

Coupon Select Deposits

A Coupon Select Deposit is a tailored term deposit, designed to enable investors to enjoy a tailored Fixed Rate for one period and a Floating Rate (incorporating a margin over the market variable rate) for another period of the deposit. Investors have the flexibility to tailor the sequence and term of these two different periods in line with their interest rate view. For example, investors who expect low, declining interest rates for an initial period but think they will increase again afterwards, can select to receive the Fixed Rate for this initial period and the Floating Rate for the remainder of the deposit.

Minimum Transaction Amount

\$100,000

Term

One year to ten years. You can vary the Fixed Term, Floating Term and total Term, or terminate a Coupon Select Deposit early but there will be a cost to you if you do so. You may realise a net benefit depending on the prevailing market conditions upon variation or early termination.*

Description

- Characterised by a period during which a tailored fixed rate is received ("**Fixed Term**"), a period during which a Floating Rate is received ("**Floating Term**") and a number of Payment Dates.
 - The Fixed Rate you receive during the Fixed Term is a tailored rate, and is often higher than the comparable Westpac term deposit rate for this period.
 - During the Floating Term you receive a Floating Rate, which includes a margin over the standard market variable rate available from Westpac otherwise.
 - This margin is set at inception of the deposit.
- During the Fixed Term, you enjoy the peace of mind of standard quarterly coupon payments.
 - During the Floating Term, even though you are exposed to market movements, you will continue to receive a margin above 3m BBSW (i.e. the reference rate during the Floating Term). During the Fixed Term, you will receive a tailored rate that passes on some of Westpac's wholesale advantage to you in the form of a Fixed Rate that is often higher than the comparable standard term deposit rate otherwise available from Westpac.

Key Risks

- It may be the case that interest rates do not move in line with your view.
- Westpac has performance obligations under a Coupon Select Deposit. You need to form a judgment on our ability to meet those obligations.
- You can vary or terminate a Coupon Select Deposit early but there will be a cost if you do so.*
- There is no cooling-off period in respect of an investment in a Coupon Select Deposit. You cannot cancel your application for a Coupon Select Deposit.

Key Benefits

- You can tailor your Coupon Select Deposit to your interest rate view.

* A market bid-offer spread will be included in the termination amount. The total cost – or net benefit – of terminating a Coupon Select Deposit early, depends on a number of factors on termination date, including: the actual market bid-offer spread, the actual market interest rates, the remaining time left to the Maturity Date and associated remaining periods for the Fixed Term and Floating Term, the level of the Fixed Rate and the margin over 3m BBSW incorporated in the Floating Rate. A variation of Fixed Term, Floating Term or total Term will incorporate the same factors as if you had requested an early termination. Please note, you may lose money if you elect to vary the terms of your Coupon Select Deposit during its Term.

How do Coupon Select Deposits work?

- Choose how much you want to deposit, the total Term, the length and sequence of the Fixed Term and Floating Term.
- The fixed interest is paid on every Payment Date during the Fixed Term of the Coupon Select Deposit.
- The floating interest (including the pre-defined margin) is paid on every Payment Date during the Floating Term of the Coupon Select Deposit.
- For example, assume a 3-year Coupon Select Deposit, with an initial Fixed Term of one year, a subsequent Floating Term of two years, a Fixed Rate of 5.00% and a Floating Rate including a margin of 0.50%.
- In this case, you will then receive the Fixed Rate of 5.00% for the first year, and a Floating Rate including a margin of 0.50% for the second and third year.

How is the Floating Rate determined?

- The Floating Rate paid will be a margin over the 3-month Australian Bank Bill Swap Reference Rate ("**3m BBSW**").
- 3mBBSW is widely used as an Australian Bank Bill interest rate reference rate by investment banks, fund managers and retail banks.
- It refers to a daily calculation of the yields on bank bills of 3-month maturities, and is based on the average mid-price of a select number of Australian bank bill market makers.
- It is important to understand that 3m BBSW is not the Reserve Bank of Australia ('RBA') Cash Rate. 3m BBSW does not necessarily reflect nor follow movements in the RBA Cash Rate.

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Example

Consider the following scenario. You are an investor with AUD100,000 to invest for a period of three or five years. You would like to invest in a product with an attractive return and a capital risk equal to a standard Westpac term deposit, but without being locked into a fixed interest rate for the full term.

You have analysed the interest rate curve and economic forecasts and you expect that interest rates are low and may continue to fall over the next year before moving up again over the next two to four years. You would like to protect your investment from the chance of a poor return in the first year and take advantage of any rising interest rates over the following period.

So, whilst you are aware that a falling interest rate may mean that you receive a lower than expected Floating Rate for the remainder of the Term, you decide to fix the interest rates at a tailored Fixed Rate for the first year and then receive a Floating Rate (incorporating a margin) on your investment for the remainder of the Term

Following the scenario above, you consider 3-year or 5-year investments in a Coupon Select Deposit, with quarterly payments. The deposit rates for these periods are indicated below.

3-year Coupon Select Deposit

Details

Notional Amount:	\$100,000
Term:	3 year
Payment Frequency:	Quarterly
Fixed Term:	1 year (first year)
Floating Term:	2 year (second and third year)
Fixed Rate:	5.10%^
Floating Rate:	3-months BBSW + 0.50%^

5-year Coupon Select Deposit

Details

Notional Amount:	\$100,000
Term:	5 year
Payment Frequency:	Quarterly
Fixed Term:	1 year (first year)
Floating Term:	4 year (second to fifth year)
Fixed Rate:	6.00%^
Floating Rate:	3-months BBSW + 0.50%^

^ The rates used in this example are for illustrative purposes only

Please note

- This information has been prepared by Westpac Institutional Bank, a division of Westpac Banking Corporation ABN 33 007 457 141, AFSL 233714 ('Westpac'). A copy of Westpac's Financial Services Guide can be obtained by calling 1800 990 107 or visiting www.westpac.com.au/.
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- Westpac Banking Corporation (ABN 33 007 457 141) is the issuer of the Coupon Select Deposit. A Product Disclosure Statement (PDS) for the Coupon Select Deposit will be made available when the product is released. The PDS will be available on 15 July 2009 and can be obtained by calling (02) 8204 2790 or visiting www.westpac.com.au/. You should consider the PDS before making any decision in relation to the Coupon Select Deposit.