 December, 31 March and 30 June commencing 30 September 2008 (which is the first Distribution Payment Date) until and including 30 June 2013;
- the Initial Mandatory Conversion Date (26 September 2013); and
- following the Initial Mandatory Conversion Date (if Westpac SPS are not Converted or Redeemed on that date) each 31 December, 31 March, 30 June and 30 September commencing 31 December 2013 until the Westpac SPS are Converted or Redeemed.

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

The first Distribution Period runs from (but excluding) the Issue Date to (and including) 30 September 2008.

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

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

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

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

1.3.9 How will Distributions be paid?

Distributions will be paid in Australian dollars. Westpac will only pay Distributions directly into an Australian dollar account of a financial institution nominated by you and recorded by the Registry. If you are Allotted any Westpac SPS, 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 Distribution paid to you is unsuccessful, then you will be sent a notice advising

you of the amount of the Distribution. In that case the funds will be held in a trust account (maintained by Westpac) as a non-interest bearing deposit or paid by Westpac under legislation relating to unclaimed money.

Westpac reserves the right to vary the way in which any Distribution is paid in accordance with the Note Terms and Preference Share Terms.

FOR MORE INFORMATION

On how your Distributions will be paid – see clause 9 of the Note Terms and clause 9 of the Preference Share Terms.

1.3.10 Will Distributions always be paid?

There is no guarantee that Distributions will always be paid as they are subject to the satisfaction of the Distribution Payment Test. After an Assignment Event Date, the payment of Dividends on the Preference Shares will be subject to the Corporations Act and any other law regulating the payment of Dividends (as well as being subject to the Distribution Payment Test).

The Westpac Directors will resolve not to pay a Distribution (or Optional Dividend – see Section 1.3.13) if in their opinion, making the payment would result in Westpac becoming, or likely to become, insolvent.

1.3.11 What is the Distribution Payment Test?

The Distribution Payment Test will not be satisfied in respect of the payment of a Distribution (or any Optional Dividend – see Section 1.3.13) if:

- in the case of the Notes, the Westpac Directors, determine (in their absolute discretion) not to pay that Distribution, or, in the case of Preference Shares (following an Assignment Event), the Westpac Directors do not determine to pay the Distribution; or
- the amount of the Distribution (or Optional Dividend) exceeds Distributable Profits, unless APRA otherwise gives its prior written approval; or
- APRA objects to the payment of the Distribution, or in the instance of an Optional Dividend, APRA has not given its prior written approval for the payment of the Optional Dividend.

1.3.12 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 Distribution Payment Date, but excluding:
 - dividends or distributions paid or payable to another member of the Westpac Group; and
 - Distributions payable in relation to Westpac SPS on the applicable Distribution Payment Date.

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

FOR MORE INFORMATION

On the definition of Distributable Profits – see clause 12.1 of the Note Terms and clause 13.1 of the Preference Share Terms.

On the investment risks associated with Westpac's financial performance and position, which could affect Westpac's profits – see Section 5.2.

1.3.13 What happens if a Distribution is not paid in full?

Distributions are non-cumulative. If a Distribution is not paid in full because the Distribution Payment Test is not satisfied, you will not receive the unpaid portion of that Distribution. However, if the Unpaid Distribution is unpaid Interest an Assignment Event will occur and the Notes will Unstaple from the Preference Shares.

Following the Preference Shares becoming Unstapled from the Notes, Westpac may choose to pay an Optional Dividend (subject to APRA's prior written approval) equal to the aggregate amount of any Unpaid Distributions that were scheduled to be paid in the 12 months before the date of the Optional Dividend. The payment of an Optional Dividend is subject to the Distribution Payment Test.

FOR MORE INFORMATION

On Optional Dividends – see clause 3.6 of the Preference Share Terms.

1.3.14 What is the consequence for Westpac if a Distribution is not paid?

If for any reason a Distribution is not paid in full within 20 Business Days of a Distribution Payment Date, then an Assignment Event will occur – see Section 1.6.1.

Additionally, if for any reason a Distribution is not paid in full within 20 Business Days of a Distribution Payment Date, the Dividend and Capital Stopper will apply to Westpac.

1.3.15 What is the Dividend and Capital Stopper?

The Dividend and Capital Stopper will generally restrict Westpac from:

- declaring or paying any interest, dividends or income distributions on Equal Ranking Capital Securities or Junior Ranking Capital Securities, including dividends on Westpac Ordinary Shares; or
- reducing, redeeming, cancelling or acquiring, for any consideration, any Junior Ranking Capital Securities.

The Dividend and Capital Stopper will no longer apply if:

- four consecutive Dividends scheduled to be paid after the Distribution Payment Date for the Distribution that has not been paid are paid in full; or
- Westpac pays an Optional Dividend, equal to the aggregate amount of any Unpaid Distributions scheduled to be paid in the 12 months before the date of the Optional Dividend; or
- all Preference Shares are Redeemed or Converted; or
- a Special Resolution of Preference Shareholders has been passed approving the otherwise restricted action,

and APRA does not otherwise object.

There are a limited number of exceptions to the Dividend and Capital Stopper, including that Westpac is allowed to make proportionate payments on the Preference Shares and other Equal Ranking Capital Securities.

FOR MORE INFORMATION

On the Dividend and Capital Stopper – see clauses 3.10 and 3.11 of the Preference Share Terms.

1.4 Use of proceeds

1.4.1 Why is Westpac issuing Westpac SPS?

The issue of Westpac SPS is consistent with Westpac's capital management strategy and will be treated as Non-Innovative Residual Tier 1 capital for APRA regulatory capital purposes.

The Westpac SPS will provide Westpac with cost-effective Tier 1 funding while enhancing Westpac's capital management flexibility. As at 31 March 2008, Westpac had over \$1 billion of unused Residual Tier 1 capacity following the redemption of the Westpac FIRsTS Tier 1 hybrid in December 2007. The issue of Westpac SPS will better align Westpac's Residual Tier 1 capital mix to APRA's revised capital adequacy standards – see Section 1.5.2.

1.4.2 What will Westpac do with the proceeds of the Offer?

It is the current intention that the proceeds received under the Offer by Westpac NY will be used in Westpac's London branch and Westpac's New Zealand operations to repay existing funding from Westpac head office. Westpac head office will use those proceeds for general funding purposes.

1.5 Regulation of Westpac

1.5.1 Who is APRA?

The Australian Prudential Regulation Authority ("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.

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

On 30 November 2007, APRA released new prudential standards reflecting changes to its approach to capital adequacy for banks and giving effect to the implementation of the Basel II capital adequacy regime in Australia. The revised capital adequacy standards took effect from 1 January 2008.

APRA prudential standards separate Residual Tier 1 Capital into Innovative Tier 1 Capital and Non-Innovative Residual Tier 1 Capital and specify the requirements for securities to qualify as Innovative Tier 1 Capital and Non-Innovative Residual Tier 1 Capital.

Mandatory convertible preference shares can qualify under these APRA standards as Non-Innovative Residual Tier 1 Capital if certain requirements are met. These requirements include the Maximum Conversion Number – see Section 1.7.8.

APRA has confirmed that Westpac SPS will be treated as Non-Innovative Residual Tier 1 Capital under the new capital adequacy standards.

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 SPS on Westpac's capital adequacy – see Section 3.4.2.

1.6 Assignment Event

1.6.1 What is an Assignment Event?

An Assignment Event, in respect of specified Westpac SPS, means the occurrence of any of the following events or dates:

- a date Westpac selects in its absolute discretion; or
- the appointment by APRA of a statutory manager to Westpac; or
- the date the Preference Shares are Converted or Redeemed, immediately prior to the Conversion or Redemption taking effect; or
- Interest and Gross-Up Amount on the Notes not having been paid in full to Holders within 20 Business Days of an Interest Payment Date; or
- an Event of Default (as defined in the Note Terms).

1.6.2 What happens if an Assignment Event occurs?

Under clause 2.4(c) of the Note Terms, each Holder is bound by the irrevocable offer made to Westpac by the Initial Purchaser – see Section 7.5, to assign the Notes they hold to Westpac or its nominee (the "Assignee") upon the occurrence of an Assignment Event.

If an Assignment Event occurs, the following will automatically occur in relation to Westpac SPS to which the Assignment Event applies on the Assignment Event Date, in the following order:

- Westpac shall accept the offer of Holders to assign the Notes to the Assignee;

- the relevant Notes will become Unstapled from the relevant Preference Shares; and
- the relevant Notes, and all right, title and interest of Noteholders in them, are assigned to the Assignee.

After the assignment of Notes on the Assignment Event Date, Holders will only hold a Preference Share for each Westpac SPS they hold in relation to which the Assignment Event has occurred. All rights to receive principal and Interest on the assigned Note following such assignment are transferred from Noteholders to the Assignee.

Following Unstapling of Preference Shares from Notes on the Assignment Event Date, Dividends become payable on the Preference Shares comprising the Westpac SPS that have had their corresponding Note assigned to the Assignee. The first Dividend Period for the first Dividend payable on those Preference Shares will commence from (but excluding) the last Interest Payment Date on or prior to the Assignment Event Date.

Westpac will make an announcement to ASX that the Assignee has taken assignment of Notes as soon as reasonably practicable following that occurring.

FOR MORE INFORMATION

On the definition and implications of an Assignment Event – see clauses 12.1 and 4 respectively of the Note Terms in Appendix C.

1.7 Mandatory Conversion, Transfer or Redemption

1.7.1 When is the Mandatory Conversion Date?

The Mandatory Conversion Date will be the earlier of:

- 26 September 2013 – the “Initial Mandatory Conversion Date”; and
- the first Distribution Payment Date after 26 September 2013,

on which both Conversion Conditions are satisfied – see Section 1.7.4.

1.7.2 What will happen on the Initial Mandatory Conversion Date?

On the Initial Mandatory Conversion Date it is expected that the Westpac SPS will be either:

- Converted into Ordinary Shares, provided the Conversion Conditions are satisfied – see Sections 1.7.3 & 1.7.4; or
- Transferred to a Nominated Party for \$100 cash per Westpac SPS, provided Westpac has given Holders a Transfer Notice at least 30, but no more than 50, Business Days prior to that date (see Section 1.7.6).

If Westpac has not issued a Transfer Notice and the First Conversion Condition is not satisfied then Westpac SPS may, subject to APRA’s prior written approval, be Redeemed for cash.

If Westpac SPS are not Converted, Transferred or Redeemed on the Initial Mandatory Conversion Date, then they will remain on issue and may be Converted, Transferred or Redeemed at the next possible Mandatory Conversion Date (subject to the Conversion Conditions as applicable).

1.7.3 What is Conversion?

Conversion means the conversion of Westpac SPS into a variable number of Ordinary Shares in accordance with the formula contained in clause 4.10 of the Preference Share Terms. Conversion may only occur if the Conversion Conditions are satisfied – see Section 1.7.4.

The method for calculating the number of Ordinary Shares to be issued on Conversion is described in Section 1.7.7.

1.7.4 What are the Conversion Conditions?

The Conversion Conditions in relation to the Initial Mandatory Conversion Date, or any other possible Conversion Date, are satisfied where:

- the Test Conversion Number on the 25th Business Day before the relevant Conversion Date is no greater than 90% of the Maximum Conversion Number (the “First Conversion Condition”); and
- the Conversion Number on the relevant Conversion Date is no greater than the Maximum Conversion Number (the “Second Conversion Condition”).

Conversion cannot occur unless both Conversion Conditions are satisfied. See Section 1.7.7 regarding the Conversion Number and Section 1.7.8 regarding the Maximum Conversion Number.

1.7.5 What is Redemption?

Redemption of Westpac SPS by Westpac can occur by way of:

- redemption; or
- share buy-back (other than an on-market share buy-back); or
- capital reduction.

In any of those cases, the Redeemed Westpac SPS are cancelled. If Westpac SPS are Redeemed, Westpac will pay Holders \$100 (the "Face Value") for each Westpac SPS Redeemed. The Redemption Date will also be a Distribution Payment Date and a Distribution may therefore also be paid on that date (subject to the Distribution Payment Test).

If Redemption is to be completed by way of share buy-back, under the Preference Share 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 Preference Share Terms.

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

Westpac may (subject to APRA's prior written approval) elect to Redeem the Westpac SPS in certain circumstances – see Sections 1.7.2 and 1.8.1.

1.7.6 What is Transfer?

If Westpac elects to have the Westpac SPS Transferred instead of Converting them on a potential Mandatory Conversion Date, Westpac will arrange for a third party nominated by Westpac ("Nominated Party") to undertake to purchase from Holders all Westpac SPS for their Face Value on the potential Mandatory Conversion Date. On Transfer, Holders will receive the face value of \$100 for each Westpac SPS 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 fulfill) 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 'AA-' from Standard & Poor's or 'Aa3' 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 SPS will not be Transferred to the Nominated Party, will not be Converted on that date and Holders will continue to hold their Westpac SPS. Conversion

may, subject to the satisfaction of the Conversion Conditions, occur on the next potential Mandatory Conversion Date (if the Westpac SPS are not otherwise Redeemed or Transferred on that date).

FOR MORE INFORMATION

On Transfer Notices – see clause 5.1 of the Preference Share Terms.

1.7.7 How many Ordinary Shares will I receive if Westpac SPS are Converted?

Upon a Conversion, Holders will receive for each Westpac SPS a Conversion Number of Ordinary Shares. In practice, the Conversion Number will operate so that Holders will receive approximately \$101.01¹ worth of Ordinary Shares per Westpac SPS upon Conversion.

The Conversion Number is calculated using the following formula:

	Face Value
	$\text{VWAP} \times (1 - \text{CD})$
Face Value	\$100
CD	Is the Conversion Discount, which is 1%.
VWAP¹	Is defined in clauses 4.10(a) and 13.1 of the Preference Share Terms, but generally is the average of the daily volume weighted average price of Ordinary Shares on ASX for the 20 Business Days on which trading in Ordinary Shares took place immediately preceding, but not including, the relevant Conversion Date.

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

Note:

1. The VWAP used to calculate the Conversion Number may differ from the Ordinary Share price at the time of Conversion. Accordingly, the value of Ordinary Shares received at the time of Conversion of each Westpac SPS may be worth more or less than \$101.01.

1.7.8 What is the Maximum Conversion Number?

The Maximum Conversion Number is calculated using the following formula:

Face Value	
$0.5 \times \text{Issue Date VWAP}$	
Face Value	\$100
Issue Date VWAP	Means the average of the daily volume weighted average price 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 Preference Share Terms).

For example, if the Issue Date VWAP is \$22.00, then the Maximum Conversion Number would be 9.0909 Ordinary Shares per Westpac SPS (prior to any adjustments in accordance with the Preference Share Terms).

The Maximum Conversion Number operates so that if the number of Ordinary Shares arising from Conversion (as calculated in accordance with the formula in Section 1.7.7) exceeds 90% of the Maximum Conversion Number on the 25th Business Day before the relevant Conversion Date, or exceeds the Maximum Conversion Number on the Conversion Date, Conversion will not occur.

The Maximum Conversion Number may be adjusted up or down to reflect transactions affecting the capital of Westpac (including capital reconstructions, buy-backs, returns of capital and bonus and rights issues) as set out in clauses 4.11 to 4.16 of the Preference Share Terms.

1.7.9 Under what circumstances will the Conversion Conditions be satisfied?

The satisfaction of the Conversion Conditions in respect of any relevant Conversion Date will depend on the VWAP of Ordinary Shares around the time of the relevant Conversion Date and the Issue Date VWAP. This is because the VWAP around the time of the relevant Conversion Date is used to determine the Test

Conversion Number and the Conversion Number, and the Issue Date VWAP is used to determine the Maximum Conversion Number – see Section 1.7.4 for a description of the Conversion Conditions and Section 1.7.8 for a description of the Maximum Conversion Number.

For example, if the Issue Date VWAP is \$22.00, then:

- if the VWAP on the 25th Business Day prior to the relevant Conversion Date is equal to or greater than \$12.35, then the First Conversion Condition would be satisfied (\$100 divided by 99% of \$12.35 = 8.1790, which is no greater than 90% of 9.0909 (the Maximum Conversion Number)); and
- if the VWAP on the relevant Conversion Date is equal to or greater than \$11.12, then the Second Conversion Condition would be satisfied (\$100 divided by 99% of \$11.12 = 9.0836, which is no greater than the Maximum Conversion Number of 9.0909).

In this example, the Conversion Conditions are satisfied, and Conversion could occur. 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 potential Conversion Date.

See clauses 4.3 and 4.10 of the Preference Share Terms for details on how the Conversion Number, the Test Conversion Number and the Maximum Conversion Number are calculated.

1.8 Early Conversion or Redemption and early Transfer

1.8.1 When can Westpac elect early Conversion or Redemption for my Westpac SPS?

If a Regulatory Event or Tax Event occurs, Westpac may elect (subject to APRA's prior written approval) to Convert or Redeem (or a combination of these) some or all Westpac SPS by providing an Early Conversion/Redemption Notice to Holders within 20 Business Days of receiving APRA's prior written approval to Convert and/or Redeem (as applicable).

If an Acquisition Event occurs, Westpac may elect (subject to APRA's prior written approval) to Convert or Redeem (or a combination of these) all (but not some only) Westpac SPS by providing an Early Conversion/Redemption Notice. If no Early Conversion/Redemption Notice is issued by Westpac following an Acquisition Event within the time specified in the Preference Share Terms, all Westpac SPS will be Converted (subject to the satisfaction of the

Conversion Conditions) on the date that is 40 Business Days following the occurrence of the Acquisition Event (or such other date specified by Westpac, which must be within 5 Business Days of this date).

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

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

The number of Ordinary Shares issued will be calculated using the method described in Section 1.7.7.

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 mandatory Conversion, with the Conversion Date expected to be within 30 days following the Early Conversion/Redemption Notice.

See Section 1.7.4 for a description of the Conversion Conditions.

1.8.4 What is early Transfer?

Following the occurrence of a Tax Event, Regulatory Event or Acquisition Event, Westpac may elect to issue an Early Transfer Notice no later than 30 Business Days prior to the potential Conversion Date or Redemption Date relevant to that event, which specifies that all Westpac SPS will be acquired by a Nominated Party. If an Early Transfer Notice is issued by Westpac, the same provisions will apply as if a Transfer Notice had been issued in respect of a potential Mandatory Conversion Date – see Section 1.7.6.

FOR MORE INFORMATION

On Early Transfer Notices – see clauses 5.1 and 5.2 of the Preference Share Terms in Appendix B.

1.8.5 What is a Tax Event?

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

- the Westpac Group or any Holder will incur more than an insubstantial increase in costs or taxes in relation to Westpac SPS; or
- the loans arising from the application of the funds raised from the issue of Westpac SPS will be similarly exposed to such an increase; or
- the Distributions will not be frankable; or
- the Preference Shares or Notes will not be treated as equity interests for Australian tax purposes.

FOR MORE INFORMATION

On the definition and implications of a Tax Event – see clauses 13.1 and 4.5 respectively of the Preference Share Terms in Appendix B.

1.8.6 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 SPS 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 SPS will no longer be eligible for inclusion in Westpac's Non-Innovative Residual 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 13.1 and 4.5 respectively of the Preference Share Terms in Appendix B.

1.8.7 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:
 - 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
 - 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.

Notwithstanding the foregoing, an Acquisition Event will not have occurred where Westpac is replaced as the ultimate holding company of the Westpac Group by a Successor Holding Company and certain conditions are satisfied.

FOR MORE INFORMATION

On the definition and implications of an Acquisition Event – see clauses 13.1 and 4.5 respectively of the Preference Share Terms in Appendix B.

1.8.8 Conversion if Successor Holding Company is put in place

If a Successor Holding Company is put in place, and this does not trigger an Acquisition Event, the Preference Share Terms may be amended (with APRA's prior written approval) to the extent necessary and subject to complying with all relevant laws, to ensure that Preference Shareholders may, if appropriate, participate in any relevant arrangements in connection with that event.

FOR MORE INFORMATION

On the implications of a Successor Holding Company for Westpac SPS Holders – see clauses 4.6 and 11.3 of the Preference Share Terms in Appendix B.

1.9 Return of your investment generally

1.9.1 Are Distributions and your investment in Westpac SPS guaranteed?

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

The value of Westpac SPS as quoted on ASX may be lower or higher than the Issue Price paid by you for Westpac SPS. This may be due to a number of factors including prevailing interest rates, other economic factors, Westpac's financial performance and position and the Distributions actually paid.

In certain circumstances Westpac SPS 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, Redemption or Transfer of your Westpac SPS once you have invested in them?

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

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

Yes. In the unlikely event of a winding-up of Westpac, it is possible that Conversion, Redemption or Transfer 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.

In addition, if Westpac has not elected to Redeem or Transfer Westpac SPS, APRA has not provided its prior written approval (if required) for Redemption or Conversion or the Conversion Conditions are not satisfied, Holders will not have their Westpac SPS Converted, Redeemed or Transferred and will hold their Westpac SPS until Conversion subsequently occurs (if at all), which will be dependent upon the future Ordinary Share price – see Section 1.7.

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 5.

1.10 Ranking and voting rights of Westpac SPS

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

In the unlikely event of a winding-up of Westpac, an Assignment Event will occur and it is expected that the Notes will be Unstapled and transferred to the Assignee. Holders will continue to hold the Preference Shares. The right of Holders of Preference Shares to receive a return of capital on a winding-up of Westpac will rank ahead of Ordinary Shares and equally with the Equal Ranking Capital Securities but subordinated to depositors and other Senior Creditors.

In a winding-up of Westpac, the Notes will be assigned to the Assignee who will be entitled to be paid the Liquidation Sum for each Note that it holds, and the Holder of Preference Shares will also be entitled to be paid the Liquidation Sum for each Preference Share it holds. This is an amount for each Note up to its Issue Price and for each Preference Share up to its Face Value, and any due but Unpaid Distributions in respect of the Note and Preference Share, 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 SPS, and does not affect the subordination of the Preference Shares or Notes as described in this Section 1.10.1.

Westpac SPS are not deposit liabilities of Westpac and are not subject to the depositor protection provisions of Australian banking legislation. The Notes do not constitute deposits of Westpac NY and are not insured by the United States Federal Deposit Insurance Corporation or any other governmental agency or compensation scheme of Australia, the United States or any other jurisdiction.

FOR MORE INFORMATION

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

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

Westpac may issue other securities, including further Westpac SPS, or other Capital Securities that rank equally with, ahead of or behind Westpac SPS 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 5.1.15.

1.10.3 Do Westpac SPS have any participation rights?

Westpac SPS do not carry a right 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 during which a Dividend (or part of a Dividend) in respect of the Preference Shares is in arrears;
- on a proposal to reduce Westpac's share capital;
- on a proposal that affects rights attached to Preference Shares;
- on a resolution to approve the terms of a buy-back agreement, other than a buy-back agreement relating to Westpac SPS;
- 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, Holders shall be entitled:

- on a show of hands, to exercise one vote when entitled to vote under any circumstance set out above; and
- on a poll, to exercise one vote for each Preference Share held by them when entitled to vote under any circumstance set out above.

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 Preference Shares – see clause 7 of the Preference Share Terms.

On the rights attaching to Ordinary Shares – see Section 7.2.

1.10.5 Can the Westpac Note Terms and Preference Share Terms be amended?

Subject to complying with all applicable laws and with APRA's prior written approval (if required), Westpac may amend the Note Terms and Preference Share 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 SPS 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 Note Terms and Preference Share Terms (with APRA's prior written approval if required) if the amendment has been approved by a special resolution of Holders.

1.11 Comparison of Westpac SPS to Westpac TPS

1.11.1 What are the differences between Westpac SPS and Westpac TPS?

Westpac TPS are Tier 1 qualifying securities currently on issue by the Westpac Group. Westpac TPS and Westpac SPS do have similarities in that they are both hybrid securities that qualify as Residual Tier 1 Capital for Westpac under APRA guidelines.

However, they do differ considerably in several key respects. Westpac TPS are trust-based hybrid securities issued by a trust reliant on income from Westpac, whilst Westpac SPS are issued directly by Westpac. The table on page 26 provides a comparison of the key terms of Westpac SPS and Westpac TPS, but is not exhaustive.

1.12 Payment for Westpac SPS

1.12.1 What will you be required to pay?

The Issue Price for each Westpac SPS is \$100. The minimum number of Westpac SPS that you can apply for is 50, requiring a minimum application amount of \$5,000. Applications for greater than the minimum application amount must be in multiples of 10 Westpac SPS – that is \$1,000. No further payment is required upon Application.

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 SPS on ASX after Westpac SPS 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 SPS. The costs of carrying out the Offer and maintaining an ASX listing for the Westpac SPS will be paid by Westpac.

1.13 Can you set-off any amounts that you owe to Westpac?

If there are any amounts that you owe to Westpac as a Holder you have no right to set-off those amounts owing against any claims for amounts owing by Westpac to you.

1.14 Additional Information

1.14.1 Will the proposed merger between Westpac and St.George affect the Westpac SPS?

Westpac intends that the issue of the Westpac SPS will proceed regardless of whether the proposed merger proceeds or not.

If the proposed merger proceeds, Westpac SPS will remain on issue in accordance with their terms.

FOR MORE INFORMATION

On the proposed merger between Westpac and St.George – see Section 4.

1.14.2 Is the Westpac SPS Offer linked to the proposed merger with St.George?

No. The issue of Westpac SPS forms part of Westpac's capital management strategy – see Sections 1.4.1 and 3.2.

1.14.3 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 8.2.2. If, after reading this Prospectus, you have any questions, then you should contact your financial adviser or other professional adviser or call the **Westpac SPS Information Line on 1300 139 843.**

Comparison of Westpac SPS to Westpac TPS		
	Westpac SPS	Westpac TPS
ASX code	WBCPA ¹	WCTPA
Legal form	Stapled Security consisting of one Preference Share and one Note issued by Westpac	Preferred units in the Westpac TPS Trust
Issue Credit Rating (as relevant)²	<ul style="list-style-type: none"> ■ Standard & Poor's 'A+' (provisional) ■ Moody's 'Aa3' (provisional) 	<ul style="list-style-type: none"> ■ Standard & Poor's 'A+' ('A-' at issue) ■ Moody's 'Aa3' ('A2' at issue)
Distributions	Floating rate Distributions – payable quarterly in arrear subject to a Distribution Payment Test	Floating rate Distributions – payable quarterly in arrear subject to a Distribution Payment Test
Expected to be fully franked	Yes	Yes
Distribution Rate	$(\text{Margin} + 90 \text{ day Bank Bill Rate}) \times (1 - \text{Tax Rate})$	$(\text{Margin} + 90 \text{ day Bank Bill Rate}) \times (1 - \text{Tax Rate})$
Margin/Step-up	<ul style="list-style-type: none"> ■ Margin of 2.30%–2.80% per annum (to be determined under the Bookbuild); ■ There is no step-up in the margin 	<ul style="list-style-type: none"> ■ Initial margin of 1.00% per annum until the step-up date (30 June 2016); ■ After the step-up date, the initial margin increases by a one time step-up of 1.00% per annum
Issuer redemption rights (subject to prior written APRA approval if required)	Yes, in certain specified circumstances – see Sections 1.7 and 1.8	Yes, on the step-up date and in certain specified circumstances
Potential Conversion to Ordinary Shares	Mandatory Conversion to ordinary shares 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 liquidation	Equally with Equal Ranking Capital Securities – see Section 1.10	Equally with Equal Ranking Preference Shares as Westpac TPS will have exchanged into preference shares of Westpac

Note:

1. Westpac will apply to have Westpac SPS quoted on ASX and they are expected to trade under the code WBCPA.
2. An Issue Credit Rating of 'BBB-' or higher from Standard & Poor's or 'Baa3' or higher by Moody's is considered to be 'investment grade' – see Section 3.5 for credit ratings that are relevant to this Offer and Section 5.1.12 for investment risks associated with credit ratings.

Details of the Offer

2

This Section sets out what you must do if you wish to apply for Westpac SPS, including:

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

Details of the Offer

2.1 The Offer

The Offer is for the issue of Westpac SPS at an Issue Price of \$100 each to raise approximately \$600 million with the ability to raise more or less.

The Offer consists of:

- a Securityholder Offer, which will be made to Eligible Securityholders;
- a Broker Firm Offer, which will be made to Broker Firm Applicants; and
- an Institutional Offer, which will be made to certain Institutional Investors who are invited by the Joint Lead Managers to bid for Westpac SPS 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 SPS if you are:

- an Eligible Securityholder – that is a registered holder of Ordinary Shares or Westpac TPS at 7.00pm on 11 June 2008 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 2.8.

There is no general public offer of Westpac SPS. 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 SPS or otherwise permit a public offer of Westpac SPS in any jurisdiction outside Australia where such an offer is made under the laws in that jurisdiction.

2.3 When to apply

The Offer is expected to open on 26 June 2008.

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 on 23 July 2008**. Completed Securityholder Application Forms and Application Payments must be received by the Registry no later than that time – see Section 2.6.1; and
- the Broker Firm Offer is expected to be **10.00am on 28 July 2008**. Completed Broker Firm Application Forms, Application Payments and Supporting Documentation must be received by Syndicate Brokers under arrangements made between them and the Broker Firm Applicant so that the Syndicate Broker can process that Application by 10.00am on 28 July 2008 – see Section 2.6.2.

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 SPS are issued. Also, ASIC may extend the Exposure Period by up to seven days in which case the Opening Date will be varied accordingly without notice. If you wish to apply for Westpac SPS 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 SPS, then you should complete and return a pink Securityholder Application Form, which will be attached to the Prospectus during the Offer Period.

Mail or deliver your Application Form and Application Payment

Your completed Application Form and Application Payment should be returned 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 (5.00pm on 23 July 2008).

Apply and Pay on-line

Eligible Securityholders may also apply on-line by visiting the Westpac website at **www.westpac.com.au/investorcentre** and following the instructions.

You will need to provide your HIN or your SRN for your holding of Ordinary Shares or Westpac TPS to apply for Westpac SPS.

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 submit a grey Broker Firm Application Form, Application Payment and Supporting Documentation.

The Application process for Broker Firm Applicants differs in three important respects from the process described for Eligible Securityholders. For Broker Firm Applicants:

- Application Payments must be paid directly to the Syndicate Broker (not using cheques made out to 'Westpac SPS Offer');
- you must provide Supporting Documentation together with your completed Broker Firm Application Form and Application Payment; and
- your completed grey Broker Firm Application Form, Application Payment and Supporting Documentation must be delivered to the relevant Syndicate Broker directly (NOT to the Registry).

These differences and any other requirements can be explained to any Broker Firm Applicants in further detail by their Syndicate Broker.

2.5 How to pay

2.5.1 Minimum Application amount

The application price of each Westpac SPS is \$100, also referred to as the Issue Price. Your Application must be for a minimum of 50 Westpac SPS (\$5,000). If your Application is for more than 50 Westpac SPS, then you must apply in incremental multiples of 10 Westpac SPS – that is, for incremental multiples of at least \$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 SPS than applied for, including less than the minimum application of 50 Westpac SPS (\$5,000).

2.5.2 Eligible Securityholders

If you are an Eligible Securityholder and you are mailing or delivering an Application to the Registry, then your completed pink Securityholder Application Form must be accompanied by a cheque(s) in Australian dollars drawn on an Australian branch of a financial institution and made payable to '**Westpac SPS 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 on-line you should visit the Westpac website at www.westpac.com.au/investorcentre and follow the instructions. On-line Application Payments may only be made using BPAY®.

2.5.3 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 – see Section 2.6.2.

All Application Payments received by the Registry before Westpac SPS 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.

2.5.4 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 SPS on ASX after Westpac SPS have been quoted on ASX.

2.5.5 Refunds

If you are an Eligible Securityholder and you are not Allotted any Westpac SPS or you are Allotted fewer Westpac SPS than the number that you applied for as a result of a scaleback, Application Payments will be returned to you (without interest) as soon as possible after the Issue Date.

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.

2.6 Obtaining a Prospectus and completing an Application Form

This Prospectus will be available electronically to persons in Australia during the Exposure Period and the Offer Period on the Westpac website at www.westpac.com.au/investorcentre. Application Forms will not be made available until after the Exposure Period. Application Forms will be available during the Offer Period with printed or electronic copies of the Prospectus.

2.6.1 Eligible Securityholders

If you are an Eligible Securityholder and you wish to apply for Westpac SPS, you must apply on a pink Securityholder Application Form attached to the Prospectus or on-line by visiting the Westpac website at www.westpac.com.au/investorcentre and following the instructions.

During the Offer Period, a copy of this Prospectus including a pink Securityholder Application can be:

- downloaded from the Westpac website at www.westpac.com.au/investorcentre; or
- sent to you if you call the **Westpac SPS Information Line on 1300 139 843**; or
- sent to you if you register on-line to receive a Prospectus via the website address above.

2.6.2 Broker Firm Applicants

If you are a Broker Firm Applicant who wants to apply for Westpac SPS, you must apply on a grey Broker Firm Application Form, which will be attached to this Prospectus during the Offer Period. **Broker Firm Applicants must send their completed grey Broker Firm Application Forms, Application Payments and Supporting Documentation to their Syndicate Broker, and NOT to the Registry, within sufficient time to enable that Syndicate Broker to process that Application by 10.00am on 28 July 2008.**

An electronic copy of this Prospectus including the grey Broker Firm Application Form will be available to persons in Australia on-line during the Offer Period on the Westpac website at www.westpac.com.au/investorcentre or from a Syndicate Broker.

Broker Firm Applicants who receive a copy of this Prospectus in electronic form may obtain a printed copy of this Prospectus free of charge during the Offer Period by contacting a Syndicate Broker or by calling the **Westpac SPS Information Line on 1300 139 843**.

2.6.3 Provision of personal information

The information about you included on an Application Form and Supporting Documentation is used for the purposes of processing the Application and, if the Application is successful, to administer your Westpac SPS (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 Westpac by completing an Application Form – see Section 8.10.

2.7 Where to send your completed Application Form and Application Payment

2.7.1 Eligible Securityholders

Your completed pink 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 on 23 July 2008:

by mail to the Registry:

Westpac SPS Offer
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

or

by hand delivery to the Registry:

Westpac SPS Offer
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000.

Pink 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).

Eligible Securityholders may also apply on-line by visiting the Westpac website at www.westpac.com.au/investorcentre and following the instructions.

2.7.2 Broker Firm Applicants

If you are a Broker Firm Applicant, then you must send your completed Broker Firm Application Form, Application Payment and Supporting Documentation to your nominated Syndicate Broker, not to the Registry, within sufficient time to enable processing by 10.00am on 28 July 2008 – see Section 2.6.2.

2.8 Allocation policy

The Allocation policy for Syndicate Brokers and Institutional Investors will be determined under the Bookbuild – see Section 2.8.1. Westpac and the Joint Lead Managers have the right to nominate the persons to whom Westpac SPS 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 SPS commence trading on a conditional and deferred settlement basis – expected to be 29 July 2008.

No assurance is given that any Applicants will receive an Allocation.

2.8.1 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 SPS to Syndicate Brokers and Institutional Investors. In this process, Syndicate Brokers and Institutional Investors will be invited to lodge bids for a number of Westpac SPS within the Margin range of 2.30% to 2.80% 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 7.4.

2.8.2 Settlement support

The Joint Lead Managers have agreed with Westpac to provide settlement support for the number of Westpac SPS allocated to Syndicate Brokers and Institutional Investors under the Bookbuild. Settlement support means that if any of the Syndicate Brokers or Institutional Investors fail to deliver valid Applications including Application Payments to Westpac by the Issue Date, the Joint Lead Managers will be issued and pay for those Westpac SPS. Under the OMA, as part of this settlement support, the Joint Lead Managers will pay to Westpac, or procure payment to Westpac of, the aggregate proceeds raised from Syndicate Brokers and Institutional Investors under the Bookbuild by the Issue Date.

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 7.4.2.

2.8.3 Allotment

Westpac intends to issue approximately 6 million Westpac SPS at an Issue Price of \$100 each, to raise approximately \$600 million with the ability to raise more or less.

Westpac will not Allot any Westpac SPS until it has been granted approval for Westpac SPS to be quoted on ASX and all proceeds from accepted Applications have been received by Westpac. Westpac intends to Allot Westpac SPS on 30 July 2008. 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.

Allotment will involve Westpac SPS being issued to the Initial Purchaser, who will then transfer them to successful Applicants under the Offer. These arrangements are governed by the OMA and Subscription Agreement, which are summarised in Sections 7.4 and 7.5.

2.9 ASX quotation, trading and Holding Statements

2.9.1 ASX quotation

Westpac will apply to ASX within seven days after the date of this Prospectus for Westpac SPS to be quoted on ASX. Quotation is not guaranteed. If ASX does not grant permission for Westpac SPS to be quoted, then Westpac SPS will not be issued and Application Payments will be refunded (without interest) as soon as possible.

It is expected that Westpac SPS will be quoted under ASX code WBCPA.

2.9.2 Trading

The contract formed on the acceptance of your Application for Westpac SPS by Westpac is conditional on settlement under the OMA. The OMA includes rights of termination summarised in Section 7.4.3. Until settlement under the OMA occurs and Westpac SPS are Allotted to successful Applicants, trading in

Westpac SPS on ASX will be on a conditional and deferred settlement basis.

Conditional and deferred settlement trading in Westpac SPS is expected to commence on ASX on 29 July 2008. Westpac SPS are expected to be issued to the Initial Purchaser and transferred to successful Applicants on 30 July 2008, satisfying the condition of the conditional market.

If settlement under the OMA and the Allotment of Westpac SPS does not occur within 10 Business Days after the commencement of conditional and deferred settlement trading:

- Westpac SPS will not be issued;
- the contract formed on acceptance of your Application will be cancelled;
- your Application Payment will be refunded without interest; and
- all conditional trades in Westpac SPS that have occurred will be cancelled.

After settlement under the OMA and the issue and transfer of Westpac SPS there will be a period of unconditional and deferred settlement trading, which is expected to commence on 31 July 2008 until the dispatch of Holding Statements is completed, which is expected to occur by 6 August 2008. Trading is expected to commence on a normal settlement basis on 7 August 2008.

It is your responsibility to determine your Allocation before trading your Westpac SPS to avoid the risk of selling Westpac SPS 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 29 July 2008.

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

2.9.3 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 SPS Information Line on 1300 139 843**.

2.9.4 Holding Statements

Westpac expects that Holding Statements will be despatched to successful Applicants by 6 August 2008. Westpac will apply for Westpac SPS to participate in CHESS. No certificates will be issued for Westpac SPS.

2.10 New holder information

If you are issued Westpac SPS 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 Distributions and the potential tax withholdings that may be applied. See below for further details.

2.10.1 Provision of bank account details for Distributions

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

The Registry will send you a direct credit form requesting your account details as part of your new investor pack. Please complete and return this direct credit form as soon as possible.

2.10.2 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 (currently 46.5% including the Medicare Levy) on the amount of any Distribution that is not 100% franked, unless you provide one of the following:

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

2.10.3 Provision of details for US backup withholding tax

Holders who are not United States Persons should not generally be subject to United States federal income tax with respect to Distributions unless such Distributions are effectively connected with a United

States trade or business. However, US backup withholding tax may apply to Distributions to Holders who do not provide an applicable US tax form certifying that they are not a United States Person or otherwise establish an exemption.

If you are issued any Westpac SPS, you will be required to provide applicable US tax forms certifying that you are not a United States Person. Holders who do not provide the requested forms or otherwise establish an exemption will have US backup withholding tax deducted (currently at the rate of 28%). If you have US backup withholding tax deducted, you will need to file a tax return in the United States to claim a refund or credit for the tax deducted, if entitled. Westpac is not required to gross up for any such backup withholding tax.

2.10.4 Provision of details for anti-money laundering regulation

Westpac has on-going obligations under laws relating to money laundering and counter-terrorism. If you are issued any Westpac SPS, you will be requested to provide certain details, including, for example, date of birth for individuals and Australian Company Number for companies, to enable Westpac to comply with those laws.

2.11 Enquiries

You can call the **Westpac SPS Information Line on 1300 139 843** Monday to Friday 8.30am – 5.30pm if you:

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

If you are unclear in relation to any matter or are uncertain if Westpac SPS 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 what action you should take, you should immediately contact your Syndicate Broker.

About Westpac

3

This Section sets out

- a description of Westpac's business including summary financial information
- Westpac's capital management strategy and capital ratios
- Westpac's funding and liquidity strategy
- pro-forma financial information demonstrating the effect of the issue of Westpac SPS on Westpac
- information on the credit ratings relevant to this Offer

About Westpac

3.1 Overview of Westpac

Westpac is one of the four major banking organisations in Australia and, through its New Zealand operations, Westpac is also 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, commercial and institutional banking and wealth management services.

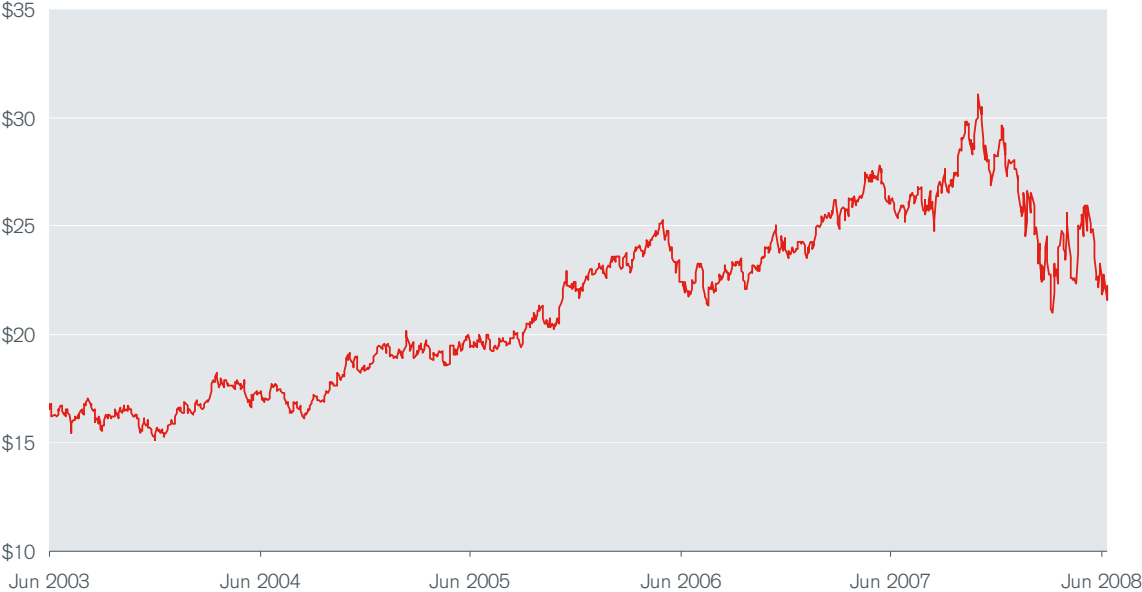
Westpac was founded in 1817 and was the first bank to be established in Australia. In 1850 Westpac was incorporated as the Bank of New South Wales by an Act of the New South Wales Parliament. In 1982, the Bank of New South Wales changed its name to Westpac Banking Corporation. Westpac transferred its

incorporation from the Bank of New South Wales Act of 1850 to become a public company limited by shares under the Corporations Act 2001 (Cth) on 23 August 2002. Westpac's principal office is located at 275 Kent Street, Sydney, New South Wales.

Westpac has branches, affiliates and controlled entities throughout Australia, New Zealand and the Pacific region, and maintains offices in some of the key financial centres around the world. Westpac is listed on ASX and, as at 11 June 2008, Westpac's market capitalisation was \$41.8 billion¹.

The performance of Westpac's Ordinary Shares during the period from June 2003 to June 2008 is set out in the graph below:

Westpac Ordinary Shares daily closing price¹



1. Source: Bloomberg

Westpac's operations comprise five key areas of business, through which it serves approximately 7.1 million customers.

These five areas of business are:

- **Business Financial Services** – responsible for sales, service and product development for small and medium sized business customers in Australia. It also has responsibility for Australia-wide working capital and specialised trade solutions operations;
- **Consumer Financial Services** – responsible for sales, services and product development for Westpac's consumer customers across Australia and manages third party consumer product relationships and the retail branch operations in Hong Kong and Singapore;
- **BT Financial Group Australia (BTFG)** – comprises Westpac's asset accumulation, investment management and insurance operations in Australia. BTFG designs, manufactures and services financial products to enable customers to build, manage and protect their wealth;
- **Westpac Institutional Bank** – provides financial services to the corporate and institutional customer base, assisting and advising in the management of cash, funding, capital and market risk for companies and institutions in Australia and New Zealand; and
- **New Zealand Banking** – provides a full range of retail and commercial services to customers throughout New Zealand.

3.1.1 Overview of Westpac's results for the half year ended 31 March 2008¹

Westpac reported a net profit of \$2,202 million for the half year ended 31 March 2008, up 34%. Cash earnings, which Westpac considers to be a more appropriate measure of performance (and excludes significant items), increased 10% to \$1,839 million. This represents a cash return on equity of 22.7%. Cash earnings per Ordinary Share increased 8% to 98.2 cents per share. Westpac announced a fully franked interim dividend of 70 cents per Ordinary Share, an 11% increase over the 31 March 2007 interim dividend.

Westpac's performance for the half year ended 31 March 2008 was robust, with strong revenue growth of 12%. While robust, the financial performance was adversely impacted by three material changes in the operating environment:

- a steep increase in the cost of wholesale borrowing;

- global and local investment markets experienced a steep decline in value, including the S&P ASX200 index which declined 18% since 30 September 2007; and
- the credit environment in both Australia and New Zealand continued to experience more difficult conditions reflecting changes in funding availability, capital markets uncertainty and higher interest rates.

Key features of the result included²:

- net interest income growth of 12% reflected strong volume growth in all key segments, with a 16% increase in loans and a 24% increase in deposits, partially offset by a 20 basis point decline in net interest margin;
- non-interest income increased 11% due to growth in fees and commissions and an increased contribution from markets income, consistent with increased market volatility and customer flows. Wealth management income and insurance income was flat as a result of falls in market returns and higher insurance claims offsetting higher premium income and higher funds under administration;
- expense growth of 8% reflecting increased staff and property expenses as Westpac continued to invest in key segments. Westpac's cost to income ratio reduced by 1.5 percentage points, to 44.4%; and
- impairment charges increased by \$201 million to \$433 million, reflecting both high asset growth and the impacts of a deterioration in the credit environment in both Australia and New Zealand.

Note:

1. All comparisons are to the prior corresponding period being the half year ended 31 March 2007.
2. This discussion of Westpac's financial performance for the half year ended 31 March 2008 is on a cash earnings basis.

3.1.2 Summary and selected financial information

The following tables set out certain summary and selected financial information of Westpac.

Westpac consolidated income statement and reported results¹

\$ million	Reported Half Year Mar 08	Reported Half Year Sep 07	Reported Half Year Mar 07
Interest income	13,699	11,646	10,429
Interest expense	(10,229)	(8,422)	(7,340)
Net interest income	3,470	3,224	3,089
Non-interest income	2,324	2,040	1,820
Net operating income	5,794	5,264	4,909
Operating expenses	(2,452)	(2,314)	(2,229)
Impairment charges	(433)	(250)	(232)
Profit before income tax	2,909	2,700	2,448
Income tax expense	(674)	(857)	(773)
Net profit for the year	2,235	1,843	1,675
Net profit attributable to minority interests	(33)	(33)	(34)
Net profit attributable to equity holders of Westpac Banking Corporation	2,202	1,810	1,641
Cash earnings^{2,3}	1,839	1,829	1,678

Westpac selected financial information¹

	Reported Half Year Mar 08	Reported Half Year Sep 07	Reported Half Year Mar 07
Ordinary share information			
Basic earnings per ordinary share (cents)	118.0	97.8	89.1
Fully diluted earnings per ordinary share (cents)	115.2	96.5	88.7
Cash earnings per ordinary share (cents)	98.2	98.5	90.9
Dividends per ordinary share (cents)	70.0	68.0	63.0
Financial ratios			
Return on average ordinary equity (%)	27.2	23.8	23.1
Cash earnings to average ordinary equity (%)	22.7	24.2	23.6
Expense to income ratio (%) – reported	42.3	44.0	45.4
Expense to income ratio (%) – cash earnings	44.4	44.3	45.9
Interest margin (%)	2.05	2.14	2.25

Note:

1. The consolidated income statement and reported results and the selected financial information were derived from Westpac's consolidated unaudited interim financial results published on 1 May 2008.
2. Westpac considers cash earnings a more appropriate measure of financial performance than statutory net profit after tax. Statutory reported results are adjusted for material items to ensure they appropriately reflect cash flows normally available to ordinary shareholders. These include adjustments for Treasury shares, TPS 2003 revaluations, unrealised New Zealand retail earnings hedges, ineffective hedges and significant items.
3. In the six months ended 31 March 2008 cash earnings includes adjustments for significant items totaling \$311 million. This reflects adjustments for the gain associated with the initial public offering of BT Investment Management Limited and the gain associated with the initial public offering of Visa Inc. These items have been reported as individually significant due to their size and non-recurring nature.

3.2 Capital management strategy and capital ratios

Westpac's capital management strategy seeks to ensure that the enterprise is strongly capitalised relative to the risks in its portfolio. Ensuring that Westpac's balance sheet structure is prudent and flexible has led to the following long-term operating principles:

- Westpac seeks to manage capital within target ranges with the lower limits taking account of regulatory requirements and ratings agency guidance;
- Westpac's target ranges are intended to be consistent with a 'double A' senior debt rating;
- Westpac actively manages the deployment of capital within the legal entities that make up the Westpac Group to ensure capital ratios are within ranges and other requirements are met; and
- Westpac seeks to maximise total shareholder return over the longer term by targeting an increasing stream of fully franked dividends backed by increasing earnings.

Westpac was among the first banks in the world to be accredited to use advanced measurement methods permitted by the Basel II framework and has been operating in accordance with the new framework since 1 January 2008.

Westpac regards itself as being well-capitalised and currently holds more fundamental capital than its internal models indicate is necessary for a double A rated institution. Westpac continues to work with stakeholders, including local and international peer banks, regulators and ratings agencies to reach a common understanding of its capital requirements. In particular, Westpac expects to receive confirmation of its prudential capital requirement under Basel II from APRA before the end of August 2008. For the foreseeable future, Westpac will seek to maintain conservative levels of capital.

As at 31 March 2008, the Tier 1 Capital Ratio was 7.4%.

The issue of Westpac SPS is consistent with Westpac's capital management strategy and qualifies as Non-Innovative Residual Tier 1 Capital under APRA's new regulatory capital requirements for Residual Tier 1 Capital. For more information regarding the pro-forma impact of Westpac SPS on Westpac's capital adequacy position, see Section 3.4.2.

3.3 Funding and Liquidity

Westpac has a well established wholesale funding strategy that has been consistent for more than 10 years. As at 31 March 2008, approximately 52% of Westpac's funding was provided by customer deposits and 48% by wholesale funding from the global capital markets.

The objectives of Westpac's wholesale funding strategy are to:

- raise efficiently priced funds within prudent liquidity parameters, simultaneously building funding capacity ahead of balance sheet needs; and
- maintain and enhance a wholesale funding franchise that enables the Westpac Group to have broad and diverse funding sources.

In light of the dislocation in global capital markets since August 2007, Westpac has sought to improve its funding resilience and flexibility by:

- increasing the amount of liquid assets held (to around \$34 billion as at 31 March 2008) to improve flexibility in accessing markets. Additional liquidity allows Westpac to be more selective in the timing of its funding activities;
- completing a \$10.6 billion 'internal' securitisation in February 2008 of Westpac-originated prime residential mortgages now held on balance sheet in securitised format. This provides an additional source of liquidity to the extent that it is eligible for repurchase with the Reserve Bank of Australia;
- continuing to access domestic and international term markets throughout the period such that as at 1 May 2008 Westpac had completed over 80% of its projected 2008 term funding requirement;
- ensuring that internal divisions were given the appropriate pricing signals by progressively passing on the higher funding costs to operating business units; and
- further developing the strength of Westpac's funding franchise by more frequent and comprehensive market communication and by raising funds in markets that have not been accessed for some time, including Switzerland and Japan.

3.4 Accounting treatment and Westpac pro-forma financial information

The following pro-forma consolidated balance sheet and pro-forma capital adequacy position as at 31 March 2008 set out the expected effect of the Offer on Westpac as at 31 March 2008 and assume that, in each case:

- the Offer was completed;
- \$600 million of proceeds (less Offer costs) are reflected in cash balances; and
- when Westpac SPS are issued they will be classified as \$585 million of loan capital (\$600 million net of \$15 million expected total Offer costs) in the consolidated balance sheet of Westpac.

3.4.1 Westpac pro-forma consolidated balance sheet as at 31 March 2008

The following table sets out the pro-forma consolidated balance sheet position based on Westpac's unaudited consolidated balance sheet as at 31 March 2008, adjusted as if the issue of Westpac SPS was completed as at that date. The pro-forma consolidated balance sheet contains no pro-forma adjustments in respect of the proposed merger with St.George. Refer to Section 4 for financial and other information relating to St.George and the proposed merger with St.George.

The pro-forma consolidated balance sheet is unaudited and has been prepared in accordance with A-IFRS.

Westpac pro-forma consolidated balance sheet

\$ million	Reported Mar 08	Pro-forma Mar 08	Reported Sep 07
Assets			
Cash and balances with central banks ¹	4,109	4,694	2,243
Due from other financial institutions	30,094	30,094	28,379
Derivative financial instruments	22,859	22,859	24,308
Trading securities	23,391	23,391	20,815
Other financial assets designated at fair value	1,637	1,637	1,179
Available-for-sale securities	2,434	2,434	2,511
Loans	294,676	294,676	272,545
Life insurance assets	13,407	13,407	15,456
Regulatory deposits with central banks overseas	1,053	1,053	753
Goodwill and other intangible assets	3,071	3,071	2,989
Property, plant and equipment	492	492	489
Net deferred tax assets	799	799	516
Other assets	3,695	3,695	2,638
Total assets	401,717	402,302	374,821
Liabilities			
Due to other financial institutions	13,776	13,776	9,133
Deposits at fair value	63,758	63,758	48,603
Deposits at amortised cost	156,295	156,295	150,619
Derivative financial instruments	19,627	19,627	25,192
Other trading liabilities and other financial liabilities at fair value	10,481	10,481	8,223
Debt issues	92,397	92,397	87,126
Current tax liabilities	469	469	233
Life insurance liabilities	12,738	12,738	14,392
Provisions	816	816	980
Other liabilities	5,591	5,591	4,785
Total liabilities excluding loan capital	375,948	375,948	349,286
Loan Capital			
Subordinated bonds, notes and debentures	5,672	5,672	6,042
Subordinated perpetual notes	425	425	429
TPS 2004	595	595	567
Westpac FIRsTS	–	–	666
Westpac SPS ²	–	585	–
Total loan capital	6,692	7,277	7,704
Total liabilities	382,640	383,225	356,990
Net assets	19,077	19,077	17,831

\$ million	Reported Mar 08	Pro-forma Mar 08	Reported Sep 07
Shareholders' equity			
Share capital:			
Ordinary share capital	6,428	6,428	6,125
Treasury and RSP Treasury shares	(170)	(170)	(114)
Reserves	245	245	192
Retained profits	10,654	10,654	9,716
Total equity attributable to equity holders of Westpac Banking Corporation	17,157	17,157	15,919
Minority interests			
TPS 2003	1,137	1,137	1,137
Westpac TPS	755	755	755
Other	28	28	20
Total minority interests	1,920	1,920	1,912
Total shareholders' equity and minority interests	19,077	19,077	17,831

Notes:

1. The net proceeds from the issue of Westpac SPS are reflected in cash balances and will be used for general funding purposes.
2. Assumes the issue of \$600 million worth of Westpac SPS less expected Offer costs.

The pro-forma consolidated balance sheet presented assumes that \$600 million is raised through the Offer. The impact on the pro-forma financial information of raising more or less than this amount is as follows:

- if more than \$600 million is raised through the Offer, for example \$700 million, the additional amount of Westpac SPS issued would result in a corresponding increase in cash balances, and a small increase in the total Offer costs; and
- if less than \$600 million is raised through the Offer, for example \$500 million, the impact on the pro-forma financial information will be of an equivalent magnitude, but opposite in direction to the analysis above.

3.4.2 Westpac pro-forma consolidated capital adequacy position as at 31 March 2008

The following table sets out the pro-forma capital adequacy position based on Westpac's unaudited consolidated balance sheet as at 31 March 2008, adjusted as if the issue of \$600 million of Westpac SPS was completed as at that date. The pro-forma capital adequacy position shown below contains no pro-forma adjustments relating to the proposed merger with St.George. Refer to Section 4 for financial information relating to St.George and the proposed merger with St.George.

Westpac pro-forma consolidated capital adequacy position¹

\$ million	Reported ¹ Mar 08	Pro-forma Mar 08
Net Tier 1 capital	13,792	14,377
Total capital	18,890	19,475
Risk weighted assets	186,963	186,963

%	Reported ¹ Mar 08	Pro-forma Mar 08
Tier 1 capital ratio	7.4%	7.7%
Total capital ratio	10.1%	10.4%

Note:

1. Westpac is reviewing its target capital ranges in consultation with regulators and rating agencies. Westpac has not yet received confirmation of its prudential capital requirement under Basel II from APRA.

3.5 Credit ratings

Westpac and Westpac SPS have each been rated by Standard & Poor's (Australia) Pty Ltd (ACN 007 324 852) ("Standard & Poor's") and Moody's Investors Service Pty Limited (ACN 003 399 657) ("Moody's"). At the date of this Prospectus, the relevant credit ratings are as follows:

Credit rating type	Standard & Poor's	Moody's
Westpac SPS – Expected Issue Credit Ratings	'A+'	'Aa3'
Westpac – Long-Term Credit Ratings	'AA'	'Aa1'

A provisional Westpac SPS rating was issued by both Standard & Poor's and Moody's on 16 June 2008 and 11 June 2008 respectively. The ratings are expected to be finalised upon issue of Westpac SPS, subject to no material changes occurring to the transaction structure or documentation.

Following the announcement of the proposed merger between Westpac and St. George, both Standard & Poor's and Moody's reaffirmed Westpac's Long-term Credit Ratings and confirmed a stable outlook.

No consent has been obtained from Standard & Poor's or Moody's for the disclosure of the above ratings in this Prospectus.

3.5.1 Westpac SPS – Issue Credit Rating

An Issue Credit Rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program.

Issues rated 'BBB-' or higher by Standard & Poor's are generally considered to be investment grade. Westpac SPS are expected to be assigned an 'A+' rating by Standard & Poor's, and are therefore expected to be considered investment grade. An Issue Credit Rating of 'A+' describes an issue that is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is very strong.

Westpac SPS are expected to be assigned an 'Aa3' rating by Moody's and are therefore expected to be considered investment grade. Obligations rated Aa by Moody's are judged to be of high quality and are subject to low credit risk. Issues rated 'Baa3' or higher by Moody's are generally considered to be investment grade.

3.5.2 Westpac's Standard & Poor's Long-term Credit Ratings

A counterparty credit rating given by Standard & Poor's is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. The Standard & Poor's Long-term Credit Rating for Westpac is 'AA' ("Outlook Stable"). An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A rating outlook assesses the potential direction of a long-term counterparty credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. A rating outlook 'Stable' means that a rating is not likely to change in the near term.

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

3.5.3 Westpac's Moody's Long-term Credit Ratings

A long-term obligation rating given by Moody's is an opinion of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honoured as promised. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default.

The Moody's Long-term Credit Rating for Westpac is 'Aa1'. Issuers rated 'Aa' are judged to be of high quality and are subject to very low credit risk.

Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic category; the modifier 2 indicates mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic category.

Issue Credit Ratings are not 'market' ratings, nor are they a recommendation to buy, hold or sell securities (including Westpac SPS). The expected Issue Credit Ratings set out above are given in respect of Westpac SPS as stapled securities consisting of Notes Stapled to Preference Shares. Credit ratings are subject to revision or withdrawal at any time.

Proposed merger with St. George

4

This Section provides some information about the recently announced proposed merger between Westpac and St. George

Proposed merger with St.George

4.1 Overview of the proposed merger with St.George Bank

On 13 May 2008 Westpac and St.George Bank Limited (“**St.George**”) announced a proposed merger of the two companies. The announcement stated that the two companies had signed an agreement which provided for a two week exclusivity period, during which the two companies were to undertake reciprocal due diligence and negotiate a merger implementation agreement (“**MIA**”). On 26 May 2008, following the successful completion of due diligence by both organisations, Westpac and St.George announced that they had signed an MIA covering the key commercial terms agreed by the respective boards and under which the proposal would be put to a vote of St.George shareholders.

The St.George Board intends to recommend the merger to its shareholders, subject to an independent expert’s report concluding that it is in the best interests of St.George’s shareholders, no superior proposal emerging and the St.George Board continuing to hold the view that the merger is in the best interests of St.George shareholders compared to the position when the proposed merger was announced on 13 May 2008.

Under the proposed merger, St.George shareholders would receive 1.31 Westpac Ordinary Shares for every St.George ordinary share in an all scrip bid.

The key terms of the MIA are:

- the merger will be implemented by way of a scheme of arrangement to be voted on by St.George ordinary shareholders;
- the proposed merger is an all scrip offer where all ordinary shares in St.George would be exchanged for Westpac shares at an exchange ratio of 1.31 Westpac Ordinary Shares for each St.George ordinary share;
- St.George is subject to “no-shop”, “no-talk” and “no due-diligence” restrictions under which it may not solicit or encourage proposals from other parties for a competing bid. In broad terms, these restrictions do not apply if a superior proposal (that is not encouraged, solicited or invited) emerges;
- the merger is subject to a limited number of standard conditions precedent, including no material adverse change and no prescribed occurrences in respect of the parties, and the obtaining of all necessary regulatory, court and St.George shareholder approvals;

- each of Westpac and St.George has a number of termination rights under the MIA, including in respect of a breach of a material term of the MIA by the other party, failure of a condition precedent, or if the merger has not been implemented by 31 December 2008. More specifically, Westpac has a termination right if the St.George directors withdraw their recommendation that St.George shareholders vote in favour of the merger or make a public statement indicating that they no longer support the merger or that they support a competing proposal, and St.George has a termination right if the directors consider (after receiving appropriate advice) that the merger is no longer in the best interests of St.George shareholders or that they can no longer recommend the merger to shareholders, or that a competing proposal to the Westpac merger proposal for St.George is superior; and
- an implementation committee, including employees from both Westpac and St.George, will be established to oversee the planning and consultation in relation to the implementation of the scheme.

A summary of the risks associated with the proposed merger is set out in Section 5.3.

4.2 Overview of St.George Bank

4.2.1 Description of St.George

Based on publicly available information, St.George is the fifth largest retail bank in Australia, based on market capitalisation, and has national operations including retail banking, institutional and business banking, and wealth management. Its operations are primarily in New South Wales and South Australia, as well as Victoria, Queensland, Western Australia, Northern Territory and the Australian Capital Territory.

St.George has four main business divisions:

- **Retail Bank**
Retail Bank is responsible for residential and consumer lending, the provision of personal financial services including transaction services, call and term deposits, small business banking and financial planning. This division manages retail branches, call centres, agency networks and electronic channels such as EFTPOS terminals, ATMs and Internet banking;
- **Institutional and Business Banking**
Institutional and Business Banking is responsible for liquidity management, securitisation, wholesale funding, capital markets, treasury market activities

including foreign exchange, money market and derivatives, corporate and business relationship banking, international and trade finance banking services, leasing, hire purchase, automotive finance, commercial property lending and cash flow financing (including invoice discounting);

■ **BankSA**

BankSA is responsible for providing retail banking and business banking services to customers in South Australia and the Northern Territory. These services have been extended into country New South Wales and Victoria; and

■ **Wealth Management**

Wealth Management is responsible for providing wealth management administration platforms, investment management and packaging, superannuation and dealer group services, margin lending, private banking services and general and life insurance.

4.2.2 St.George selected financial information

The following tables set out certain summary and selected financial information of St.George. The consolidated income statement and reported results and the selected financial information for St.George were extracted from the unaudited published consolidated financial results as disclosed by St.George on 6 May 2008.

St.George consolidated income statement and reported results

\$ million	Reported Half Year Mar 08	Reported Half Year Sep 07	Reported Half Year Mar 07
Interest income	4,965	4,297	3,906
Interest expense	3,773	3,182	2,828
Net interest income	1,192	1,115	1,078
Other income	575	559	533
Total operating income	1,767	1,674	1,611
Bad and doubtful debts expense	118	85	93
Operating expenses	759	707	683
Profit before tax	890	882	835
Income tax expense	361	275	250
Profit after income tax	529	607	585
Minority interests	–	2	–
Net profit attributable to shareholders of the Bank	529	605	585
Cash basis net profit¹	603	592	568

St.George selected financial information

	Reported Half Year Mar 08	Reported Half Year Sep 07	Reported Half Year Mar 07
Ordinary share information			
Basic earnings per ordinary share (cents)	93.5	111.3	108.2
Fully diluted earnings per ordinary share (cents)	93.6	110.4	107.4
Cash earnings per ordinary share (cents) ²	219.4	223.0	214.9
Dividends per ordinary share (cents)	88.0	86.0	82.0
Financial ratios			
Cash earnings to average ordinary equity ² (%)	20.35	23.08	23.24
Expense to income ratio (%) – cash basis	42.5	42.4	42.6
Interest margin ² (%)	1.92	1.97	2.07

Notes:

1. Cash basis net profit is arrived at after adjusting net profit to exclude significant items and profit volatility relating to the fair value recognition of hedging and non-trading derivatives.
2. Annualised.

4.2.3 St.George consolidated balance sheet information

The following table sets out the consolidated balance sheet position of St.George as at 31 March 2008 and was extracted from the unaudited published consolidated financial results as disclosed by St.George on 6 May 2008.

St.George's consolidated balance sheet

\$ million	Reported Mar 08	Reported Sep 07	Reported Mar 07
Assets			
Cash and liquid assets	3,035	2,081	1,188
Receivables due from other financial institutions	477	1,244	1,180
Assets at fair value through the income statement	13,314	11,339	6,043
Derivative assets	2,621	1,271	877
Available-for-sale investments	829	929	1,381
Loans and other receivables	93,636	89,884	85,144
Bank acceptances of customers	19,774	16,343	13,580
Investment in associated companies	29	28	28
Property, plant and equipment	336	345	332
Intangible assets	1,344	1,323	1,305
Deferred tax assets	232	215	198
Other assets	682	798	724
Total assets	136,309	125,800	111,980
Liabilities			
Deposits and other borrowings	78,713	70,803	61,296
Payables due to other financial institutions	965	1,013	473
Liabilities at fair value through the income statement	–	–	386
Derivative liabilities	3,049	3,440	2,202
Bank acceptances	5,050	6,348	5,456
Provision for dividends	4	2	3
Current tax liabilities	44	101	121
Deferred tax liabilities	136	123	169
Other provisions	154	116	126
Bonds and notes	37,623	34,971	33,388
Loan capital	2,624	2,231	2,082
Bills payable and other liabilities	1,087	768	666
Total liabilities	129,449	119,916	106,368
Net assets	6,860	5,884	5,612
Shareholders' equity			
Share capital	5,480	4,549	4,467
Reserves	259	243	176
Retained profits	1,115	1,086	951
Equity attributable to shareholders of the Bank	6,854	5,878	5,594
Equity attributable to minority interests	6	6	18
Total shareholders' equity	6,860	5,884	5,612

4.2.4 St.George consolidated capital adequacy position

The following table sets out the capital adequacy position based on St.George's consolidated balance sheet as at 31 March 2008 and was extracted from the unaudited published consolidated financial results as disclosed by St.George on 6 May 2008.

\$ million	Reported Mar 08	Reported Sep 07
Net Tier 1 capital	4,855	4,207
Total capital	7,060	6,412
Risk weighted assets	69,693	63,226

%	Reported Mar 08	Reported Sep 07
Tier 1 capital ratio	7.0%	6.7%
Total capital ratio	10.1%	10.2%

4.3 Description of the proposed merged entity

The proposed operating model for combining Westpac and St.George capitalises on the distinctive strengths of the two companies by retaining their respective brands and distribution and building on the best of both.

Over the coming months, further work will be done to determine how the merged entity will operate, along with the implementation timetable. At the date of this prospectus, Westpac expects the operating model of the merged entity to be broadly as follows:

- in consumer and business banking, the Westpac and St.George businesses will continue to operate separately with different management, different distribution and different products. The businesses are expected to be supported by common product manufacturing and processing that will ensure each business can benefit from the best of both businesses;
- in institutional banking, the existing St.George operations are expected to be combined with Westpac Institutional Bank into a single business unit under the Westpac brand; and
- the wealth businesses of Westpac and St.George are also expected to be combined into a single business unit however, the individual wealth brands of BT and Asgard are expected to be preserved.

Bringing together the two companies will create an entity with a strong capital position and a diverse funding base. Westpac is expected to retain its AA credit rating.

Investment risks

5

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

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

Investment risks

5.1 Risks of investing in Westpac SPS

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

5.1.1 Investment market price and liquidity

Westpac will apply for quotation of Westpac SPS on ASX, but Westpac is unable to forecast the market price and liquidity of the market for Westpac SPS. The market price for Westpac SPS 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 SPS may trade at a market price below the Issue Price.

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

5.1.2 Changes in the Distribution Rate

The Distribution Rate is calculated for each Distribution Period by reference to the 90 day Bank Bill Rate, which is influenced by a number of factors and varies over time. The Distribution Rate will fluctuate (both increasing and decreasing) over time with movement in the 90 day Bank Bill Rate.

The range for the 90 day Bank Bill Rate over the last 10 years is set out in the chart below.

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

90 day Bank Bill Rate (% per annum)¹



1. Source: Bloomberg

5.1.3 Distributions may not be paid

The Distribution Payment Test will not be satisfied in respect of the payment of a Distribution (or any Optional Dividend – see Section 1.3.13) if:

- in the case of the Notes, the Westpac Directors determine (in their absolute discretion) not to pay that Distribution, or following an Assignment Event, in the case of the Preference Shares, the Westpac Directors do not determine to pay the Distribution; or
- the amount of the Distribution (or Optional Dividend) exceeds Distributable Profits, unless APRA otherwise gives its prior written approval; or
- APRA objects to the payment of the Distribution, or in the case of an Optional Dividend, APRA has not given its prior written approval for the payment of the Optional Dividend.

Distributions on Westpac SPS are non-cumulative and, therefore, if a Distribution is not paid in full for any particular Distribution Period, a Holder will not be entitled to subsequently receive that Distribution unless Westpac causes the Distribution to be made up through payment of an Optional Dividend (at its absolute discretion and subject to APRA's prior written approval).

APRA's revised prudential guidelines require that the Distributable Profits of Westpac out of which distributions on Tier 1 Capital may be paid is assessed on a different basis to that which applies under the terms of Westpac's existing Tier 1 Capital securities – see Section 1.3.12.

5.1.4 Distributions may not be fully franked

It is expected that Distributions on Westpac SPS will be fully franked. However, it is possible that Distributions payable on Westpac SPS may be unfranked or not fully franked. If a Distribution is unfranked or not fully franked, a Gross-Up Amount will be paid to compensate for the unfranked amount – see Section 1.3.5.

5.1.5 Exposure to Westpac's financial performance and position

Westpac can elect to Convert the Preference Shares prior to the Initial Mandatory Conversion Date in certain specified circumstances – see Section 1.8. If Conversion occurs you will receive Ordinary Shares issued by Westpac (subject to the satisfaction of the Conversion Conditions). Therefore, if Westpac's financial position declines, or if market participants anticipate that it may decline, an investment in Westpac SPS could decline in value even if Westpac SPS have not been Converted.

Accordingly, when you evaluate whether to invest in Westpac SPS you should carefully evaluate the investment risks associated with an investment in Westpac – see Section 5.2.

5.1.6 Conversion

The number of Ordinary Shares issued to Holders upon Conversion will generally depend on the average of the daily volume weighted average price 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 of Ordinary Shares following Conversion will fluctuate due to various factors, including investor perception, domestic and international economic conditions and factors which affect Westpac's financial performance and position. These risks are described in Section 5.2 and may have an impact on the market price of Ordinary Shares, as well as the market price of Westpac SPS.

5.1.7 Mandatory Conversion may or may not occur on the Initial Mandatory Conversion Date

Westpac SPS may Convert into Ordinary Shares on 26 September 2013 (the Initial Mandatory Conversion Date). However, Westpac may instead elect to arrange for a Transfer of Westpac SPS on this date to a Nominated Party, so that Holders would receive cash equal to the Issue Price of Westpac SPS. If Westpac does not elect to arrange for a Transfer of Westpac SPS on the Initial Mandatory Conversion Date, there is a risk that Conversion will not occur because the Conversion Conditions are not satisfied (due to a fall in the market price of Ordinary Shares). In the circumstance that the First Conversion Condition is not satisfied, and subject to APRA's prior written approval, Westpac may elect to Redeem Westpac SPS. If Redemption does not occur Conversion may then occur on the next Distribution Payment Date. However, Conversion on that date would be subject to the same Conversion Conditions.

The cash consideration received upon a Redemption or Transfer may not coincide with Westpac SPS Holders' individual preferences, and may be disadvantageous to some Holders in light of market conditions or individual circumstances. In addition, the rate of return at which you could re-invest your funds may be lower than the Distribution Rate at the time.

5.1.8 Conversion or Redemption at Westpac's initiation

Westpac may (subject to APRA's prior written approval if required) initiate Conversion (subject to the Conversion Conditions being satisfied) or Redemption (or a combination of these) of some or all Westpac SPS following the occurrence of a Tax Event or Regulatory Event.

Westpac may (subject to APRA's prior written approval if required) choose to Redeem or Convert (or a combination of these) all (but not some only) Westpac SPS following the occurrence of an Acquisition Event. If it does not elect to Redeem or Convert within the specified timeframe following an Acquisition Event – see Section 1.8.1 and clause 4.5 of the Preference Share Terms, all Westpac SPS will Convert (subject to the Conversion Conditions being satisfied) into Ordinary Shares 40 Business Days following the Acquisition Event (or such other date specified by Westpac which must be within 5 Business Days of this date).

Redemption or Conversion 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 SPS 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 Distribution 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 SPS.

5.1.9 Transfer

Westpac may elect to issue a Transfer Notice in respect of the Initial Mandatory Conversion Date, or in respect of any subsequent possible Mandatory Conversion Date, requiring each Westpac SPS to be Transferred to a Nominated Party for a cash amount equal to the aggregate Issue Price.

Westpac may issue an Early Transfer Notice following a Tax Event, Regulatory Event or Acquisition Event and Transfer would occur as described above. 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 SPS is unknown.

Upon a Transfer of Westpac SPS, it will be the Nominated Party's obligation to pay the aggregate Issue Price of Westpac SPS 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 SPS in accordance with the Note Terms and Preference Share Terms (and therefore subject to a subsequent Conversion, Redemption or Transfer).

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 Distribution Rate at the time.

5.1.10 No fixed maturity date

Westpac SPS are a perpetual instrument. Westpac SPS may Convert on the Initial Mandatory 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 SPS will not Convert at any point in time. Furthermore, any Redemption or Transfer 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.

5.1.11 Ranking of Westpac SPS

Westpac SPS are not deposit liabilities of Westpac and the Notes do not constitute deposits of Westpac NY. Westpac SPS are not subject to the depositor protection provisions of the Australian banking legislation and are not insured by the United States Federal Deposit Insurance Corporation or any other governmental agency or compensation scheme in Australia, the United States or any other jurisdiction.

In the unlikely event of a winding-up of Westpac, an Assignment Event will occur, following which the Notes will become Unstapled from the Preference Shares and assigned to the Assignee. Thereafter, Holders will hold the Preference Shares, which will rank:

- ahead of Ordinary Shares;
- equally with all Equal Ranking Capital Securities (which currently includes TPS 2003, TPS 2004 and Westpac TPS); and
- behind all depositors and other Senior Creditors – see Section 1.10.1.

If, in a winding-up of Westpac, Preference Shares have not been Converted or Redeemed, Holders will be entitled to be paid the Liquidation Sum for each Preference Share. This is an amount for each Preference Share up to its Issue Price plus any due but Unpaid Distributions 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 depositors and other Senior Creditors. As the Preference Shares 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.

Under certain circumstances, the terms of Westpac's existing Capital Securities (or new instruments that Westpac may issue) could limit Westpac's ability to make payments on Preference Shares in a winding-up.

5.1.12 Credit ratings

One or more independent credit rating agencies may assign ratings to Westpac SPS and/or Westpac. The credit ratings may not reflect the potential impact of all risks related to the structure under which Westpac SPS are issued, market and additional factors discussed in this Section 5, and other factors that may affect the value of Westpac SPS or Westpac's financial performance or position.

There is a risk that the credit ratings of Westpac SPS may change as a result of changes to Westpac's financial performance or position or changes to the relevant policy of one or more of the independent rating agencies. Any such change could affect the market price and liquidity of Westpac SPS.

Credit ratings are not 'market' ratings, nor are they a recommendation to buy, hold or sell securities and are subject to revision or withdrawal at any time.

5.1.13 Regulatory classification

APRA has provided confirmation that Westpac SPS qualify for Non-Innovative Residual Tier 1 Capital treatment. However, if APRA subsequently determines that Westpac SPS do not or will not qualify for Non-Innovative Residual Tier 1 Capital treatment, Westpac may decide that a Regulatory Event has occurred and may elect Redemption or Conversion (subject to APRA's prior written approval if required) – see Section 1.8.6.

5.1.14 Taxation treatment

A general description of the Australian taxation consequences of investing in Westpac SPS is set out in the Taxation letter from Allens Arthur Robinson in Section 6. 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 SPS.

On 14 January 2008, the Australian Taxation Office issued Taxpayer Alert TA 2008/1. In it, the Australian Taxation Office expressed the concern that where an Australian resident public company issues a Stapled Security consisting of a Note and a Preference Share to resident investors, investors may be claiming a 'section 70B' deduction on the transfer of the Note, either as a result of an on-market sale of the Stapled Security or as a result of an Assignment Event. A section 70B deduction is a deduction that arises as a result of, broadly, the sale or redemption of a non-discounted debt security for less than its cost. In Draft Taxation Determination TD 2008/D6 issued on 26 March 2008, the Australian Taxation Office took the position that no deduction would be available under section 70B. Westpac expects that the Australian Taxation Office will issue a Class Ruling, which states that each Westpac SPS is a single CGT asset, comprised of a Note stapled to a Preference Share, that is not a traditional security as defined for the purposes of section 70B. On this basis, dealings with the Preference Share or the Note, which are components of that single asset, would not have tax consequences analysed or characterised in isolation from the single asset of which they are treated as being components. The principal consequence of this approach is that a disposal of the Note would not give rise to separately calculated income or deduction (including a section 70B deduction), including where an investor sells Westpac SPS on-market and where an investor disposes of Notes to Westpac (or another Assignee) after an Assignment Event. Instead, gain or loss on the disposal of a Stapled Security would be calculated by comparing the total proceeds of disposal with the total cost of acquiring the Stapled Security and there would be no deduction resulting from the disposal of Notes to Westpac (or another Assignee) after an Assignment Event. If investors prepare their tax returns on this basis, then they would not claim a section 70B deduction on the transfer of the Notes, and the concerns expressed in Taxpayer Alert TA 2008/1 and in Draft Taxation Determination TD 2008/D6 would have no application to them.

If there has been a change in law, policy or practice that exposes the Westpac Group to a more than insubstantial increase in taxes or costs in relation to Westpac SPS, the Preference Shares or the loans arising from the application of funds raised from Westpac SPS, or any holder of Westpac SPS or Preference Shares would be similarly exposed, and Westpac receives an opinion from reputable legal counsel or other tax adviser to that effect, a Tax Event will occur, and Westpac may elect to Convert

or Redeem Westpac SPS (subject to the conditions contained in the Preference Share Terms) – see Section 1.8.5.

It is the current intention that the proceeds of the Offer will be used in Westpac's London branch and Westpac's New Zealand operations to repay existing funding from Westpac head office. The proceeds will then be used by Westpac head office for general funding purposes.

Westpac currently expects that the interest arising from the use of the proceeds of Westpac SPS will be tax deductible in various jurisdictions in which that interest is to be paid. A Tax Event will occur if there is a more than insubstantial increase in the amount of taxes or costs (from that currently expected) as a result of a change in tax laws, policy or practice, and Westpac receives advice from reputable legal counsel or other tax adviser to that effect.

5.1.15 Future issues of financial securities by Westpac

Westpac and members of the Westpac Group may in future issue securities 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 SPS; or
- have the same or different dividend, interest or distribution rates as Westpac SPS; or
- have the same or different terms and conditions as Westpac SPS.

An investment in Westpac SPS 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 SPS.

5.1.16 Successor Holding Company

If a Successor Holding Company of the Westpac Group is put in place, and this does not result in a Conversion, Redemption or Transfer, the Preference Share Terms (with APRA's prior written approval) may be amended to the extent necessary and subject to complying with all relevant laws, to ensure that Preference Shareholders may, if appropriate,

participate in any relevant arrangements in connection with that event.

There is a risk that establishment of the Successor Holding Company is treated as an Acquisition Event leading to the Conversion, Redemption or Transfer of Westpac SPS. 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, its financial position may be materially altered thereby adversely affecting its ability to make Distributions and the Successor Holding Company may be able to issue new securities which are not subject to the Dividend and Capital Stopper.

5.2 Investment risks attaching to Westpac

Set out in this Section 5.2 are specific risks associated with an investment in Westpac. These risks are relevant to an investment in Westpac SPS and Ordinary Shares as the value of such an investment in Westpac SPS will depend on Westpac's financial performance and position, regardless of when or if Westpac SPS are Converted or Redeemed.

5.2.1 Dependence on the Australian and New Zealand economies

Westpac's revenues and earnings are dependent on the level of financial services its customers require. In particular, levels of borrowing are heavily dependent on customer and investor confidence, the state of the economy, the home lending market and prevailing market interest rates from time to time in the countries in which Westpac operates.

Westpac currently conducts most of its business in Australia and New Zealand. Consequently, Westpac's performance is influenced by the level and cyclical nature of business and home lending activity in these countries and by the growth of the Chinese and Southeast Asian economies by which the Australian economy is heavily influenced. These factors are, in turn impacted by both domestic and international economic and political events. There can be no assurance that a weakening in the Australian or New Zealand economies will not materially affect Westpac's financial condition and results of operations. The economic conditions of other regions where Westpac conducts operations can also affect its future performance.

5.2.2 Dislocation in global capital markets

Financial institutions are subject to changing conditions in global capital markets. Recently global capital markets have been impacted by the deterioration in the sub-prime mortgage market in the United States.

The current dislocation in global capital markets presents challenges for Westpac and other financial institutions that rely on regular access to the capital markets to fund their operations. As at 31 March 2008, approximately 52% of Westpac's funding was provided by customer deposits and 48% by wholesale funding from the global capital markets.

The challenges created by the current global capital markets dislocation include:

- higher wholesale funding costs;
- reduced availability of longer term funding; and
- significant market volatility.

Through the normal course of its institutional business, Westpac also has credit exposure to counterparties who may be impacted by the disruptions to the global credit markets, either through losses associated with the US sub-prime mortgage market or the reduced availability of funding.

If the proposed merger between Westpac and St. George proceeds, Westpac's reliance on global capital markets for wholesale funding will increase.

The duration and extent of dislocation in global capital markets are unknown and continuation of these conditions could adversely affect Westpac's financial performance or financial condition.

5.2.3 Competition

Westpac competes, both domestically and internationally, with asset managers, retail and commercial banks, non-bank mortgage brokers, private banking firms, investment banking firms, brokerage firms, and other investment service firms. In addition, the trend toward consolidation in the global financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. In recent years, competition has also increased as large insurance and banking industry participants have sought to establish themselves in markets that are perceived to offer higher growth potential, and as local institutions

have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships. While the current dislocation in global financial markets has eased competitive pressure for lending in the Australian and New Zealand markets, competition for deposits has intensified.

5.2.4 Credit

Credit Risk is Westpac's most significant risk and arises primarily from its lending activities. Westpac holds collective and individually assessed provisions for impairment charges. If these provisions prove inadequate, then this could have a material adverse effect on Westpac's results of operations and financial performance.

5.2.5 Market movements

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 overall financial position. In the financial markets trading businesses, Westpac is exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and commodity and equity prices. If Westpac were to suffer substantial losses due to any such market volatility, it would adversely affect the results of operations and financial condition.

5.2.6 Equity underwriting

As a financial intermediary, Westpac underwrites listed and unlisted equity securities. Equity underwriting activities include the development of solutions for corporate and institutional customers who have a demand for equity capital and investor customers who have an appetite for equity based investment products. Westpac may guarantee the pricing and placement of these facilities. Westpac is at risk if it fails to syndicate or sell down its risk to other market participants.

5.2.7 Operational risks

As a financial services organisation, Westpac is exposed to a variety of risks, including those resulting from process error, fraud, system failure, security and physical protection, customer services, staff skills and performance, and product development and maintenance. Operational risk can directly impact Westpac's reputation and result in financial losses which could adversely affect its financial performance or financial condition.

5.2.8 Regulatory environment and compliance

Westpac's business is highly regulated and could be adversely affected by changes in regulations and regulatory policy. Compliance risk arises from the regulatory standards that apply to Westpac as an institution. All of Westpac's businesses are highly regulated in the various jurisdictions in which it does business. Westpac is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including changes to accounting standards) and industry codes of practice, as well as meeting its ethical standards. Westpac's business and earnings are also affected by the fiscal or other policies adopted by various regulatory authorities of the Australian and New Zealand governments, foreign governments and international agencies. The nature and impact of future changes in such policies are not predictable, and are beyond Westpac's control. Changes in regulations or regulatory policy could adversely affect one or more of Westpac's businesses, and could require the incurring of substantial costs to comply. The failure to comply with applicable regulations could result in fines and penalties or limitations on Westpac's ability to do business. These costs, expenses and limitations could have a material adverse effect on Westpac's business, financial performance or financial condition.

5.2.9 Reputation Risk

Various issues may give rise to reputational risk and cause harm to Westpac's business and prospects. These issues include appropriately dealing with potential conflicts of interests, legal and regulatory requirements, ethical issues, money laundering laws, trade sanctions legislation, privacy laws, information security policies, sales and trading practices and conduct by companies in which Westpac holds strategic investments. Failure to address these issues appropriately could give rise to additional legal risk, subject Westpac to regulatory enforcement actions, fines and penalties, or harm Westpac's reputation among its customers and investors in the marketplace.

5.2.10 Liquidity

An inability by Westpac to meet its payment obligations could adversely affect its financial performance or financial condition. Liquidity risk is the potential inability to meet payment obligations, which could potentially arise as a result of mismatched cash flows generated by Westpac's business.

5.2.11 Taxation

Westpac is subject to taxation legislation in the various jurisdictions in which it has operations or conducts business. Any significant change in taxation law or its interpretation and application by an administrative body could have an adverse effect on the results of its operations. Westpac manages taxation risk by, in relation to specific transactions, opinions from taxation specialists and/or obtaining rulings from revenue authorities. Westpac also takes a pro-active approach to managing potential disputes with revenue authorities. It also engages in consultations with revenue authorities in relation to potential changes in the law, either in its own right or in conjunction with professional and industry bodies.

Where appropriate, Westpac participates in professional and industry bodies which consider and propose changes to taxation law.

5.2.12 Legal proceedings and contingent liabilities

Contingent liabilities exist in respect of actual and potential claims and proceedings against Westpac that have not been determined. An assessment of Westpac's likely loss has been made on a case-by-case basis and specific provisions have been made where appropriate within the credit litigation provision. If these provisions prove inadequate then this could have a material adverse effect on Westpac's financial performance and position. For further details of Westpac's legal proceedings and existing contingent liabilities – see Section 8.6.

5.2.13 Other Risks

Other risks that can impact Westpac's performance include insurance risk, interest rate risk and strategic risk.

5.3 Risks arising from the proposed merger with St.George Bank

5.3.1 Implementation of the proposed merger with St.George is subject to the satisfaction or waiver of certain conditions

The conditions precedent to the proposed merger with St.George include the receipt of all necessary regulatory approvals (including ACCC, ASIC, ASX, Banking Act, Financial Sector (Shareholdings) Act and Insurance Acquisitions and Takeovers Act approvals), approval by the relevant Australian Court

of the St.George scheme of arrangement, and approval of the proposed merger by the requisite majority of the shareholders of St.George. Further conditions precedent include the absence of specified material adverse changes in respect of St.George or Westpac, the absence of certain prescribed occurrences in respect of St.George or Westpac, and the absence of injunctions or other restrictions on the implementation of the merger. There is a risk that one or more of these conditions will not be satisfied or waived, and as a consequence there is a risk that the proposed merger will not be implemented.

In addition, the governmental entities from which the regulatory approvals are required may impose conditions on, or require divestitures or other changes in connection with, the implementation of the proposed merger. These conditions or changes could have the effect of delaying implementation, reducing the anticipated benefits of the proposed merger or imposing additional costs on Westpac, any of which might have a material adverse effect on the business of the merged entity from that currently expected by Westpac. Furthermore, if implementation has not occurred by 31 December 2008, each of Westpac and St.George has a termination right under the MIA. See section 4.1 for a summary of the key terms of the MIA.

5.3.2 Risks in respect of expected benefits from the proposed merger

There is a risk that the proposed merger between Westpac and St.George will not achieve the business growth opportunities, revenue benefits, cost savings and other benefits currently anticipated by Westpac (as disclosed by Westpac in announcements to ASX in respect of the proposed merger). Westpac believes the consideration it has agreed to pay under the MIA is justified in part by those benefits it expects to achieve by merging with St.George. However, these expected benefits may not develop and other assumptions upon which we determined the consideration may prove to be incorrect.

5.3.3 Risk of unknown liabilities of St.George

In agreeing the terms and conditions of the MIA, Westpac relied on publicly available information relating to St.George. In addition, Westpac carried out a pre-implementation due diligence inquiry in respect of St.George for approximately two weeks. Carrying out such due diligence does not guarantee

that all relevant matters will be discovered and therefore, after implementation of the proposed merger, there is a risk that Westpac may be subject to liabilities of St.George, or other adverse events in respect of St.George, of which Westpac is not currently aware and that were not contained in the information about St.George available to Westpac, and which may have an adverse effect on the merged entity's financial condition or performance.

5.3.4 Risks associated with integration of Westpac and St.George.

There will be risks associated with the process of integrating the operations of St.George with Westpac. These risks may include unforeseen difficulties in (i) carrying on the separate customer facing business operations of Westpac and St.George while integrating their back office operations; (ii) preserving customer, distribution, supplier and other important relationships; (iii) consolidating the head office operations; (iv) integrating the business cultures; (v) integrating information, accounting, finance, billing, payroll and regulatory compliance systems; and (vi) retaining key officers and employees. The realisation of any of these risks may adversely impact the expected benefits of the merger.

5.3.5 Risks arising from a competing proposal

There is a risk that St.George may receive a merger proposal from another party before the proposed merger is implemented. While the MIA contains certain exclusivity provisions, those provisions do not prevent another party making a competing merger proposal for St.George. If the competing proposal is superior to Westpac's proposal, the St.George Board may choose to recommend the competing proposal, in which case Westpac may terminate the MIA and the proposed merger would not proceed. This would mean that the anticipated benefits of the proposed merger would not be realised and Westpac would not be able to recover any costs associated with the proposed merger.

5.3.6 Risk of negative impact on Westpac's share price following completion of the merger

There is a risk that Westpac's share price may be negatively impacted because of the expected length of time before the merger will be cash earnings per share accretive for Westpac shareholders and the integration risks specified in Section 5.3.4.

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

Taxation letter

6

If you are considering applying for Westpac SPS, it is important that you understand the taxation consequences of investing in Westpac SPS. You should read the Taxation letter from Allens Arthur Robinson in this Section 6, and discuss the taxation consequences with your tax adviser, financial adviser or other professional adviser, before deciding whether to invest.



18 June 2008

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Ladies and Gentlemen

Westpac Stapled Preferred Securities

We have been requested to provide a taxation summary regarding the principal Australian taxation implications for holders of the Westpac Stapled Preferred Securities (**Westpac SPS**) 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 (**Investors**) who apply to acquire Westpac SPS under the Prospectus, are residents of Australia for the purpose of Australian income tax laws and who hold Westpac SPS on capital account.

The summary does not address all taxation consequences of ownership of Westpac SPS, the Notes or the Preference Shares, nor the positions of the Initial Purchaser or other Investors who acquire Westpac SPS 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 SPS on revenue account or as trading stock.

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

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

SYD112.07

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 Notes will be issued by Westpac's New York Branch; and
- the Preference Shares will be issued by Westpac in Australia;
- Westpac currently intends to apply the proceeds from the issue of Notes for use in Westpac's London Branch and Westpac's New Zealand operations to repay existing funding from Westpac head office. Westpac head office will use those proceeds for general funding purposes; and
- Payments of Interest on the Notes and of Dividends on the Preference Shares are expected 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. Distributions

(a) Interest payable on Notes

(i) Franked distributions

The Notes should be regarded as 'non-share equity interests' such that payments of Interest and any Gross-Up Amounts payable on the Notes will be frankable distributions.

Investors will be required to include in their assessable income the amount of any Interest and any Gross-Up Amounts paid to them.

Subject to certain holding period and 'at risk' requirements (see below for further information regarding the 'holding period rule'), Investors will also be required to include in their assessable income an additional amount equal to any franking credits attached to those Distributions and may qualify for tax offsets, equal to the amount of those franking credits, which may be applied against their respective income tax liabilities for the relevant income year.

In relation to individuals or complying superannuation entities, tax offsets will either reduce any tax payable by an 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. Investors that are companies entitled to tax offsets are not entitled to refunds of excess tax offsets, but will be entitled to a credit in their franking account equal to the amount of the franking credits attached to a Distribution.

(ii) Foreign source income

Interest and any Gross-Up Amounts payable by Westpac's New York Branch on the Notes will be 'foreign income' when derived by Investors as they will be amounts of income derived from a source in a foreign country.

If they apply, the foreign loss quarantining rules could operate to effectively quarantine certain deductions incurred by Investors, other than deductions relating to borrowings, where those deductions relate to the derivation of Interest under the Notes. However, legislation has been passed to repeal the foreign loss quarantining rules with effect from the first income year starting on or after 1 July 2008, which would be the year ending 30 June 2009 for taxpayers that have a 30 June year end.

(iii) Holding period rule

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

To be a 'qualified person' in relation to a payment of Interest on the Notes, Investors must have held the Notes '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 Notes are acquired by an Investor and ending on the 90th day after the day that the Notes became ex-distribution; 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 Interest payments to other entities) in respect of Interest payments, 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 Notes became ex-distribution.

To be held 'at risk', Investors must effectively retain 30% or more of the risks and benefits associated with holding the Notes. Whether or not the Notes 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 Notes. On the basis that Investors will continue to hold the Notes 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 Notes, and will not be under an obligation to make 'related payments' to other entities, Investors should be 'qualified persons' in relation to payments of Interest on the Notes.

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 and non-share 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 payments of Interest on the Notes.

(b) Dividends on Preference Shares

While the Preference Shares are stapled to the Notes, Preference Shareholders will not receive dividends from Westpac in respect of the Preference Shares. Following the occurrence of an Assignment Event, the Notes and the Preference Shares will be Unstapled and Dividends will be paid (subject to satisfaction of the Distribution Payment Test) quarterly in respect of the Preference Shares. Subject to the Conversion Conditions being satisfied, the Preference shares may be converted into Ordinary Shares on the Mandatory Conversion Date. If Conversion does not occur and Westpac has not elected to Redeem the Preference Shares subject to APRA Approval, the Preference Shares will remain on issue and Dividends will continue to be paid on the Preference Shares (subject to the satisfaction of the Distribution Payment Test).

Dividends, and any Gross-Up Amounts, paid on the Preference Shares should be frankable distributions and Investors will be required to include those amounts in their assessable income. Any franking credits attached to those Distributions should be included in the assessable income of the Preference Shareholder and tax offsets should generally be available, equal to the amount of the franking credits, subject to the requirements that the Preference Shares be held 'at risk' for the requisite periods (see above regarding the 'holding period rule' which will apply in the same way to distributions in respect of the Preference Shares as it will to Interest paid on the Notes). To the extent that any Dividends and Gross-Up Amounts are unfranked, those amounts would also be included in an Investor's assessable income, without any tax offsets.

2. Disposals of Westpac SPS

As noted above, Westpac has applied for a Class Ruling requesting confirmation of the ATO's views of the principal tax issues. Consistently with the concerns addressed in Taxpayer Alert TA 2008/1 (14 January 2008) and in Draft Taxation Determination TD 2008/D6 (26 March 2008), we expect that the Class Ruling will state that each Westpac SPS is a single CGT asset comprised of a Note stapled to a Preference Share that is not a traditional security or other form of security.

On this basis, dealings with the Preference Share or the Note which are components of that single asset would not have tax consequences analysed or characterised in isolation from the single asset of which they are treated as being components. The principal consequence of this approach is that a disposal of the Note would not give rise to separately calculated income or deduction, including where an Investor sells Westpac SPS on-market and where an Investor disposes of Notes to Westpac (or another Assignee) after an Assignment Event. The summary below reflects the position we expect the ATO to adopt in this regard.

(a) On-market disposals of Westpac SPS

A disposal of a Westpac SPS on-market will constitute a CGT event for the Investor.

Investors may make a capital gain or a capital loss depending on whether their capital proceeds from the disposal are more than the cost base of the Westpac SPS, or whether the capital proceeds are less than the reduced cost base of the Westpac SPS, respectively.

For Investors who acquire Westpac SPS pursuant to the Prospectus, the first element of the cost base of a Westpac SPS to an Investor will be the amount paid for the relevant Westpac SPS. Other amounts associated with holding the Westpac SPS, 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 SPS on-market will be the sale price of the Westpac SPS.

Any capital gain (or capital loss) derived (or incurred) by a 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 held their Westpac SPS for 12 months or more before their disposal, they will be entitled to a '*CGT Discount*' for any capital gain made on the disposal of the Westpac SPS. The CGT Discount entitles Investors to reduce their capital gain on the disposal of a Westpac SPS (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 SPS disposed of by Investors under an agreement entered into within 12 months of the acquisition of the Westpac SPS by those Investors. Investors should seek independent advice to determine if their Westpac SPS have been held for the requisite period.

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

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

The capital proceeds that will be received by an Investor on the disposal of a Westpac SPS pursuant to a Transfer Notice will be the sale price of the relevant Westpac SPS.

(c) Disposals of Notes upon an Assignment Event

The disposal of Notes upon the occurrence of an Assignment Event would, under the single asset approach described above, be treated as a change in the composition of that single asset and would not give rise to any income, gain, loss or deduction.

3. Conversion of Preference Shares

For each Preference Share that is Converted, the terms of the Preference Share 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) Preference Shareholder. The Conversion of a Preference Share into Ordinary Shares in this way should not give rise to a capital gain or a capital loss for an Investor, nor should any amount be included in an Investor's assessable income as a consequence of Conversion.

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

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

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

4. Redemption of Preference Shares

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

5. Successor Holding Company

If Westpac is replaced as the ultimate holding company of the Westpac Group by a Successor Holding Company, the Preference Share Terms may be amended to the extent necessary, and subject to complying with all relevant laws, to ensure that Preference Shareholders 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 Preference Shares are to be Redeemed or converted, or otherwise affected, and how the Notes may be dealt with, pursuant to any such amendments. It is expected that further information would be provided, by Westpac, to Preference Shareholders if Westpac is to be replaced as the ultimate holding company of the Westpac Group.

6. Withholding Requirements

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

We understand that Westpac may be required, under United States law, to deduct a back up withholding tax from payments of Interest and any Gross-Up Amounts payable on Notes held by Investors who do not provide an applicable United States tax form certifying that they are not a United States person for the purposes of the United States federal income tax. We further understand that Investors who are in fact not United States persons for the purposes of the United States federal income tax will generally not be liable to United States tax on payments of Interest and any Gross-Up Amounts payable on the Notes and would be entitled to a refund of any back up withholding tax deducted from those payments. On that basis, Investors who are not United States persons for the purposes of the United States federal income tax would not be entitled to claim any foreign tax credit in Australia in respect of any United States back up withholding tax deducted.

7. GST

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

8. Stamp Duty

No stamp duty will be payable by an Investor on the acquisition, sale, Conversion or Redemption of Westpac SPS.

9. Taxation of Financial Arrangements

The *Tax Laws Amendment (Taxation of Financial Arrangements) Bill 2007* was introduced into the House of Representatives on 20 September 2007, but lapsed as result of the calling of the Federal election. The Government announced in the Budget (13 May 2008) that this Bill would be reintroduced, but that its provisions would not take effect until 1 July 2009. This would significantly reform the taxation of financial arrangements.

Based on the Bill introduced on 20 September 2007 and the Budget announcement, the new Taxation of Financial Arrangements rules would apply in respect of all financial arrangements acquired by taxpayers on or after the first day of the first income year commencing on or after 1 July 2009.

It therefore appears that the proposed new Taxation of Financial Arrangements rules would not apply to Investors in respect of their Westpac SPS, unless certain elections are made available in the new legislation and Investors make those elections. Even then the proposed new Taxation of Financial Arrangements rules would only apply in respect of the

Westpac SPS held by Investors with effect from the first day of the first income year commencing on or after 1 July 2009 at the earliest.

Investors should monitor developments in relation to this proposed legislation and should seek their own advice on the potential impact of the new Taxation of Financial Arrangements rules, if any, on their investment in Westpac SPS.

10. Not financial product advice

The information contained in this report does not constitute *financial product advice* for the purposes of the *Corporations Act*. The AAR partnership providing this report 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 Westpac SPS 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



Summary of important documents

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Rights attaching to Westpac SPS arise under the Note Terms and Preference Share Terms. Some of the rights attaching to Westpac SPS are linked with rights arising under other documents.

This Section 7 summarises the Note Deed Poll and other important documents. It does not summarise the Preference Share Terms or the Note Terms which are set out in full in Appendix B and Appendix C respectively.

Summary of important documents

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 8.2.2.

7.1 Overview of rights and liabilities of Westpac SPS

Rights attaching to Westpac SPS are contained in the:

- Preference Share Terms (set out in full in Appendix B); and
- Note Terms (included as schedule 1 to the Note Deed Poll and set out in full in Appendix C).

Some of the rights attaching to Westpac SPS are linked with rights arising under other documents, for example:

- Westpac SPS may be Converted into Ordinary Shares in certain circumstances. The rights attaching to Ordinary Shares are set out in Westpac's Constitution and the Corporations Act. For a summary of important rights attaching to the Ordinary Shares – see Section 7.2.

7.2 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.

7.2.1 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.

7.2.2 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 are only payable out of Westpac's net profit. Westpac is restricted from declaring and/or paying dividends if:

- the payment of the dividend would breach or cause a breach by Westpac of applicable capital adequacy or other supervisory requirements of APRA. Currently, one such requirement is that the aggregate amount of dividend payments on ordinary shares must not exceed after-tax earnings after taking into account any payments on more senior capital instruments in the financial year to which they relate; or
- Westpac is directed by APRA not to pay a dividend under the Banking Act 1959 (Cth); or
- the declaration or payment of the dividend would result in Westpac becoming insolvent.

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

7.2.3 Winding-up of Westpac

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

7.2.4 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.

7.2.5 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.

7.3 Summary of the Note Deed Poll

7.3.1 General

Westpac NY executed a deed poll ("Note Deed Poll") on 18 June 2008 for the benefit of Noteholders from time to time. The Note Deed Poll is the instrument under which the Notes are constituted, and contains the terms of issue of the Notes ("Note Terms"). Westpac NY agrees to be bound by its obligations under the Note Terms. Each Noteholder may enforce its rights under the Note Deed Poll, unless Westpac NY appoints a trustee – see Section 7.3.3. Each Noteholder is also bound by the terms of the Note Deed Poll (including the Note Terms).

7.3.2 Registry

Under the Note Deed Poll, Westpac NY will ensure that the Registry will maintain the Register of Noteholders and will enter Noteholders in that register from time to time.

7.3.3 Establishment of trust

Westpac NY may establish a trust and appoint a trustee to act as trustee for the benefit of Noteholders if Westpac NY is required to do so by law, or if Westpac so determines in its absolute discretion. If Westpac NY appoints a trustee, it will hold the benefit of any deed under which it is appointed and the right to enforce Westpac NY's obligations under the Note Terms and the trust deed in trust for the Noteholders.

7.3.4 Meetings of Noteholders

Westpac may at any time convene a meeting of Noteholders. Additionally, one or more Noteholders who hold not less than 25%, in terms of the aggregate Issue Price of all Notes on issue can direct Westpac to, and Westpac must, convene a meeting of Noteholders where the purpose of the meeting is to consider Westpac's failure to remedy any breach of the Note Terms.

Noteholders must be given at least 21 days prior notice of a meeting of Noteholders, unless otherwise agreed in writing by a majority of Noteholders. Where Westpac

is directed to convene a meeting of Noteholders by one or more Noteholders who hold not less than 25% of the aggregate Issue Price of all Notes on issue, Westpac must give the notice within 30 days of receipt of the requisition.

The chairperson of a meeting of Noteholders shall be a person nominated by Westpac. A quorum shall be present at a meeting of Noteholders if two or more Noteholders entitled to vote and holding more than 25% of the aggregate Issue Price of all Notes on issue are present in person or by proxy, attorney or corporate representative. If a quorum is not present, the meeting will be adjourned. At any adjourned meeting, a quorum will be achieved if two or more Noteholders entitled to vote and holding more than 5% of the aggregate Issue Price of all Notes on issue at the time are present.

Any resolution other than a Special Resolution of Noteholders will be passed in writing if signed by Noteholders who hold more than 50% of the aggregate Issue Price of the Notes on issue or at a meeting of Noteholders if voted for by more than 50% of the votes cast. A Special Resolution of Noteholders will be passed in writing if signed by Noteholders who hold at least 75% of the aggregate Issue Price of the Notes on issue, or at a meeting of Noteholders if voted for by at least 75% of the votes cast.

Noteholders may, by Special Resolution:

- authorise Westpac to take or refrain from taking any action that may be taken by Westpac under any express or implied power or authority howsoever confirmed;
- sanction the release of Westpac from any obligation under the Note Terms either unconditionally or subject to any conditions specified in the Special Resolution;
- sanction any modification or compromise or arrangement in respect of the rights of Noteholders against Westpac;
- authorise Westpac to sanction on behalf of all the Noteholders any scheme of arrangement in respect of Westpac;
- authorise Westpac to accept on behalf of Noteholders any other property or securities instead of any part of the Noteholders' rights and in particular any debt securities of Westpac;
- give a release or waiver in respect of any breach or default by Westpac; and

- give any sanction, direction or consent which is required by Special Resolution under the Note Deed Poll.

A resolution passed by Noteholders in accordance with the terms of the Note Deed Poll shall be binding on all Noteholders, whether or not present at a meeting of Noteholders and whether or not they voted for or against the resolution.

Westpac is not bound by any resolution of Noteholders unless it agrees to be bound.

7.4 Summary of the Offer Management Agreement

Westpac, the Initial Purchaser and the Joint Lead Managers entered into the Offer Management Agreement (“OMA”) on 18 June 2008. Under the OMA Westpac has appointed Citi, Deutsche Bank, Goldman Sachs JBWere, Macquarie, UBS and Westpac 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 primarily from any fraud, recklessness, wilful misconduct or negligence of the indemnified parties.

7.4.1 Settlement support

On completion of the Bookbuild, the Joint Lead Managers have agreed to provide settlement support for the Offer. As part of that settlement support, the Joint Lead Managers will pay, or procure payment of, the aggregate amount of the Issue Price of Westpac SPS Allocated to Syndicate Brokers and Institutional Investors under the Bookbuild.

7.4.2 Fees

Under the OMA, Westpac will pay:

- Deutsche Bank a structuring fee of \$3.5 million;
- The Joint Lead Managers in equal proportions:
 - a bookrunning fee of 0.5% of the amount which is the lesser of the total proceeds of the Offer and \$1,000 million;
 - a broker firm selling fee of 1.0% of the proceeds raised from Syndicate Brokers (other than the total of the JLM Broker Firm Amounts) through the Bookbuild;
 - an institutional selling fee of 0.5% of the proceeds raised from Institutional Investors through the Bookbuild; and
- Each Joint Lead Manager 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.

The Joint Lead Managers are responsible for paying all selling fees and other commissions payable by the Joint Lead Managers to Syndicate Brokers.

7.4.3 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 or Westpac SPS;
- 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 SPS 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, or Westpac TPS is halted or quotation of Ordinary Shares or Westpac TPS is suspended for a certain period of time;
- unauthorised alterations to Westpac's share capital or certain transaction documents; 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 it 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.

7.4.4 Transfer of Westpac SPS

Under the OMA, the Initial Purchaser will transfer Westpac SPS to successful Applicants in accordance with their Allocation immediately following the issue of Westpac SPS to the Initial Purchaser in accordance with the Subscription Agreement – see Section 7.5.

7.5 Summary of the Subscription Agreement

Westpac (acting through its head office and through Westpac NY) and the Initial Purchaser entered into a Subscription Agreement on 18 June 2008.

Under that agreement, the Initial Purchaser agrees to subscribe for all Notes successfully applied for under the Offer by paying, or directing payment of, the aggregate Issue Price of those Notes to Westpac NY. Westpac NY agrees to issue the Notes to the Initial Purchaser.

Following completion of the issue of the Notes to the Initial Purchaser, the Initial Purchaser agrees to irrevocably offer to Westpac to assign the Notes, and all right, title and interest in the Notes, to the Assignee upon the occurrence of an Assignment Event. In consideration of that offer, Westpac agrees to issue an equal number of Preference Shares to the Initial Purchaser.

The offer by Westpac to issue the Notes and the Preference Shares to the Initial Purchaser is made under this Prospectus with any issuance to take place on the Issue Date.

The obligations of the parties under the Subscription Agreement are subject to conditions precedent that the OMA has not been terminated by all Joint Lead Managers and that Westpac has complied with its obligation to give a certificate regarding Westpac's compliance with the OMA – see Section 7.4.

Additional information

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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.

Additional information

8.1 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 of Westpac SPS or ownership of Preference Shares or Ordinary Shares.

8.2 Information, disclosure and availability

8.2.1 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; and
- 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.

Copies of these documents and other documents lodged with ASIC by Westpac may be obtained from, or inspected at, an ASIC office.

8.2.2 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 2007 (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 2008 (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 half-yearly financial report and before the lodgement of the Prospectus;
- Westpac's Constitution; and
- the Note Deed Poll (including Note Terms).

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

8.3 Consents

Each Director of Westpac 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 paragraphs 4 and 5 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;
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; and

5. in the case of St.George, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the information (including financial information) contained in Section 4.2 of this Prospectus.

Role	Consenting parties
Joint Lead Managers	Westpac Citi Deutsche Bank Goldman Sachs JBWere Macquarie UBS
Legal and tax adviser to the Offer	Allens Arthur Robinson
Auditor	PricewaterhouseCoopers
Registry	Link Market Services Limited
N/A	St.George Bank Limited

8.4 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 7.4.2. The remaining Joint Lead Managers will receive fees, as also set out in Section 7.4.2.

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 6. In respect of this work, Westpac estimates that it will pay to Allens Arthur Robinson approximately \$600,000 in its role as legal adviser, and \$340,000 in its role as tax adviser, (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 has acted as the auditor for Westpac. Westpac estimates that it will pay approximately \$170,000 (excluding disbursements and GST) to PricewaterhouseCoopers. Further amounts in relation to the Offer may be paid to PricewaterhouseCoopers 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.

8.5 Interests of the Directors of Westpac

Securityholdings of Westpac Directors as at 5 June 2008

Director	Westpac Ordinary Shares	Westpac TPS
Ted Evans	12,525	NIL
Gail Kelly	277,639	NIL
Elizabeth Bryan	7,888	NIL
Gordon Cairns	NIL directly (8,506 indirectly)	NIL
Carolyn Hewson	12,570	NIL
Peter Wilson	11,640	NIL
Lindsay Maxsted	NIL	NIL

Other than as set out above, no Director of Westpac 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 the Offer.

No 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 Director or proposed director to induce them to become or qualify them as a Director, or for services provided by them in connection with the formation or promotion of Westpac or with the Offer.

8.6 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 31 March 2008 interim financial statements and specific provisions have been made where appropriate within the credit litigation provision.

8.6.1 Bell Group of companies

Westpac is one of 20 defendant banks named in proceedings concerning the Bell Group of companies. The proceedings have been brought by the liquidators of several Bell Group companies and seek to challenge the defendant banks' entitlement to receive the proceeds of realisation of Bell Group assets in the early 1990s. The trial concluded in September 2006 and Westpac is awaiting judgment. It is not possible to estimate the potential impact, however, Westpac believes it has good prospects of success.

8.6.2 New Zealand Commerce Commission

The New Zealand Commerce Commission's proceedings against Westpac New Zealand Limited and The Warehouse Financial Services Limited (members of the Westpac Group), Visa International, Cards NZ Limited, MasterCard International and all New Zealand issuers of Visa and MasterCard credit cards are ongoing. The proceedings allege that the setting of interchange rates and rules (relating to honour all cards, no surcharge, access and no discrimination) amount to price fixing or alternatively have the effect of substantially lessening competition in the New Zealand market in breach of the Commerce Act 1986. The proceedings seek to declare the conduct illegal and impose unspecified monetary penalties.

In addition, proceedings issued by a number of New Zealand retailers, (similar to the Commerce Commission proceedings as described above), against

Westpac New Zealand Limited, The Warehouse Financial Services Limited, Visa International, Cards NZ Limited, MasterCard International and New Zealand issuers of Visa and MasterCard credit cards are ongoing. These proceedings also seek to declare the conduct illegal and an enquiry into damages. Damages awarded, if any, would be in addition to any penalties imposed under the Commerce Act 1986 in the event the Commerce Commission is successful in the proceedings described above. On 16 October 2007, both proceedings (as described above) were discontinued against Westpac New Zealand Branch on the basis that the issues in the proceedings relate to assets and liabilities which vested in Westpac New Zealand Limited (also a defendant) on 1 November 2006. Westpac is considering its position in relation to both proceedings and at this stage does not consider it necessary to raise a provision in relation to this matter.

8.6.3 New Zealand Inland Revenue Department

The New Zealand Inland Revenue Department ("NZIRD") is reviewing a number of structured finance transactions undertaken in New Zealand and has issued amended assessments in respect of nine transactions, three undertaken in the 1999 tax year, two undertaken in the 2000 tax year, two undertaken in the 2001 tax year and two undertaken in the 2002 tax year. The amended assessments relate to the 1999-2005 tax years. The overall primary tax in dispute is approximately NZ\$586 million (A\$507 million). With interest (net of tax) this increases to approximately NZ\$850 million (A\$736 million) (calculated to 31 March 2008).

Proceedings disputing the amended assessments with respect to the 1999, 2000, 2001 and 2002 tax years have commenced and proceedings disputing the 2003, 2004 and 2005 tax years' amended assessments will be commenced shortly. Westpac is confident that the tax treatment applied in all cases is correct. A ruling was sought from the NZIRD on an initial transaction in 1999. Following extensive review by the NZIRD, the ruling was issued in 2001. The principles underlying that ruling are applicable to, and have been followed in, all other transactions.

8.7 ASIC relief

ASIC has indicated that it will issue a declaration that Westpac is taken to be the offeror of Westpac SPS in respect of both their issue to the Initial Purchaser, and their subsequent sale by the Initial Purchaser to investors, under this Prospectus. Consequently, ASIC has granted the Initial Purchaser an exemption from

any liability which could arise pursuant to sections 728 and 729(1) of the Corporations Act.

ASIC has also indicated that it will issue a declaration that, despite the issue of an order under section 340 of the Corporations Act, Ordinary Shares qualify as continuously quoted securities for the purposes of the Corporations Act.

8.8 ASX waivers and approvals

ASX has indicated that it will confirm that:

- the terms of Westpac SPS are appropriate and equitable for the purposes of Listing Rule 6.1;
- Listing Rule 6.5, regarding preferential dividends, does not apply to Westpac SPS;
- the terms of Westpac SPS, which provide that Dividends are not payable while the Preference Shares are Stapled to the Notes, do not amount to a removal or change in dividend rights under Listing Rule 6.10;
- Listing Rule 6.12, regarding divestments of securities, does not apply to Conversion, Redemption or Transfer of the Preference Shares;
- Listing Rule 7.1 will be applied as if Westpac SPS were the number of Ordinary Shares into which they would Convert based on the market price at the close of trade on the trading day prior to the date of this Prospectus;
- any Ordinary Shares issued upon Conversion would be treated as if they were issued under an exception in Listing Rule 7.2; and
- the Preference Shares will continue to be quoted on ASX following Unstapling, subject to compliance with the requirements of other Listing Rules.

ASX has also indicated that it will grant waivers from:

- Listing Rule 6.3.2A, to the extent necessary due to Preference Shareholders not being entitled to vote on a resolution to approve a buy-back agreement for the purposes of a Redemption;
- Listing Rule 8.10, to the extent necessary to enable Westpac to refuse to register a transfer of a Preference Share or Note where it is not accompanied by a transfer to the same transferee of the Note or Preference Share (as applicable) to which it is Stapled; and
- Listing Rule 10.11, to permit Directors and their associates collectively to participate in the Offer

without the approval of holders of Ordinary Shares, on the condition that the Directors (and their associates) are restricted to applying for in aggregate no more than 0.20% of Westpac SPS Allotted, and no more than 0.02% individually.

8.9 Foreign selling restrictions

8.9.1 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 SPS or the Offer or to otherwise permit a public offering of Westpac SPS in any jurisdiction outside Australia.

8.9.2 United States

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

Westpac SPS have not been, and will not be, registered under the US Securities Act. Therefore, Westpac SPS 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 SPS under the Offer will be deemed to have:

1. acknowledged that Westpac SPS 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;
 - B. it is not engaged in the business of distributing Westpac SPS, or, if it is, it will not

offer, sell or resell in the United States or to any US Person any Westpac SPS 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 SPS 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);
- C. if it is entitled to receive any fees or commission in connection with any purchase of Westpac SPS to which the Application or bid relates, it will not directly or indirectly pay or re-allow any portion of such fee or commission to any other person; and
- D. it (i) is not a United States Person and (ii) either is the beneficial owner of the Westpac SPS or is holding the Westpac SPS on behalf of a person who is not a United States Person.

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 SPS.

Until 40 days after the date on which Westpac SPS are Allocated under the Offer, an offer or sale of Westpac SPS 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 8.9.2 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.

8.9.3 New Zealand

This Prospectus has not been and will not be registered in New Zealand. Westpac SPS 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
- who in the course of and for the purposes of their business habitually invest money; and

- in each case in circumstances which do not constitute an offer to the public within the meaning of section 3(2) of the New Zealand Securities Act 1978.

8.10 Acknowledgment and privacy statement

By completing an Application Form and submitting an 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, provide facilities and services that Applicants request, and carry out appropriate administration.

Company and tax law and laws relating to anti-money laundering or counter-terrorism 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 as required or allowed by law, including to ASIC and the Australian Taxation Office, and in order for Westpac to comply with its obligations under any law relating to money laundering or counter-terrorism.

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

8.11 Financial services disclosure

Westpac, its affiliates and employees will not receive any remuneration, commission or other benefit in relation to any general financial product advice contained in this Prospectus, although Westpac will receive the total Offer proceeds, less the costs of the Offer – see Section 8.4 as to those costs.

Appendix A Glossary

A

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 Preference Share Terms and clause 12.1 of the Note Terms.

Glossary

Defined terms in this glossary and in clause 13.1 of the Preference Share Terms and clause 12.1 of the Note Terms are used throughout this Prospectus and the attached, or accompanying Application Forms.

ABN	Australian Business Number
ACN	Australian Company Number
Acquisition Event	has the meaning given in the Preference Share Terms
AFSL	Australian Financial Services Licence
AFSL No.	AFSL number
A-IFRS	Australian equivalents of IFRS
Allocation	the number of Westpac SPS 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 SPS to the Initial Purchaser and subsequent transfer to successful Applicants on the Issue Date under their Allocation Allotted and Allot have the corresponding meanings
Applicant	a person who submits an Application
Application	a valid application made under this Prospectus by using an applicable Application Form to apply for a specified number of Westpac SPS
Application Form or Application Forms	the application form (the Securityholder Application Form or the Broker Firm Application Form) attached to this Prospectus upon which an Application may be made
Application Payment	the monies payable on Application, calculated as the number of Westpac SPS applied for multiplied by the Issue Price
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
Assignee	has the meaning given in the Note Terms
Assignment Event	has the meaning given in the Note Terms
Assignment Event Date	has the meaning given in the Note Terms
ASTC	ASX Settlement and Transfer Corporation 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
Australian GAAP	the recognition and measurement principles prescribed in accounting standards and other mandatory professional reporting requirements set by the Australian Accounting Standards Board which applied prior to 1 October 2005

Bank Bill Rate	has the meaning given in the Preference Share Terms and the Note Terms
Bookbuild	the process conducted by the Joint Lead Managers as agents for Westpac to determine the Margin and firm Allocations of Westpac SPS to Syndicate Brokers and Institutional Investors – see Section 2.8.1
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 Preference Share Terms and the Note Terms
CHESS	Clearing House Electronic Subregister System operated by ASTC
Citi	Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832)
Closing Dates	the last day on which Applications will be accepted, expected to be: ¹ <ul style="list-style-type: none"> ■ 5.00pm on 23 July 2008 for the Securityholder Offer; and ■ 10.00am on 28 July 2008 for the Broker Firm Offer
Consenting Party	each of the consenting parties named in Section 8.3
Conversion	has the meaning given in the Preference Share Terms Convert, Converted and Convertible have the corresponding meaning
Conversion Conditions	has the meaning given in the Preference Share Terms
Conversion Date	has the meaning given in the Preference Share Terms
Conversion Discount	has the meaning given in the Preference Share Terms
Conversion Number	has the meaning given in the Preference Share Terms
Corporations Act	Corporations Act 2001 (Cth) in Australia
Deutsche Bank	Deutsche Bank AG (ABN 13 064 165 162)
Distributable Profits	has the meaning given in the Preference Share Terms and Note Terms
Distribution	a distribution on Westpac SPS of Interest or Dividends (and, except in Section 1.3.5, includes any Gross-Up Amount)
Distribution Payment Date	an Interest Payment Date or Dividend Payment Date as applicable
Distribution Payment Test	is described in Section 1.3.11
Distribution Period	has the meaning given to N in clause 3.1 of the Note Terms
Distribution Rate	the distribution rate on Westpac SPS calculated using the formula in clause 3.1 of the Note Terms and clause 3.1 of the Preference Share Terms

Dividend	has the meaning given in the Preference Share Terms
Dividend and Capital Stopper	has the meaning given in Section 1.3.15
Dividend Payment Date	has the meaning given in the Preference Share Terms
Dividend Period	has the meaning given in N in clause 3.2 of the Preference Share Terms
Early Conversion/Redemption Notice	has the meaning given in the Preference Share Terms
Early Transfer Notice	has the meaning given in clause 5.2 of the Preference Share Terms
Eligible Securityholder	a registered holder of Ordinary Shares or Westpac TPS as at 7.00pm on 11 June 2008 and is shown on the Register to have an address in Australia
Equal Ranking Capital Securities	has the meaning given in the Preference Share Terms
Event of Default	has the meaning given in the Note Terms
Exposure Period	the period from the day after this Prospectus was lodged with ASIC to the Opening Date
Face Value	\$100
First Conversion Condition	has the meaning given in clause 4.2(a)(i) of the Preference Share Terms
Franking Rate	has the meaning given in the Note Terms and Preference Share Terms
Goldman Sachs JBWere	Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897)
Gross-Up Amount	has the meaning given in the Note Terms and the Preference Share Terms
GST	Goods and Services Tax
HIN	holder identification number
Holder	a holder of Westpac SPS or Preference Shares
Holding Statement	a statement issued to Holders by the Registry which sets out details of Westpac SPS Allotted to them under the Offer
IFRS	International Financial Reporting Standards
Initial Mandatory Conversion Date	26 September 2013
Initial Purchaser	Deutsche Financial Corporation New Zealand Limited
Innovative Tier 1 Capital	innovative Tier 1 Capital as described by APRA
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 SPS in the Bookbuild
Interest	has the meaning given in the Note Terms

Interest Payment Date	has the meaning given in the Note Terms
Issue Credit Rating	a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program
Issue Date	the date Westpac SPS are issued, expected to be 30 July 2008
Issue Price	the issue price for Westpac SPS, being \$100 per Westpac SPS
JLM Broker Firm Amount	For each Joint Lead Manager, the Issue Price multiplied by the Allocation to that Joint Lead Manager
Joint Lead Managers	each of Westpac, Citi, Deutsche Bank, Goldman Sachs JBWere, Macquarie and UBS
Junior Ranking Capital Securities	has the meaning given in the Note Terms and Preference Share Terms
Level 1 and Level 2	have the meaning given in the Preference Share Terms
Level 1 Distributable Profits	has the meaning given in the Preference Share Terms
Level 2 Distributable Profits	has the meaning given in the Preference Share Terms
Liquidation Sum	in respect of a Note has the meaning given in the Note Terms to the term "Note Liquidation Sum", and in respect of a Preference Share, has the meaning given in the Preference Share Terms to the term "Liquidation Sum"
Macquarie	Macquarie Equity Capital Markets Limited (ABN 60 001 374 572)
Mandatory Conversion Date	has the meaning given in the Preference Share Terms
Margin	for the Notes and the Preference Shares the margin determined under the Bookbuild, that is expected to be in the range 2.30% – 2.80% per annum
Maximum Conversion Number	has the meaning given in the Preference Share Terms
Moody's	Moody's Investors Service Pty Limited (ABN 61 003 399 657)
Nominated Party	has the meaning given in Clause 5.1 of the Preference Share Terms
Non-Innovative Residual Tier 1 Capital	non-innovative residual Tier 1 Capital as described by APRA
Note	an unsecured note issued by Westpac NY under the terms of the Note Deed Poll
Note Deed Poll	a deed poll entered into by Westpac NY which will constitute the Notes and contains the Note Terms
Noteholders	has the meaning given in the Note Terms
Note Terms	the terms of issue of Notes in Appendix C
NZIRD	New Zealand Inland Revenue Department
Offer	the offer of Westpac SPS under this Prospectus at an Issue Price of \$100 each to raise approximately \$600 million with the ability to raise more or less
Offer Period	the period from the Opening Date to the Closing Dates ¹

OMA	the Offer Management Agreement entered into between Westpac and the Joint Lead Managers as summarised in Section 7.4
Opening Date	the day the Offer opens, expected to be 26 June 2008
Optional Dividend	has the meaning given in the Preference Share Terms
Ordinary Share	a fully paid ordinary share in the capital of Westpac
Ordinary Shareholder	a holder of Ordinary Shares
Participating Broker	any participating organisation of ASX selected by the Joint Lead Managers to participate in the Broker Firm Offer
Preference Share	a fully paid preference share in the capital of Westpac issued in accordance with the Preference Share Terms
Preference Shareholder	has the meaning given in the Preference Share Terms
Preference Share Terms	the terms of issue set out in Appendix B
Prospectus	this prospectus that was lodged with ASIC on 18 June 2008
Record Date	has the meaning given in the Note Terms and Preference Share Terms (as applicable)
Redeem	has the meaning given in the Preference Share Terms Redemption, Redeemed and Redeemable have the corresponding meaning
Redemption Date	has the meaning given in the Preference Share Terms
Register	the official register of Ordinary Shares and Westpac SPS (if issued) maintained by Westpac, or the official register of Westpac TPS maintained by the Registry on the issuer's behalf, and includes any sub-register established and maintained under CHESS
Register of Noteholders	has the meaning given in the Note Terms
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 Preference Share Terms
Residual Tier 1 Capital	residual Tier 1 Capital as described by APRA
Risk Weighted Assets	risk weighted assets as defined by APRA
Second Conversion Condition	has the meaning given in clause 4.2(a)(ii) of the Preference Share Terms
Securityholder Application Form	The Application Form attached to or accompanying this Prospectus upon which an Eligible Securityholder Application can be made
Securityholder Offer	the invitation to Eligible Securityholders to apply for Westpac SPS under this Prospectus
Senior Creditors	has the meaning given in the Preference Share Terms
Special Resolution	has the meaning given in the Preference Share Terms or Note Terms as applicable
SRN	securityholder reference number

Standard & Poor's	Standard & Poor's (Australia) Pty Limited (ABN 62 007 324 852)
Stapled	has the meaning given in the Preference Share Terms
St.George	St.George Bank Limited (ABN 92 055 513 070)
Subscription Agreement	the subscription agreement entered into between Westpac and the Initial Purchaser as summarised in Section 7.5
Successor Holding Company	means a new ultimate holding company of the Westpac Group, which holds (directly or indirectly) all Ordinary Shares
Supporting Documentation	<p>The information to be provided by Broker Firm Applicants with any Application for Westpac SPS comprising:</p> <ul style="list-style-type: none"> ■ for individual Applicants or individuals making joint Applications, a copy of official photographic identification issued by an Australian government agency which includes the Applicant's date of birth (eg. passport or driver's licence); ■ for Applications made on behalf of a registered Australian company, a copy of the company's certificate of registration; or ■ for Applications made on behalf of a partnership, trust or superannuation fund, a copy of the entity's formation documentation (eg. partnership deed or trust deed) and, where the Broker Firm Applicant is a registered Australian company applying on behalf of a trust or superannuation fund, a copy of the company's certificate of registration
Syndicate Broker	any of the Joint Lead Managers, or Co-Managers or Participating Brokers
Tax Event	has the meaning given in the Preference Share Terms
TFN	Tax File Number
Tax Rate	has the meaning given in the Preference Share Terms and the Note Terms
Taxation letter	the taxation letter from Allens Arthur Robinson dated 18 June 2008 in Section 6
Test Conversion Number	has the meaning given in the Preference Share Terms
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
TPS 2004	525,000 trust preferred securities issued by Westpac Capital Trust IV at US\$1,000 each on 5 April 2004
Transfer	means a transfer to a Nominated Party in accordance with clause 5 of the Preference Share Terms, and Transferred has a corresponding meaning

Transfer Notice	has the meaning given in clause 5.1 of the Preference Share Terms
UBS	UBS AG, Australia Branch (ABN 47 088 129 613)
Unpaid Distributions	has the meaning given in the Preference Share Terms
Unstapled	has the meaning given in the Preference Share Terms and Unstaple and Unstapling have the corresponding meanings
Upper Tier 2 Capital	has the meaning given in the Preference Share Terms
United States Person	a person who is a United States person for US federal income tax purposes
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
WVAP	has the meaning given in the Preference Share 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 Directors	some or all of the directors of Westpac, acting as a board
Westpac NY	Westpac's New York branch
Westpac TPS	the 7,627,375 Westpac T rust P referred S ecurities issued by Westpac Funds Management Limited under a product disclosure statement dated 19 May 2006
Westpac SPS	a Preference Share and Note stapled together, comprising a Westpac Stapled Preferred Security issued under the Offer made under this Prospectus, or, if the context requires, a Preference Share following Unstapling

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 SPS are issued. Also, ASIC may extend the Exposure Period by up to seven days, in which case the Opening Date will be varied accordingly, without notice.

Appendix B

Preference Share Terms

B

Preference Share 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 "2008 Series 1 Preference Shares" and comprise a separate class of shares in the capital of Westpac.
- (d) Westpac, any Substituted Issuer, each Preference Shareholder and each beneficial owner of any Stapled Security, any Note or any Preference Share agree to treat the Notes and the Preference Shares as equity for United States federal, state and local, income and franchise tax purposes.

2. Stapling

2.1 Stapling

- (a) Stapling shall automatically take place immediately after the time that the Initial Purchaser is entered into the Register of Shareholders as the first holder of Preference Shares (the Initial Purchaser having prior to that time been entered into the Register of Noteholders as the first holder of Notes) such that Notes previously issued are linked together with Preference Shares which are on issue on a one-to-one basis.
- (b) While Stapling applies, so far as the law permits, one Note and one Preference Share together comprise one Stapled Security.
- (c) While Stapling applies, Westpac must not:
 - (i) do any act, matter or thing (including registering any transfer of any Note or Preference Share); or
 - (ii) refrain from doing any act, matter or thing, if to do so or refrain from doing so (as the case may be) would result directly or indirectly in any Note or Preference Share no longer being Stapled (except as provided in clause 2.2).

2.2 Cessation of Stapling

Once Stapled, all Preference Shares continue to be Stapled to Notes on a one-to-one basis, and vice versa, until the occurrence of an Assignment Event (for those specified Stapled Securities) in which case each Preference Share and each Note (which comprise those Stapled Securities

in relation to which an Assignment Event has occurred) is automatically Unstapled at that time.

2.3 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, the number of Notes held by a Preference Shareholder and any additional information required by the Corporations Act or the ASX Listing Rules. Westpac may maintain the Register of Shareholders jointly with the Register of Noteholders.

2.4 Restriction on transfers

- (a) If a Preference Share is Stapled to a Note, no transfer of a Preference Share may occur from a transferor to a transferee without the Note that is Stapled to that Preference Share being also transferred at the same time by the same transferor to the same transferee, and vice versa. Westpac must refuse to register any transfer of such Preference Share which is Stapled to a Note, if that transfer is not accompanied by a transfer of the Note that is Stapled to that Preference Share by the same transferor to the same transferee at the same time.
- (b) If a Preference Share is Stapled to a Note, it cannot be transferred or assigned or mortgaged, charged or otherwise encumbered separately from the Note that is Stapled to it, and vice versa.

3. Dividends

3.1 No dividends while Stapled

For so long as a Preference Share is Stapled to a Note, the Preference Shareholder shall not be entitled to receive any dividends from Westpac in respect of the Preference Share.

3.2 Dividends

Upon a Preference Share becoming Unstapled, subject to these Preference Share Terms, the 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:

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

where:

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

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

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 90 days which average rate is displayed on Reuters page BBSW (or any page that replaces that page) at 10:30am (Sydney time) on, in the case of the first 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 90 days or for funds of that tenor displayed on Reuters page BBSW (or any page which replaces that page) at that time on that date; and
- (b) if bid and offer rates for bills of a term of 90 days are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;

Preference Share Margin (expressed as a percentage per annum) is the same as the Note Margin;

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 preceding Interest Payment Date on or prior to the occurrence of an Assignment Event or the Preference Share Issue Date if no Interest Payment Date has yet occurred 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**).

3.3 Gross-Up Amount of Dividend not franked to 100%

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), 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:

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

where:

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

where:

D means the Dividend entitlement on that Dividend Payment Date as calculated under clause 3.2; and

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

3.4 Conditions to Dividends and Gross-Up Amounts (and any Optional Dividends)

- (a) A Dividend and Gross-Up Amount (and any Optional Dividend) 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 (or Optional Dividend) is payable;
 - (ii) the amount of the Dividend and Gross-Up Amount (or Optional Dividend) will exceed Distributable Profits, unless APRA otherwise gives its prior written approval; or
 - (iii) in the case of:
 - (A) a Dividend and Gross-Up Amount, APRA otherwise objects to the payment; or
 - (B) an Optional Dividend, APRA has not given its prior written approval to the payment.
- (b) Without limiting clause 3.4(a)(i), the Westpac Directors will not determine a Dividend and Gross-Up Amount (or Optional Dividend) 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 (and Optional Dividends) shall be paid in accordance with clause 9. For the purposes of making any Dividend and Gross-Up Amount (and Optional Dividend) payment in respect of a Preference Shareholder's total holding of Preference Shares, any fraction of a cent will be disregarded.

3.5 Dividends are non-cumulative

Dividends and Gross-Up Amounts are non-cumulative. If all or any part of a Dividend and Gross-Up Amount (or Optional Dividend) is not paid because of the provisions of clause 3.4 or because of any applicable law, Westpac has no liability to pay such Dividend and Gross-Up Amount (or Optional Dividend) to the Preference Shareholder and, notwithstanding Westpac's absolute discretion (subject to APRA's prior written approval) to pay an Optional Dividend under clause 3.6, the Preference Shareholder has no claim

(including, without limitation, on the winding-up of Westpac) in respect of such non-payment. Non-payment of a Dividend and Gross-Up Amount (or Optional Dividend) because of the provisions of clause 3.4, or because of any applicable law, does not constitute an event of default.

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

3.6 Optional Dividend

Upon the Preference Shares becoming Unstapled, if Westpac fails to pay all or any part of a Dividend on the Preference Shares on any Dividend Payment Date or failed to pay any Interest on the Notes in the period before Unstapling occurred, Westpac may, with the prior written approval of APRA, pay a dividend (an **Optional Dividend**) equal to the unpaid amount of the Interest (and Gross-Up Amount as defined in and calculated under the Note Terms, if any) or Dividend (and Gross-Up Amount calculated under these Preference Share Terms) scheduled to have been paid on the Notes and/or the Preference Shares during the 12 months immediately preceding the date on which Westpac pays the Optional Dividend.

3.7 Dividend Payment Dates

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

- (a) provided that the first Dividend Payment Date is not before 30 September 2008 and subject to clause 3.1:
 - (i) each 30 September, 31 December, 31 March and 30 June of each year until (and including) 30 June 2013;
 - (ii) 26 September 2013 and thereafter, if the Preference Shares have not been Redeemed or Converted, each 31 December, 31 March, 30 June and 30 September of each year, commencing from (and including) 31 December 2013 until the Preference Shares are Redeemed or Converted; and
- (b) the Redemption Date or the Conversion Date (as the case may be) on which such Preference Shares are Redeemed or Converted, provided that such Redemption Date or Conversion Date is a date that is after the date on which the Preference Shares become Unstapled.

3.8 Record Dates

- (a) 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.

- (b) An Optional Dividend is only payable on the date of payment determined by the Westpac Directors to those persons registered as Preference Shareholders on the Record Date for that Optional Dividend.

3.9 Deductions

Westpac may deduct from any Dividend and Gross-Up Amount or Optional Dividend payable the amount of any withholding or other tax, duty or levy required by law to be deducted or withheld in respect of such amount. If any such deduction or withholding has been made and the amount of the deduction or withholding accounted for by Westpac to the relevant revenue authority and the balance of the Dividend and Gross-Up Amount or Optional Dividend payable has been paid to the relevant Preference Shareholder, then the full amount payable to such Preference Shareholder shall be deemed to have been duly paid and satisfied by Westpac.

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

3.10 Restrictions in the case of non-payment

Subject to clause 3.11, if:

- (a) after the Assignment Event Date, 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; or
- (b) in respect of an Interest Payment Date on or before the Assignment Event Date, Interest and Gross-Up Amount (as defined in the Note Terms) scheduled to be paid on a Note was not paid in full within 20 Business Days of the relevant Interest Payment Date,

Westpac must not:

- (c) pay any interest, declare or pay any dividends or distributions on any Capital Securities ranking equally with or junior to Preference Shares in respect of those payments; or
- (d) redeem, reduce, cancel or acquire for any consideration, any Capital Securities (other than Capital Securities ranking equally with or in priority to Preference Shares for a return of capital in a winding-up of Westpac),

unless:

- (e) four consecutive Dividends and Gross-Up Amounts (if any) scheduled to be paid on Preference Shares thereafter have been paid in full;
 - (f) an Optional Dividend has been paid to all Preference Shareholders equal to the aggregate amount of any Unpaid Distributions which were scheduled to be paid in the 12 months before the date of payment of the Optional Dividend;
 - (g) all Preference Shares have been Redeemed or Converted; or
 - (h) a Special Resolution of the Preference Shareholders has been passed approving such action,
- and APRA does not otherwise object.

3.11 Restrictions not to apply in certain circumstances

The restrictions in clause 3.10 do not apply to:

- (a) pro rata payments on Preference Shares and on Capital Securities ranking equally with Preference Shares in respect of those payments;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) 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;

- (f) any dividend 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 the same class or series of shares as those on which the dividend is being paid or rank equally with or junior to those shares; and
- (g) 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.

3.12 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 by Preference Shareholders

Preference Shareholders have no right to seek or initiate Conversion or Redemption.

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); and
 - (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 Mandatory 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) or the Early Mandatory Conversion Date (as relevant).
- (b) Subject to any adjustments under clauses 4.12 to 4.16, 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 Mandatory Conversion

- (a) Subject to clause 5, on the Mandatory Conversion Date, Westpac must Convert all Preference Shares on issue at that date into Ordinary Shares under clauses 4.8 and 4.10.
- (b) The **Mandatory Conversion Date** will be the earlier of:
- (i) 26 September 2013; and
 - (ii) the first Dividend Payment Date after 26 September 2013,
- 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:

- (i) Westpac will make an announcement to ASX not less than 20 Business Days prior to the Relevant Date notifying Preference Shareholders that mandatory 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 20 Business Days prior to the Relevant Date.

4.5 Early Conversion or Redemption

- (a) 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; or
 - (ii) in respect of all (but not some) Preference Shares, if an Acquisition Event occurs.
- (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.
- (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 paragraph (ii), 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; or

- (ii) in respect of an Acquisition Event, no later than the 10th Business Day immediately following the Acquisition Event.
- (g) If Westpac serves an Early Conversion/Redemption Notice under clause 4.5(a), 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; or
 - (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) Subject to clause 4.6, 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 on the date which is 40 Business Days after the Acquisition Event (or such other date notified by Westpac which must be within 5 Business Days of that date) (the **Early Mandatory Conversion Date**) into Ordinary Shares under clauses 4.8 and 4.10.
- (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 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 scheme of arrangement in respect of the replacement of Westpac as the ultimate holding company of the Westpac Group and the successor holding company satisfies the requirements of paragraphs (A) to (D) under the definition of Acquisition Event, mandatory Conversion of the Preference Shares may not occur on the Early Mandatory Conversion Date. Instead, the Preference Share Terms may be amended as contemplated in clause 11.3.

4.7 Early Conversion/Redemption Notice irrevocable

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.

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 required), 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 Distributions per Preference Share to the Preference Shareholder on the relevant Redemption Date;
- (b) upon payment of the Face Value and any due but Unpaid Distributions 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) 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; and

- (C) 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) 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 the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities during a Reference Period, the VWAP shall be adjusted by the Westpac Directors as they consider appropriate. Any adjustment made by the Westpac Directors 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 rights issues or bonus issues

- (a) Subject to clauses 4.12(b) and 4.12(c), if Westpac makes a rights issue (including an issue of the kind known as a 'jumbo issue', where offers to certain institutional holders, or beneficial holders, are made in advance of offers to other holders) or bonus issue (in either case being a pro-rata issue) of Ordinary Shares to Ordinary Shareholders generally, the Maximum Conversion Number will be adjusted immediately under the following formula:

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

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;

P means the VWAP during the period from (and including) the first Business Day after the announcement of the rights or bonus issue to ASX up to (and including) the last Business Day of trading cum rights or bonus issue (or if there is no period of cum rights or bonus issue trading, an amount reasonably determined by the Westpac Directors as representing the value of an Ordinary Share cum the rights or bonus issue);

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

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

A means the subscription price per Ordinary Share for a rights issue (and is zero in the case of a bonus issue).

- (b) No adjustment to the Maximum Conversion Number will occur if **A** exceeds **P**.
- (c) 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.
- (d) 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 off market buy-backs

- (a) Subject to clause 4.13(b), if Westpac undertakes an off market buy-back under a buy-back scheme which but for any applicable restrictions on transfer would be generally available to holders of Ordinary Shares (or otherwise cancels Ordinary Shares for consideration), the Maximum Conversion Number will be adjusted immediately using the following formula:

$$CN = CNo \times P \times \frac{(BD - BN)}{(BD \times P) - (BN \times A)}$$

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;

P means the VWAP during the 20 Business Days before the announcement to ASX of the buy-back (or cancellation);

BD means the number of Ordinary Shares on issue immediately before the buy-back (or cancellation);

BN means the number of Ordinary Shares bought back (or cancelled); and

A means the buy-back (or cancellation) price per Ordinary Share.

- (b) No adjustment to the Maximum Conversion Number will occur if **P** exceeds **A**.

4.14 Adjustment to Maximum Conversion Number for return of capital

If Westpac makes a pro rata return of capital to holders of Ordinary Shares without cancellation of any Ordinary Shares, the Maximum Conversion Number will be adjusted under the following formula:

$$CN = CNo \times \frac{P}{P - C}$$

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;

P means the VWAP during the period from (and including) the first Business Day after the announcement to ASX of the return of capital up to and including the last Business Day of trading cum the return of capital (or if there is no period of cum return of capital trading, an amount reasonably determined by the Westpac Directors as representing the value of an Ordinary Share cum the return of capital); and

C means with respect to a return of capital, the amount of the cash and/or the value (as reasonably determined by the Westpac Directors) of any other property distributed to Ordinary Shareholders per Ordinary Share (or such lesser

amount such that the difference between **P** and **C** is greater than zero).

4.15 Other adjustments to Maximum Conversion Number

Where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, the Maximum Conversion Number shall be adjusted by Westpac as it reasonably considers appropriate (consistently with the way in which the number of Ordinary Shares the subject of an option over Ordinary Shares would have been adjusted under the ASX Listing Rules). Any adjustment made by Westpac 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.

4.16 Westpac's sole discretion regarding adjustments to Maximum Conversion Number

Despite the provisions of clauses 4.12 to 4.15, where:

- (a) the effect of any of the adjustment provisions set out in clauses 4.12 to 4.15 is not, in the reasonable opinion of Westpac, appropriate in any particular circumstances (including because more than one adjustment provision applies); or
- (b) any other event occurs in relation to Westpac that may have a dilutive or concentrative effect on the value of the Ordinary Shares,

and, in the reasonable opinion of Westpac, such occurrence would affect the relative values of Preference Shares and the Ordinary Shares, Westpac may (subject to APRA's prior written approval):

- (c) make such alterations to the Face Value and the Maximum Conversion Number as it reasonably considers appropriate or necessary to maintain that relativity; or
- (d) extend an entitlement to the Preference Shareholders to participate in such event based upon the number of Ordinary Shares to which those Preference Shareholders would have been entitled if their Preference Shares had been Converted on a date nominated by Westpac to maintain the relativity.

4.17 On-market buy-backs

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

4.18 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 4.18 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) No less than 30 Business Days, and no more than 50 Business Days prior to a Relevant Date for mandatory Conversion, Westpac may issue to Preference Shareholders a notice (**Transfer Notice**) specifying that all Stapled Securities (or following the occurrence of an Assignment Event where Preference Shares remain outstanding, all Preference Shares then outstanding) will be acquired by a party nominated by Westpac (the **Nominated Party**) on the Mandatory Conversion Date for cash for the amount of the Face Value per Stapled Security or Preference Share (as applicable).
- (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) "AA-" or higher by Standard & Poor's Ratings Services; or

(B) "Aa3" 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 the Mandatory 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 Stapled Securities (or following an Assignment Event, the Preference Shares); and
 - (ii) Conversion to Ordinary Shares will not occur on that date, but may, subject to satisfaction of the Conversion Conditions, occur on the next possible Mandatory Conversion Date.
- (e) A Transfer Notice given in accordance with this clause 5.1 shall bind Preference Shareholders in accordance with its terms.

5.2 Early Transfer Notice

- (a) Following the occurrence of a Tax Event, Regulatory Event or Acquisition Event, Westpac may issue to Preference Shareholders a notice (an **Early Transfer Notice**) specifying that all Stapled Securities or, following the occurrence of an Assignment Event where the Preference Shares remain outstanding, all Preference Shares then outstanding, will be acquired by the Nominated Party on the relevant Conversion Date for cash equal to the Face Value per Stapled Security or Preference Share (as applicable). If Westpac serves an Early Transfer Notice under this clause, the Conversion Date is the date stated in the Early Transfer Notice provided that the Conversion Date is a Business Day that is no later than 30 Business Days after the date of the Early Transfer Notice.
- (b) Clauses 5.1(b) to (e) apply to an Early Transfer Notice given under clause 5.2 as if references to "Transfer Notice" were references to "Early Transfer Notice" and references to "Mandatory Conversion Date" were references to "Conversion Date".

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

Any amount due to a Preference Shareholder in respect of Preference Shares may not be set off against any claims by Westpac on the Preference Shareholder.

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 Distributions; 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 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 Optional 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 Optional Dividend or other amount payable in respect of a Preference Share by:
 - (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 the Preference Shareholder;

- (ii) if that Preference Share is jointly held, the address in the Register of the Preference Shareholder 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 a 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 without consent

Subject to 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 or the Stapled Securities 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 or holders of Stapled Securities as a whole;
 - (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 or the Stapled Securities are quoted; or
 - (vi) effected under clause 4.11(c), 4.15 or 4.16;
- (b) generally, in any case where such amendment is considered by Westpac not to be materially prejudicial to the interests of Preference Shareholders or holders of Stapled Securities as a whole.

11.2 Amendment with consent

Without limiting 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.

11.3 Amendment for successor holding company

- (a) Westpac may, with APRA's prior written approval, but without the authority, assent or approval of Preference Shareholders, amend these Preference Share Terms if Westpac is replaced as the ultimate holding company of the Westpac Group (the *Replacement*), to the extent necessary, and subject to complying with all relevant laws, to ensure that Preference Shareholders may, if appropriate, participate in any relevant arrangements in respect of or in connection with the Replacement.
- (b) If any amendment under clause 11.3(a) would result in ordinary shares of the successor holding company being issued to Preference Shareholders, each Preference Shareholder agrees to become a member of the successor holding company immediately prior to the issue

of those shares and appoints Westpac as its attorney as contemplated under clause 4.18 to do all things necessary or desirable to give effect to this clause 11.3(b).

- (c) Nothing in this clause 11.3 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.

11.4 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.

Notwithstanding the foregoing, the proposed replacement of Westpac as the ultimate holding company of the Westpac Group shall not constitute an Acquisition Event if:

- (A) the proposed successor holding company complies with all applicable legal requirements and obtains any necessary regulatory approvals (including APRA's prior written approval);
- (B) the proposed successor holding company agrees to take any necessary action to give effect to an amendment to the Preference Share Terms as contemplated in clause 11.3(a);
- (C) the ordinary shares of the proposed successor holding company are to be listed on an internationally recognised stock exchange; and
- (D) the proposed replacement of Westpac and the events described in paragraphs (A) to (C) would not, in the reasonable opinion of Westpac, otherwise adversely affect the interests of Preference Shareholders.

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).

APRA means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any authority succeeding to its powers or responsibilities.

Assignee has the same meaning as in the Note Terms.

Assignment Event has the same meaning as in the Note Terms.

Assignment Event Date has the same meaning as in the Note Terms.

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 3.2.

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.

Conversion has the meaning given in clause 4.8 and includes mandatory Conversion under clauses 4.4 and 4.5(h) and **Convert** and **Converted** have corresponding meanings.

Conversion Conditions has the meaning given to that term in clause 4.2.

Conversion Date means the Mandatory Conversion Date, the Early Mandatory 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 Number has the meaning given to that term in clause 4.10.

Corporations Act means the *Corporations Act 2001* (Cth).

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 3.2.

Dividend Payment Date has the meaning given to that term in clause 3.7 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 3.2.

Dividend Rate has the meaning given to that term in clause 3.2.

Early Conversion/Redemption Notice means a notice given by Westpac to a Preference Shareholder under clause 4.4(c)(ii) or 4.5(a).

Early Mandatory Conversion Date has the meaning given to that term in clause 4.5(h).

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 and TPS 2006 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 and

TPS 2006 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).

Franking Rate has the meaning given to that term in clause 3.3.

Gross-Up Amount has the meaning given to that term in clause 3.3.

Initial Purchaser means Deutsche Financial Corporation New Zealand Limited.

Interest has the meaning given to that term in the Note Terms.

Interest Payment Date has the meaning given to that term in the Note Terms.

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
- (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 or distributions payable in relation to the Stapled Securities 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 or distributions payable in relation to the Stapled Securities on the applicable Dividend Payment Date.

Liquidation Sum has the meaning given in clause 6.5.

Mandatory Conversion Date has the meaning given to that term in clause 4.4(b).

Maximum Conversion Number has the meaning given to that term in clause 4.3(b).

Nominated Party has the meaning given to that term in clause 5.1(a).

Note means fully paid, perpetual, unsecured, non-cumulative, subordinated notes having the terms set out in the Note Terms and issued under the Note Deed Poll.

Note Deed Poll means the deed poll executed by Westpac on or about 18 June 2008.

Note Margin has the meaning given in the Note Terms.

Note Terms means the terms of issue of the Notes.

Optional Dividend has the meaning given to that term in clause 3.6.

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 30 July 2008.

Preference Share Margin has the meaning given to that term in clause 3.2.

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) a Dividend and Gross-Up Amount, the date which is seven calendar days before the Dividend Payment Date for that Dividend and Gross-Up Amount; and
- (b) an Optional Dividend, the date prior to the date of payment of the Optional Dividend that is determined by Westpac,

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 Noteholders means the register of the holders of Notes maintained by Westpac or its agent and includes any subregister established and maintained under the Clearing House Electronic Subregister System operated by ASTC.

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, prior to the occurrence of an Assignment Event, the Stapled Securities; or

(iv) there would be a negative impact on Westpac or holders of Preference Shares or, prior to the occurrence of an Assignment Event, the holders of Stapled Securities,

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 Stapled Securities, or following an Assignment Event, the Preference Shares will not be included (in whole or in part) in Westpac's non-innovative residual 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(b).

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 or Noteholders (as the case may be) by a majority of at least 75% of the votes validly cast by Preference Shareholders or Noteholders (as the case may be) in person or by proxy and entitled to vote on the resolution; or
- (b) the written approval of Preference Shareholders or Noteholders (as the case may be) holding at least 75% of the Preference Shares or Notes (as the case may be) on issue.

Stapled means the state that results from Stapling.

Stapled Security means a Preference Share Stapled to a Note.

Stapling means the linking together of a Preference Share to a Note, together with the restrictions on transfers of Notes and Preference Shares in clauses 2.1 and 2.4 of the Note Terms and clauses 2.1 and 2.4 of these Preference Share Terms.

Substituted Issuer has the meaning given to that term in the Note Terms.

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,

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 that:

- (c) the Westpac Group would be exposed to a more than *de minimis* increase in its costs, including non-deductibility of interest or the obligation to gross-up for withholding tax, in relation to the Stapled Securities, the Preference Shares or any of the loans arising from the application of funds raised from the Stapled Securities, or any holder of Stapled Securities or Preference Shares would be exposed to such an increase in relation to the Stapled Securities or 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 Stapled Securities or the Preference Shares, or loans arising from the application of funds raised from the Stapled Securities or imposed on any holder of Stapled Securities or Preference Shares; or
- (e) Preference Shares or Notes would not be treated as equity interests for Australian taxation purposes or any Dividend or Interest would not be a frankable distribution within the meaning of Division 202 of the Tax Act or holders of Preference Shares or Notes would be denied or otherwise not be entitled to franking credit benefits in respect of frankable distributions (other than where the Preference Shareholder's lack of entitlement to franking credit benefits in respect of frankable distributions is a result of the actions of 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 3.2.

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.

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 Distributions means any unpaid Dividends and Gross-Up Amount in respect of the Preference Shares (including an Optional Dividend) and any unpaid Interest and Gross-Up Amount in respect of the Notes.

Unstapled means:

- (a) in relation to a Preference Share, not being Stapled to a Note; and
- (b) in relation to a Note, not being Stapled to a Preference Share.

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.
- (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.

Appendix C Note Terms

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Note Terms

1. Form, Issue Price and acting through branch

1.1 Form

Notes are fully paid, perpetual, unsecured, non-cumulative, subordinated notes. They are debt obligations of Westpac and constituted under and issued on the terms set out in the Note Deed Poll and these Note Terms. Noteholders are entitled to the benefit of and are bound by the provisions of the Note Deed Poll and these Note Terms.

1.2 Issue Price

Each Note will be issued by Westpac (through its New York branch) as fully paid at an issue price of \$100 (**Issue Price**).

1.3 Acting through New York branch

- (a) Subject to clause 8, although these Note Terms are entered into by Westpac initially through its New York branch and the Notes will be taken to be issued in New York, the obligations of Westpac are not limited to the New York assets of Westpac. If Westpac is unable to make a payment under the Notes from the New York branch (or any other branch through which it elects to act in respect of the Notes), it shall make the payment from some other branch on behalf of the branch through which it elects to act in respect of the Notes.
- (b) Subject to these Note Terms, Westpac may by notice to Noteholders change the branch through which it elects to act in respect of the Notes.
- (c) Westpac will not change the branch through which it elects to act in respect of the Notes if the issue or performance of the Notes would be illegal in the jurisdiction in which the proposed new branch is located.

1.4 Register of Noteholders conclusive, non-recognition of interests

Entries in the Register of Noteholders in relation to a Note constitute conclusive evidence that the person so entered is the absolute owner of the Note subject to correction for fraud or error. Except as required by law, Westpac:

- (a) must treat the person entered in the Register of Noteholders as the absolute owner of that Note; and
- (b) is not required to recognise:
 - (i) a person as holding a Note on any trust; or
 - (ii) any other interest in any Note or any other right in respect of a Note except an absolute right of ownership in the registered holder of a Note, whether or not it has notice of the interest or right.

1.5 Joint holders of Notes

- (a) Where two or more persons are registered as the joint holders of a Note then they are taken to hold the Note as joint tenants with rights of survivorship, but Westpac is not bound:
 - (i) to register more than three persons as joint holders of a Note; or
 - (ii) to issue more than one certificate or holding statement in respect of a Note jointly held.
- (b) If a Noteholder who owns a Note jointly dies, Westpac will recognise only the survivor or survivors as being entitled to the Noteholder's interest in the Note.
- (c) Interest or other money payable in respect of a Note that is held jointly may be paid to the Noteholder whose name appears first on the Register of Noteholders.
- (d) If a Note is held jointly, and more than one Noteholder votes in respect of that Note, only the vote of the Noteholder whose name appears first on the Register of Noteholders counts.
- (e) The joint holders of a Note are counted as a single holder of that Note for the purposes of calculating the number of Noteholders or persons who have requisitioned a meeting of Noteholders.
- (f) Each of the joint holders of a Note are jointly and severally liable for all payments including payment of any tax, which is to be made in respect of the Notes.

1.6 Agreed tax treatment

Westpac, any Substituted Issuer, each Noteholder and each beneficial owner of any Stapled Security, any Note or any Preference Share agree to treat the Notes and the Preference Shares as equity for United States, federal, state and local income and franchise tax purposes.

2. Stapling, transfer and transmission

2.1 Stapling

- (a) Stapling shall automatically take place immediately after the time that the Initial Purchaser is entered into the Register of Shareholders as the first holder of Preference Shares (the Initial Purchaser having prior to that time been entered into the Register of Noteholders as the first holder of Notes) such that Notes previously issued are linked together with Preference Shares which are on issue on a one-to-one basis.
- (b) While Stapling applies, so far as the law permits, one Note and one Preference Share together comprise one Stapled Security.

- (c) While Stapling applies, Westpac must not:
- (i) do any act, matter or thing (including registering any transfer of any Note or Preference Share); or
 - (ii) refrain from doing any act, matter or thing,
- if to do so or refrain from doing so (as the case may be) would result directly or indirectly in any Note or Preference Share no longer being Stapled (except as provided in clauses 2.2 and 4).

2.2 Cessation of Stapling

Once Stapled, all Preference Shares continue to be Stapled to Notes on a one-to-one basis, and vice versa, until the occurrence of an Assignment Event (for those specified Stapled Securities) in which case each Preference Share and each Note (which comprise those Stapled Securities in relation to which an Assignment Event has occurred) is automatically Unstapled at that time.

2.3 Register

Westpac must ensure that the Register of Noteholders is maintained and that it records the names of the Noteholders, the number of Notes held, the number of Preference Shares held by a Noteholder and any additional information required by the Corporations Act or the ASX Listing Rules. Westpac may maintain the Register of Noteholders jointly with the Register of Shareholders maintained by Westpac.

2.4 Restriction on transfers

- (a) If a Preference Share is Stapled to a Note, no transfer of a Preference Share may occur from a transferor to a transferee without the Note that is Stapled to that Preference Share being also transferred at the same time by the same transferor to the same transferee, and vice versa. Westpac must refuse to register any transfer of such Preference Share which is Stapled to a Note, if that transfer is not accompanied by a transfer of the Note that is Stapled to that Preference Share by the same transferor to the same transferee at the same time.
- (b) If a Preference Share is Stapled to a Note, it cannot be transferred or assigned or mortgaged, charged or otherwise encumbered separately from the Note that is Stapled to it, and vice versa.
- (c) Subject to clause 2.4(a) and 2.4(b), where the first transferor of a Note has made an irrevocable offer to assign the Note to the Assignee, on registration of a Note in a transferee's name in the Register of Noteholders, the transferee (and any successor transferees) will be taken to be bound by, and subject to the terms of, the offer made by the first transferor, to assign the Note to the Assignee and on the occurrence

of an Assignment Event, the Note will be transferred to the Assignee without any further action being required by the transferee.

- (d) Subject to clause 2.4(a), 2.4(b) and 2.4(c), there is no restriction on the transfer or assignment of Notes.

2.5 Electronic securities transfer system

If Westpac participates, or to enable Westpac to participate, in any computerised or electronic securities transfer system for the transfer of Notes or Stapled Securities, Westpac may do all things which it considers necessary, required or authorised by the Corporations Act, the ASX Listing Rules or the ASTC Settlement Rules in connection with that system (including requesting the ASTC to apply a holding lock to prevent a transfer of Notes or Stapled Securities the subject of the ASTC Settlement Rules if Westpac thinks fit).

2.6 Forms of instrument of transfer

- (a) Subject to the ASX Listing Rules and to clauses 2.4, 2.7 and 2.8, a transfer of any Note may be effected by:
 - (i) a proper ASTC transfer, which is to be in the form required or permitted by the Corporations Act and/or the ASTC Settlement Rules;
 - (ii) any other computerised or electronic securities transfer system in which Westpac participates for the transfer of Notes or Stapled Securities in accordance with the rules of that system;
 - (iii) an instrument in writing in any usual or common form or in any other form that Westpac approves; or
 - (iv) any other method of transfer of marketable securities which is recognised by the Corporations Act, ASTC and ASX and is approved by Westpac.
- (b) If an instrument of transfer is to be used to transfer a Note or Stapled Security in accordance with clause 2.6(a)(iii), it must be:
 - (i) a proper instrument of transfer within the meaning of the Corporations Act and a sufficient transfer of marketable securities within the meaning of the Corporations Act; and
 - (ii) properly stamped (if necessary) and left for registration at the place where the Register of Noteholders is maintained (or any other place Westpac determines), accompanied by the information Westpac (or its agent which maintains the Register of Noteholders) properly requires to show the right of the transferor to make the transfer.

2.7 Effect of registration, no charge for registration

Subject to clause 4:

- (a) except in the case of a proper ASTC transfer, a transferor of a Note remains the holder of the Note the subject of the transfer until the transfer is registered and the name of the transferee is entered in the Register of Noteholders;
- (b) a proper ASTC transfer will be considered to be recorded in the Register of Noteholders, and the name of the transferee to be registered as the holder of the Notes set out in that proper ASTC transfer, as prescribed in the ASTC Settlement Rules from time to time.

A transfer or transmission of a Note passes the right to any interest and other amounts and any other rights on the Notes and assumes the burden of any obligation on the Note on registration. Any transferee or assignee of a Note takes a transfer or assignment of that Note subject to, and agrees to be bound by, these Note Terms.

Transfers of Notes will be registered without charge by Westpac to the transferor or the transferee.

2.8 Refusal to register and written notice of holding lock or refusal

- (a) Westpac may refuse to register any transfer of a Note:
 - (i) if the registration of the transfer would result in a contravention of or failure to observe the provisions of these Note Terms, any applicable law, the ASX Listing Rules or the ASTC Settlement Rules;
 - (ii) if permitted to do so under these Note Terms, any applicable law, the ASX Listing Rules or the ASTC Settlement Rules; or
 - (iii) after the Assignment Event Date (except that it will not refuse to register the transfer of the Note to the Assignee).
- (b) If in the exercise of its rights under these Note Terms Westpac requests application of a holding lock to prevent a transfer of Notes or Stapled Securities or refuses to register a transfer of Notes or Stapled Securities, it must give written notice of the request or refusal to the holder of the Notes or Stapled Securities, to the transferee and the party lodging the transfer (if any). Failure to give such notice does not invalidate the decision of Westpac.

2.9 Transmission on death

The personal representative of a deceased Noteholder (who is not one of several joint Noteholders) is the only person who may be recognised by Westpac as having any title to Notes registered in the name of the deceased

Noteholder. Except as required by law or these Note Terms, Westpac has the same right to refuse to register the personal representative as if the personal representative was the transferee named in a transfer presented for registration (including to refuse on the basis that both components of a Stapled Security are not being transmitted together). Subject to compliance by the transferee with the Note Deed Poll and these Note Terms, Westpac may register any transfer signed by a Noteholder prior to the Noteholder's death, despite Westpac having notice of the Noteholder's death.

2.10 Transmission by operation of law

A person (a **transmittee**) who establishes to the satisfaction of Westpac that the right to any Notes has devolved on the transmittee by will or by operation of law may be registered as a Noteholder in respect of the Notes or may (subject to the provisions of the Note Deed Poll and these Note Terms relating to transfers) transfer the Notes. Except as required by law or these Note Terms, Westpac has the same right to refuse to register the transmittee as if the transmittee was the transferee named in a transfer presented for registration (including to refuse on the basis that both components of a Stapled Security are not being transmitted together).

2.11 Minimum holding

If a Noteholder's holding of Stapled Securities is less than a Marketable Parcel at any time, subject to the law, the ASX Listing Rules and the constitution of Westpac, Westpac on behalf of the Noteholder may sell all of those Notes which form part of the Stapled Securities held by that Noteholder, along with the corresponding Preference Shares, if the constitution of Westpac permits Westpac to sell the corresponding Preference Shares which form part of those Stapled Securities. The Notes will be sold in the same manner as the Preference Shares in accordance with the Westpac constitution.

2.12 Transfer of Preference Shares

If the Preference Shares are transferred in accordance with clause 5 of the Preference Share Terms prior to an Assignment Event Date, the Notes and all right, title and interest of Noteholders in the Notes are automatically assigned to the Nominated Party (as defined in clause 5.1 of the Preference Share Terms) with effect from the time at which the transfer takes effect under the Preference Share Terms.

3. Interest

3.1 Interest

Subject to these Note Terms, each Note entitles the Noteholder on a Record Date to receive on the relevant

Interest Payment Date interest (**Interest**) calculated using the following formula:

$$\frac{\text{Interest Rate} \times \text{Issue Price} \times N}{365}$$

where:

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

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

where:

Bank Bill Rate (expressed as a percentage per annum) means, for each Interest Period, the average mid-rate for bills of a term of 90 days which average rate is displayed on Reuters page BBSW (or any page that replaces that page) at 10.30am (Sydney time) on, in the case of the first Interest Period, the Note Issue Date, and in the case of any other Interest Period, the first Business Day of that Interest Period, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed at 10:30am (Sydney time) on that date, the rate specified in good faith by Westpac at or around that time on that date having regard, to the extent possible, to:

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

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

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

N means the number of days from (but excluding) the preceding Interest Payment Date or the Note Issue Date (whichever is later) until (and including) the relevant Interest Payment Date (an **Interest Period**).

3.2 Payment of Interest

Subject to this clause 3, the Interest for each Interest Period will be payable to Noteholders in arrear on each Interest Payment Date.

3.3 Gross-Up Amount if Interest not franked to 100%

If any Interest will not be franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that Part), otherwise than because of any act by, or circumstance affecting, any particular Noteholder, each Note entitles the Noteholder on a Record Date to receive on the relevant Interest Payment Date an amount (the **Gross-Up Amount**) calculated using the following formula:

$$\text{Gross-Up Amount} = \text{EP} - P$$

where:

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

where:

P means the Interest entitlement on that Interest Payment Date as calculated under clause 3.1; and

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

3.4 Conditions to payment of Interest and Gross-Up Amount

- (a) Interest and Gross-Up Amount must not be paid to Noteholders on an Interest Payment Date (which occurs on or before the occurrence of an Assignment Event) if:
 - (i) a Westpac Stopper Resolution has been passed and has not been rescinded;
 - (ii) the amount of the Interest and Gross-Up Amount will exceed Distributable Profits, unless APRA otherwise gives its prior written approval; or
 - (iii) APRA otherwise objects to the payment of Interest and Gross-Up Amount.
- (b) Without limiting clause 3.4(a)(i), the Westpac Directors will pass a Westpac Stopper Resolution if, in their opinion, making the payment of Interest and the Gross-Up Amount would result in Westpac becoming, or being likely to become, insolvent for the purposes of the Corporations Act.
- (c) Interest and Gross-Up Amount shall be paid in accordance with clause 9. For the purposes of making any Interest and Gross-Up Amount payment in respect of a Noteholder's total holding of Notes or Stapled Securities, any fraction of a cent will be disregarded.

3.5 Interest and Gross-Up Amount is non-cumulative

Interest and Gross-Up Amount is non-cumulative. If all or any part of any Interest and Gross-Up Amount is not paid to a Noteholder because of the provisions of clause 3.4 or because of any applicable law, Westpac has no liability to pay such Interest and Gross-Up Amount to the Noteholder and the Noteholder has no claim (including, without limitation, on the winding up of Westpac) in respect of such non-payment. Non-payment of Interest and Gross-Up Amount to a Noteholder because of the provisions of clause 3.4, or because of any applicable law, does not constitute an event of default.

No interest accrues on any unpaid Interest and Gross-Up Amount, and the Noteholder has no claim or entitlement in respect of interest on any unpaid Interest and Gross-Up Amount.

3.6 Interest Payment Dates

Subject to this clause 3 and clauses 5 and 6, Interest and Gross-Up Amount is to be paid in respect of a Note in arrear on the following dates (each an **Interest Payment Date**):

- (a) 30 September 2008 and thereafter each 31 December, 31 March, 30 June and 30 September of each year until (and including) 30 June 2013;
- (b) 26 September 2013 and thereafter, each 31 December, 31 March, 30 June and 30 September of each year commencing from (and including) 31 December 2013;
- (c) the Redemption Date or Conversion Date (as the case may be) on which the Preference Share to which such Note is Stapled is to be Redeemed or Converted; and
- (d) the date that the Note is repaid, in which case, the repayment date will constitute the last Interest Payment Date in respect of that Note.

3.7 Payment to Assignee

If Interest and Gross-Up Amount is not paid to Noteholders on an Interest Payment Date solely because of the application of the condition set out in clause 3.4(a)(ii), Westpac must pay an amount equal to that Interest and Gross-Up Amount to the Assignee as holder of the Note within 25 Business Days after that Interest Payment Date.

3.8 Payment following Capital Disqualification Event

On and from the occurrence of a Capital Disqualification Event:

- (a) Westpac shall be obliged to pay in full Interest and Gross-Up Amount on the Notes on an Interest Payment

Date and no Westpac Stopper Resolution shall be passed or if passed will be rescinded; and

- (b) none of the conditions to payment of Interest and Gross-Up Amount (as set out in clause 3.4(a)(i), 3.4(a)(ii) and 3.4(a)(iii)) shall apply to stop payment in full of Interest and Gross-Up Amount on the Notes on an Interest Payment Date.

3.9 Record Dates

Interest and Gross-Up Amount is only payable on an Interest Payment Date to those persons on the Register of Noteholders on the Record Date for that Interest and Gross-Up Amount.

3.10 Withholding tax

- (a) Westpac may deduct or withhold from any Interest and Gross-Up Amount payable the amount of any tax, duty or levy required by law to be deducted or withheld in respect of such amount.
- (b) Subject to paragraph (c), if any such deduction or withholding has been made and the amount of the deduction or withholding accounted for by Westpac to the relevant revenue authority and the balance of the Interest and Gross-Up Amount payable has been paid to the relevant Noteholder, then the full amount payable to such Noteholder shall be deemed to have been duly paid and satisfied by Westpac. Westpac shall pay the full amount required to be deducted or withheld to the relevant revenue authority within the time allowed for such payment without incurring any penalty under the applicable law and shall, if required by any Noteholder, deliver to that Noteholder confirmation of the payment made to the revenue authority without delay after it is received by Westpac.
- (c) If any such deduction or withholding has been made under a law of the United States or any jurisdiction other than Australia from which a Substituted Issuer acts in respect of the Notes or any political subdivision in or of the United States or such other jurisdiction (each a **Relevant Jurisdiction**) and where the deduction or withholding has not been made by reason of:
 - (i) the Noteholder, or the beneficial owner of the Stapled Securities or the Notes, having some connection with or being or having been engaged in any activity, trade or business in the Relevant Jurisdiction other than being a Noteholder or the beneficial owner of the Stapled Securities or the Notes;
 - (ii) the Noteholder, or the beneficial owner of the Stapled Securities or the Notes, not complying with any statutory requirements or not having made a declaration of non-residence in, or other lack of

connection with, the Relevant Jurisdiction or any similar claim for exemption;

- (iii) stamp, estate or similar tax, duty or levy; or
- (iv) any United States “backup” withholding tax.

Westpac, or a Substituted Issuer, as the case may be, shall pay such additional amounts as may be necessary so that the net amount of the Interest and Gross-Up Amount payment after such withholding or deduction will equal the amount that the Noteholder would have received without such withholding or deduction.

Each Holder purchasing Westpac SPS under the Offer or thereafter will be required to provide an applicable U.S. tax form certifying that they are not a United States person for U.S. federal income tax purposes. Holders may be requested to update such forms. U.S. backup withholding tax may apply to payments on the Notes to a Holder who does not provide the applicable U.S. tax form or otherwise establish an exemption. Westpac is not required to gross up for any such backup withholding tax.

4. Assignment Event

- (a) Immediately following the occurrence of an Assignment Event, the following will automatically occur in relation to all Stapled Securities (except that where the Assignment Event involves the Redemption or Conversion of Preference Shares and not all Preference Shares are being Redeemed or Converted, the following will automatically occur only in relation to those Stapled Securities whose Preference Shares are to be Redeemed or Converted) in the following order:
 - (i) Westpac accepts the Noteholder’s offer to assign the relevant Note to the Assignee;
 - (ii) the relevant Note will become Unstapled from the Preference Share to which it is Stapled in accordance with clause 2.2;
 - (iii) the Notes and all right, title and interest of the Noteholders in them are assigned to the Assignee on that date; and
 - (iv) all amounts payable in respect of the Note after the occurrence of an Assignment Event will be payable to the Assignee. For the avoidance of doubt, no amount is payable on any Interest Payment Date which occurs after an Assignment Event in respect of that Note to any person other than the Assignee, regardless of whether the Assignee was the holder of the Note on the relevant Record Date.

Westpac will make an announcement to ASX that the Assignee has taken an assignment of the relevant Note as soon as reasonably practicable.

If the foregoing provisions have automatically occurred in relation to some but not all Stapled Securities because some but not all Preference Shares are to be Redeemed or Converted, the foregoing provisions will have application on the occurrence of the next Assignment Event in relation to the remaining Stapled Securities.

- (b) If despite clause 4(a), for any reason (including, without limitation, any insolvency or lack of capacity or title of the Noteholder, or a Noteholder not being bound by the offer to assign as contemplated by clause 2.4(c)) a Note is not validly assigned, then these Note Terms will apply as if the assignment had been effective, and in particular the assignor will cease to have any right, title or interest in respect of the Note, and Westpac will make all payments to the Assignee to the exclusion of the assignor. The obligations of Westpac under each Note are conditional upon the assignment of that Note under this clause 4 being effective, and on each holder of the Note being bound by the offer of assignment of the Note to the Assignee as contemplated by clause 2.4(c).

5. Repayment and payment on winding-up

5.1 Repayment after Assignment Event Date

Westpac may repay to the Assignee the Issue Price and all other amounts owing on the Notes at any time after the Assignment Event Date.

5.2 Amount payable on winding-up, debt subordination

- (a) Subject to clauses 5.4 and 6.1, if there is a winding-up of Westpac, Noteholders 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 Note held, an amount of cash (**Note Liquidation Sum**) equal to the sum of:
 - (i) the Issue Price; and
 - (ii) the amount of any Interest and Gross-Up Amount due but unpaid at the date of commencement of the winding-up,before any return of capital is made to holders of Ordinary Shares or any other class of shares or securities of Westpac ranking behind Notes.
- (b) Subject to clauses 5.4 and 6.1, in a winding-up of Westpac:
 - (i) if a Noteholder receives or otherwise obtains the benefit of any cash, property, securities or other proceeds on account of a claim in respect of a Note (**Note Proceeds**) in excess of its entitlement under this clause 5.2, it must ensure that any such Note

Proceeds in excess of its entitlement are forthwith paid or delivered to the liquidator;

- (ii) the Noteholder must pay in full all liabilities it owes to Westpac before it may receive or otherwise have the benefit of any Note Proceeds and, to the maximum extent permitted by applicable law, waives any right to set off any such liability against its claim in respect of the Notes; and
 - (iii) the Noteholder must not exercise its voting rights as a creditor in the winding-up of Westpac until after all Senior Creditors have been paid in full (including in respect of any entitlement to interest under section 563B of the Corporations Act) or otherwise in a manner inconsistent with the subordination contemplated by this clause.
- (c) The provisions of this clause 5.2 are a debt subordination for the purposes of section 563C of the Corporations Act.
- (d) Nothing in this clause 5.2 shall be taken to:
- (i) create a charge or security interest on or over any right of a Noteholder; or
 - (ii) require the consent of any Senior Creditor to any amendment to this clause 5.2.
- (e) No right of any present or future Senior Creditor to enforce the subordination as provided in this clause 5.2 will be prejudiced or impaired by any act or failure to act on the part of Westpac or by any act or failure to act in good faith by any Senior Creditor or by any non-compliance by Westpac with these Note Terms, regardless of any knowledge of non-compliance which any Senior Creditor may have or be taken to have.

5.3 Shortfall on winding-up

Subject to clauses 5.4 and 6.1, if, on a winding-up of Westpac, there are insufficient funds to pay in full the Note Liquidation Sum and the amounts payable in respect of any other shares or securities in Westpac ranking equally with Notes on a winding-up of Westpac, Noteholders 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.

5.4 Payment on winding-up to be made to Assignee

All amounts payable under clauses 5.2 and 5.3 must be paid to the Assignee.

6. Ranking and other matters

6.1 Ranking on winding-up

All indebtedness of Westpac in respect of the Notes (including principal and Interest) 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 Westpac may issue, as may be designated in the terms of issue for such notes; and
- (e) junior to, and is conditional on the prior payment in full of, the claims of all Senior Creditors (including in respect of any entitlement to interest under section 563B of the Corporations Act).

6.2 Limitation on Noteholders' rights

In a winding-up or liquidation of Westpac, the rights of the Noteholders against Westpac under the Notes are conditional upon payment in full of all claims which under clause 6.1 rank senior to them, and if any Noteholder receives in respect of any Note any amount before payment in full of such claims, it shall hold that amount on trust for the liquidator.

6.3 Not deposit liabilities

Notes are not deposit liabilities of Westpac and are not subject to the depositor protection provisions of Australian banking legislation. The Notes do not constitute deposits of Westpac's New York branch and are not insured by the United States Federal Deposit Insurance Corporation or any other governmental agency or compensation scheme of Australia, the United States or any other jurisdiction.

6.4 Further issues

Westpac reserves the right to issue further Notes, other notes, preference shares or any other Capital Security, which rank senior to, equally with or behind existing Notes, whether in respect of principal, interest or any other amount on a winding-up or otherwise. Such an issue does not constitute a variation or cancellation of the rights attached to the then existing Notes.

6.5 No set-off

A Noteholder has no right to set off any amounts owing by it to Westpac against any amounts owed by Westpac to the Noteholder under these Note Terms.

6.6 No other rights

- (a) Notes do not confer on Noteholders any right to participate in profits or property of Westpac except as set out in these Note Terms.
- (b) Notes do not confer on Noteholders any right to subscribe for new securities in Westpac or to participate in any bonus issues of shares in Westpac's capital.

6.7 No winding-up

A Noteholder must not in its capacity as a Noteholder:

- (a) issue any demand under section 459E(1) of the Corporations Act (or any analogous provision under any other law) against Westpac;
- (b) apply for or take any step for the purpose of obtaining the winding-up, dissolution or other insolvency administration of Westpac;
- (c) levy or enforce any distress or other execution to, on, or against any assets of Westpac;
- (d) apply for or take any step for the appointment by a court of a liquidator, receiver, receiver and manager or similar officer to any of the assets of Westpac;
- (e) do anything analogous to any of the above or take proceedings for any of the above.

6.8 Time limit for claims

A claim against Westpac for payment under these Note Terms is void unless made within five years of the due date for payment.

7. Amendment of these Note Terms

7.1 Amendment without consent

Subject to 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 the Noteholders, amend these Note 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 Notes or the Stapled Securities 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 Noteholders or holders of Stapled Securities 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 Notes or the Stapled Securities are quoted;

- (b) generally, in any case where such amendment is considered by Westpac not to be materially prejudicial to the interests of Noteholders or holders of Stapled Securities as a whole.

7.2 Amendment with consent

Without limiting clause 7.1, Westpac may, with APRA's prior written approval, amend these Note Terms if the amendment has been approved by a Special Resolution of Noteholders.

7.3 Meanings

In this clause **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

8. Substitution of issuer of Notes

8.1 Substitution of Westpac

Westpac may, without the consent of the Noteholders, substitute for itself any member of the Westpac Group (which may be incorporated in any country) or any branch of Westpac as the debtor in respect of the Notes (**Substituted Issuer**) by giving notice to the Noteholders, provided that:

- (a) Westpac and the Substituted Issuer have entered into all documents which are necessary to give effect to the substitution and under which the Substituted Issuer has undertaken in favour of the Noteholders to be bound by the Note Deed Poll and these Note Terms, as the debtor in respect of the Notes in place of Westpac (or of any previous substitute under this clause 8);
- (b) the Substituted Issuer and Westpac have obtained all necessary authorisations, regulatory and governmental approvals and consents for such substitution and for the performance by the Substituted Issuer of its obligations as the debtor under the Notes and the documents effecting the substitution;
- (c) the issue and performance of the Notes is not illegal in the jurisdiction in which the Substituted Issuer is located;
- (d) if applicable, the Substituted Issuer has appointed a process agent as its agent to receive service of process on its behalf in relation to any legal proceedings in connection with the Notes;

- (e) the substitution of the Substituted Issuer does not give rise to any of the events or circumstances set out in paragraphs (c) to (e) of the term "Tax Event" (as defined in the Preference Share Terms); and
- (f) the Substituted Issuer has, in the reasonable opinion of Westpac, the financial capacity to satisfy its obligations under the Note Deed Poll and these Note Terms.

8.2 Substituted Issuer's rights and obligations under documents

Upon any substitution under clause 8.1:

- (a) the Substituted Issuer succeeds to, and is substituted for, Westpac under the Notes in respect of all of Westpac's obligations, with the same rights and obligations as if the Substituted Issuer had been named as Westpac in the Note Deed Poll and these Note Terms;
- (b) Westpac is released from its obligations under the Notes, these Note Terms and the Note Deed Poll; and
- (c) references in these Note Terms and the Note Deed Poll to Westpac are taken, where the context so requires, to be or include references to any such Substituted Issuer.

8.3 Further substitutions

After a substitution under clause 8.1, the Substituted Issuer may, with the prior written consent of Westpac, effect a further substitution (including to Westpac or a previous Substituted Issuer). All the provisions specified in clauses 8.1, 8.2 and 8.4 will apply (with necessary changes).

8.4 Notice of substitution

Westpac or any Substituted Issuer must notify the Noteholders of the particulars of any substitution under this clause 8 in writing as soon as practicable after the substitution.

9. Payments

- (a) Any interest or other money payable on or in respect of the Notes 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 Noteholder's aggregate holding of Notes, any fraction of a cent will be disregarded.
- (c) If the date scheduled for any payment under these Note 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 Interest and Gross-Up Amount or other amount payable in respect of a Note by:
 - (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 the Noteholder;
 - (ii) if that Note is jointly held, the address in the Register of the Noteholder named first in the Register in respect of the Note; 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 Noteholder or joint Noteholder, Westpac may hold the amount payable in a separate account of Westpac until the Noteholder or joint Noteholder nominate an account, without any obligation to pay interest, and the amount so held is to be treated as having been paid to the Noteholder or joint Noteholder at the time it is credited to that separate account of Westpac.
- (g) All amounts payable but unclaimed may be invested by the Westpac Directors as they think 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 Noteholder 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 Noteholder 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 Noteholder's Notes 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 Noteholder in exercising its discretion under this clause, even where a Noteholder later demonstrates that they were not subject to such a law or sanction.

10. Notices

10.1 Service of notices

- (a) A notice may be given by Westpac to any Noteholder, or in the case of joint holders of Notes to the Noteholder whose name appears first in the Register of Noteholders, personally, by leaving it at the Noteholder's registered address or by sending it by prepaid post (airmail if posted to a place outside Australia) to the Noteholder's registered address or facsimile transmission to the fax number of the Noteholder last notified to Westpac or, in any case, by other electronic means determined by Westpac. If the notice is signed, the signature may be original or printed.
- (b) A notice given by a Noteholder to Westpac must:
- (i) be in writing and signed by a person duly authorised by the sender; and
 - (ii) be left at, or sent by prepaid post (airmail if posted from a place outside Australia) to the address below or the address last notified by Westpac, or sent by a facsimile transmission to the fax number below or the fax number last notified by Westpac:

Westpac Banking Corporation

Level 20, Westpac Place
275 Kent Street
Sydney NSW 2000

Attention: Company Secretary
Fax No: (02) 8253 1215

10.2 When notice considered to be received

Any notice is taken to be received:

- (a) if served personally or left at the intended recipient's address, when delivered;
- (b) if sent by post, on the third day (or, if posted to or from a place outside Australia, sixth day) after the envelope containing the notice is posted; and
- (c) if sent by facsimile or other electronic transmission, on production of a report by the machine or other system by which the transmission is sent indicating that the transmission has been made in its entirety to the correct fax number or other transmission address and without error,

but if the result is that a notice would be taken to be given or made on a day that is not a business day in the place to which the notice is sent or is later than 5.00pm (local time) it will be taken to have been duly given or made at the commencement of business on the next Business Day in that place.

10.3 Notice to transferor binds transferee

Every person who, by operation of law, transfer or any other means, becomes entitled to be registered as the holder of any Note is bound by every notice which, prior to the person's name and address being entered in the Register of Noteholders in respect of the Note, was properly given to the person from whom the person derived title to that Note.

10.4 Service on deceased Noteholder

A notice served in accordance with this clause 10 is (despite the fact that the Noteholder is then dead and whether or not Westpac has notice of the Noteholder's death) considered to have been properly served in respect of any Note, whether held solely or jointly with other persons by the Noteholder, until some other person is registered in the Noteholder's place as the Noteholder or joint Noteholder. The service is sufficient service of the notice or document on the Noteholder's personal representative and any persons jointly interested with the Noteholder in the Note.

10.5 Non-receipt of notice by a Noteholder

The non-receipt of a notice by a Noteholder or an accidental omission to give notice to a Noteholder will not invalidate the giving of that notice either in respect of that Noteholder or generally.

11. Governing law

These Note Terms are governed by the laws of New South Wales, Australia. Each party irrevocably submits to the 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.

12. Definitions and Interpretation

12.1 Definitions

The following words and expressions in bold have these meanings in these Note Terms unless the contrary intention appears or the context otherwise requires.

ADI means Westpac.

APRA means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any authority succeeding to its powers and responsibilities.

Assignee means Westpac or any other entity nominated by Westpac (with the prior written approval of APRA) that is deemed to be part of the Extended Licensed Entity.

Assignment Event in respect of a Stapled Security means the earliest of any of the following dates or events to occur

after the issue of Preference Shares comprising part of the Stapled Securities:

- (a) the date Westpac selects in its absolute discretion as the Assignment Event Date by announcement to ASX in which announcement such date is specified, which Assignment Event will apply in respect of all Stapled Securities;
- (b) the appointment by APRA of a statutory manager to Westpac pursuant to subsection 13A(1) of the *Banking Act 1959*, which Assignment Event will apply in respect of all Stapled Securities;
- (c) the Conversion Date on which Preference Shares comprising the relevant Stapled Securities Convert, immediately prior to the Conversion taking effect, which Assignment Event will apply in respect of those relevant Stapled Securities only;
- (d) the Redemption Date on which Preference Shares comprising the relevant Stapled Securities are Redeemed, immediately prior to the Redemption taking effect, which Assignment Event will apply in respect of those relevant Stapled Securities only;
- (e) the 21st Business Day after an Interest Payment Date, where Westpac has not paid in full Interest and Gross-Up Amount on the Notes within 20 Business Days of that Interest Payment Date, which Assignment Event will apply in respect of all Stapled Securities; and
- (f) the occurrence of an Event of Default, which Assignment Event will apply in respect of all Stapled Securities.

Assignment Event Date means the date on which the Notes are assigned to the Assignee in accordance with clause 4. There can be more than one Assignment Event Date if an Assignment Event occurs because some but not all Preference Shares are to be Redeemed or Converted in respect of an Assignment Event.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

ASTC Settlement Rules means the operating rules of ASTC from time to time with any modifications or waivers in their application to Westpac, which ASX may grant.

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.

Bookbuild means the process conducted by Westpac or its agents before the opening of the offer of the Stapled Securities whereby certain institutional investors and brokers lodge bids for Stapled Securities and, on the basis of those bids, Westpac determines the Note Margin.

Business Day means a business day as defined in the ASX Listing Rules.

Capital Disqualification Event means:

- (a) the Stapled Securities are not eligible for inclusion in Westpac's Tier 1 Capital on a Level 1 or Level 2 basis (except where such non-inclusion results by reason only of any applicable limitation on the amount or composition of Westpac's Tier 1 Capital); and
- (b) APRA has confirmed to Westpac in writing that the Stapled Securities are not eligible for inclusion in Westpac's Tier 1 Capital on a Level 1 or Level 2 basis.

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 Notes. **Capital Security** has the corresponding meaning.

Conversion, Convert and **Converted** have the meanings given in the Preference Share Terms.

Conversion Date has the meaning given to that term in the Preference Share Terms.

Corporations Act means the *Corporations Act 2001* (Cth).

Distributable Profits means the lesser of Level 1 Distributable Profits and Level 2 Distributable Profits.

Dividend has the meaning given to that term in the Preference Share Terms.

Dividend Gross-Up Amount has the meaning given to the term Gross-Up Amount in the Preference Share Terms.

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 Debentures, TPS 2004 Debentures and TPS 2006 Notes) which ranks for payment of the dividend, distribution or interest equally with Notes; 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 Debentures, TPS 2004 Debentures and TPS 2006 Notes) which ranks equally with Notes for repayment or a return of capital if Westpac is wound up.

Event of Default means:

- (a) an administrator, liquidator, receiver, receiver and manager or other controller of Westpac is appointed;
- (b) except for the purpose of a solvent reconstruction or amalgamation:
 - (i) an application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting, an application to a court or other steps are taken for:
 - (A) the winding up, dissolution or other insolvency administration of Westpac; or
 - (B) Westpac entering into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them, (other than frivolous or vexatious applications, proceedings, notices and steps); or
 - (ii) Westpac ceases or suspends the conduct of all of its business; or
- (c) in relation to all or substantially all of the assets of Westpac, there is:
 - (i) appointed a receiver, receiver and manager or similar officer; and
 - (ii) a security interest enforced over those assets.

Extended Licensed Entity means the ADI and any subsidiary of the ADI that APRA has deemed to be part of the ADI itself for the purposes of measuring the ADI's exposures to related entities, as specified in the guidelines, policy statements and practice notes or other equivalent statements of APRA which are applicable to the ADI.

Face Value has the meaning given to that term in the Preference Share Terms.

Franking Rate has the meaning given to that term in clause 3.3.

Gross-Up Amount has the meaning given to that term in clause 3.3.

Initial Purchaser means Deutsche Financial Corporation New Zealand Limited.

Interest has the meaning given to that term in clause 3.1.

Interest Payment Date has the meaning given to that term in clause 3.6 whether or not Interest and Gross-Up Amount is paid on that date.

Interest Period has the meaning given to that term in clause 3.1.

Interest Rate has the meaning given to that term in clause 3.1.

Issue Price has the meaning given to that term in clause 1.2.

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 Notes; 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 which:
 - (i) is, or is expressed to be, subordinated on a winding-up of Westpac to the claims of Noteholders; or
 - (ii) ranks behind Notes 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 Interest Payment Date, but excluding:
 - (i) dividends or distributions paid or payable to a member of the Level 1 group; and
 - (ii) dividends or distributions payable in relation to the Stapled Securities on the applicable Interest 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 in the twelve months to and including the applicable Interest Payment Date, but excluding:
 - (i) dividends or distributions paid or payable to a member of the Level 2 group; and
 - (ii) dividends or distributions payable in relation to the Stapled Securities on the applicable Interest Payment Date.

Marketable Parcel has the meaning given to it in the ASX Market Rules.

Note means the note of the form set out in clause 1.1 issued by Westpac under the Note Deed Poll.

Note Deed Poll means the deed poll executed by Westpac on or about 18 June 2008.

Noteholder means a person entered on the Register of Noteholders as the holder of a Note, but excludes the Assignee for the purpose of clause 3.5 and clause 3.7.

Note Issue Date means the date on which Notes are issued, which is expected to be on or about 30 July 2008.

Note Liquidation Sum has the meaning given to that term in clause 5.2(a).

Note Margin has the meaning given to that term in clause 3.1.

Note Terms means these terms of issue of Notes.

Ordinary Share means a fully paid ordinary share in the capital of Westpac.

Preference Share means fully paid, unsecured, perpetual, non-cumulative preference shares in the capital of Westpac

having the terms set out in the Preference Share Terms and designated as "2008 Series 1 Preference Shares".

Preference Share Terms means the terms of issue of the Preference Shares.

Record Date means for payment of Interest and Gross-Up Amount, the date which is 7 calendar days before the Interest Payment Date for that Interest and Gross-Up Amount or such other date as may be required by ASX and adopted by Westpac.

Redemption, Redeem and Redeemed have the meanings given in the Preference Share Terms.

Redemption Date has the meaning given in the Preference Share Terms.

Register of Noteholders means the register of the holders of Notes maintained by Westpac or its agent and includes any subregister established and maintained under the Clearing House Electronic Subregister System operated by ASTC.

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.

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 has the meaning given to that term in clause 1.9(a) of schedule 2 of the Note Deed Poll.

Stapled means the state that results from Stapling.

Stapled Security means a Preference Share Stapled to a Note.

Stapling means the linking together of a Preference Share to a Note together with the restrictions on transfers of Notes and Preference Shares in clauses 2.1 and 2.4 of these Note Terms and clauses 2.1 and 2.4 of the Preference Share Terms.

Substituted Issuer has the meaning given to that term in clause 8.1.

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 Rate has the meaning given to that term in clause 3.1.

Tier 1 Capital means at any time any equity, debt or hybrid so described by APRA.

TPS 2003 Debentures means the securities issued under Westpac's Junior Subordinated Indenture dated 13 August 2003 as supplemented by the Supplemental Indenture No 1 dated 13 August 2003.

TPS 2004 Debentures means the securities issued under Westpac's Junior Subordinated Indenture dated 13 August 2003 as supplemented by the Supplemental Indenture No 2 dated 5 April 2004.

TPS 2006 Notes means the notes issued by Westpac under the Note Deed between Westpac and Westpac Funds Management Limited dated 10 May 2006.

Unstapled means:

- (a) in relation to a Note, not being Stapled to a Preference Share; and
- (b) in relation to a Preference Share, not being Stapled to a Note.

Upper Tier 2 Capital means at any time any equity, debt or hybrid so described by APRA.

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.

Westpac Stopper Resolution means a resolution of the Westpac Directors or an authorised committee of the Westpac Directors not to pay in full any Interest and Gross-Up Amount on any Interest Payment Date.

12.2 Interpretation

In addition to the following rules of interpretation which apply in these Note Terms, the interpretation provisions in the Note

Deed Poll apply in these Note Terms, unless the contrary intention appears or the context otherwise requires.

- (a) Unless otherwise specified, a reference to a clause is a reference to a clause of these Note Terms.
- (b) If a calculation is required under these Note Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (c) If a payment is required to be made under these Note Terms, unless the contrary intention is expressed, the payment will be made in Australian dollars only.
- (d) 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.
- (e) Any provisions in these Note 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 Note Issue Date.
- (f) Headings and boldings are for convenience only and do not affect the interpretation of these Note Terms.
- (g) The singular includes the plural and vice versa.
- (h) 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.
- (i) If an event under these Note Terms must occur on a stipulated day which is not a Business Day, then the event will be done on the next Business Day.
- (j) A reference to \$, dollars or cents is a reference to the lawful currency of Australia. A reference to time in these Note Terms is a reference to Sydney, New South Wales, Australia time.
- (k) Calculations, elections and determinations made by Westpac under these Note Terms are binding on Noteholders in the absence of manifest error.

Corporate directory

Registered office of Westpac

Westpac Banking Corporation
Level 20, Westpac Place
275 Kent Street
Sydney NSW 2000

Legal adviser to the Offer

Allens Arthur Robinson
Level 28, Deutsche Bank Place
Corner Hunter & Phillip Streets
Sydney NSW 2000

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Tax adviser

Allens Arthur Robinson
Level 28, Deutsche Bank Place
Corner Hunter & Phillip Streets
Sydney NSW 2000

Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235

Joint Lead Managers

Westpac Banking Corporation
Level 14, Westpac Place
275 Kent Street
Sydney NSW 2000

Citigroup Global Markets Australia Pty Limited
Citigroup Centre
2 Park Street
Sydney NSW 2000

Deutsche Bank AG
Level 16, Deutsche Bank Place
Corner Hunter & Phillip Streets
Sydney NSW 2000

Goldman Sachs JBWere Pty Ltd
Level 42, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Macquarie Equity Capital Markets Limited
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