



Members Equity Bank Limited
Capital Notes Programme
Final Investor Term Sheet

This is a summary only and is not to form the basis of or be relied on for the purposes of any investment decision. It must be read with the Information Memorandum dated 14 November 2017 (**Information Memorandum**) and the information and documents incorporated by reference in it. Capitalised terms which are not defined in this term sheet have the meaning given to them in the terms and conditions for the Capital Notes (**Conditions**).

Issuer:	Members Equity Bank Limited (ABN 56 070 887 679) (Members Equity Bank)
Issuer Rating:	S&P: BBB (Stable) Moody's: Baa1 (Stable)
Expected Issue Rating	Not rated
Issue Amount	AUD 200 million, with the ability to raise more or less
Documentation:	A debt issuance programme under which, subject to applicable laws and directives, the Issuer may elect to issue perpetual, non-cumulative, subordinated, unsecured notes (Capital Notes) in the Australian domestic capital market in uncertificated registered form.
Regulatory Treatment	The Capital Notes are expected to constitute Additional Tier 1 Capital of Members Equity Bank.
Status	<p>Capital Notes are non-cumulative and fully paid and are issued by Members Equity Bank on a subordinated basis. They are not guaranteed or secured.</p> <p>In a winding-up of Members Equity Bank, if Capital Notes have not been Written-off on account of a Non-Viability Trigger Event, Capital Notes will rank for payment:</p> <ul style="list-style-type: none">a) ahead of common equity;b) equally without any preference among themselves for each Series and with the holders of Equal Ranking Instruments; andc) behind the claims of subordinated Tier 2 instruments and Senior Creditors of Members Equity Bank. <p>However, Holders should be aware that if Members Equity Bank is in a winding-up, it is likely that a Non-Viability Trigger Event will have occurred. On the occurrence of a Non-Viability Trigger Event, Capital Notes will be Written-off.</p> <p>As at the date of this Term Sheet, there are no Equal Ranking Instruments on issue.</p> <p>If a Non-Viability Trigger Event occurs, the Capital Notes will be subject to Write-off. If the Capital Notes have been Written-off on account of a Non-Viability Trigger Event, the Issuer's accrued and future obligations to make payments will cease and Capital Note Holders will have no rights to recover any unpaid amounts.</p> <p>There is no provision for conversion.</p> <p>Capital Notes do not represent deposit liabilities of the Issuer.</p>

Term of Capital Notes	Capital Notes are perpetual – they have no fixed maturity subject to Redemption or Write Off.
Redemption of Capital Notes	<p>Members Equity Bank has the right (but not an obligation) to Redeem the Capital Notes. Unless a Tax Event or a Regulatory Event occurs, Members Equity Bank will only have a right to Redeem the Capital Notes on or after the fifth anniversary of the date of issue of the Capital Notes.</p> <p>Members Equity Bank may also elect to Redeem all or some Capital Notes following the occurrence of a Tax Event or a Regulatory Event. The Capital Notes may not be Redeemed on the occurrence of a Non-Viability Trigger Event.</p> <p>Members Equity Bank may only Redeem the Capital Notes if it has received APRA's prior written approval (which may or may not be given). APRA must be satisfied that, before or concurrently with Redemption:</p> <ul style="list-style-type: none"> a) the Capital Notes will be replaced with a capital instrument which is of the same or better quality (for the purposes of the Prudential Standards) than the Capital Notes, and the replacement must be done under conditions that are sustainable for Members Equity Bank's income capacity; or b) having regard to the capital position of Members Equity Bank and the ME Group, Members Equity Bank does not have to replace the Capital Notes.
Non-Viability Trigger Event	<p>Capital Notes must be Written-off if a Non-Viability Trigger Event occurs. A Non-Viability Trigger Event means the earlier of:</p> <ul style="list-style-type: none"> a) the issuance of a notice in writing by APRA to Members Equity Bank that the conversion or write-off of Relevant Securities is necessary because, without it, APRA considers that Members Equity Bank would become non-viable; or b) a determination by APRA notified to Members Equity Bank that without a public sector injection of capital (or equivalent capital support), Members Equity Bank would become non-viable. <p>If a Non-Viability Trigger Event occurs, Members Equity Bank must convert or write-off some or all Relevant Securities (and in the case of Capital Notes, must write-off some or all Capital Notes). Where the Capital Notes are Written-off, all rights of Holders will be terminated with effect on and from the date of the Non-Viability Trigger Event.</p>
Distributions	<p>The Capital Notes are expected to pay quarterly, floating rate Distributions in arrears.</p> <p>The Distribution Rate (expressed as a percentage per annum) is to be calculated according to the following formula:</p> <p>Distribution Rate = (BBSW Rate + Margin) x (1 – Tax Rate)</p> <p>Payment of Distributions is in the absolute discretion of the Issuer and subject to no Payment Condition existing as at the Distribution Payment Date. The Payment Conditions are:</p> <ul style="list-style-type: none"> a) payment of the Distribution would result in the Issuer breaching APRA's capital adequacy requirements applicable to it; b) the payment would result in the Issuer becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or c) APRA objecting to the payment. <p>If a Distribution is not paid in full on a Distribution Payment Date, Members Equity Bank must not without the approval of Holders by a Special Resolution declare, determine to pay or pay a Dividend, or undertake any Buy Back or Capital Reduction, until and including the next Distribution Payment Date (unless the relevant Distribution is paid in full within 5</p>

	Business Days of the Relevant Distribution Payment Date). Distributions are non-cumulative, which means that if a Distribution is not paid on a particular Distribution Payment Date, Members Equity Bank has no obligation to pay it on a future Distribution Payment Date.
Franking	Distributions are expected to be fully franked. The rate of franking depends on Members Equity Bank's level of available franking credits. The level of franking may vary over time and Distributions may be partially or fully franked or not franked at all.
Pricing Date	16 November 2017
Settlement Date	28 November 2017
Coupon	3M BBSW mid + 525 bps, quarterly in arrears
Re-offer Price	100.000%
Distribution payment dates	Each 28 February, 28 May, 28 August & 28 November, subject to adjustment in accordance with the Business Day Convention
Day Count Fraction	Actual/365 (fixed)
Business Day	Melbourne, Sydney
Business Day Convention	Modified Following
Denominations	Denominations of A\$10,000. The aggregate consideration for transfers of the Capital Notes in Australia must be at least A\$500,000 (disregarding moneys lent by the transferor or its associates to the transferee), unless the offer or invitation resulting in the transfer does not otherwise require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act 2001 of Australia.
Listing	Unlisted
Settlement	Austraclear, Euroclear and Clearstream
Registrar	Austraclear Services Limited (ABN 28 003 284 419)
Governing Law	Victoria, Australia
Taxation	All payments in respect of the Capital Notes will be made in full without set-off or counterclaim, and without any withholding or deduction in respect of Taxes, unless prohibited by law. If a law requires the Issuer to withhold or deduct an amount in respect of Taxes from a payment in respect of the Capital Notes, the Issuer will deduct the amount for the Taxes. The Issuer is not required to pay any additional amounts to Holders in these circumstances.
Joint Lead Managers	NAB, Westpac
ISIN	AU3FN0039459

The **DISCLAIMER** contains important information which is an integral part of this Draft Term Sheet.

DISCLAIMER

This term sheet is for distribution only to professional investors whose ordinary business includes the buying or selling of securities such as the securities described above (the “Notes”) in circumstances where disclosure is not required under Chapter 6D.2 of the Corporations Act, 2001 and in such other circumstances as may be permitted by applicable law. This term sheet should not be distributed to, and is not intended for, any other person. This term sheet is distributed solely for informational purposes and is not to be construed as a solicitation, recommendation or an offer to buy or sell any Notes and should not be treated as giving investment advice. This term sheet is subject to and must be read in conjunction with the terms and conditions of the Notes, the Information Memorandum for the Notes and the pricing supplement relating to this issue.

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Westpac Banking Corporation Disclaimer

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