Agricultural Option Contract

Product Disclosure Statement

Issued by:
Westpac Banking Corporation ABN 33 007 457 141
Australian Financial Services Licence Number: 233714
Dated 21 August 2007

Contents

Important information about this Product Disclosure Statement (PDS)

A PDS is an information document. Its purpose is to provide you with enough information so that you can decide if the product will meet your needs. A PDS is also a tool for comparing the features of other products you may be considering.

This PDS relates to Agricultural Option Contracts (AOC). An AOC is a sophisticated financial product requiring a good understanding of the way commodity contracts and markets work. You should read and consider all sections of this PDS carefully before making a decision about the suitability of this product for you. You may also wish to obtain independent expert advice about this. If you have any questions about this product, please contact us on any of the numbers listed at the back of this PDS.

If you decide to enter into an AOC, you should keep a copy of this PDS and any associated documentation. You should also promptly tell us if at any time you experience any financial difficulty.

The information set out in this PDS is general in nature. It has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should consider its appropriateness having regard to your objectives, financial situation and needs. By providing this PDS, Westpac does not intend to provide financial advice or any financial recommendations.

The information in this PDS is subject to change. Westpac will provide updated information by issuing a supplementary or replacement PDS (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 PDS 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 PDS.

Agricultural Option Contract Summary

Overview	An AOC is designed to assist you in reducing your commodity price risk. It will also help you to manage your currency risk where you elect to transact your option in Australian dollars (AUD).
Costs	A premium is payable up-front. See "What are the costs?" on page 6.
Significant Benefits	An AOC provides you with greater cash-flow certainty by protecting you against unfavourable commodity price movements (and exchange rate movements where you elect to transact in AUD). At the same time it allows you to take advantage of favourable price movements that may occur. See "What are the significant benefits of an AOC?" on page 6.
Significant Disadvantages	The premium payable is a cost to you. It will offset any benefit you may receive from favourable commodity price movements (or exchange rate movements where you elect to transact in AUD). See "What are the significant disadvantages of an AOC?" on page 6. See also "What are the significant risks of an AOC?" on page 6.
Minimum Transaction Amount	Wheat – 100 metric tonnes Sugar – 100 metric tonnes (smaller amounts and other commodities may be available on request)
Term	1 week to 3 years (longer terms may be available on request)
Settlement	An AOC is cash settled at maturity. No physical delivery of the underlying commodity occurs. Any amounts owing to you will be paid on the settlement date.
Early Termination	You can terminate an AOC early but there may be a cost to you if you do. The amount you receive may be less than the original premium you paid. See "Can I terminate an AOC before maturity?" on page 7.

What is an Agricultural Option Contract (AOC)?

An AOC is an agreement between you and Westpac that protects you against unfavourable commodity price movements while still allowing you to benefit from any favourable commodity price movements that may occur.

An AOC may be useful for producers looking to protect their revenue against declining commodity prices, consumers looking to protect their costs against increasing commodity prices and other customers with exposure to commodity price movements.

How does an Agricultural Option Contract work?

In exchange for the payment of a premium up front, an AOC effectively provides you with the right but not the obligation to sell (or buy) a specified amount of a commodity at a specified price on a specified date in the future. An AOC, however, does not require the actual physical delivery of the commodity at maturity as it is cash settled.

When you enter into an AOC, you nominate the commodity and the currency that you want your contract denominated in and whether you are seeking protection against rising commodity prices or falling commodity prices.

You also nominate the **maturity date** on which you want settlement to occur, the **notional volume** of the commodity, a **strike price** and the **floating reference price** you wish to settle against. Westpac will then determine the **premium** you must pay up-front for the AOC based on the details nominated by you.

The **strike price** is your level of commodity price protection. It will be denominated in the currency nominated by you.

The **floating reference price** is the variable price of your underlying commodity. It will be based on an agreed futures contract on an agreed futures exchange. Appendix A provides examples of some of these. Where the agreed futures contract is not denominated in the currency you nominated it will be converted into that currency using a **reference exchange rate** on the maturity date. The source of the reference exchange rate will be agreed up-front.

The floating reference price is generally a single reference price on a nominated date. You can, however, define it to be the average of the closing prices of an agreed futures contract over a specified number of business days. Where an average price is required you will need to specify the actual **average period** involved up front.

There are two types of AOCs: a **Put** and a **Call**

Where you are seeking to manage the risk of a fall in commodity prices you will purchase a Put**.** This effectively provides you with the right, but not the obligation, to sell a specified amount of the commodity at the strike price at maturity.

On the maturity date there are two possible outcomes:

- If the **strike price** is greater than the **floating reference price**, Westpac will make a cash payment to you based on the difference between these prices.

- If the **floating reference price** is greater than the **strike price**, you and Westpac will have no obligations to each other with respect to the Put contract. In this case you should benefit from a commodity price that is higher than your strike price when you sell your commodity in the physical market.

Where you are seeking to manage the risk of a rise in commodity prices you will purchase a **Call**. This effectively provides you with the right, but not the obligation, to buy a specified amount of the commodity at the strike price at maturity.

On the maturity date there are two possible outcomes:

- If the **strike price** is greater than the **floating reference price**, you and Westpac will have no obligations to each other with respect to the Call. In this case you should benefit from a commodity price that is lower than your strike price when you purchase your commodity in the physical market.

- if the **floating reference price** is greater than the **strike price**, Westpac will make a cash payment to you based on the difference between these prices

How does Westpac determine the premium for my AOC?

When determining the premium payable Westpac takes several factors into account including:

- The commodity and the time zone you choose to trade in
- The maturity date set by you
- The transaction type – Put or Call
- The commodity reference price for the agreed futures exchange
- The forward exchange rate of the relevant currency pair required to convert the futures price into the currency nominated by you
- Market price volatility
- The transaction amount
- The average period you choose where settlement is requested against an average price.

When is the premium payable?

The premium is payable two business days after the trade date. It will be denominated in the currency nominated by you. All currencies must be provided in clear funds. Where you are paying foreign currency you can provide it either by telegraphic transfer or by transferring funds from a foreign currency account/deposit.

Are there any Westpac credit requirements before dealing?

Before entering into an AOC, Westpac will assess your financial position to determine whether or not your situation satisfies our normal credit requirements. This assessment is to determine your creditworthiness: we do not consider the suitability of this product for you as part of this process. Westpac will advise you of the outcome of its review as soon as possible.

If your application is successful, you will need to sign Westpac's standard finance documentation. This documentation sets out the terms of the credit approval and other matters relevant to your application.

What are the costs?

There are no direct fees associated with an AOC except for the premium. The price of an AOC is simply the premium payable up-front. This premium is determined by Westpac (see "How does Westpac determine the premium payable for my AOC?" above) and will be quoted to you immediately prior to your entry into the specified AOC.

While there are no additional direct fees associated with an AOC, Westpac still derives a financial benefit. Westpac obtains that benefit by incorporating a margin into the premium it sets.

What are the significant benefits of an AOC?

- AOCs provide you with protection against unfavourable commodity price movements between the time you deal and the maturity date. This can assist you in managing your commodity exposure. Removing the uncertainty of commodity price fluctuations will assist you with cash flow planning/forecasting.
- AOCs allow you to participate in any favourable commodity price movements as they do not oblige you to deal on the maturity date. Where commodity prices move favourably you should benefit when you sell (or purchase) your underlying commodity requirement in the physical market.
- Where the AOC is denominated in your local currency it eliminates the need to manage your foreign exchange risk separately.
- AOCs are flexible. The maturity date, the strike price and the notional volume can be tailored to meet your particular requirements.

What are the significant disadvantages of an AOC?

- The premium must be paid to Westpac up-front.
- While AOCs can be cancelled, there may be a cost to you in doing so - see "Can I terminate an AOC before maturity?" below for further details.
- An AOC will not protect you against any price risk that exists when the floating reference price does not match the actual commodity price you pay or receive in the physical market. This risk is referred to as **basis risk**. (For example, prices paid and received in the physical market take into account "grade" and "location". An AOC does not cover this risk.)
- There is no cooling off period.

What are the significant risks of an AOC?

As is the case with most financial markets products we enter into, we have performance obligations under an AOC. If we are unable to perform our obligations under your AOC, you would be exposed to commodity price fluctuations (and in some cases exchange rate fluctuations) as if you had not entered into an AOC.

Our ability to fulfil our obligations is linked to our financial wellbeing and to the effectiveness of our internal systems, processes and procedures. The first type of risk (our financial wellbeing) is commonly referred to as **credit or counterparty risk**. The second type of risk (the effectiveness of our internal systems, processes and procedures) is commonly referred to as **operational risk**.

You must make your own assessment of our ability to meet our obligations. However, as a regulated Australian bank we are subject to prudential regulation which is intended to reduce the risk of us failing to perform our obligations.

What happens at maturity?

On the Maturity Date, the Floating Reference Price will be identified and where applicable will be converted into the currency you nominated using the agreed reference exchange rate on the following business day. Westpac will then calculate the cash settlement amount, if any, that is payable to you. This will be paid on the settlement date of the AOC (the third business day after the maturity date).

In the case of a Put, if the specified strike price is greater than the floating reference price you will receive a cash payment. The cash settlement amount will be calculated as follows:

notional volume
x
(strike price – floating reference price)

If, however, the floating reference price is higher than the strike price no settlement occurs.

In the case of a Call, if the floating reference price is greater than the strike price you will receive a cash payment. The cash settlement amount will be calculated as follows:

notional volume
x
(floating reference price – strike price)

If, however, the strike price is higher than the floating reference price no settlement occurs.

The above process will apply whether the floating reference price is based on a single reference price or the average of the reference prices over a number of specified dates.

Where Westpac is required to make a payment to you, we will deposit the calculated amount into a Westpac bank account (in your name), denominated in the relevant currency. Alternative arrangements can be made with Westpac's agreement.

Can I leave orders?

Westpac may accept and execute orders on your behalf. However, we are not obliged to do so.

An order is a request that you leave with the bank to establish or terminate an AOC on your behalf at a specified premium. Requests for orders can be placed on any Sydney business day between 9 a.m. and 7 p.m. Sydney time.

The minimum amount for an order is the same as that applying for any transaction with us (see "Minimum Transaction Amount" in the "AOC Summary" on page 4). All requests for orders will be subject to our normal Credit Approval process.

If market conditions allow we will execute your order at the premium nominated by you. All orders are accepted on a best endeavours basis. It may not always be possible for us to complete your order at the nominated premium. This may be due to a large jump in the market price of the commodity (and where applicable the relevant exchange rate) or a lack of liquidity in the underlying market at the time the level is reached. Similarly, this may result in your order being partly completed. Unless specified at the time the order is placed orders will be partially completed if nominated levels are reached.

Orders will be in place until executed or until you advise us to cancel them.

You will be advised as soon as practical if an order is executed.

Can I terminate an AOC before maturity?

You may ask us to terminate an AOC at any time prior to the maturity date. We will provide you with a quote for cancelling the AOC at the time of your request.

What will be the value of an ASC on early termination?

Our quote will incorporate the same variables (the type of option, the strike price, the floating reference price, notional volume, currency and maturity date) used when pricing your original AOC.

At the time of termination, we will need to consider the cost of reversing or offsetting your original transaction. When doing this we will take into account the prevailing market rates that apply to any offsetting transactions.

What happens if I accept the termination quote?

If you accept the quote, we will cancel the AOC.

The termination amount will be payable to you two business days after the termination date.

What documentation is required?

You will need to sign a standard master dealing agreement if you want to enter into an AOC. There are two types of master dealing agreements that we commonly use to document agricultural commodity transactions:

- A Westpac Master Agreement for Agricultural Commodity Transactions. This is a simple agreement and is used only for commodity transactions
- An International Swaps and Derivatives Association Master Dealing Agreement. This is a more complicated agreement and is generally used where a person intends to enter into a variety of other derivative transactions as well as commodity transactions.

Each of the above master dealing agreements governs the dealing relationship between you and us and sets out the terms and conditions that will apply to all transactions that we enter into with you that are covered by the agreement. In particular, they document the situations where those transactions can be terminated and the way the amount to be paid following termination is calculated.

You can ask for a copy of the above master dealing agreements and we strongly recommend that you fully consider their terms before signing. You should obtain independent advice if you do not understand any aspect of the document.

What about confirmations?

The commercial terms of a particular AOC are agreed verbally over the phone. Once we reach an agreement, both you and Westpac are bound by the terms of the AOC.

Shortly after entering into an AOC, Westpac will send you a **confirmation** outlining the commercial terms of the transaction. You will need to sign this confirmation and return it to Westpac. This confirmation will include:

- The agreed notional volume on which calculations will be based
- The strike price
- The type of option – Put or Call
- The basis for determining the floating reference price
- The maturity date – this is the date on which the floating reference price is determined and the cash settlement amount is calculated
- The settlement date – this is the date on which the amount owing will be payable under the AOC. It will generally be stated as 3 Sydney business days after the maturity date.
- The premium payable
- The premium payment date

The confirmation will also specify that any cash payment to you, will be settled under advice to you through your Westpac transactional account.

The confirmation will form part of the master agreement you enter into with us.

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

In addition, Westpac will send you a **settlement advice** on the settlement date detailing the calculations of all cash settlement flows and advising you of any payments due to you under your AOC.

Examples

The examples below are indicative only and use rates and figures that we have selected to demonstrate how the product works. In order to assess the merits of any particular AOC, you would need to use the actual rates and figures quoted to you at the time. Note that the calculations below include rounding of decimal places.

Scenario 1 Commodity Producer (Seller of Wheat – Wheat Put)

You are a wheat producer looking for protection from falling wheat prices in 6 month's time and you decide to hedge the price on 250 metric tonnes of wheat for this period. You decide to only protect the USD value of your production, choosing to manage your AUD/USD exchange rate risk separately.

If I do nothing, what commodity price risk do I face?

If you did nothing, the amount of USD you will receive in 6 month's time when you sell your wheat will depend on the market price for wheat at the time as specified in your sales contract.

If the wheat price falls you will receive less USD when you sell your wheat in the physical market. Alternatively, if the wheat price rises you will receive more USD when you sell your wheat.

How will an AOC change this?

You purchase a Wheat Put option with a notional volume of 250 metric tonnes, a maturity date of 6 months and specify the floating reference price to be the Chicago Board of Trade (CBOT) wheat futures contract. You set the strike at USD165 per tonne, which is USD 20 below the current floating reference price of USD 185 per tonne. Based on these details Westpac determines the premium for your Put option to be USD 7.50 per tonne.

The premium of USD 1,875 (=250 x 7.50) is payable in two day's time.

On the maturity date of the Put option Westpac will calculate the cash settlement amount, if any, based on the difference between the strike price and the floating reference price.

The floating reference price, in this example, is the close of business settlement price, of the nearby Wheat futures contract, for the floor session of the CBOT, converted from bushels into tonnes. As the CBOT wheat futures contract is expressed in US cents per bushel, the futures price has to be multiplied by 0.367437 in order to express the floating reference price in USD per metric tonne.

For example, if the CBOT wheat futures contract on the maturity date is 490 US cents per bushel, the equivalent floating reference price will be USD 180.05 per tonne (= 490 x 0.367437).

There are two possible scenarios on the maturity date. These are:

a) if the floating reference price is less than the USD 165 per tonne Strike Price Westpac will pay you the difference in USD on the Settlement Date

   For example if the floating reference price is USD 135 per tonne the cash settlement amount will be:

   USD 7,500.00
   (= 250 x (USD 165 – USD 135))

   This amount will be paid to you by Westpac on the settlement date. It should compensate you for the lower price you will receive when you sell your physical wheat.

   If you sell your wheat in the physical market at the floating reference price of USD 135 per tonne you will receive USD 33,750. Adding to this the USD amount you receive from the option settlement (USD 7,500) and subtracting from it the premium you paid for your Put option (1,875), you have effectively received USD 39,375.

   This is equivalent to a price of USD 157.50 per tonne
   (=39,375 / 250)

b) if the floating reference price is greater than the USD 165 per tonne strike price no settlement occurs. However, in this case, if you can sell your wheat in the physical market at the floating reference price you will generally receive a price that is higher than the strike price.

   For example, if the floating reference price is USD 200 per tonne and you can sell at this price you will receive USD 50,000. Subtracting from this the premium (1,875) that you paid for your Put option you have effectively received USD 48,125.

   This is equivalent to a price of USD192.50 per tonne.
   (= 48,125/ 250)

How can I change the range of outcomes ?

You can change the range of possible outcomes by changing the strike price and as a result the corresponding premium. Once all these details are agreed the possible outcomes on the maturity date can be determined.

When setting the strike price, the maturity date and agreeing to the premium you need to consider that:

- The strike price, adjusted by the premium, corresponds to the minimum amount of USD you will receive for your wheat provided you can sell your wheat in the physical market at the commodity reference price.
- A higher strike price will reduce your exposure to a falling wheat price. However, it will result in a higher premium.
- A lower strike price rate will increase your exposure to a falling wheat price. However, it will result in a lower premium.
- The longer the maturity the higher the premium. However, a longer maturity will mean you have protection against adverse wheat price movements and the ability to benefit from favourable price movements over a longer period of time.
- The shorter the maturity the lower the premium. However, a shorter maturity means you will have protection against adverse wheat price movements and the ability to benefit from favourable price movements over a shorter period of time.

What is not covered with an AOC?

In the above example, by entering into an AOC you have reduced the risk of adverse commodity price moves over the next 6 months. Provided you can sell your physical wheat at the floating reference price your worst case situation will see you receiving USD 157.50 per tonne for your wheat. Over the same period, should wheat prices rise you will benefit from the favourable move.

However, you need to remember that the price you receive under the contract for the physical sale of your wheat may not be an exact reflection of the floating reference price under your AOC. This could occur, for example, because the price that you receive for the physical sale of your wheat takes into account matters such as transport costs, the quality of the wheat and other factors. These fluctuations in the price that you receive are referred to as the "basis" and are not covered by an AOC. Any slippage between the price you receive in the physical market and the floating reference price effectively reduces the actual price you achieve.

Scenario 2 Commodity Producer (Seller of Sugar – Sugar Put)

You are a sugar producer looking for protection from falling sugar prices over the next 6 months and you decide to hedge the price on 300 metric tonnes of sugar for this period. You decide that you also want to protect yourself against adverse exchange rate movements and hence wish to hedge your sugar price risk in Australian dollars (AUD).

If I do nothing, what commodity price risk do I face?

If you did nothing, the amount of AUD you will receive in 6 month's time when you sell your sugar will depend on the market price for sugar and the AUD/USD market foreign exchange rate at the time as specified in your sales contract.

If the sugar price denominated in AUD falls you will receive less AUD when you sell your sugar in the physical market. Alternatively, if the sugar price denominated in AUD rises you will receive more AUD when you sell your sugar.

How will an AOC change this?

You purchase a Sugar Put option with a notional volume of 300 metric tonnes, a maturity date of 6 months and specify the floating reference price to be the New York Board of Trade (NYBOT) Sugar No. 11 futures contract. You set the strike at AUD 260, which is AUD 20 below the current floating reference price of AUD 280 per tonne. Based on these details Westpac determines the premium to be AUD 10 per tonne. We also agree to use the Hedge Settlement Rate (published at or before 12 noon Sydney time on Reuters page "HSRA") as the currency reference rate to convert the USD sugar price into AUD at maturity.

The premium of AUD 3,000 (=300 x10) is payable in two day's time.

On the maturity date of the Put option Westpac will calculate the cash settlement amount, if any, based on the difference between the strike price and the floating reference price.

The floating reference price, in this example, is the close of business settlement price, of the nearby Sugar No. 11 futures contract, for the floor session of the NYBOT, converted from pounds into tonnes. As the NYBOT sugar futures contract is expressed in US cents per pound, the futures price has to be multiplied by 22.046 in order to express the floating reference price in USD per metric tonne.

For example, if the July Sugar No. 11 futures contract on the maturity date is 10.500 US cents per pound, the equivalent floating reference price will be USD 231.48 per tonne (= 10.50 x 22.046). This price in turn will then need to be converted into AUD using the AUD/USD reference exchange rate (this will be the exchange rate on the following business day because the commodity reference price is set in the U.S. time zone). If the AUD/USD exchange rate is 0.8200 the floating reference price in AUD terms will be AUD 282.30.

There are two possible scenarios at maturity. These are:

a) if the floating reference price is less than the AUD 260 per tonne Strike Price Westpac will pay you the difference in AUD on the Settlement Date

   For example if the floating reference price is AUD 230 per tonne the cash settlement amount will be:

   AUD 9,000.00
   (= 300 x (AUD 260 – AUD 230))

   This amount will be paid to you by Westpac on the settlement date. It should compensate you for the lower price you will receive when you sell your physical sugar.

   If you sell your sugar in the physical market at the floating reference price of AUD 230 per tonne you will receive AUD 69,000. Adding to this the AUD amount you receive from the option settlement (9,000) and subtracting from it the premium you paid for your Put option (3,000), you have effectively received AUD 75,000.

   This is equivalent to a price of AUD 250 per tonne
   (=75,000 / 300)

b) if the floating reference price is greater than the AUD 230 per tonne strike price no settlement occurs. However, in this case, if you can sell your sugar in the physical market at the floating reference price you will generally receive a price that is higher than the strike price.

   For example, if the floating reference price is AUD 230 per tonne and you can sell at this price you will receive AUD 99,000. Subtracting from this the premium (3,000) that you paid for your Put option you have effectively received AUD 96,000.

   This is equivalent to a price of AUD 320.00 per tonne
   (= 96,000/ 300)

How can I change the range of outcomes ?

You can change the range of possible outcomes by changing the strike price and as a result the corresponding premium. Once all these details are agreed the possible outcomes on the maturity date can be determined.

When setting the strike price and agreeing to the premium you need to consider that:

- The strike price, adjusted by the premium, corresponds to the minimum amount of AUD you will receive for your sugar provided you can sell your sugar in the physical market at the commodity reference price.
- A higher strike price will reduce your exposure to a falling sugar price. However, it will result in a higher premium.
- A lower strike price will increase your exposure to a falling sugar price. However, it will result in a lower premium.
- The longer the maturity the higher the premium. However, a longer maturity will mean you have protection against adverse sugar price movements and the ability to benefit from favourable price movements over a longer period of time.
- The shorter the maturity, the lower the premium. However, a shorter maturity means you will have protection against adverse sugar price movements and the ability to benefit from favourable price movements over a shorter period of time.

What is not covered with an AOC?

In the above example, by entering into an AOC you have reduced the risk of adverse commodity price moves over the next 6 months. Provided you can sell your physical sugar at the floating reference price your worst case situation will see you receiving AUD 250 per tonne for your sugar. Over the same period, should sugar prices in AUD terms rise you will benefit from the favourable move.

However, you need to remember that the price you receive under the contract for the physical sale of your sugar may not be an exact reflection of the floating reference price under your AOC. This could occur, for example, because the price that you receive for the physical sale of your sugar takes into account matters such as transport costs, the quality of the sugar and other factors. These fluctuations in the price that you receive are referred to as the "basis" and are not covered by an AOC. Any slippage between the price you receive in the physical market and the floating reference price effectively reduces the actual price you achieve.

Scenario 3 Commodity Consumer (Purchaser of Wheat Call in AUD terms)

You are a cereal manufacturer seeking protection from rising wheat prices in 12 month's time and decide to hedge the price on 200 tonnes of wheat for this period. As you are also concerned about your exchange rate risk you want to hedge the AUD value of your wheat purchases at the same time.

If I do nothing, what commodity price risk do I face?

If you did nothing, the amount of AUD you will need to purchase your wheat in 12 month's time will depend on the market price for wheat and the AUD/USD exchange rate at the time as specified in your purchase contract.

If the wheat price denominated in AUD rises you will need more AUD when you purchase wheat in the physical market. Alternatively, if the wheat price denominated in AUD falls you will need less AUD when you purchase wheat.

How will an ASC change this?

You purchase a Wheat Call option with a notional volume of 200 metric tonnes, a maturity date of 12 months and specify the floating reference price to be the Chicago Board of Trade (CBOT) wheat futures contract. You set the strike at AUD230 per tonne, which is AUD 30 above the current floating reference price of AUD 200 per tonne. Based on these details Westpac determines the premium for your Call option to be AUD 13.00 per tonne. We also agree to use the Hedge Settlement Rate (published at or before 12 noon Sydney time on Reuters page "HSRA") as the currency reference rate to convert the USD wheat price into AUD at maturity.

The premium of AUD 2,600 (=200 x 13.00) is payable in two day's time.

On the maturity date of the Call option Westpac will calculate the cash settlement amount, if any, based on the difference between the strike price and the floating reference price.

The floating reference price, in this example, is the close of business settlement price, of the nearby wheat futures contract, for the floor session of the CBOT, converted from bushels into tonnes. As the CBOT wheat futures contract is expressed in US cents per bushel, the futures price has to be multiplied by 0.367437 in order to express the floating reference price in USD per metric tonne.

For example, if the nearby CBOT wheat futures contract on the maturity date is 450 US cents per bushel, the equivalent floating reference price will be USD 165.35 per tonne (= 450 x 0.367437).
This price in turn will then need to be converted into AUD using the AUD/USD reference exchange rate (this will be the exchange rate on the following business day because the commodity reference price is set in the U.S. time zone). If the AUD/USD exchange rate is 0.8200 the floating reference price in AUD terms will be AUD 201.64.

There are two possible scenarios at maturity. These are:

a) if the floating reference price is greater than the AUD 230 per tonne Strike Price Westpac will pay you the difference in AUD on the Settlement Date

   For example if the floating reference price is AUD 260 per tonne the cash settlement amount will be:

   AUD 6,000.00
   (= 200 x (AUD 260 – AUD 230))

   This amount will be paid to you by Westpac on the settlement date. It should compensate you for the higher price you will pay when you purchase your physical wheat.

   If you buy your wheat in the physical market at the floating reference price of AUD 260 per tonne you will pay AUD 52,000. Subtracting from this the AUD amount you receive from the option settlement (6,000) and adding to it the premium you paid for your Call option (2,600), you have effectively paid AUD 48,600.

   This is equivalent to a price of AUD 243.00 per tonne
   (=48,600 / 200)

b) if the floating reference price is less than the AUD 260 per tonne strike price no settlement occurs. However, in this case, if you can purchase your wheat in the physical market at the floating reference price you will generally achieve a price that is less than the strike price.

   For example, if the floating reference price is AUD 170 per tonne and you can purchase at this price you will pay AUD 34,000. Adding to this the premium (2,600) that you paid for your Call option you have effectively paid AUD 36,600.

   This is equivalent to a price of AUD 183.00 per tonne.
   (= 36,600/ 200)

How can I change the range of outcomes ?

You can change the range of possible outcomes by changing the strike price and as a result the corresponding premium. Once all these details are agreed the possible outcomes on the maturity date can be determined.

When setting the strike price and agreeing to the premium you need to consider that:

- The strike price, adjusted by the premium, corresponds to the maximum amount of AUD you will pay for your wheat provided you can purchase your wheat in the physical market at the commodity reference price.
- A lower strike price will reduce your exposure to a rising wheat price in AUD terms. However, it will result in a higher premium.
- A higher strike price will increase your exposure to a rising wheat price in AUD terms. However, it will result in a lower premium.
- The longer the maturity, the higher the premium. However, a longer maturity will mean you have protection against adverse wheat price movements and the ability to benefit from favourable price movements over a longer period of time.
- The shorter the maturity, the lower the premium. However, a shorter maturity means you will have protection against adverse wheat price movements and the ability to benefit from favourable price movements over a shorter period of time.

What is not covered with an AOC?

In the above example, by entering into an AOC you have reduced the risk of adverse commodity price moves over the next12 months. Provided you can purchase your physical wheat at the floating reference price your worst case situation will see you pay AUD 243.00 per tonne for your wheat. Over the same period, should wheat prices rise you will benefit from the favourable move.

However, you need to remember that the price you pay under the contract for the physical purchase of your wheat may not be an exact reflection of the floating reference price under your AOC. This could occur, for example, because the price that you pay for the physical purchase of your wheat takes into account matters such as transport costs, the quality of the wheat and other factors. These fluctuations in the price that you receive are referred to as the "basis" and are not covered by an AOC. Any slippage between the price you pay in the physical market and the floating reference price effectively increases the fixed price you actually pay.

Other things you should know

Taxation

Taxation law is complex and its application to this product will depend on your particular circumstances. We make no claim that this product will provide a beneficial or appropriate tax outcome for you.   When determining whether this product is suitable for your circumstances, you should consider the impact it will have on your own taxation position and seek professional advice if needed. We note that the Australian government is currently in the process of reforming the taxation treatment of certain financial arrangements and therefore you should also consider how those reforms may impact your taxation treatment of this product in the future.

Telephone conversations

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

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 training and 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

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.

Communications with you

From time to time, members of the Westpac Group may contact you with or send you information about other Westpac products and services that we feel might be of relevance or benefit. (Westpac Group refers to Westpac Banking Corporation and its related bodies corporate).

Although we encourage you to receive this information, it is not compulsory. If you do not wish to receive it, please advise us in one of these three ways:

- Call Telephone Banking on 132 032
- Write to us at GPO Box 3433, Sydney NSW 2001
- Visit any of our branches.

You don't need to do this if you have already told us you do not want to receive this sort of information.

Code of Banking Practice Compliance

The Code of Banking Practice is a self regulatory Code adopted by us and other banks. Its purpose is to set standards of good banking practice for banks to follow when dealing with persons who are, or who may become, individual and small business customers and their guarantors.

If you are an individual or small business customer, each relevant provision of the Code applies to the product described in this PDS. The general descriptive information referred to in the Code (other than information in relation to bank cheques and account opening procedures) is set out in this PDS. This includes information about:

- Our obligations regarding the confidentiality of your information
- Complaint handling procedures
- The advisability of you informing us promptly when you are in financial difficulty
- The advisability of you reading the terms and conditions applying to an AOC.

If you would like to discuss whether or not the Code will apply to you, please contact us on the numbers set out at the back of this document.

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:

- Where 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.

What to do if you have a problem or dispute

Getting your complaint heard

Sometimes you may want to talk about problems you are having with us. Fixing these problems is very important to us.

We've put in place ways of dealing with your issues quickly and fairly.

Please talk to us first

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.

You can contact us 24 hours a day, 7 days a week from anywhere in Australia, by:

Phone: 1300 130 467
Email: Go to our website – www.westpac.com.au and click on 'Contact Us'
Fax: 02 9220 4177
Mail: GPO Box 5265, Sydney NSW 2001.

Contact our National Customer Relations Unit

If we can't resolve your complaint at your first point of contact with us, we will escalate it to our National Customer Relations Unit. They will aim to resolve your complaint in a timeframe agreed with you.

You can also contact our National Customer Relations Unit:

Telephone: 1300 130 206
Email: Go to our website – www.westpac.com.au and click on 'Contact Us' and then click on 'Complaints and Compliments'
Fax: 02 9220 4177
Mail: NCRU, GPO Box 5265, Sydney NSW 2001.

Contact our Customer Advocate

If you feel we did not act fairly in the way we handled your complaint or in the way we resolved your complaint, you can ask our Customer Advocate to review the matter for you.

The Customer Advocate's role is to act as independently as possible to make sure that Westpac has treated you fairly.

You can contact our Customer Advocate on:

Telephone: 1300 301 977
Mail: Customer Advocate,
GPO Box 5265
Sydney NSW 2001

What to do if you are still unhappy

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. You may be able to refer your complaint to either of the external organisations listed below:

Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Phone 1300 780 808
Fax: (03) 9621 2291
Internet: www.fics.asn.au

Banking and Financial Services Ombudsman Limited
GPO Box 3, Melbourne VIC 3001.
Phone: 1300 780 808
Fax: (03) 9613 7345
Internet: www.bfso.org.au

You can also contact the Australian Securities & Investments Commission (ASIC) to make a complaint and to obtain further information about your rights. They also have a freecall Infoline – 1300 300 630 and e-mail contact address – infoline@asic.gov.au

Financial Crimes Monitoring

Please be advised that in order for Westpac to meet its regulatory and compliance obligations relating to anti-money laundering and counter financing of terrorism, we will be increasing the levels of control and monitoring we perform.

You should be aware that:

- 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
- We may from time to time require additional information from you to assist us in the above compliance process
- Where legally obliged to do so, we may disclose the information gathered to regulatory and/or law enforcement agencies.

You must not initiate or conduct a transaction that may be in breach of Australian law or the law of any other country.

Glossary

To help you to understand this PDS, the meanings of some words used in this PDS are set out below.

AOC and Agricultural Option Contract means the product the subject of this PDS.

AUD means Australian dollars.

average period means the period defined in the AOC to be used to calculate the floating reference price where the average of closing futures prices is requested.

basis means the difference between the price received in the physical market (which will reflect quality, transport costs and other factors) and the floating reference price.

Call means an AOC that provides the owner with protection against rising commodity prices.

CBOT means Chicago Board of Trade, a Futures and Options on Futures Exchange, based in Chicago Il., USA.

Code means the Code of Banking Practice adopted by us and other banks.

confirmation means a letter confirming the terms of a particular AOC.

currency pair means, where applicable, the two currencies applying in respect of an AOC. The currency pair will be the relevant currency pair required to convert the futures price from one currency to another nominated by you.

Floating reference price means the floating ("non-fixed") component of the AOC. It is the variable price of your underlying commodity and will be based on an agreed futures contract on an agreed futures exchange. Where applicable it will converted into your nominated currency using an agreed reference exchange rate.

forward exchange rate means the price of one currency in terms of another currency for delivery on a specified date in the future taking into account Westpac's costs and its profit margin. This is the rate that Westpac will use when the futures price is denominated in a different currency to the one you nominate.

futures contract means a legally binding agreement, made on a trading floor of a futures exchange, to buy or sell a commodity or financial instrument sometime in the future.

futures contract month means the specified month within which a futures contract matures and can be settled by delivery.

HSRA means the AUD/USD spot Hedge Settlement rate set each Sydney business day at approximately 9.45 a.m. and displayed on Reuters page HSRA. The hedge settlement rate is calculated from the mid-rates of the last update from a defined number of market participants between 9.45 a.m. and 9.48 a.m. The contributors to the process are determined semi-annually, and provided to the Australian Financial Markets Association by the Reserve bank of Australia.

market foreign exchange rate means the price of one currency in terms of another currency for a specified delivery date after taking into account Westpac's costs and its profit margin. This is the rate that Westpac would make available to you at the relevant time.

maturity date means the date on which the floating reference price is set and the outcome of the AOC is determined.

nearby sugar No. 11 futures contract means the first sugar No. 11 futures contract to expire after the maturity date of the relevant AOC.

nearby wheat futures contract means the first wheat futures contract to expire after the maturity date of the relevant AOC.

notional volume means the agreed quantity of the underlying commodity of the AOC.

NYBOT means New York Board of Trade, a Futures and Options on Futures Exchange, based in New York NY., USA.

physical delivery means the actual delivery of the underlying commodity in exchange for cash. Under the terms of an AOC no physical delivery takes place.

Put means an AOC that provides the owner with protection against falling commodity prices.

premium means the amount paid by the buyer of the AOC to the seller for the right to effectively buy (sell) a specified amount of the underlying commodity at the agreed strike price on the agreed maturity date.

reference exchange rate means the exchange rate source agreed up front that will be used to convert the floating reference price into the currency nominated by you (for example, HSRA).

Reuters means Reuters Group PLC.

settlement advice means a letter detailing the calculation of the cash settlement amount as determined by Westpac on the maturity date.

settlement date means the date on which the cash settlement amount is paid. The date, 2 business days after the maturity date or such date as shown in the confirmation.

strike price means the agreed price at which you have the right to buy (sell) the underlying commodity.

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USD means United State dollars.

Westpac, we or us means Westpac Banking Corporation.

you, your means the customer entering into an AOC.

Appendix A – Examples of Floating Reference Price Sources

Commodity	Floating Reference Price Source
Wheat	Chicago Board of Trade (CBOT) Kansas City Board of Trade (KBOT)
Sugar	New York Board of Trade (NYBOT)

Contact Details

Queensland and Northern Territory:

Level 14, 260 Queen Street
Brisbane QLD 4000
Telephone (07) 3227 2155

Western Australia:

Level 16, 109 St Georges Terrace
Perth WA 6000
Telephone (08) 9426 2522

New South Wales and ACT:

Level 2, 275 Kent Street
Sydney NSW 2000
Telephone (02) 8204 2822

Victoria, South Australia and Tasmania:

Level 9, 360 Collins Street
Melbourne VIC 3000
Telephone (03) 9608 3950