



APPENDIX A – TERMS OF ISSUE

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Appendix A – Terms of Issue

1. FORM, FACE VALUE AND ISSUE PRICE

1.1 Form

SPS are non-cumulative unsecured preference shares in the capital of St.George. SPS are issued by St.George under article 6B of the Constitution and on the terms set out in these Terms of Issue.

1.2 Face Value and issue price

Each SPS will be issued by St.George as fully paid at an issue price of \$100 (**Face Value**). The Face Value must be paid in full upon application.

2. DIVIDENDS

2.1 Dividend calculation

Subject to these Terms of Issue, the Holder on the relevant Record Date of each SPS is entitled to receive on each relevant Dividend Payment Date a dividend (**Dividend**) calculated using the following formula:

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \text{Face Value} \times \text{N}}{365}$$

where:

Dividend Rate (expressed as a percentage per annum) is calculated using the following formula:

$$\text{Dividend Rate} = (\text{Bank Bill Swap Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

where:

Bank Bill Swap Rate (expressed as a percentage per annum) means, for each Dividend Period, the Bank Bill Swap Rate applying on the first Business Day of each Dividend Period;

Margin (expressed as a percentage per annum) means for the period:

- (a) up to the Increased Margin Date, the rate determined under the Bookbuild (**Initial Margin**); and
- (b) commencing on and from the Increased Margin Date, the Initial Margin plus 1.00% per annum; and

Tax Rate (expressed as a decimal) means the Australian corporate tax rate applicable on the Allotment Date, which will be taken to be 0.30; and

N is the number of days in the Dividend Period ending on (but not including) the relevant Dividend Payment Date.

2.2 Franking adjustment

- (a) If, on a Dividend Payment Date, the Australian corporate tax rate applicable to the franking account of St.George from which the Dividend will be franked (**Ti**) differs from the Tax Rate, the Dividend will be adjusted using the following formula:

$$\text{Adjusted Dividend} = \text{Dividend}_1 \times \frac{(1 - \text{Ti})}{(1 - \text{Tax Rate})}$$

where:

Dividend₁ (expressed as a dollars and cents amount) is the amount calculated under clause 2.1; and

Ti (expressed as a decimal) is the Australian corporate tax rate applicable to the franking account of St.George from which the Dividend will be franked.

- (b) If any Dividend is not franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that part), the Dividend will be adjusted using the following formula:

$$\text{Adjusted Dividend} = \frac{\text{D}}{1 - (\text{Ti} \times (1 - \text{Franking Rate}))}$$

where:

D (expressed as a dollars and cents amount) is the Dividend calculated under clause 2.2(a) or clause 2.1 where there has been no application of clause 2.2(a);

Ti (expressed as a decimal) has the same meaning as in clause 2.2(a); and

Franking Rate (expressed as a decimal) means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that part) applicable to the Dividend.

2.3 Payment of Dividend and Optional Dividend

- (a) The payment of a Dividend and any Optional Dividend is subject to:
 - (i) the Directors, at their sole discretion, declaring the Dividend or Optional Dividend to be payable;
 - (ii) St.George having profits available for the payment of a Dividend or an Optional Dividend;
 - (iii) such payment not resulting in the Total Capital Ratio or the Tier 1 Capital Ratio of St.George (on a Level 1 basis) or of the Group (on a Level 2 basis) not complying with APRA's then current capital adequacy guidelines as they are applied to St.George or the Group (as the case may be) at the time, unless APRA otherwise gives its prior written approval;

- (iv) the amount of the Dividend or Optional Dividend not exceeding the profits after tax of the Group calculated before any dividend or interest payments on Capital Securities which are included in the Group's Upper Tier 2 Capital or Tier 1 Capital (as disclosed in the latest publicly available financial results for the Group) for the immediately preceding Reporting Year, less the aggregate amount of dividends or interest paid or payable by a member of the Group on those of its Capital Securities which are included in its Upper Tier 2 Capital or Tier 1 Capital (but not including dividends or interest paid or payable to a member of the Group by another member of the Group) in the 12 months up to the Record Date for the Dividend or Optional Dividend, unless APRA otherwise gives its prior written approval; and
- (v) in the case of an Optional Dividend, APRA's prior written approval.
- (b) Without limiting clause 2.3(a), the Directors will not declare a Dividend or Optional Dividend to be payable if, in their opinion, making the payment would result in St.George becoming, or being likely to become, insolvent for the purposes of the Corporations Act.
- (c) Dividends and Optional Dividends shall be paid by cheque, direct credit or such other means as authorised by the Directors.

2.4 Non-cumulative Dividends

Dividends are non-cumulative. If all or part of a Dividend is not paid because of the provisions of clause 2.3 or because of any applicable law, St.George has no liability to pay such Dividend and, notwithstanding St.George's sole discretion (subject to APRA's prior written approval) to pay an Optional Dividend under clause 2.9(d), the Holder has no claim (including, without limitation, on the winding up of St.George) in respect of such non-payment. Non-payment of a Dividend because of the provisions of clause 2.3, or because of any applicable law, does not constitute an event of default.

No interest accrues on any unpaid Dividends or Optional Dividends, and the Holder has no claim or entitlement in respect of interest on any unpaid Dividends or Optional Dividends.

2.5 Rounding of Dividend calculations

All calculations of Dividends will be rounded to four decimal places. For the purposes of making any Dividend payment in respect of a Holder's total holding of SPS, any fraction of a cent will be disregarded.

2.6 Dividend Payment Dates

Subject to this clause 2, Dividends are payable in arrears on each Dividend Payment Date.

2.7 Record Dates

A Dividend is only payable to those persons registered as Holders on the Record Date for that Dividend.

An Optional Dividend is only payable to those persons registered as Holders on the Record Date in respect of the Optional Dividend.

2.8 Withholding obligations

St.George will be entitled to deduct from any Dividend or Optional Dividend payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction is made and the amount of the deduction accounted for by St.George to the relevant revenue authority and the balance of the amount payable is paid to the Holder concerned, then the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by St.George. St.George will pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment.

2.9 Restrictions in case of non-payment (Dividend stopper)

If, for any reason, a Dividend has not been declared or a Dividend that has been declared has not been paid in full within 20 Business Days after the relevant Dividend Payment Date, St.George must not without approval of a Special Resolution:

- (a) declare or pay a dividend or make or cause a member of the Group to make any distribution on any Equal Ranking Capital Securities or Junior Ranking Capital Securities (other than to permit the declaration and payment of dividends or distributions paid or payable to a member of the Group or under clause 2.9(e)); or
 - (b) redeem, reduce capital on, cancel or acquire for any consideration any Junior Ranking Capital Securities (excluding redemptions of, reductions of capital on, cancellations of or acquisitions of Junior Ranking Capital Securities held by a member of the Group),
- unless:
- (c) four consecutive Dividends scheduled to be paid on SPS, after the Dividend Payment Date for the Dividend that has not been paid, have been paid in full;
 - (d) an Optional Dividend has been paid to the Holders equal to the aggregate amount of any unpaid Dividends which were scheduled to be paid in the 12 months before the date of payment of the Optional Dividend;
 - (e) there is a payment in respect of the dividend, distribution, redemption, reduction of capital, cancellation or acquisition made pro rata on SPS and on Equal Ranking Capital Securities ranking equally with SPS in respect of those payments; or
 - (f) all SPS have been Exchanged.

3. EXCHANGE

3.1 Exchange by St.George

- (a) St.George may serve:
- (i) an Issuer Exchange Notice at least 30 Business Days (but no more than three months) before a Fixed Exchange Date in respect of all or some only of their SPS; or
 - (ii) an Issuer (Event) Exchange Notice following the occurrence of a Tax Event or Regulatory Event, or within six months of the occurrence of an Acquisition Event, in respect of all (but not some only) of their SPS.
- (b) If St.George serves an Exchange Notice, St.George must include in that notice which, or which combination, of the following it intends to do in respect of SPS the subject of the notice:
- (i) convert SPS into Ordinary Shares under clauses 3.3 and 3.4; or
 - (ii) do any of the following:
 - redeem SPS under clause 3.12;
 - buy back SPS under the terms of the Buy-Back Agreement under clause 3.13; or
 - cancel SPS under clause 3.14,in each case for Face Value on the relevant Exchange Date.
- (c) St.George may only apply the mechanisms in clause 3.1(b)(ii) if APRA has given its prior written approval to such mechanisms being applied.
- (d) In an Exchange of some but not all SPS under clause 3.1(a)(i), St.George must endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels and other logistical considerations.
- (e) If St.George serves an Exchange Notice under clause 3.1(a), the Exchange Date is:
- (i) for an Issuer Exchange Notice, the Fixed Exchange Date; or
 - (ii) for an Issuer (Event) Exchange Notice which is served following the occurrence of a Tax Event or Regulatory Event, the last Business Day of the month following the month in which the Issuer (Event) Exchange Notice was served by St.George unless St.George determines an earlier Exchange Date as notified in the Exchange Notice having regard to the best interests of the Holders (collectively) and the relevant event; or
 - (iii) for an Issuer (Event) Exchange Notice which is served following the occurrence of an Acquisition Event, the 20th Business Day after (but not including) the date on which the Issuer (Event) Exchange Notice was served by St.George unless St.George determines an earlier or later Exchange Date as notified in the Exchange Notice having regard to the best interests of the Holders (collectively) and the relevant event.

- (f) If required by St.George, where St.George is entitled to Exchange any SPS under these Terms of Issue, the Holder must:
 - (i) vote in favour (subject to compliance with the law and to the extent the Holder is entitled to do so) or otherwise abstain from any required resolution;
 - (ii) provide all documentation and execute any authorisation or power necessary; and
 - (iii) take all other action necessary or desirable,to effect the Exchange of those SPS.

3.2 Exchange Notices are irrevocable

An Exchange Notice given by St.George under clause 3.1(a) is irrevocable and may include any other information that St.George considers necessary to effect the Exchange in an orderly manner.

3.3 Meaning of conversion

Each SPS, on any conversion, confers all of the rights attaching to one fully paid Ordinary Share but these rights do not take effect until 5.00pm on the Exchange Date. At that time:

- (a) all other rights and restrictions conferred on SPS under these Terms of Issue will no longer have any effect (except for any rights relating to a Dividend payable on or before the Exchange Date and any rights to any allotment of additional Ordinary Shares issued upon conversion under clause 3.4, which will subsist); and
- (b) each SPS on conversion will rank equally with all other Ordinary Shares then on issue and St.George will issue a statement that the holder of those shares holds a share so ranking.

The variation of the status of, and the rights attaching to, a SPS under this clause 3.3 and any allotment of additional Ordinary Shares under clause 3.4 is, for the purposes of these Terms of Issue, together termed 'conversion'. Conversion does not constitute redemption, cancellation or buy-back of a SPS or an issue, allotment or creation of a new share (other than any additional Ordinary Shares allotted under clause 3.4).

3.4 Conversion and issue of Ordinary Shares

If St.George issues an Exchange Notice under clause 3.1(a) and chooses conversion as the mechanism of Exchange under clause 3.1(b)(i), then on the Exchange Date:

- (a) each SPS being converted will convert into one fully paid Ordinary Share; and
- (b) each Holder will be allotted an additional number of fully paid Ordinary Shares for each SPS that is being converted equal to **one less than** the Conversion Number, where the Conversion Number is the number of Ordinary Shares calculated (to four decimal places) using the following formula:

$$\text{Conversion Number} = \frac{\text{Face Value}}{\text{VWAP} \times (1 - \text{Conversion Discount})}$$

where:

VWAP (expressed as a dollars and cents amount) means the VWAP during the Reference Period; and

Conversion Discount (expressed as a decimal) means 0.025.

- (c) Where the total number of Ordinary Shares to which a Holder is entitled for each SPS being converted (including the Ordinary Share arising from conversion of the SPS under this clause 3.4) is greater than the Maximum Conversion Number, the Conversion Number will be equal to the Maximum Conversion Number.
- (d) Where the total number of Ordinary Shares that a Holder is entitled to in respect of the total number of SPS being converted at that time includes a fraction, that fraction will be disregarded.

3.5 Adjustments to VWAP

For the purposes of calculating VWAP in clause 3.4:

- (a) where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and SPS will convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend, distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend, cum distribution or cum entitlement shall be reduced by an amount (**Cum Value**) equal to:
- (i) in the case of a dividend or other distribution, the amount of that dividend or distribution including, if the dividend or distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person resident in Australia under the Tax Act;
- (ii) in the case of an entitlement that is not a dividend or other distribution under clause 3.5(a)(i) and which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the Reference Period on the Business Days on which those entitlements were traded; or
- (iii) in the case of an entitlement that is not a dividend or other distribution under clause 3.5(a)(i) and which is not traded on ASX during the Reference Period, the value of the entitlement as reasonably determined by the Directors;
- (b) where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and SPS will convert into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value; and
- (c) where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities during a Reference Period, the VWAP shall be adjusted by the Directors as they consider appropriate. Any adjustment made by the Directors will constitute an alteration to these Terms of Issue and will be binding on all Holders and these Terms of Issue will be construed accordingly. Any such adjustment will promptly be notified to all Holders.

3.6 Adjustments to Maximum Conversion Number for rights issues or bonus issues

- (a) Subject to clauses 3.6(b) and (c), if St.George makes a rights issue (including an issue of the kind known as a 'jumbo issue', where offers to certain institutional holders, or beneficial holders, are made in advance of offers to other holders) or bonus issue (in either case being a pro rata issue) of Ordinary Shares to Ordinary Shareholders generally, the Maximum Conversion Number will be adjusted immediately under the following formula:

$$CN = CN_0 \times P \times \frac{(RD + RN)}{(RD \times P) + (RN \times A)}$$

where:

CN means the Maximum Conversion Number applying immediately after the application of this formula;

CN₀ means the Maximum Conversion Number applying immediately before the application of this formula;

P means the VWAP during the period from (and including) the first Business Day after the announcement of the rights or bonus issue to ASX up to (and including) the last Business Day of trading cum rights or bonus issue (or if there is no period of cum rights or bonus issue trading, an amount reasonably determined by the Directors as representing the value of an Ordinary Share cum the rights or bonus issue);

RD means the number of Ordinary Shares on issue immediately before the issue of new Ordinary Shares under the rights or bonus issue;

RN means the number of Ordinary Shares issued under the rights or bonus issue; and

A means the subscription price per Ordinary Share for a rights issue (and is zero in the case of a bonus issue).

- (b) No adjustment to the Maximum Conversion Number will occur if **A** exceeds **P**.
- (c) Clause 3.6(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (d) For the purpose of this clause 3.6, an issue will be regarded as a pro rata issue notwithstanding that St.George does not make offers to some or all Ordinary Shareholders with registered addresses outside Australia, provided that in so doing St.George is not in contravention of ASX Listing Rules.

3.7 Adjustments to Maximum Conversion Number for off market buy-backs

- (a) Subject to clause 3.7(b), if St.George undertakes an off market buy-back under a buy-back scheme which but for any applicable restrictions on transfer would be generally available to holders of Ordinary Shares (or otherwise cancels Ordinary Shares for consideration), the Maximum Conversion Number will be adjusted immediately using the following formula:

$$CN = CN_0 \times P \times \frac{(BD - BN)}{(BD \times P) - (BN \times A)}$$

where:

CN means the Maximum Conversion Number respectively applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

P means the VWAP during the 20 Business Days before the announcement to ASX of the buy-back (or cancellation);

BD means the number of Ordinary Shares on issue immediately before the buy-back (or cancellation);

BN means the number of Ordinary Shares bought back (or cancelled); and

A means the buy-back (or cancellation) price per Ordinary Share.

- (b) No adjustment to the Maximum Conversion Number will occur if **P** exceeds **A**.

3.8 Adjustment to Maximum Conversion Number for return of capital

If St.George makes a pro rata return of capital to holders of Ordinary Shares without cancellation of any Ordinary Shares, the Maximum Conversion Number will be adjusted under the following formula:

$$CN = CNo \times \frac{P}{P - C}$$

where:

CN means the Maximum Conversion Number applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

P means the VWAP during the period from (and including) the first Business Day after the announcement to ASX of the return of capital up to and including the last Business Day of trading cum the return of capital (or if there is no period of cum return of capital trading, an amount reasonably determined by the Directors as representing the value of an Ordinary Share cum the return of capital); and

C means with respect to a return of capital, the amount of the cash and/or the value (as reasonably determined by the Directors) of any other property distributed to Ordinary Shareholders per Ordinary Share (or such lesser amount such that the difference between **P** and **C** is greater than zero).

3.9 Other adjustments to Maximum Conversion Number

Where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, the Maximum Conversion Number shall be adjusted by the Directors as they consider appropriate (consistently with the way in which the number of Ordinary Shares the subject of an option over Ordinary Shares would have been adjusted under the ASX Listing Rules). Any adjustment made by the Directors will constitute an alteration to these Terms of Issue and will be binding on all Holders and these Terms of Issue will be construed accordingly. Any such adjustment will promptly be notified to all Holders.

3.10 Directors' sole discretion regarding adjustments to Maximum Conversion Number

Despite the provisions of clauses 3.6 to 3.9, where:

- (a) the effect of any of the adjustment provisions set out in clauses 3.6 to 3.9 is not, in the reasonable opinion of the Directors, appropriate in any particular circumstances (including because more than one adjustment provision applies); or
 - (b) any other event occurs in relation to St.George that may have a dilutive or concentrative effect on the value of the Ordinary Shares,
- and, in the reasonable opinion of the Directors, such occurrence would affect the relative values of SPS and the Ordinary Shares, the Directors may (subject to APRA's prior written approval):
- (c) make such alterations to the Face Value and the Maximum Conversion Number as they reasonably consider appropriate or necessary to maintain that relativity; or
 - (d) extend an entitlement to the Holders to participate in such event based upon the number of Ordinary Shares to which those Holders would have been entitled if their SPS had been converted on a date nominated by the Directors to maintain the relativity.

3.11 Restrictions on certain conversions under the Constitution

Under sub-article 11(5) of the Constitution, a Holder's SPS may not be converted into Ordinary Shares and no additional Ordinary Shares may be allotted or issued if in the Directors' opinion the conversion of the SPS held by that Holder would result in a person contravening sub-article 11(1) of the Constitution.

3.12 Redemption of SPS

If St.George determines to redeem SPS and gives an Exchange Notice to the Holders notifying that their SPS are to be redeemed under clause 3.1(b)(ii), on the relevant Exchange Date St.George shall redeem every SPS which St.George has elected to redeem and identified in the Exchange Notice. For each SPS that is being redeemed, an amount equal to the Face Value will be paid by St.George to the relevant Holders in cash on the relevant Exchange Date.

3.13 Buy-back of SPS

- (a) Each Holder agrees with St.George on terms as set out in the Buy-Back Agreement that, upon St.George determining to buy back SPS (which it is able to do at its sole option) and giving an Exchange Notice to the Holders notifying that their SPS are to be bought back under clause 3.1(b)(ii), those Holders will be deemed to have sold to St.George the SPS which St.George has elected to buy back and identified in the Exchange Notice on the terms of the Buy-Back Agreement.
- (b) The Buy-Back Agreement will take effect upon, and will have no force or effect until, the happening of the last to occur of the following events:
 - (i) St.George giving an Exchange Notice to each Holder that it has determined to buy back the SPS identified in the Exchange Notice; and

- (ii) St.George obtaining all consents (if any) to the buy-back which are required to be obtained from St.George's shareholders or any regulatory authority or other person under and in the manner required by any applicable law or by the listing rules of any stock exchange on which SPS are quoted.
- (c) On the relevant Exchange Date, St.George shall buy back every SPS which St.George has elected to buy back and identified in the Exchange Notice under the terms of the Buy-Back Agreement. For each SPS that is being bought back, an amount equal to the Face Value will be paid by St.George to the relevant Holders in cash on the relevant Exchange Date.

3.14 Cancellation of SPS

If St.George:

- (a) determines to cancel SPS under clause 3.1(b)(ii);
- (b) obtains all consents (if any) to the cancellation of SPS which are required to be obtained from St.George's shareholders or any regulatory authority or other person under and in the manner required by any applicable law or by the listing rules of any stock exchange on which SPS are quoted; and
- (c) gives an Exchange Notice to the Holders notifying that their SPS are to be cancelled,

on the relevant Exchange Date, St.George shall cancel every SPS which St.George has elected to cancel and identified in the Exchange Notice. For each SPS that is being cancelled, an amount equal to the Face Value will be paid by St.George to the relevant Holders in cash on the relevant Exchange Date.

4. GENERAL RIGHTS ATTACHING TO SPS

4.1 Ranking

SPS rank equally among themselves and are unsecured and subordinated to all depositors and creditors of St.George. SPS are not deposits or liabilities of St.George and are not subject to the depositor protection provisions of Australian banking legislation.

SPS rank equally with all other Equal Ranking Capital Securities in respect of the payment of Dividends which have been declared and in respect of the payment of dividends or other distributions which have been declared or are payable on all other Equal Ranking Capital Securities. SPS rank equally with Equal Ranking Capital Securities in respect of a redemption of, return of capital on, cancellation of or acquisition of SPS and payment of declared but unpaid Dividends on a winding up of St.George.

St.George reserves the right to issue further SPS, preference shares (whether redeemable or not) or other Capital Securities which rank equally with, behind or ahead of SPS, whether in respect of dividends (whether cumulative or not), return of capital on a winding up of St.George or otherwise. Such an issue does not constitute a variation or cancellation of the rights attached to the then existing SPS.

4.2 Preferential dividend

Until conversion, SPS rank ahead of Junior Ranking Capital Securities for the payment of dividends.

4.3 No set off

Any amount due to a Holder in respect of SPS may not be set off against any claims by St.George on the Holder.

4.4 Return of capital

Until conversion, if there is a return of capital on a winding up of St.George, Holders will be entitled to receive out of the assets of St.George available for distribution to holders of shares, in respect of each SPS held, a cash payment (**Liquidation Sum**) equal to the sum of:

- (a) the amount of any Dividend declared but unpaid; and
- (b) the Face Value,

before any return of capital is made to Ordinary Shareholders or any other class of shares ranking behind SPS.

SPS do not confer on their Holders any right to participate in profits or property except as set out in these Terms of Issue.

4.5 Shortfall on winding up of St.George

If, upon a return of capital on a winding up of St.George, there are insufficient funds to pay in full the amounts referred to in clause 4.4 and the amounts payable in respect of any other shares in St.George ranking as to such distribution equally with SPS on a winding up of St.George, Holders and the holders of any such other shares will share in any distribution of assets of St.George in proportion to the amounts to which they respectively are entitled.

4.6 No participation in surplus assets

SPS do not confer on their Holders any further right to participate in the surplus assets of St.George on a winding up of St.George beyond payment of the Liquidation Sum.

4.7 Participation in new issues

Until SPS are converted, they will confer no rights to subscribe for new securities in St.George or to participate in any bonus issues of securities in St.George, unless (and then only to the extent) the Directors determine otherwise under clause 3.10.

5. VOTING RIGHTS

Holders have the same rights as holders of Ordinary Shares to receive accounts, reports and notices of general meetings of St.George and to attend any general meeting of St.George. Holders will not, however, be entitled to speak or vote at any general meeting of St.George except in each of the following circumstances:

- (a) on a proposal:
 - (i) to reduce the share capital of St.George;
 - (ii) that affects rights attached to SPS;
 - (iii) to wind up St.George; or
 - (iv) for the disposal of the whole of the property, business and undertaking of St.George;

- (b) on a resolution to approve the terms of a buy-back agreement;
- (c) during a period in which a Dividend or part of a Dividend has been declared but has not been paid within 20 Business Days after the relevant Dividend Payment Date;
- (d) during the winding up of St.George; or
- (e) in any other circumstances in which the ASX Listing Rules require the Holders to be entitled to vote.

In each case, Holders shall have the same right to vote as Ordinary Shareholders (as if immediately before the meeting SPS had converted into the number of Ordinary Shares provided for in clauses 3.3 and 3.4 as if the record date is the deadline for receipt of instruments of proxy under article 68 of the Constitution for the relevant meeting and the Reference Period is the period ending on that date).

6. QUOTATION

St.George must use all reasonable endeavours to furnish all such documents as are reasonably necessary to apply, at its own expense, for quotation of SPS on ASX and of all converted SPS and additional Ordinary Shares issued under clause 3.4 on each of the stock exchanges on which the other Ordinary Shares are quoted on the date of conversion.

7. AMENDMENTS TO THESE TERMS OF ISSUE

Subject to complying with all applicable laws and with APRA's prior written approval, St.George may without the authority, assent or approval of Holders amend or add to these Terms of Issue if such amendment or addition is, in the opinion of St.George:

- (a) of a formal, minor or technical nature;
- (b) made to correct a manifest error;
- (c) made to comply with any law, the ASX Listing Rules or the listing or quotation requirements of any stock exchange on which St.George proposes from time to time to seek quotation of SPS;
- (d) convenient for the purpose of obtaining or maintaining the quotation of SPS; or
- (e) effected under clause 3.9 or 3.10,

and is not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders.

8. INTERPRETATION

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms of Issue, and the Constitution, then, to the maximum extent permitted by law, the provisions of these Terms of Issue will prevail.
- (b) Unless otherwise specified, the Directors may exercise all powers of St.George under these Terms of Issue that are not, by the Corporations Act or by the Constitution, required to be exercised by St.George in general meeting.
- (c) A reference to \$, dollars or cents in these Terms of Issue is a reference to Australian currency. A reference to time in these Terms of Issue is a reference to Sydney, New South Wales, Australia time.
- (d) Notices may be given by St.George to a Holder in the manner prescribed by the Constitution for the giving of notices to members of St.George and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders.
- (e) Unless otherwise specified, a reference to a clause is a reference to a clause of these Terms of Issue.
- (f) If a calculation is required under these Terms of Issue, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (g) Calculations, elections and determinations made by St.George under these Terms of Issue are binding on Holders in the absence of manifest error.
- (h) Definitions and interpretation under the Constitution will also apply to these Terms of Issue subject to clause 8(a).
- (i) Any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to St.George only if St.George is an entity or the holding company of an entity subject to regulation and supervision by APRA at the relevant time.
- (j) The terms 'takeover bid', 'relevant interest' and 'arrangement' when used in these Terms of Issue have the meaning given in the Corporations Act.
- (k) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (l) If an event under these Terms of Issue must occur on a stipulated day which is not a Business Day, then the stipulated day for that event will be taken to be the next Business Day.
- (m) Any provisions in these Terms of Issue requiring the prior written approval by APRA for a particular course of action to be taken by St.George do not imply that APRA has given its consent or approval to the particular action as of the Allotment Date.
- (n) The following boldened words and expressions shall have the following meanings:

Acquisition Event occurs when:

- a) a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and:
 - (i) the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or
 - (ii) the Directors issue a statement recommending acceptance of the offer; or
- b) the Directors issue a statement recommending a scheme of arrangement which, when implemented, will result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue.

Allotment Date means the date on which SPS are issued, which is expected to be on or about 20 June 2006.

APRA means the Australian Prudential Regulation Authority or any authority succeeding to its powers and functions.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

ASX Listing Rules means the listing rules of ASX from time to time with any modifications or waivers in their application to St.George, which ASX may grant.

ASX Market Rules means the operating rules of ASX from time to time.

Bank Bill Swap Rate (expressed as a percentage per annum) means for each Dividend Period, the rate calculated as the average mid rate for bills of a term of 90 days which average rate is displayed on the Reuters page BBSW (or any page which replaces that page) on the first Business Day of the Dividend Period, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am on that date, the rate specified in good faith by St.George at or around that time on that date having regard, to the extent possible, to:

- (a) the rate otherwise bid and offered for bills of that term or for funds of that tenor displayed on that Reuters page BBSW (or any page which replaces that page) at that time on that date; and
- (b) if bid and offer rates for bills of that term are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time.

Bookbuild means the process conducted by St.George or its agents before the opening of the Offer whereby certain institutional investors and brokers lodge bids for SPS and, on the basis of those bids, St.George determines the Margin and announces its determination before the opening of the Offer.

Business Day means a business day as defined in ASX Listing Rules.

Buy-Back Agreement means an agreement under which St.George buys back SPS in the form contained in the schedule to these Terms of Issue.

Capital Securities means shares or any equity, hybrid or subordinated debt capital security (whether comprised of one or more instruments) issued by St.George or a member of the Group.
Capital Security has the corresponding meaning.

Constitution means the constitution of St.George as amended from time to time.

Conversion Discount has the meaning given in clause 3.4(b).

Conversion Number has the meaning given in clause 3.4(b).

Corporations Act means the Corporations Act 2001 (Cth).

Cum Value has the meaning given in clause 3.5(a).

Depository Capital Securities means the Series A Capital Securities issued by St.George Funding Company, LLC.

Directors means some or all of the directors of St.George.

Dividend has the meaning given in clause 2.1 as adjusted by clause 2.2.

Dividend Payment Date means 20 August 2006 and thereafter each 20 November, 20 February, 20 May and 20 August until SPS are Exchanged, in which case the Exchange Date will constitute a Dividend Payment Date, whether or not a Dividend is, or is able to be, paid on that date.

Dividend Period means the period from (and including) either the Allotment Date or the preceding Dividend Payment Date (whichever is the later) to (but not including) the relevant Dividend Payment Date.

Dividend Rate has the meaning given in clause 2.1.

Equal Ranking Capital Security means:

- (a) in the case of a dividend or distribution in respect of the Capital Security, a Capital Security (including SAINTS and Depository Capital Securities) which ranks for payment of the dividend or distribution equally with SPS; and
- (b) in the case of redemption of, reduction of capital on, cancellation of or acquisition of the Capital Security, a Capital Security (including SAINTS and Depository Capital Securities) which ranks equally with SPS for a return of capital if St.George is wound up.

Exchange means conversion of SPS into Ordinary Shares under clause 3.4, or the redemption, buy-back or cancellation of SPS for their Face Value, as determined by St.George under clause 3.1(b). **Exchanged** has the corresponding meaning.

Exchange Date has the meaning given in clause 3.1(e).

Exchange Notice means a notice given by St.George to a Holder under clause 3.1(a).

Face Value has the meaning given in clause 1.2.

Fixed Exchange Date means the Increased Margin Date or any subsequent Dividend Payment Date as notified in the Exchange Notice.

Franking Rate has the meaning given in clause 2.2(b).

Group means St.George and its controlled entities.

Holder means a person whose name is for the time being registered in the Register as the holder of a SPS.

Increased Margin Date means 20 August 2016.

Initial Margin has the meaning given in clause 2.1(a).

Issuer (Event) Exchange Notice means a notice given by St.George to a Holder under clause 3.1(a)(ii).

Issuer Exchange Notice means a notice given by St.George to a Holder under clause 3.1(a)(i).

Junior Ranking Capital Security means:

- (a) in the case of a dividend or distribution in respect of the Capital Security, a Capital Security (including Ordinary Shares) which ranks for payment of the dividend or distribution behind SPS; and
- (b) in the case of redemption of, reduction of capital on, cancellation of or acquisition of the Capital Security, a Capital Security (including Ordinary Shares) which ranks behind SPS for a return of capital if St.George is wound up.

Level 1 and Level 2 means, in respect of the Total Capital Ratio, the Tier 1 Capital Ratio or Tier 1 Capital, those terms as defined by APRA.

Liquidation Sum has the meaning given in clause 4.4.

Margin has the meaning given in clause 2.1.

Maximum Conversion Number means 400 subject to clauses 3.6 to 3.10.

Offer means the invitation made under the Prospectus issued by St.George for persons to subscribe for SPS.

Optional Dividend has the meaning given in clause 2.9(d).

Ordinary Share means an ordinary share in the capital of St.George.

Ordinary Shareholder means a person whose name is for the time being registered as the holder of an Ordinary Share.

Prospectus means the prospectus for the Offer including these Terms of Issue.

Record Date means, for a payment of:

- (a) a Dividend, the date which is 11 Business Days before the Dividend Payment Date for that Dividend, or such other date as may be required by ASX; and
- (b) an Optional Dividend, the date before its payment that is determined by St.George, or such other date as may be required by ASX.

Reference Period means the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding, but not including, the relevant Exchange Date.

Register means the register of SPS maintained by St.George or its agent and includes any subregister established and maintained under the Clearing House Electronic Subregister System operated by ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

Regulatory Event means:

- (a) the receipt by St.George of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of, or change (including any announcement of a prospective change) in, any law or regulation affecting securities laws of Australia or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations which amendment, clarification or change is effective or pronouncement, action or decision is announced on or after the Allotment Date, additional requirements would be imposed on St.George which the Directors determine at their sole discretion, to be unacceptable; or
- (b) the determination by the Directors that St.George is not or will not be entitled to treat all SPS as eligible Tier 1 Capital.

Reporting Year means, for a Dividend Payment Date, the 12 month period ending 30 September or 31 March last preceding the Dividend Payment Date, or such other period approved by APRA in circumstances where St.George has changed its reporting period for its financial results.

SAINTS means the \$350 million non-cumulative, redeemable and convertible preference shares issued by St.George on 13 August 2004.

Special Resolution means a resolution passed at a separate meeting of Holders by at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution.

SPS has the meaning given in clause 1.1.

St.George means St.George Bank Limited (ABN 92 055 513 070).

Tax Act means:

- (a) the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth) as the case may be, as amended, and a reference to any section of the Income Tax Assessment Act 1936 (Cth) includes a reference to that section as rewritten in the Income Tax Assessment Act 1997 (Cth); and
- (b) any other Act setting the rate of income tax payable and any regulation promulgated thereunder.

Tax Event means the receipt by St.George of an opinion from a reputable legal counsel or tax adviser in Australia, experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announced prospective change), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation;
- (b) any judicial decision, official administrative pronouncement, public or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (Administrative Action); or
- (c) any amendment to, clarification of, or change in, the pronouncement that provides for a position with respect to an Administrative Action that differs from the current generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known,

which amendment, clarification, change or Administrative Action is issued or effective or such pronouncement or decision is announced on or after the Allotment Date, there is more than an insubstantial risk that:

- (d) St.George would be exposed to more than a de minimis increase in its costs in relation to SPS as a result of increased taxes, duties or other governmental charges or civil liabilities; or
- (e) SPS will not be treated as equity interests for taxation purposes or imputation benefits will be denied to Holders or franking debits will be posted to St.George's franking account as a result of the SPS being on issue or the Ordinary Shares being on issue following any conversion of SPS into Ordinary Shares.

Tax Rate has the meaning given in clause 2.1.

Terms of Issue means these terms of issue for SPS, which includes the schedule.

Tier 1 Capital means the Tier 1 capital of the Group as defined by APRA.

Tier 1 Capital Ratio means at any time the ratio so prescribed by APRA.

Total Capital Ratio means at any time the ratio so prescribed by APRA.

Upper Tier 2 Capital means the Upper Tier 2 capital of the Group as defined by APRA.

VWAP means, subject to any adjustments under clause 3.5, the average of the daily volume weighted average sale prices (rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any transaction defined in ASX Market Rules as 'special', crossings before the commencement of normal trading, crossings during the closing phase and the after hours adjust phase nor any overseas trades or trades under the exercise of options over Ordinary Shares or any overnight crossings as reasonably determined (in each case) by St. George.

Schedule - Buy-Back Agreement

1. Agreement

- (a) This agreement is entered into between St.George and Holders and shall come into force and effect upon the happening of the last to occur of the following events:
- (i) St.George giving an Exchange Notice to each of the Holders that it has determined to buy back the SPS identified in the Exchange Notice; and
 - (ii) St.George obtaining all consents (if any) to the Buy-Back which are required to be obtained from Ordinary Shareholders or any regulatory authority or other person pursuant to, and in the manner required by, any applicable law or by the listing rules of any stock exchange on which the SPS are quoted.
- (b) The terms and conditions set out in this agreement are of no force and effect unless and until the agreement has become effective under clause 1(a).

2. Buy-Back

Each Seller agrees to sell to the Buyer the Buy-Back Shares on the terms set out in this agreement.

3. Consideration

The Buyer will pay to each Seller in respect of each Buy-Back Share an amount equal to the Face Value of each Buy-Back Share (namely, \$100).

4. Completion

The Buy-Back will be effected on the date specified in the Exchange Notice as the date for completion of the Buy-Back, which will be determined in accordance with the Terms of Issue, by the Buyer paying the amount determined under clause 3 to the Seller and the Seller delivering to the Buyer a duly executed transfer of the Buy-Back Shares.

5. Appointment of attorney

By virtue of its holding of the Buy-Back Shares, each Seller irrevocably appoints any director or officer or duly authorised attorney of St.George (each an Attorney) as the true and lawful attorney of the Seller to execute a transfer to the Buyer in registrable form of the Buy-Back Shares (or such other document by which title to the Buy-Back Shares may be vested in the Buyer) and to give any necessary direction to any other person or take any other action which may be required to facilitate the transfer to the Buyer of the Buy-Back Shares, and agrees that in exercising this power of attorney St.George or any Attorney shall be entitled to act in the interests of St.George (or a nominee) as the Buyer of the Buy-Back Shares.

6. Definitions and interpretation

All words and expressions used in this agreement which are defined in the Terms of Issue have the same meaning in this agreement.

Buy-Back means, in relation to the SPS, the purchase of the SPS from the Holder for the time being by the Buyer pursuant to this agreement.

Buy-Back Shares means the SPS referred to in the Exchange Notice which are the subject of the Buy-Back under this agreement.

Buyer means St.George or any permitted transferee of the Buy-Back Shares nominated by St.George to be the purchaser of the Buy-Back Shares.

Exchange Notice means a notice given by St.George to Holders from time to time under clause 3.1 of the Terms of Issue.

Seller means each Holder from time to time to whom St.George gives an Exchange Notice which indicates that SPS are to be bought back by St.George.