

## Tailor your investments

After interest rates have been driven down sharply by the GFC, the Australian economy is showing signs of recovery with resilient exports, a rebound in confidence and a stronger housing upswing.

Obviously, this has implications for possible cash-rate adjustments by the RBA and the shape of the Australian interest rate curve. Westpac's Chief Economist Bill Evans expects the RBA may raise the cash-rate in the first half of next year, while the market is implying short term interest rates to increase steadily afterwards to almost 6% by the end of 2011. As a result, interest rates are expected to remain low in the short term, before moving up in the medium term.

## What's your view?

As an investor, you probably do not mind receiving higher rates in the medium term but you may be worried about low rates in the short term. In this scenario, Coupon Select Deposits can offer an attractive opportunity. They are designed to pay you an enhanced Fixed Rate during periods when you expect interest rates to be low, while enabling you to benefit from a Floating Rate - including a margin over the market variable rate – when you think interest rates are on the rise again.

Coupon Select Deposits are therefore a variation of term deposits, allowing you the flexibility to tailor the sequence and term of these two different periods in line with your interest rate view.

For example, investors who expect the above scenario i.e. low interest rates for an initial period but higher rates afterwards, can select to receive the Fixed Rate for this initial period and the Floating Rate for the remainder of the deposit.

## How does it work?

Coupon Select Deposits are currently aimed at investment terms between two years and five years, leaving you with the flexibility to determine the length and sequence of both the Fixed and Floating Terms.

During the Floating Term, even though you are exposed to market movements, you will continue to receive a margin over the market variable rate. During the Fixed Term, you will receive a tailored rate that passes on some of Westpac's wholesale advantage to you in the form of a Fixed Rate that is often higher than the comparable standard term deposit rate otherwise available from Westpac. Interest is paid quarterly.

For example, assume you have chosen a 3-year Coupon Select Deposit that matches your interest rate view, with an initial Fixed Term of one year, a subsequent Floating Term of two years, a Fixed Rate of 5.75% and a Floating Rate including a margin of 0.25%.

In this scenario, you will receive the Fixed Rate of 5.75% for the first year, and a Floating Rate including a margin of 0.25% for the second and third year.

Please see our interest rate tracker in the economics section for Westpac's latest view.

Or contact the team for further information:



Craig Keary Head of Sales & Distribution	02 8253 1225
Derek Bennett State Head, VIC	03 9608 4302
Ryan Evans State Head, NSW	02 8254 4694
Simon Godfrey State Head, QLD	07 3227 2702
Romeo Kojic State Head, WA & SA	08 9426 2281
Jeremy Dean Head of Key Accounts	02 8254 8922

This document is published by Westpac Institutional Bank, a division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ("Westpac"). The information in this document should not be reproduced, distributed or transmitted to any person without the consent of Westpac and is not intended for distribution in any jurisdiction where such distribution would be contrary to local law or regulation.

This information:

- has been prepared without taking into account your objectives, financial situation or needs;
- is factual only. It does not constitute financial product advice. Before acting on this information you should seek independent financial and taxation advice to determine its appropriateness to your objectives, financial situation and needs;
- does not constitute an offer, or a solicitation of an offer, to subscribe for or purchase any securities or other financial instrument; does not constitute an offer, inducement or solicitation to enter a legally binding contract; and is not to be construed as an indication or prediction of future results;
- may contain material and hyperlinks provided directly by third parties. While such material is published with the necessary permission, Westpac does not accept responsibility for the accuracy or completeness of, or endorses any such material or hyperlinks. Except where contrary to law Westpac does not accept any liability for such material; and
- is current at 2 September, 2009 and remains subject to change without notice.

Westpac Banking Corporation (ABN 33 007 457 141) ("Westpac") is the issuer of the Coupon Select Deposit. A Product Disclosure Statement (PDS) for the Coupon Select Deposit can be obtained by calling Premium Market Sales on (02) 8204 2790 or visiting [www.westpac.com.au](http://www.westpac.com.au). You should consider the PDS before making any decision in relation to the Coupon Select Deposit.

Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. Westpac and its directors, officers, employees or associates may have an interest in the debt instruments referred to in this document. Investments in the products mentioned in this document are not investments in, or deposits with, or any other liability of Westpac or any other company in the Westpac Group. Interest Rate Securities are subject to investment risk, including possible delays in repayment of withdrawal proceeds, event risk, liquidity risk and loss of income or capital invested. Neither Westpac nor any other company in the Westpac Group stands behind or otherwise guarantees the capital value or investment performance of the product.

We respect your privacy: If you do not wish to receive any further marketing communication from any member of the Westpac Group about products or services, please call us on 132 032 or email [structured.investments@westpac.com.au](mailto:structured.investments@westpac.com.au)