



Westpac Maximiser : Series 2

August 2010

Important information

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The Information is current as at August 2010 and remains subject to change without notice.

Agenda

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Westpac Maximiser Series 2 at a glance

- Westpac Maximiser Series 2 provides access to the performance of the Australian share market whilst protecting a pre-specified level of the investment from market falls.
- It offers the choice of two investment strategies, each with different risk reward profiles.
- Both strategies are linked to the performance of the S&P/ASX 200 Index.
- 5 year investment term (investors may request to break prior to maturity, with associated costs).
- Minimum investment is \$10,000 per Strategy

Westpac Maximiser Series 2 at a glance (continued)

Key Features	Description
Asset Class	Australian Equities (through the performance of the S&P/ASX 200 Index)
Investment type	Deferred Purchase Agreement providing protection and potentially leveraged exposure
Minimum investment	\$10,000 per Strategy, with increments of \$5,000 thereafter
Management fee	Nil
Distributions	No distributions are paid by Westpac Maximiser
Term	5 years
Maturity options	Receive the delivery assets – shares in specified listed companies or MIS units, or utilise the Cash Settlement facility.
Capital risk	Capital is protected to a specified level according to the Strategy selected. Investors are exposed to Westpac risk.
Liquidity	Quarterly withdrawal requests accepted at Westpac's discretion – capital protection only applies at maturity.
Investor type	Wholesale and retail clients. Investors can be individuals, companies and trusts (including self managed superannuation funds).
Residency status	Australian residents only.

How it works

You choose from two investment Strategies, Strategy A and Strategy B.

Each has different potential return and risk features, although both are linked to the performance of the S&P/ASX 200 Index.



Depending on which Strategy you choose, your Maturity Amount will be protected to a specified level of the Investment Amount of your Westpac Maximiser at the Maturity Date.

There are, however, a number of deductions (the Adviser Deduction, the Delivery Deduction and the Cash Settlement Fee) which apply even if capital protection has protected your Maturity Amount.



The Delivery Parcel is delivered shortly after the conclusion of the five year term of Westpac Maximiser. The end of the five year term is known as the Maturity Date.



At Maturity, the Delivery Parcel will contain a number of Delivery Assets.

The Delivery Assets will be ordinary fully paid units or shares selected by Westpac from the following list: TLS, BHP, WOW, CBA, or STW.



How many Delivery Assets are received at Maturity depends on the Maturity Amount less the Delivery Deduction.

Rather than receive the Delivery Parcel at Maturity (known as **Physical Settlement**), Cash Settlement can be selected to receive the cash proceeds from the sale of the Delivery Parcel at Maturity, less the **Cash Settlement Fee**.

Accessing Australian Share Market Performance

- Stock picking has historically proven difficult, even for professional investment managers.
- Simply gaining access to the Beta of the market may prove the best solution.
- There is a range of products that provide access, e.g. Index Funds & ETFs.
- Recent market conditions have heightened appetite for index products and lead to a low tolerance for volatility and capital risk.
- Westpac Maximiser delivers index exposure with the benefits of a level of capital protection.

Key Benefits

- Exposure to performance of the Australian share market.
- Choice of 2 investment strategies to suit investor risk profiles – conservative or more aggressive.
- Capital protection of either 75% or 100%, at Maturity*.
- Leveraged exposure (up to 200%) to the performance in the Australian share market, without borrowing (Strategy B).
- Potential for returns to be treated as capital gains.

* Capital protection applies to the Investment Amount (which is the Application Amount less any Advisor Deduction) at Maturity only, and remains subject to the payment of the Delivery Deduction and the Cash Settlement Fee (if any). Please consider the Combined PDS & FSG carefully to understand how this feature operates.

Key Risks

- The applicable Protection Level is applied on the Investment Amount at the Maturity Date only.
- Westpac Maximiser is illiquid and designed to be held to Maturity.
- Changes in markets, regulations and taxation laws may cause Westpac to terminate your investment early, reducing the amount you receive.
- The potential to make a loss at maturity after Adviser Deduction (if applicable) and a Delivery Deduction (see PDS for details).
- Break costs will apply (which may be significant) if you do not hold your investment to Maturity.
- Please refer to Section 4 of the PDS for full risk disclosures.

Demystifying the structure

- The Westpac Maximiser payoff is a simple, transparent “bond & call” structure.
- A Zero Coupon Bond provides the levels of capital protection at Maturity.
- Call options provide the market exposure.
- Pricing/Participation Rate on the investment date is determined by interest rates, market volatility, costs of funds and Westpac’s margin.
- The benefit of this method of capital protection in comparison to a CPPI protection mechanism is that exposure to the performance of the market is maintained even if there is market volatility or a correction after the issue date.

Strategy A

- For Maximiser linked to Strategy A, the Maturity Amount is calculated as:
 - the Investment Amount (\$1.00 per Investment Unit); plus
 - the percentage movement of the Index , as at the Maturity Date, above its initial level at the Issue Date, multiplied by the Participation Rate multiplied by the Investment Amount
- Another way of looking at the Strategy A Maturity Amount is that it is the greater of:
 - (1) The Investment Amount; or
 - (2) The Investment Amount x 5 year Index return x Participation Rate

Strategy A – a worked example

- Consider the following example - An investor decides to pay an Application Amount of \$10,000 to acquire Investment Units in Strategy A.
- The investor's Investment Amount is \$9,780 (\$10,000 less 2.2% (including GST) Adviser Deduction of \$220). On the Issue Date the Index level is 4,600.
- Westpac sets a Participation Rate of 85% on the Issue Date.

This example is for limited illustrative purposes only, and is not intended as representation as to likely market or Index performance. These scenarios do not take account of 0.22% Delivery Deduction, and (if applicable) 0.22% Cash Settlement Fee.

Strategy A – a worked example

- Index moves from 4,600 to 7,000 (Increase of 2400 pts)
 - Return of $2,400/4,600 = 52.17\%$
 - the investor will 'participate' in 85% of the index return

- The return for Strategy A under this example is:

(1) Index return times the participation rate. $(52.17\% \times 85\%) = 44.34\%$

The investor has \$9,780 exposed to the return of 44.34% plus the original capital of \$9,780 which equals $\$9,780 \times 44.34\% + \$9,780 = \mathbf{\$14,116.45}$

Note that a 0.22% Delivery Deduction will then apply to the Maturity Amount, and a 0.22% Cash Settlement Fee will apply if the investor chooses Cash Settlement.

Strategy A – a worked example

- Index moves from 4600 to 3000 (decrease of 1600 pts)
 - Return of $-1600/4600 = -34.78\%$
 - the investor will 'participate' in 85% of the index return

- The return for Strategy A is the amount that it is the greater of:

(1) Index return times the participation rate. $(-34.78\% \times 85\%) = -29.56\%$

The investor has \$9,780 exposed to the return of -29.56% plus the original capital of \$9,780 which equals $\$9,780 \times -29.56\% + \$9,780 = \$6,889.03$

OR

(2) Investment Amount x 100% = $\$9,780 \times 100\% = \$9,780.00$

- The Maturity Amount for the investor is \$9,780.00. The capital protection feature has prevented a loss of \$2,890.97 for the investor. Note that the Delivery Deduction would then apply, and potentially the Cash Settlement Fee.

Strategy B

- For Maximiser linked to Strategy B, the Maturity Amount is equal to the lesser of:
75% of the Investment Amount; *plus*
the percentage movement of the Index, as at the Maturity Date, above its initial level at the Issue Date, multiplied by the Participation Rate multiplied by the Investment Amount
OR
75% of the Investment Amount; *plus*
Cap Level of 100% multiplied by the Participation Rate multiplied by the Investment Amount.
- In any event the Maturity Amount will be at least 75% of the Investment Amount
- Note that a 0.22% Delivery Deduction will then apply to the Maturity Amount, and a 0.22% Cash Settlement Fee will apply if the investor chooses Cash Settlement.

Strategy B – A worked example

- Consider the following example - An investor decides to pay an Application Amount of \$10,000 to acquire Westpac Maximiser Strategy B.
- The investor's Investment Amount is \$9,780.00 (\$10,000 less 2.2% (including GST) Adviser Deduction of \$220). On the Issue Date the Index level is 4,600. Westpac sets a Participation Rate of 175% on the Issue Date.

This example is for limited illustrative purposes only, and is not intended as representation as to likely market or Index performance. These scenarios do not take account of 0.22% Delivery Deduction, and (if applicable) 0.22% Cash Settlement Fee.

Strategy B – A worked example

- Index moves from 4600 to 7000 (increase of 2400 pts)
 - Return of $2400/4600 = 52.17\%$
- The Maturity Amount for Strategy B under this example is:
 - (1) (Investment Amount x 75%) + (Investment Amount x Participation Rate x Index movement between Issue Date and Maturity Date*);
 - = $(\$9780 \times 75\%) + (\$9780 \times 175\% \times 52.17\%)$
 - = $\$7,335.00 + \8928.90
 - = $\$16,263.90$
- Under this example – the Maturity Amount for the investor is \$16,263.90. A gain of 62.64% on the Application Amount.

* Remembering the Cap Level applies, limiting positive Index movement to a 100% increase on the Index level at the Issue Date.

Strategy B – A worked example

- Index falls from 4600 to 3000 (a decrease of 1600 pts)
Index Return of $(-1600/4600) = -34.78\%$

Another way of looking at the Strategy B Maturity Amount is that it is the greater of:

(1) $(\text{Investment Amount} \times 75\%) + (\text{Investment Amount} \times \text{Participation Rate} \times \text{Index movement between Issue Date and Maturity Date}^*)$;
 $= (\$9780 \times 75\%) + (\$9780 \times 175\% \times -34.78\%)$
 $= \$7,335.00 - \$5952.60 = \$1,382.40$

or

(2) $(\text{Investment Amount} \times 75\%)$
 $= \$9780 \times 75\%$
 $= \$7335.00$

- The Maturity Amount is therefore \$7,335.00. Despite the Index fall of 34.78%, the Maturity Amount is protected to a level of 75% of the Investment Amount.

* Remembering the Cap Level applies, limiting positive Index movement to a 100% increase on the Index level at the Issue Date.

Suitability

- Westpac Maximiser may suit:
 - investors who have cash and want to gain exposure to the Australian share market;
 - relatively conservative investors who require a level of capital protection in making their investments;
 - conservative investors (Strategy A);
 - pre-retirees or Self Managed Superannuation Fund investors who have a very low tolerance for capital losses (Strategy A);
 - more aggressive investors (Strategy B);
 - pre-retirees or Self Managed Superannuation Fund investors who want to enhance their exposure to the Australian share market without borrowing (Strategy B);
 - investors who are looking for an investment that delivers potential tax effective capital growth rather than regular income; and
 - investors with a 5 year investment horizon.

Fees applicable to the product

Type of fee, cost or deduction	Amount	Example
<p>Adviser Deduction This deduction reflects the amount Westpac pays your advisor by way of upfront commission. Westpac pays an amount equal to the Adviser Deduction to your advisor.</p>	2.20% of the Application Amount (including GST).	<p><i>For example, if you apply to invest in Westpac Maximiser with an Application Amount of \$10,000: the Adviser Deduction will be \$220; the Investment Amount per Maximiser unit is \$1.00; and the number of Maximiser units you receive is 9,780 (\$10,000 less \$220, divided by \$1.00) and your aggregate Investment Amount is \$9,780.</i></p>
<p>Delivery Deduction This deduction reflects the cost of processing your investment at Maturity.</p>	Up to 0.22% (including GST) of the Maturity Amount	<p>Applied to both Cash Settlement and Physical Settlement. <i>For example, if your aggregate Maturity Amount is \$18,000, the Delivery Deduction would be \$39.60 (including GST) for Physical or Cash Settlement.</i></p>
<p>Cash Settlement Fee This fee applies if you choose Cash Settlement and reflects the cost of selling your Delivery Parcel.</p>	Up to 0.22% (including GST) of the Maturity Amount.	<p><i>For example, if your Maturity Amount is \$18,000 and Cash Settlement applies, the Cash Settlement Fee would be \$39.60 (including GST). The combined Delivery Deduction and Cash Settlement Fee would be \$79.20.</i></p>
<p>Early Withdrawal Deduction This deduction applies if you request early withdrawal from your investment prior to the Maturity Date and reflects the costs of processing your investment when you withdraw early.</p>	1.10% (including GST) of the value of your aggregate Investment Amount or Early Withdrawal Amount (before deduction of an Early Withdrawal Deduction), whichever is greater.	<p><i>For example, if you request to withdraw and your aggregate Investment Amount is \$80,000 and the Early Withdrawal Amount is \$100,000, the Early Withdrawal Deduction will be \$1,100 which is 1.10% of the Early Withdrawal Amount (the greater amount).</i></p>

Key Dates

- Offer Opening Date 16 August 2010
- Offer Closing Date 22 September 2010 at 5.00pm (AEST)
- Direct Debit Date 23 September 2010
- Issue Date 29 September 2010
- Maturity Date 29 September 2015

These dates are subject to variation in accordance with the Combined PDS and FSG.

Contact

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