

Bank Bill Option

Supplementary Product Disclosure Statement 29 September 2009

This Supplementary Product Disclosure Statement ('SPDS') is dated 29 September 2009 and is issued by Westpac Banking Corporation (ABN 33 007 457 141 AFSL No. 233714). It supplements the Bank Bill Option Product Disclosure Statement dated 9 February 2004 ('Original PDS'). This SPDS should be read with the Original PDS – together they make up the Product Disclosure Statement ('PDS'). In particular, terms defined in the Original PDS have the same meaning in the SPDS, unless the context requires otherwise. For further information, please contact the relevant state dealing desk using the contact details listed below or visit www.westpac.com.au

From 29 September 2009 we have made the changes set out below to the Original PDS.

This SPDS amends the Original PDS by replacing the text in certain sections of the Original PDS as set out in the table below:

Relevant page number of the Original PDS	Relevant section title of the Original PDS	Replacement text
8	Dispute resolution	<p>The following text replaces the text under the section titled "Dispute resolution":</p> <p>"Getting your complaint heard</p> <p>Sometimes you may want to talk about problems you are having with us. Fixing these problems is very important to us.</p> <p>We've put in place ways of dealing with your issues quickly and fairly.</p> <p>Please talk to us first</p> <p>We aim to resolve your complaint at your first point of contact with us in a timeframe agreed with you. This is our 'Ask Once' promise. So please raise your complaint with any of the people handling your banking. Alternatively, you can contact us by phone or in writing using the details listed at the back of this PDS.</p> <p>What to do if you are still unhappy</p> <p>If we haven't been able to deal with your issues to your satisfaction, there are a number of other bodies you can go to. Our external dispute resolution provider is the Financial Ombudsman Service, our membership number is 10999 and the contact details are:</p> <p>Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Phone 1300 780 808 Fax: (03) 9613 6399 Internet: www.fos.org.au Email: info@fos.org.au</p> <p>You can also contact the Australian Securities & Investments Commission (ASIC) to make a complaint and to obtain further information about your rights. They have a freecall Infoline on 1300 300 630 and e-mail contact address at infoline@asic.gov.au</p>
9	Westpac Banking Corporation contact details	<p>The following text replaces the text under the section titled "Westpac Banking Corporation contact details":</p> <p>"Queensland and Northern Territory:</p> <p>Level 14, 260 Queen Street Brisbane QLD 4000 Telephone (07) 3227 2155</p>

		<p>Western Australia:</p> <p>Level 16, 109 St Georges Terrace Perth WA 6000 Telephone (08) 9426 2522</p> <p>New South Wales and ACT:</p> <p>Level 2, 275 Kent Street Sydney NSW 2000 Telephone (02) 8204 2822</p> <p>Victoria, South Australia and Tasmania:</p> <p>Level 9, 360 Collins Street Melbourne VIC 3000 Telephone (03) 9608 3950"</p>
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This SPDS amends the Original PDS by adding a new section to the Original PDS as set out in the table below:

Relevant page number of the Original PDS	New section title added to the Original PDS	New text added to the Original PDS
8	Anti-Money Laundering	<p>After the section titled "Dispute resolution" a new section titled "Anti-Money Laundering" is added. The following text is added to the new "Anti-Money Laundering" section:</p> <p>"Please be advised that in order for Westpac to meet its regulatory and compliance obligations relating to anti-money laundering and counter terrorism financing, we will be increasing the levels of control and monitoring we perform.</p> <p>You should be aware that:</p> <ul style="list-style-type: none"> • transactions may be delayed, blocked or refused where we have reasonable grounds to believe that they breach Australian law or the law of any other country; • where legally obliged to do so, we may disclose the information gathered to regulatory and/or law enforcement agencies. <p>Upon entering into any Bank Bill Option with Westpac, you agree:</p> <ul style="list-style-type: none"> • you are not and will not enter into any agreement with Westpac under an assumed name; • any funds used by you to enter into an agreement with Westpac have not been derived from or related to any criminal activities; • any payments received from Westpac will not be used in relation to any criminal activities; • if we ask, you will provide us with additional information we reasonably require from you; and • we may obtain information about you or any beneficial owner of an interest in an agreement with Westpac from third parties if we believe this is necessary to comply."

Bank Bill Option

Product Disclosure Statement

This Product Disclosure Statement relates to Bank Bill Options.

Issuer

Westpac Banking Corporation ABN 33 007 457 141

Australian Financial Services Licence Number: 233714



Institutional Bank

A division of Westpac Banking Corporation ABN 33 007 457 141

Bank Bill Option

Product Disclosure Statement

A Product Disclosure Statement is an information document. The purpose of a Product Disclosure Statement is to provide you with enough information to allow you to make an informed decision about a product's suitability for your needs. A Product Disclosure Statement is also a tool for comparing the features of other products you may be considering. If you have any questions about this product, please contact us on any of the numbers listed at the back of this Product Disclosure Statement.

Important information

This Product Disclosure Statement is issued by Westpac Banking Corporation and is current as at 9th February 2004. The information in it is subject to change. Westpac will provide updated information by issuing a supplementary or replacement Product Disclosure Statement (if this were required, such as if the change were materially adverse to you) or by posting the information on our web site. You can get a paper copy of any updated information without charge by calling us.

This Product Disclosure Statement is intended for retail clients in Australia only. Distribution of it in jurisdictions outside Australia may be restricted by law and, persons who come into possession of it, who are not in Australia, should seek advice. If you are in Australia and have received it electronically, we will give you a paper copy on request, without charge. To obtain a copy, refer to the contact details listed on the back page of this Product Disclosure Statement.

The information set out in this document is general in nature. It has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs. By providing this Product Disclosure Statement, Westpac does not intend to provide financial advice or any financial recommendations. You should read and consider this Product Disclosure Statement, in its entirety, carefully and seek independent expert advice before making a decision about whether or not this product is suitable for you.

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Institutional Bank

Bank Bill Option

Issuer

Westpac Banking Corporation (**Westpac, we or us**).

Purpose

What is a Bank Bill Option?

A Bank Bill Option (**BBO**) is an interest management tool for customers who have a variable rate bank bill facility with Westpac.

What are Bank Bill Options used for?

A BBO will help you to protect yourself against an unfavourable move in interest rates while maintaining the ability to participate in favourable interest rate movements.

A BBO is not a lending facility. Rather, it is an interest rate management product that is used in conjunction with a Westpac variable rate bank bill facility. Your underlying Westpac bank bill facility will continue to be governed by the terms and conditions set out in your facility agreement.

A BBO only affects the *base* interest rate (or base discount rate) applicable to your underlying bank bill facility. It has no effect on any acceptance fees and margins payable under your bill facility. You remain obliged to pay those fees and margins no matter what happens with the BBO. For that reason, this document does not consider or take into account any fees and margins payable in respect of your underlying bank bill facility.

Suitability

Do I have sufficient knowledge about this product?

A BBO may be suitable if you have a good understanding of interest rate markets and would like to manage your interest rate exposure.

If you are not confident about your understanding of these things, we strongly suggest you seek independent advice before making a decision about this product.

Description

What does a BBO do?

A BBO works in conjunction with your underlying bank bill facility and protects you against increases in interest rates beyond a certain level. It is an agreement between you and Westpac that gives you the right but not the obligation, to sell bills of exchange to Westpac. The transaction involves selling agreed amounts of bills of exchange drawn under your Westpac bank bill facility (**Bills**) at an agreed yield to maturity interest rate (**Strike Rate**), on specified dates.

In exchange for a BBO, you pay a premium. This can either be paid as a one-off upfront premium or, with Westpac's approval, it can be amortised over the term of the BBO. This may incur an extra charge.

How does it work?

When you establish a BBO, you set the Strike Rate, and the amount of Bills to be sold. You also agree to a schedule of rollover or **Reset Dates**. These are the dates when bills of exchange will be drawn or rolled under your underlying variable rate bank bill facility (for example, you could draw/roll Bills on a 30, 60 or 90 day basis).

On each Reset Date, Westpac compares the Strike Price with the prevailing Westpac Bank Bill Drawdown Rate (**WBBD**). The WBBD is based on the Bank Bill Swap Rate (**BBSW**) and includes a margin added by Westpac. BBSW is a market reference rate for Australian dollar bills of exchange for particular terms published on Reuters Information Services. Reuters is an information service that is widely used by institutional market participants. There are many factors that influence the way Westpac sets the WBBD and you may discuss these in greater detail with your Westpac representative.

If the WBBD is higher than the Strike Rate, you would exercise your BBO and sell the agreed amount of Bills to Westpac at the Strike Rate. In this situation, the BBO effectively caps the base interest rate applicable to your Bills at the Strike Rate level.

If the WBBD is lower than the Strike Rate, you would not exercise your BBO. Your Bills would be drawn under your bill facility agreement at the prevailing WBBD (plus any applicable margins and fees). The base interest rate applicable to your bank bill facility will be the rate applying under the bill facility agreement.

Exercise

Exercise

If WBBD is higher than the Strike Rate on a Reset Date, your BBO will automatically be exercised. There is no need to notify Westpac of your intention to exercise the BBO.

Cost of product

Cost of product

In return for a BBO, you pay Westpac a non-refundable premium. We calculate the premium on a transaction by transaction basis. We will advise you of the premium payable for your BBO before entering into the transaction.

When calculating the premium, we take several factors into account including:

- the Strike Rate, the amount of Bills, the term and the Reset Dates selected
- current market interest rates, and
- market volatility

Premiums are generally payable in clear funds within two business days of entering into the transaction. However, with Westpac's approval, premiums can be amortised over the term of the BBO. This may incur extra costs. The full amount of the amortised Premium is always payable even in the case of early termination. Premiums cannot be amortised over a period greater than the BBO.

Advantages/benefits

Advantages/benefits

- BBOs provide you with protection against unfavourable interest rate moves, while allowing you to participate in favourable movements.
- BBOs are flexible. The Strike Rate can be positioned to reflect the level of protection you seek. However, the amount of premium payable is affected by the choice you make.
- The term of the BBO is flexible and does not have to match the term of your bank bill facility. As such, a BBO may be used as a form of short-term interest rate protection in times of uncertainty.
- BBOs can be cancelled (however, there may be a cost to you in doing so - see the Early termination section for further details).

Disadvantages/risks

Disadvantages/risks

- The premium is not refundable under any circumstance, including circumstances where the WBBB does not exceed the Strike Rate and Bills are not sold under the BBO. If your premium has been amortised, the outstanding amount of the premium is payable even in the case of early termination.
- You will be exposed to interest rate movements if the term of the BBO is shorter than that of the underlying bank bill facility.
- There is no cooling off period.
- We generally have performance obligations under all the financial markets products we enter into. Customers depend on us to perform our obligations. Our ability to do so is linked to our financial wellbeing. This type of risk is commonly referred to as **credit or counterparty risk**. As we are a regulated Australian bank, the risk of us failing to perform is very low.

Settlement

Settlement

If a BBO is exercised on a Reset Date, you will sell the Bills to Westpac at the Strike Rate.

Early termination

Can I terminate a BBO before maturity?

You may ask us to terminate a BBO at any time up to the maturity date. Westpac will then provide you with a quote for cancelling the BBO.

What will be the value of a BBO on early termination?

Our quote will incorporate the same variables (Strike Rate, Reset Dates, amount of Bills, term and maturity date) used when pricing the original BBO. These will be adjusted for prevailing market rates over the remaining term of the BBO.

We will also need to consider the cost of reversing or offsetting your original transaction. When doing this, Westpac takes into account the current market rates that apply to any such offsetting transactions.

What happens if I accept?

If you accept the termination quote, the BBO will be cancelled. You should appreciate that you may lose money as a result of early termination.

Documentation

Documentation

Shortly after entering into a BBO, Westpac will send you a confirmation. As well as documenting the commercial terms of the transaction, the confirmation includes other general terms and conditions. In particular, it sets out various representations and warranties, and documents the situations where Westpac can terminate the BBO and Westpac's rights on termination.

You can ask for a copy of the form of confirmation used, and we strongly suggest you fully consider that document before entering into any transaction. You should obtain independent advice if you do not understand any aspect of the confirmation.

Confirmation

You will need to sign the confirmation and return it to Westpac.

Warning

It is extremely important that you check the confirmation to make sure it accurately records the terms of the transaction. Where there is a discrepancy, you will need to raise the matter with your Westpac representative as a matter of urgency.

Example

Example

The example below is indicative only and uses rates and figures that we have selected to demonstrate how the product works. In order to assess the merits of any particular BBO, you would need to use the actual rates and figures quoted to you at the time. Note that WBBB movements in the example have been exaggerated to give effect and that the calculations below include rounding of decimal places.

Scenario

You are a borrower with a 3 year Australian dollar (\$) 1,000,000 variable rate bank bill facility with quarterly rollover dates. The base interest rate is the WBBB. Assume that the current 90 day WBBB is 5.85%.

In the current economic environment, interest rates look as though they will be rising and your borrowing costs may exceed 7.00%. You would like to limit your borrowing cost to a maximum rate of 6.75% for the term of the underlying bank bill facility.

If I do nothing, what interest rate risks do I face?

If you do nothing, the interest rate you will pay on each rollover date will depend on what WBBB is at that time. You are exposed to unlimited risk if interest rates rise.

How will a BBO change this?

You purchase from Westpac a 3 year BBO with a Strike Rate of 6.75%, a Notional Amount of \$1,000,000, and quarterly Reset Dates. In this example it is assumed that you would pay Westpac a non-refundable premium for the BBO.

If WBBB is above 6.75% on a Reset Date, the base interest rate payable on your Bills will be the Strike Rate (6.75%) for the relevant period. Your effective interest rate then becomes the Strike Rate (excluding your acceptance fee or the cost of the BBO).

The calculation used for determining the amount payable by Westpac when your Bills are drawn down is:

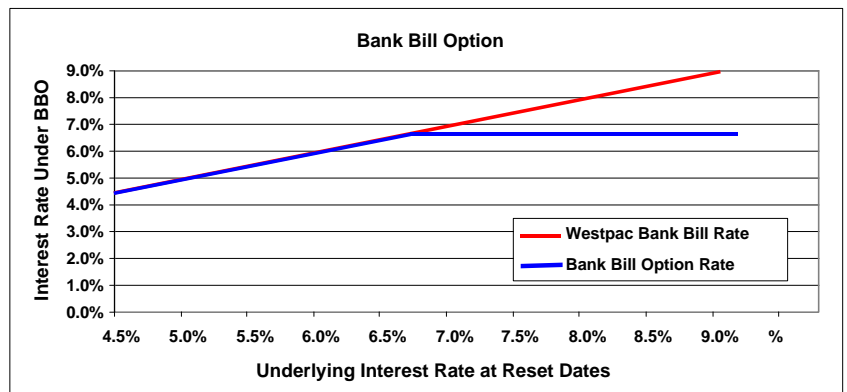
$$\begin{aligned} & \frac{\text{Notional Amount} \times 36500}{(\text{Strike Rate} \times \text{number of days in interest period}) + 36500} \\ = & \frac{\$1,000,000 \times 36500}{(6.75 \times 90) + 36500} \\ = & \$ 983,628.65 \end{aligned}$$

This amount does not take into account any fees payable by you under your bill facility agreement. The net amount you receive would be the above amount minus any fees and charges payable under your bill facility agreement.

What happens if interest rates fall?

If on the Reset Date WBBB is below 6.75%, you will not exercise your BBO and you will draw down your Bills at the WBBB.

The following graph demonstrates the effect of the BBO:



Important consideration

Please note that the above calculations do not take into account the premium paid for the BBO. The premium paid must be considered when determining the overall cost of your transaction. You should also be aware that interest rate movements might result in little or no need for BBO protection. In this case the premium cost will exceed the compensation benefit you receive over the life of the BBO.

Taxation

Taxation

Taxation law is complex and its application will depend on a person's individual circumstances. When determining whether or not this product is suitable for you, you should consider the impact it will have on your own taxation position and seek professional advice on the tax implications it may have for you.

Telephone conversations

Telephone conversations

The terms of a BBO are usually agreed verbally over the telephone. Once we have reached an agreement, both you and Westpac are bound by the terms of the BBO.

Conversations with our dealing room and settlement departments are taped. This is standard market practice. We do this to make sure that we have complete records of the details of all transactions. Taped conversations are retained for a limited period and are usually used where there is a dispute and for staff monitoring purposes.

You will need to advise our dealer if you do not wish to be recorded. However, we will not enter into any transaction over the telephone unless the conversation is recorded.

Factors that may influence our advice

Factors that may influence our advice

This document has been designed to help you choose the right product for your needs. When you ask for a recommendation, please be assured that our staff members will always explain your choices and suggest a suitable product.

Sometimes our staff may be eligible for incentives, including cash incentives, for achieving or exceeding sales targets.

Code of Banking Practice compliance

Code of Banking Practice compliance

The Code of Banking Practice is a voluntary code for banks dealing with individuals and small businesses. Its purpose is to set standards of good banking practice for banks to follow when dealing with these customers. Copies of the Code are available on request.

If you are a retail client, each relevant provision of the Code will apply to this product from the date we adopt that provision. If you would like to discuss whether or not the Code will apply to you, please contact Westpac on the numbers set out at the back of this document.

Privacy and confidentiality compliance

Privacy and confidentiality compliance

Westpac's Privacy Policy explains our commitment to the protection of your personal information. You may obtain a copy of our Privacy Policy by:

- calling Telephone Banking (on 132 032)
- contacting any of our branches
- visiting our web site at www.westpac.com.au

In addition to Westpac's duties under legislation, it has a general duty of confidentiality towards you, except in the following circumstances:

- when disclosure is compelled by law
- where there is a duty to the public to disclose
- where the interests of Westpac require disclosure
- where disclosure is made with your express or implied consent

Dispute resolution

Dispute resolution

Problem resolution is a priority for us. We have established complaint resolution procedures that aim to deal with complaints quickly and fairly. Our complaint handling procedures are in accordance with the Australian Standard on Complaints Handling. This service is free and covers verbal and written complaints.

If you have a complaint about this product, its operation or the service that we are providing, please contact us. Your first point of contact should be your Westpac representative.

We will aim to resolve the matter when you first contact us. If we cannot resolve your issue there and then, we will commit to taking the following steps:

- Step 1 - Let you know who is handling the complaint.
- Step 2 - Keep you informed of what is happening.
- Step 3 - Aim to resolve your complaint within 5 working days.

Once your complaint has been resolved, we will check with you to make sure you are satisfied with how your complaint was handled.

If you feel your complaint has not been properly handled or resolved, we invite you to contact our Customer Advocate on 1300 301 977 for a further review. The Customer Advocate's role is to understand and represent your interests within Westpac and help us ensure you have the best possible experience.

If you remain dissatisfied with the outcome, you can refer your complaint to either of the external organisations listed below.

The Finance Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Phone 1300 780 808
Fax: +61 3 9621 2291
Internet: <http://www.fics.asn.au/>

Australian Banking and Financial Services Ombudsman Ltd
GPO Box 3A
Melbourne VIC 3001
Phone 1300 780 808
Fax: +61 3 9613 7345
Internet: <http://www.abio.org.au>

The Australian Securities and Investments Commission also has a free call Infoline on 1300 300 630. You can use this number to make a complaint and to obtain further information about your rights.

**Westpac Banking
Corporation contact
details**

Queensland and Northern Territory:

Financial Markets
Queensland
Level 15 260 Queen Street
Brisbane QLD 4000
Telephone (07) 3227 2155

Western Australia:

Financial Markets
Western Australia
Level 14 109 St Georges Terrace
Perth WA 6000
Telephone (08) 9426 2522

New South Wales and ACT:

Financial Markets
New South Wales
Level 5 255 Elizabeth Street
Sydney NSW 2000
Telephone (02) 9284 8422

Victoria, South Australia and Tasmania:

Financial Markets
Victoria
Level 9 360 Collins Street
Melbourne VIC 3000
Telephone (03) 9608 3950