

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

TARGET FORWARD (IMPORTER)

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 Target Forward (Importer) 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 Target Forward (Importer) contract (**TF (Importer)**) is a product which provides you with a defined benefit as you will exchange currencies at a level which is more favourable than St.George's forward rate offered for similar amounts over similar transaction periods. . However, a TF (Importer) has an additional risk component which has the effect of exposing you to potential unlimited opportunity loss if the currency pair does not maintain current levels.

Purpose

What is a TF (Importer) used for?

A TF (Importer) may be used by you if you have a need to exchange one currency for another currency at a future date and wish to:

- protect yourself against unfavourable movements below the *guaranteed rate* in the relevant exchange rate; and
- obtain an enhanced forward foreign exchange rate on your initial exchange of currencies.

Suitability

Do you have sufficient knowledge about these products?

A TF (Importer) may be suitable if you would like to manage your currency exposure and have a good understanding of foreign exchange markets including forward exchange contracts and foreign exchange options.

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 is a TF (Importer)?

A TF (Importer) is a foreign exchange product that has the effect of combining the exchange rate protection of a traditional forward exchange contract (FEC) with a foreign exchange option.

How does a TF (Importer) work?

Under a TF (Importer), you nominate the two currencies to be exchanged at the time of entering into the product. These currencies are known as the *currency pair*.

A *guaranteed rate*, *guaranteed amount*, *guaranteed delivery date*, *contingent rate*, *contingent amount*, *contingent delivery date* and *strike rate* will also be set. The *expiry date* is two business days prior to the *contingent delivery date*.

Once you have selected those variables, and they are accepted by St.George, the possible outcomes for you are as follows:

1. You will be obliged to exchange the *guaranteed amount* in full, at the *guaranteed rate* for settlement on the *guaranteed delivery date*. This *component of the TF* (Importer) replicates an FEC; and either
2. If the *market rate* is at or above the *strike rate* at *expiration time*, you will be obliged to exchange the *contingent amount* in full, at the *contingent rate* for settlement on the *contingent delivery date*; or
3. If the *market rate* is below the *strike rate* at *expiration time*, we have no further obligations to each other for settlement on the *contingent delivery date*.

Monitoring your obligations

We will monitor the relevant foreign exchange markets to determine your obligations at the expiration time and will advise you as soon as practicable.

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

Before entering into a TF (Importer), St.George will assess your financial position to determine whether or not your situation satisfies our normal credit requirements. We will advise you of the outcome of our review as soon as possible.

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

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

Cost of Product

Generally, St.George adjusts the *guaranteed rate*, *contingent rate* and *strike rate* so that you will not be required to pay any *premium*. When setting these levels, St.George takes into account a variety of factors including:

- the *guaranteed amount*, *guaranteed delivery date*, *contingent amount* and *contingent delivery date* of the TF (Importer);
- inter-bank *market rates* prevailing at the time;
- market volatility; and
- current market interest rates of the countries of the *currency pair*.

If you wish to nominate a different *guaranteed rate*, *contingent rate* and/or *strike rate*, an up-front non-refundable *premium* may be payable. St.George will determine the amount of the *premium* and you will be advised of the amount prior to entering into the transaction.

When calculating any *premium* payable, we take into account various factors, which may include:

- the *guaranteed rate*, *guaranteed amount*, *guaranteed delivery date*, *contingent rate*, *contingent amount*, *contingent delivery date* and *strike rate* selected;
- current market interest rates and exchange rates; and
- market volatility.

The *premium* must be paid in cleared funds within two business days of entering into the transaction.

For all the transactions, St.George will derive a financial benefit out of each TF (Importer). When you exchange currencies at either the applicable *guaranteed rate*, *contingent rate* or the prevailing exchange rate, St.George will benefit by incorporating a margin into the *guaranteed rate*, *contingent rate* or prevailing exchange rate. The margin is the difference between the wholesale exchange rate we are able to obtain and the exchange rate we then offer to you. The margin may be described as an 'indirect cost' to you because you pay for the TF (Importer) by accepting the applicable *guaranteed rate*, *contingent rate* and prevailing exchange rate quoted by St.George.

The exchange rates published in the media generally state those obtainable in the interbank wholesale market.

Advantages/Benefits

- A TF (Importer) provides you with a fixed *guaranteed rate* for the *guaranteed amount* for delivery on the *guaranteed delivery date*. This *component of the TF (Importer)* replicates an FEC at a rate which St.George determines is more favourable than St.George's standard forward rate offered for similar amounts over similar transaction periods.
- This product is flexible and can be tailored to meet your particular requirements.
- This product can be cancelled prior to expiration (however, there may be a cost to you in doing so – see Early Termination section for further details).

Disadvantages/Risks

- If the *market rate* is at or above the *strike rate* at *expiration time*, you will be obliged to exchange the *contingent amount* in full, at the *contingent rate* for settlement on the *contingent delivery date*. If this occurs, it will be less favourable to you than if you were able to exchange the *contingent amount* at the *market rate*.
- A TF (Importer) has a risk component which has the effect of exposing you to potential unlimited opportunity loss if the currency pair moves to level which is less favourable than St.George's forward rate offered on the *transaction date* for similar amounts over similar transaction periods
- At the *expiration time*, you must exchange the *guaranteed amount* at the *guaranteed rate* notwithstanding that the *market rate* may be more favourable to you than exchanging currencies at the *guaranteed rate*.
- There is no cooling off period.
- St.George, as the counterparty to a TF (Importer), 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 TF (Importer). 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

Foreign currency to be delivered to St.George can be provided by either telegraphic transfer or from a foreign currency account/deposit. Australian dollars must be provided in cleared funds. On receipt of the funds, St.George will satisfy its obligations by depositing amounts owing to you into a bank account (in your name) denominated in the relevant currency. Alternative arrangements can be made with St.George's prior approval.

Early Termination

You can request St.George to cancel a TF (Importer) at any time prior to the *expiration time*. At the time you make a request, we will calculate and quote a price where St.George would be willing to terminate the TF (Importer). St.George will take into account its normal considerations, including market conditions at the time when determining the price. The termination price will be a cost or benefit to you. If the termination quotation is acceptable to you, then the cost or benefit will be paid and the TF (Importer) 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 foreign exchange 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 TF (Importer). 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.

Confirmations

Shortly after entering into a TF (Importer), 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 that it accurately records the terms of the transaction. In the case of 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 TF (Importer), you would need to use the actual rates and figures quoted to you at the relevant time.

Scenario

You are an Australian based importer with a requirement to pay USD 100,000 recurring monthly payments for goods bought overseas. Assume the current spot exchange rate is 0.6450 and that the 1 month forward exchange rate is 0.6430.

If you do nothing, what exchange rate risks do you face?

If you do nothing, the amount of AUD you will need to pay in 1 month in exchange for the USD 100,000 you need will depend on the exchange rate quoted for value that day.

If the AUD goes up, the USD will become less valuable and as a consequence, you will need less AUD when it comes time to pay for the USD. Assume in this example that the AUD rises to 0.6700, then you will pay:

$$\text{AUD } 149,253.73 \text{ (i.e. USD } 100,000 / 0.6700)$$

If the AUD goes down, the opposite occurs and you will need more AUD. Assume the AUD falls to 0.6100, then you will pay:

$$\text{AUD } 163,934.43 \text{ (i.e. USD } 100,000 / 0.6100)$$

How will a TF (Importer) change this?

Assume you wish to buy USD on a recurring basis and you have a view that the currency pair exchange rate will remain at current levels. You do not want to pay a *premium* for an option.

You enter into a TF (Importer) to buy USD 100,000 and sell AUD at a *guaranteed rate* of 0.6470, with a *guaranteed delivery date* in one month. You also set a *strike rate* of 0.6530 and a *contingent rate* of 0.6530 with a *contingent delivery date* in two months and expiry two *business days* prior to the *contingent delivery date*.

How will the TF (Importer) work?

You will be obliged to exchange the *guaranteed amount* of USD 100,000 in full, at the *guaranteed rate* of 0.6470 for settlement on the *guaranteed delivery date* in one month. This *component of the TF* (Importer) replicates an FEC. You will have the following outcome:

1. On the *guaranteed delivery date*, you would exchange your AUD at the *guaranteed rate* of 0.6470

You would be required to pay AUD 154,559.51 (i.e. USD 100,000 / 0.6470)

AND EITHER

2. If the *market rate* is at or above the *strike rate* of 0.6530 at *expiration time*, you will have the following outcome:

You will be obliged to exchange the *contingent amount* of USD 100,000 in full, at the *contingent rate* of 0.6530 for settlement on the *contingent delivery date* in two months.

You would be required to pay AUD 153,139.36 (i.e. USD 100,000 / 0.6530)

OR

3. If the *market rate* is below the *strike rate* of 0.6530 at *expiration time*, we have no further obligations to each other for settlement on the *contingent delivery date*. You may however, exchange the *contingent amount* in full at the prevailing *market rate* as a separate foreign exchange transaction. If you choose to complete this transaction, you will have the following outcome (assume a *market rate* of 0.6500 at the *expiration time*):

You would be required to pay AUD 153,846.15 (i.e. USD 100,000 / 0.6500)

In what circumstances will a TF (Importer) benefit you?

The initial component of a TF (Importer), which contains the guaranteed rate, provides you with a defined benefit as you will exchange the *guaranteed amount at the guaranteed rate* at a level which is more favourable than St.George's forward rate offered for similar amounts over similar transaction periods.

It is important to note, however, that the benefit derived from the initial component of a TF (Importer) will be partially or fully eroded if at the *expiration time* the prevailing exchange rate is above the *strike rate* and *contingent rate*. Under this scenario, you will exchange currencies at the *contingent rate*.

In what circumstances will a TF (Importer) disadvantage you?

At the *expiration time*, you are disadvantaged where:

- the prevailing exchange rate is above the *strike rate* and *contingent rate*; and
- the resulting loss exceeds the benefit derived from the initial component of a TF (Importer) (as described in the section above headed “*In what circumstances will a TF (Importer) benefit you?*”).
- Where the prevailing exchange rate is above the *strike rate* and *contingent rate* at the *expiration time*, you will exchange currencies at the *contingent rate*.

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.

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

contingent amount means the *contingent bought currency amount* and *contingent sold currency amount* as specified as such in the *confirmation*.

contingent rate means the rate at which you will be required to exchange the *contingent amount* for settlement on the *contingent delivery date* if the *market rate* is at or above the *strike rate* at *expiration time* and specified as such in the *confirmation*.

contingent delivery date means the date upon which you will be required to settle the *contingent amount* if the *market rate* is at or above the *strike rate* at *expiration time* and specified as such in the *confirmation*.

currency pair means the two currencies agreed to be exchanged.

expiry date means the date on which you agree with St.George to exchange one currency for another currency on the terms set out in the relevant TF (Importer) agreement and specified as such in the *confirmation*.

expiration time means the time on the *expiry date* specified as such in the *confirmation*.

guaranteed amount means the *guaranteed bought currency amount* and *guaranteed sold currency amount* as specified as such in the *confirmation*.

guaranteed delivery date means the date you will exchange the *guaranteed amount* at the at the *guaranteed rate* as specified as such in the *confirmation*.

guaranteed rate means the rate specified as such in the *confirmation* being the exchange rate at which you will be required to exchange the *guaranteed amount*.

market rate means the rate (as determined by us in good faith) at which the *currency pair* may be exchanged in the direct foreign exchange interbank market for spot settlement.

premium means the cost of an option (expressed in the relevant currency) payable by the option buyer to the option seller and specified as such in the *confirmation*.

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.

strike rate means the rate at which a *TF (Importer)* may be exercised as specified as such in the *confirmation*.

transaction date means the date specified as such in the *confirmation*, being the date on which you and we enter into the TF (Importer).

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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