

ISSUED BY: ST.GEORGE BANK
A DIVISION OF WESTPAC BANKING CORPORATION
ABN 33 007 457 141 AFSL 233714
EFFECTIVE DATE: 1 MARCH 2010

FIXED RATE BILL OPTION

IMPORTANT NOTICE

Transactions involve various risks including movements in currency rates and interest rates. You can make losses and that is a risk you take. If you do not understand the risks or are not willing to accept the risks or make losses, you should not enter into these transactions with us.

The information set out in this document is general in nature and does not and is not intended to take into account your particular needs, objectives or financial situation. By providing it, St.George does not intend to provide financial advice or any financial recommendations. You should read this Product Disclosure Document carefully and consider whether this product is appropriate to your particular needs, objectives and financial situations. You may also seek independent expert advice before making a decision about whether or not this product is suitable for you.

PRODUCT DISCLOSURE STATEMENT



This PDS for Fixed Rate Bill Option was prepared on 1st March 2010. However it is intended for use only for the financial products provided after the effective date shown on the cover.

Risk Overview

A Fixed Rate Bill Option (FRBO) will allow you to define your worst-case outcome in respect of the rate of interest payable by you on a *bill acceptance/discount facility* prior to the *exercise date*. Additionally, this product will provide you with the opportunity to participate in favourable interest rate movements.

Purpose

What are FRBOs used for?

An FRBO may be used by you if you wish to:

- protect yourself against an unfavourable move in interest rates on a *bill acceptance/discount facility* with St.George, while
- maintaining the ability to participate in favourable interest rate movements prior to the *exercise date*.

An FRBO is a transaction between two parties under which you (as buyer) pay a *premium* in exchange for the right to have issued to you a fixed rate bank bill on an agreed *fixed rate bill commencement date*. An FRBO may be used in conjunction with an existing St.George *bill acceptance/discount facility* or as a tool to manage interest payable under a proposed *bill acceptance/discount facility*. Entry into an FRBO with you at a time when we have not also provided you with a *bill acceptance/discount facility* in no way obliges us to provide you with a *bill acceptance/discount facility*. We may so do in our absolute discretion.

Any *bill acceptance/discount facility* associated with the FRBO will be governed by the separate terms and conditions applicable to your *bill acceptance/discount facility*. It is also important to remember that an FRBO only impacts the *base interest rate* (or base discount rate) applicable to your underlying *bill acceptance/discount facility*. It has no effect on any acceptance or other fees payable under your *bill acceptance/discount facility*. You remain obliged to pay those fees regardless of the outcome of the FRBO. For that reason, this document does not consider or take into account any fees payable in respect of any underlying *bill acceptance/discount facility*.

Suitability

Do I have sufficient knowledge about these products?

An FRBO may be suitable if you would like to manage your interest rate exposure and you have a good understanding of interest rate markets and the way that option products work.

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 an FRBO do?

An FRBO is a product that works in conjunction with an underlying *bill acceptance/discount facility* (or an intended *bill acceptance/discount facility*) and protects you against increases in interest rates

beyond a certain level. It is an agreement between you and St.George where you obtain the right, but not the obligation, to sell to St.George on particular dates agreed amounts of *bills of exchange* drawn under a St.George *bill acceptance/discount facility* at an agreed yield to maturity interest rate (“*agreed fixed rate*”). In exchange for an FRBO, you pay a *premium*. This *premium* is generally payable in cleared funds within two business days of entering into the transaction.

How does it work?

The *agreed fixed rate*, *exercise date*, *rollover frequency*, *fixed rate bill maturity date* and the *notional principal amount* are set at the time the FRBO is entered into.

Are you “in-the-money”?

On the *exercise date* we will determine whether you are “*in-the-money*” under the fixed rate *bill of exchange* that would exist if the FRBO is *exercised*. You are “*in-the-money*” if, at the *exercise date*, the *agreed fixed rate* is lower than the rate, having regard to prevailing market rates, we would be prepared to discount a *bill of exchange* on the *fixed rate bill commencement date* of equivalent term and tenor to the *bill of exchange* we would discount if the FRBO is exercised. After doing this we will advise you by phone, letter, email or fax if you are “*in-the-money*”.

”In the money” – right to drawdown fixed rate bills

If you are “*in-the-money*” and on the *exercise date* you have a current *bill acceptance/discount facility* with us, you may *exercise* the FRBO by instructing us to do so before 10-00am on the *exercise date*. If you do so, no payment is due by you or us in connection with *exercise* of the FRBO.

However, we accept and discount bills at the *agreed fixed rate* having a total *face value* equal to the *notional principal amount* and a term equal to the rollover frequency specified in the *confirmation*.

Maturing bills are rolled on each *rollover date* at the *agreed fixed rate* for a term equal to the *rollover frequency* specified in the *confirmation*. However on the last rollover, the bills must have a term ending on the *fixed rate bill maturity date*.

Bills are treated as bills accepted and discounted under your *bill acceptance/discount facility* with us. Accordingly, the “Indemnity”, “Authority to sign and complete bills” provisions and the obligation to pay bill acceptance fees, in your *bill acceptance/discount facility* agreement with us apply to each bill accepted and discounted by us under the FRBO.

”In the money” – cash settlement

If you are “*in-the-money*” and you either do not, on the *exercise date*, have a *bill acceptance/ discount facility* with us or you do not instruct us to *exercise* the FRBO in accordance with the terms set out above, we calculate in Australian Dollars the mark-to-market value of the FRBO as at the *exercise date*. We do so having regard to prevailing market rates chosen by us in good faith and what a person would pay us to take over your rights and obligations under the FRBO.

We must pay you that amount not later than two business days after we give you notice of the amount.

Are there any St.George credit requirements prior to dealing?

Before entering into an FRBO, St.George will need to assess your financial position to determine whether or not your situation satisfies our normal credit requirements. St.George will advise you of the outcome of its review as soon as possible.

Our assessment of your financial position is made only to determine your credit worthiness. By doing this, we are not making any assessment of the suitability of this product for you.

If your application is successful, you may be required to sign St.George's standard finance documentation. That documentation will set out the terms of the credit approval and other matters relevant to your application.

Cost of Product

In return for an FRBO, you pay St.George a non-refundable *premium*. We calculate the *premium* on a transaction by transaction basis. You will be advised of the *premium* payable for your FRBO before entering into the transaction.

When calculating the *premium*, we take into account several factors, which may include:

- a margin for our financial benefit;
- the *agreed fixed rate*, the *notional principal amount* of the FRBO, the *fixed rate bill commencement date*, the *fixed rate bill maturity date* and the *exercise date* selected;
- current market interest rates; and
- market volatility.

Premiums are generally payable in cleared funds within two business days of entering into the transaction.

St.George also derives a financial benefit by incorporating a margin into the *agreed fixed rate*.

Advantages/Benefits

- FRBOs provide you with protection against unfavourable interest rate movements on a *bill acceptance/discount facility* prior to the *exercise date*, whilst allowing you to participate in favourable interest rate movements.
- FRBOs are flexible in that the *agreed fixed rate* can be positioned to reflect the level at which you seek protection. However, the amount of *premium* payable will vary according to the choice you make.
- The term of the FRBO is flexible and does not have to match the term of the *bill acceptance/discount facility*. This flexibility may be used as a form of interest rate protection when you are uncertain of how interest rates may change.
- FRBOs can be sold back to St.George (however, the value of the option will be determined by current market parameters).

Disadvantages/Risks

- The *premium* is not refundable under any circumstance, including circumstances where the prevailing market rate does not exceed the *agreed fixed rate* and bills are not sold by you under the FRBO.
- You will be exposed to interest rate movements if the term of the FRBO is shorter than that of the underlying *bill acceptance/discount facility*.

- If you *exercise* your FRBO and subsequently interest rates fall below your fixed bank bill rate over the remaining term, you will incur a greater interest cost compared to not entering into the FRBO.
- There is no cooling off period.
- St.George, as the counterparty to a FRBO, must fulfil its contractual obligations to you in the manner set out in the relevant contract. If St.George is unable to fulfil those obligations, you will be exposed to market fluctuations as if you had not entered into a FRBO. However, as an Australian Authorised Deposit-Taking Institution, we are subject to prudential regulation which is intended to reduce the likelihood of St.George not being able to fulfil its contractual obligations.

Settlement

If an FRBO is *exercised* you are required to sell the Bills to St.George at the *agreed fixed rate*.

Early Termination

You can request St.George to cancel an FRBO at any time up to the *exercise date*. At the time of request, St.George will calculate and quote a price where it will be willing to terminate the FRBO. St.George will take into account its normal considerations, including market conditions at the time when determining the price. If the termination quotation is acceptable to you, then the benefit (if any) will be paid and the FRBO will be terminated.

Documentation

You will be required to sign a dealing agreement with St.George. There are two types of agreements that are commonly used to document interest rate transactions:

- A facility agreement with St.George which incorporates either St.George's Standard Terms for Financial Markets Transactions or St.George's General Standard Terms (of which this product disclosure statement forms part); or
- An International Swaps and Derivatives Association Master Dealing Agreement (ISDA).

We will advise you which of these we will require, based on what is most suitable for you.

Each of the above documents governs the contractual relationship between you and us in relation to the FRBO. The terms of that document may also set out the terms and conditions that apply to other transactions that we enter into with you.

In particular, it documents the situations where those transactions can be terminated and the way the amount payable following termination is calculated. A copy of the agreement is available on request and we strongly recommend that you fully consider its terms prior to entering into any transaction. You should obtain independent advice if you do not understand any aspect of the document.

Confirmation

Shortly after entering into an FRBO, St.George will send you a *confirmation* outlining the commercial terms of the transaction. This *confirmation* will need to be signed by you and returned to St.George.

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 St.George contact as a matter of urgency.

Example

The example below is indicative only and uses rates and figures selected by us to demonstrate how the product works. In order to assess the merits of any particular FRBO, you would need to use the actual rates and figures quoted to you at the relevant time.

Scenario

You have a requirement to borrow AUD 1,000,000 for 2 years using a variable rate *bill acceptance/discount facility* with drawdown to occur in one year's time and quarterly rollovers.

Assume that the current economic environment is such that interest rates look as though they will be rising and you are concerned that your borrowing costs may exceed 7.00%. As such, you would like to limit your interest rate to a maximum rate of 6.75% for the term of the underlying *bill acceptance/discount 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 the *St.George reference rate* applicable to your *bill acceptance/discount facility* is at that time. You are exposed to unlimited risk if interest rates rise.

How will an FRBO change this?

You purchase from St.George an FRBO with an *agreed fixed rate* of 6.75%, *exercise date* in 1 year (to coincide with the drawdown date), *fixed rate bill maturity date* in 3 years (to coincide with the maturity of the *bill acceptance/discount facility*) and a *notional principal amount* of AUD 1,000,000.

If the prevailing 2-year market rate is above 6.75% on the *exercise date*, the *base interest rate* payable on your bills will be fixed at the *agreed fixed rate* (6.75%) for the whole term of your *bill acceptance/discount facility*. The effective cost to you becomes the *agreed fixed rate* plus your acceptance and other fees, and the cost (*premium*) of the option.

Under this scenario, in respect of your *bill acceptance/discount facility*, the calculation used for determining the amount payable by St.George when your bills are drawdown is:

$$\begin{aligned} & \frac{\text{notional principal amount}}{1 + ((\text{agreed fixed rate} \times \text{days in period}) / \text{days in year})} \\ & \frac{\$1,000,000}{1 + ((0.0675 \times 90) / 365)} \\ & = \$983,628.65 \end{aligned}$$

This amount does **not** take into account any acceptance or other fees payable by you under your *bill acceptance/discount facility* agreement. The net amount received by you would be the above amount minus any fees and charges payable under your *bill acceptance/discount facility* agreement.

What happens if interest rates fall?

If on the *exercise date* our prevailing 2-year market rate is below 6.75%, your FRBO will not be *exercised* and you will drawdown your variable rate *bill acceptance/discount facility* at the *St. George reference rate* applicable to your *bill acceptance/discount facility* at that time.

Important considerations

Please note that the above calculations have not factored in any *premium* paid for the FRBO. You should also be aware that interest rate movements may result in little or no need for FRBO protection in which case the premium cost will exceed the compensation benefit you receive over the life of the FRBO.

Also, this is an example of where the fixed rate *bill of exchange* is issued on the *exercise date*. If you specify a date after the *exercise date* as the *fixed rate bill commencement date*, the fixed rate *bill of exchange* will not be issued until after that date and you do not get the benefit of the fixed rate until that time.

Code of Banking Practice compliance

If you are an individual or a *small business*, the relevant provisions of the Code of Banking Practice will apply to this product.

This PDS contains the general descriptive information we are required to make available to customers and potential customers under the Code of Banking Practice and it is advisable that you inform us promptly when you are in financial difficulty

Significant taxation implications

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

Factors that may influence our advice

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

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

Your privacy

- (a) When you apply for this product from us, the application form contains a privacy statement which sets out in more detail how we use and when we disclose your personal information in relation to the product.

- (b) We handle your personal information in accordance with the privacy statement in the application form for the product applied for or our privacy brochure, entitled "Protecting Your Privacy". You can obtain a copy of the brochure by asking at any branch or by calling 13 33 30. Our privacy policy is also available by visiting our website at **stgeorge.com.au**
- (c) We acknowledge that, as well as our duties under legislation, we owe a general duty of confidentiality to you. However, in some cases we may disclose your personal information if:
 - (i) disclosure is compelled or permitted by law; or
 - (ii) there is a duty to the public to disclose; or
 - (iii) our interests require disclosure; or
 - (iv) disclosure is made with your express or implied consent.
- (d) You agree that we may disclose to a *related entity*:
 - (i) information about you that is necessary to enable an assessment to be made of your total liabilities (present and future) to us and that *related entity*; and
 - (ii) any other information concerning you, if the *related entity* provides financial services related or ancillary to those provided by us, unless you tell us not to in writing.
- (e) We, or any *related entity* to whom we disclose information pursuant to paragraph (d), may disclose information about or provided by you to employees or outside contractors for the purpose of our or the *related entity's* businesses. Any outside contractor to whom we or a *related entity* disclose information will have access to that information only for the purpose of our or the *related entity's* business and will be strictly prohibited from using that information for any other purpose.
- (f) You agree that we may disclose information about you in those cases where the Privacy Act 1988 (Cth) permits disclosure of such information.
- (g) On a written request by you, we will provide you with our record of your address, occupation, marital status, age, sex, products or accounts you hold with us and statements relating to those products and accounts. We may charge you our reasonable costs of supplying this information. Any fee is shown in the "Fees and Charges and how to minimise them" booklet. You may request the correction of any of this information concerning you that we hold. We will deal with your request for access to information or correction of information within a reasonable time.
- (h) You must promptly inform us of any change of your name or address.
- (i) Unless you give us a written instruction not to do so, we may from time to time send you information concerning financial and other services offered by us or *related entities*.
- (j) You may from time to time be contacted by representatives of us or *related entities*. Those representatives may be either employees of, or contractors to us or the *related entity*. Any person who contacts you will have access to information about or provided by you only for the purpose of our or the *related entity's* business and will be strictly prohibited from using that information for any other purpose.

Appropriate use of our services

- (a) You warrant that your use of the services we provide will not breach any law of Australia or any other country.
- (b) Where we consider it necessary for us to meet our regulatory and compliance obligations:

- (i) you must provide us with any information we reasonably request;
- (ii) we will disclose information we hold to regulatory and law enforcement agencies, other financial institutions, third parties and members of the St George Group; and
- (iii) we may delay, block or refuse to provide any of our services.

We will not be liable to you or any other person for any loss or damage of any kind that may be suffered as a result of us exercising our rights under this clause.

Problems, Disputes and Complaints

- (a) If you believe an error has been made, please notify us by contacting your nearest branch. We will, as soon as possible, correct any error that is found to be ours.
- (b) If you have a problem or complaint about a banking service, you should speak to our Customer Service personnel. You can do this by calling the General Customer Enquiries on 13 33 30.
- (c) To assist us in resolving your problem or complaint, you should:
 - (i) report it promptly;
 - (ii) state clearly the nature of the problem or your particular grievance; and
 - (iii) have available all documents and background information.

Disputes

- (d) If the matter is not resolved to your immediate satisfaction, you can follow the complaints procedures set out below. Please also refer to our “Customer Satisfaction” brochure for further information about disputes. It is available at any of our branches.

Complaints

- (e) You can lodge a complaint at any of our branches or telephone or write to the Senior Manager, Customer Relations at our head office in Sydney as follows:

Locked Bag 1
Kogarah NSW 1485
Telephone: (02) 9553 5173 (metropolitan) or
1800 804 728 (if outside metropolitan area)

- (f) If we do not immediately resolve your complaint to your satisfaction, we will advise you in writing of our procedures for investigating and handling complaints. We will notify you of the name and contact number of the person who is investigating your complaint.
- (g) If it is unclear whether you have contributed to any loss that is the subject of any complaint you make to us, we will consider all reasonable evidence, including all reasonable explanations for a transaction occurring.
- (h) Normally, we will complete the investigation of your complaint and inform you of the results of our investigation within 21 days of receiving a complaint. Unless there are exceptional circumstances, we will complete our investigation within 45 days.
- (i) Where an investigation continues beyond 45 days, we will inform you of the reasons for the delay, give you monthly updates on the progress of the investigation and a date when a decision can reasonably be expected. We will not do this if we have requested a response from you and we are waiting for that response.

- (j) The next available step is the Financial Ombudsman Service (FOS). This is a free, external and independent process for resolving disputes between banks and customers, provided the Financial Ombudsman Service has the power to deal with your dispute. In addition, if your complaint relates to the way we handle your personal information, then you have a right to complain to the Ombudsman. The contact details of the Financial Ombudsman Service are as follows:

GPO Box 3
Melbourne VIC 3001
Telephone: 1300 780 808
Facsimile: (03) 9613 6399

- (k) There are other external avenues for dealing with disputes. Your State or Territory Government has a consumer rights protection agency such as the Department of Consumer Affairs.

Electronic Communications

- (a) You will be requested to agree to us providing you with statements, notices and other information relating to your product either:
- (i) by e-mail; and /or
 - (ii) by making the statement, notice or information available at our website, provided:
 - (i) we alert you by e-mail of the availability of this information; and
 - (ii) we provide you with the ability to readily retrieve and retain the information.
- (b) If you do agree to receive paper copies of the relevant statements, notices and other information relating to your product by e-mail or other electronic form:
- you will not receive a paper copy of the relevant statements, notices and other information relating to your product,
 - you will need to regularly check to see if you have received any e-mails from us;
 - you will need to maintain and check your electronic equipment through which you will receive e-mail and your e-mail address regularly to ensure it is always capable of receiving an e-mail; and
 - you will be responsible for printing and saving important information- and we strongly recommend that you do so.
- (c) You may cancel your authorisation to receive statements, notices or other information relating to your product by e-mail at any time by contacting us.
- (d) We will send you all statements and other notices and information to the most recent e-mail address you have supplied to us. You must ensure you notify us of any change in your e-mail as soon as possible. You may do this by contacting us at our Treasury Departments on the telephone number (between 8.00 am and 5.00 pm Monday to Friday), on the fax number or the address listed on the back of this booklet.
- (e) You may request a paper copy of any statement, notice or other information relating to your product provided to you by e-mail or electronic form within 6 months from the date of receipt of a statement or electronic communication. We will not charge you a fee for this.

Glossary

The following definitions apply in this PDS.

base interest rate means the interest rate (ie discount rate) applicable to a *bill acceptance/discount facility* excluding any acceptance and other fees payable under the *bill acceptance/discount facility*.

bill acceptance/discount facility means a facility provided (or which may be provided) by us under which financial accommodation is raised by you as borrower issuing *bills of exchange* which we accept and discount.

bill of exchange means a negotiable instrument usually sold at a discount. It is an unconditional order in writing, addressed by the drawer to the drawee, requiring the drawee to pay a sum of money on demand or at a specified future time to the payee or to the bearer.

confirmation means the record of commercial terms of the relevant contract between you and us to be prepared by us following entry into a contract.

days in year means 365 or such other number as is specified in the *confirmation*.

exercise means to convert an option into its underlying product or transaction.

exercise date means the date upon which an option is *exercised* and specified as such in the *confirmation*.

face value means the full amount of a *bill of exchange* before interest is added on or discounted.

fixed rate bill commencement date means the date specified as such in the *confirmation* (it may be the same date as the *exercise date* or a date after the *exercise date*).

fixed rate bill maturity date means the date specified as such in the *confirmation*.

in-the-money a term used to describe an option that can be *exercised* at a profit or provides a favourable outcome compared to the equivalent prevailing market rates if *exercised*.

notional principal amount means the amount specified as such in the *confirmation*. (Neither party has any entitlement to receive any part of the *notional principal amount* from the other.)

out-of-the-money a term used to describe an option that cannot be *exercised* at a profit or provides a worse outcome compared to the equivalent prevailing market rates if *exercised*.

premium means the cost of the option to the buyer and specified as such in the *confirmation*.

related entity means a company owned by us.

small business means a business employing:

- (a) less than 100 full-time (or equivalent) people, if the business is or includes the manufacture of goods; or
- (b) in any other case, less than 20 full-time (or equivalent) people,

but does not include a business that obtains this product for use in connection with a business that does not meet the elements in (a) or (b) above.

St. George reference rate means the variable rate we agree to discount *bills of exchange* accepted by us under your *bill acceptance/discount facility* and specified as such in your *bill acceptance/discount facility* agreement.

Sydney:
Level 11, 55 Market Street
Sydney NSW 2000
GPO Box 4444 Sydney 2001
Telephone: (02) 9320 5555
Facsimile: (02) 9320 5589

Melbourne:
Level 8,
530 Collins Street
Melbourne VIC 3000
Telephone: (03) 9640 8666
Facsimile: (03) 9640 8633

Perth:
Level 11,
152-158 St. Georges Tce
Perth WA 6000
Telephone: (08) 9265 7553
Facsimile: (08) 9265 7556

Brisbane:
Level 4,
345 Queen Street,
Brisbane QLD 4000
Telephone: (07) 3232 8841
Facsimile: (07) 3232 8838

Adelaide:
Level 3,
97 King William St,
Adelaide SA 5000
Telephone: (08) 8424 5597
Facsimile: (08) 8424 4119

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Banking Corporation ABN 33 007 457 141 AFSL 233714

