

Westpac Protected Equity Loan Supplementary Product Disclosure Statement



This Supplementary Product Disclosure Statement ('SPDS') is issued by Westpac Banking Corporation (ABN 33 007 457 141 AFSL No. 233714) and supplements the Product Disclosure Statement dated 15 August 2007 ('Original PDS') for the offer of the Westpac Protected Equity Loan ('Westpac PEL'). This SPDS should be read with the Original PDS. In particular, terms defined in the Original PDS have the same meaning in this SPDS, unless the context requires otherwise. For further information, please contact Westpac Structured Investments on 1800 990 107 or visit www.westpac.com.au/structuredinvestments

The information for the Westpac PEL is updated as follows. Investors should note however that this information does not constitute tax advice. Each investor should seek their own independent professional tax advice relevant to their own particular circumstances.

In August 2008 we provided a broad outline of the Treasurer's 2008/09 Federal Budget announcement, that the legislation dealing with the capital protected borrowing provisions would be amended and that the 'benchmark rate' would be changed from the Reserve Bank of Australia's Indicator Rate for Personal Unsecured Loans Variable Rate to the (lower) Reserve Bank of Australia's Indicator Variable Rate for Standard Housing Loans for capital protected borrowing arrangements entered into on or after 7.30pm (AEST) on 13 May 2008. That change has never been legislated.

Benchmark Rate

On 11 May 2010 the Assistant Treasurer announced changes to the 2008/09 Federal Budget announcement, specifically that the benchmark rate would instead be changed to the Reserve Bank of Australia's Indicator Variable Rate for Standard Housing Loans plus 100 basis points. Investors can view the relevant Reserve Bank of Australia rates at www.rba.gov.au/statistics/tables/index.html. Treasury have released an exposure draft of the legislation to amend Division 247, which reflects this updated benchmark rate.

Based on the exposure draft of the legislation released by Treasury, the amendments to Division 247 would apply to investors as follows:

- Investors who entered into their PEL on or after 7.30pm on 13 May 2008 should apply the Reserve Bank of Australia's Indicator Variable Rate for Standard Housing Loans plus 100 basis points;
- Investors who entered into their PEL between 15 August 2007 and 13 May 2008 should continue to apply the Reserve Bank of Australia's Indicator Rate for Personal Unsecured Loans Variable Rate;
- For investors who extended the term of their existing Loan after 13 May 2008, the relevant benchmark rate from the time of the loan extension would be the Reserve Bank of Australia's Indicator Variable Rate for Standard Housing Loans plus 100 basis points; and
- For investors who entered into an Interest Loan on or after 13 May 2008, as this would constitute a new 'borrowing' for the purposes of Division 247, the relevant benchmark rate would be the Reserve Bank of Australia's Indicator Variable Rate for Standard Housing Loans plus 100 basis points. Investors who entered into an Interest Loan but entered into their PEL prior to 13 May 2008 (and who have not applied for an extension of the term of their Loan) should continue to use the current Reserve Bank of Australia's Indicator Rate for Personal Unsecured Loans Variable Rate with respect to their PEL.

Investors should be aware however that, until the exact form of the amending legislation has been released, the scope of the proposed amendments is not certain. For example, whilst the election to use one of the features of an existing PEL such as a Top-up Loan, Security Reset Facility or Portfolio Adjustment Facility should not, under current law or the exposure draft of the amending legislation, amount to a new borrowing arrangement entered into after 13 May 2008, the final form of the amending legislation may treat the election to use one of the features of an existing PEL as giving rise to a new borrowing arrangement. Therefore, before taking any action in respect of their PEL, investors should consider the risks inherent in the uncertainty over the application of the new rules and seek their own professional advice.

Investors should also note that the Australian Taxation Office (ATO) released on 28 May 2010 an information update about the change to the benchmark rate. The update stated that the ATO would apply the existing law, as it stood prior to the 2008/09 Federal Budget announcement until the enactment of the proposed legislation, and that no specific compliance activity would be undertaken to enforce the existing law during that time.