more
than
money

NAB
Super Lever

Product Disclosure Statement

Effective 1 December 2023
Issuer: National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686

Contents

This Product Disclosure Statement (PDS) is a summary of significant information and contains a number of references to important information, each of which forms part of this PDS.

By using this PDS you will be able to understand:

Use the references marked with a [!] to see important disclosure about this product online.

You should consider the information in this PDS thoroughly before making a decision to acquire a NAB Super Lever Facility.

The information in this PDS is general information and has been prepared without taking into account your objectives, financial situation or needs. You should obtain financial advice tailored to your personal financial situation and needs before making a decision to apply for a NAB Super Lever Facility.

Information relating to NAB Super Lever that is not materially adverse, may change from time to time. This information may be updated and made available to you on our website at www.nab.com.au/equitylending or by contacting us on 1300 135 145. A paper copy of any updated information is available free on request.

For further information, speak to your financial adviser or call NAB on **1300 135 145**.

1. About NAB and the NAB Super Lever

The NAB Super Lever is a standard margin lending facility, which allows approved investors to have one or more margin loans.

A margin loan is an investment loan that is secured by shares or managed funds. You can use the borrowed money to access a greater range of investment opportunities, potentially enabling you to increase the ultimate size and diversity of your self managed super fund (**SMSF**) investment portfolio. Each loan within the NAB Super Lever facility may only be used to acquire a single asset or a collection of identical assets with the same market value (for example, a parcel of shares in a company). Each loan is secured by the asset or collection of assets.

Some key information to consider about limited recourse margin lending is as follows:

- SMSF trustees are permitted to enter into limited recourse borrowing arrangements provided that the requirements of section 67A of the Superannuation Industry (Supervision) Act (1993) are met.
- Borrowing using a margin lending facility to invest can potentially generate higher investment returns, but it can also amplify losses if the value of the financed investment falls.
- You should regularly monitor your margin lending facility so you can take steps to avoid a margin call or quickly respond to one to reduce potential losses, and so you are aware of any changes to the terms of your margin lending facility (such as interest rates and the loan to value ratios).
- You may be required at short notice to repay some or all of a loan or sell the investment securing that loan.
- In certain circumstances we may sell part, or all, of your investment securing a loan without giving you any prior notice.

The issuer of NAB Super Lever is National Australia Bank Limited (ABN 12 004 044 937) (**NAB**). NAB is a financial services organisation providing products, advice and services through our major Australian franchise and business in the United Kingdom, New Zealand, Asia and United States. On application, NAB can provide you with a margin lending facility.

Before issuing a margin loan we are required by law to assess whether it is not unsuitable for you. If your loan is approved we will send you a copy of this assessment on request.

2. Benefits of the NAB Super Lever

NAB Super Lever may provide the following benefits:

Increase investment returns

Using a margin loan to increase your investment portfolio means you can potentially generate greater investment returns on your equity as the value of your investments increase.

Increase portfolio diversity

By borrowing you have more money to invest. This allows you to either increase your exposure to one investment or increase your exposure to different investment themes and spread your investment risk.

Limited recourse

Each loan under the NAB Super Lever Facility is limited recourse. This means that if a loan is in default, only the investments held as security can be used by NAB to repay an outstanding loan balance.

Taxation & interest deductibility

Depending on your investment choices and your individual circumstances, the use of margin lending to help fund your investments may provide tax benefits. Before proceeding, you should seek advice from your tax adviser.

3. How NAB Super Lever works

NAB will give you a loan to invest in approved shares or managed funds and will hold that investment as security against that loan. Whilst we hold your investment as security for the relevant loan, you will still retain beneficial ownership of the purchased asset.

The investments used as security for your loans may be sold to satisfy a margin call or repay your loans.

Difference between NAB Super Lever and a traditional margin loan

Unlike a traditional margin loan, the NAB Super Lever:

- applies a loan to value ratio to each loan and the investment related to that loan, rather than to the overall margin lending facility and your overall portfolio;
- does not allow you to lodge additional security to meet a margin call (but a guarantor may lodge additional security including cash);
- does not allow you to increase an existing loan balance by withdrawing cash for any purpose;

- requires that you make a cash contribution. A guarantor may lodge cash or additional approved investments so that the loan to value ratio is met. You may not borrow money from any lender to make the cash contribution.

Ownership and control of investments

The NAB Super Lever involves the investment trustee purchasing investments on your behalf and being registered as legal owner of those investments.

You are entitled to all distributions, dividends or payments of interest received by the investment trustee in relation to an investment securing a loan unless NAB has directed on your behalf that it be applied in reduction of amounts owing in respect of the relevant loan. However, so long as you owe money under a loan, you will not be able to give the investment trustee instructions or directions in respect of the investment securing that loan without NAB's consent. During this time NAB is entitled to instruct the investment trustee on your behalf as to how the relevant investment will be dealt with, including, for example, how voting rights will be exercised.

Any proceeds from disposal of any investment will be applied in payment of our and the investment trustee's costs and expenses and the amounts owing to NAB in respect of the relevant loan.

How much can you borrow?

The amount you can borrow is determined by the type and value of the shares or managed investments you purchase with the proceeds of a loan. The amount you can borrow is also limited by your NAB Super Lever facility limit and transaction limit.

NAB will lend different amounts against different types of security. To determine the maximum amount you can borrow we will apply a percentage, known as a Loan to Value Ratio (**LVR**), to the market value of the relevant investment.

The LVR we apply to shares and managed funds can range from 40% to 60% depending on the type and nature of the investment. We may change an LVR at any time, including by reducing it to zero.

NAB has an extensive list of approved shares and managed funds that you can use as security.

! You should read the important information about NAB's Approved Investment List before making a decision to invest.

Go to www.nab.com.au/nelapprovedlist or call us on 1300 135 145 to obtain a copy at no charge.

The material relating to the Approved Investment List may change between the time when you read this statement and the day you sign the application form.

Example

Let's assume you want to buy $200,000 of XYZ Ltd shares using a margin loan with NAB. NAB's LVR on XYZ is 50%.

The maximum possible loan to support this transaction is 50% of $200,000 – that is $100,000. Let's assume you choose to borrow $80,000. If you provide the required balance of $120,000, you can now purchase $200,000 of XYZ shares (note that any brokerage has not been taken into account in this example).

Facility limit

NAB will also approve and apply an overall facility limit to your NAB Super Lever facility. Your facility limit represents the maximum amount that NAB will lend you based on your application. Your facility limit is assessed based on audited financial information provided by you about your SMSF.

Transaction limit

NAB will not advance funds to you if, the sum of the value of the investments to be purchased with the proceeds of that advance and the aggregate value of the financed investments forming part of the secured property in respect of all loans then outstanding under the NAB Super Lever facility may at any time, exceed the total value of the net assets of the fund.

Loan calculator

For more information on how margin lending facilities work and to calculate the amount you can borrow from NAB use the MoneySmart loan calculator at https://www.moneysmart.gov.au/tools-and-resources/calculators-and-tools/margin-loan-calculator

Details of the rights and obligations of borrowers under the NAB Super Lever Facility are contained in the NAB Super Lever Facility Terms. You should read this document carefully before deciding whether to apply for NAB Super Lever.

The NAB Super Lever Facility Terms are available at **nab.com.au/nelterms** or by calling us on **1300 135 145** to obtain a copy at no charge.

4. What is a margin call?

It is important to understand that for each loan under your margin lending facility the security value of the investment securing that loan should always exceed the balance of that loan. If the value of that investment drops so that its security value is less than its outstanding loan, a shortfall will occur. This may result in you, or NAB on your behalf, having to take action to correct your borrowing position.

Buffer zone

NAB will allow you to have a small shortfall, or buffer, on each loan. The maximum shortfall, or buffer, is calculated as 15% of the market value of the investment securing the particular loan.

Margin calls

If, in respect of a loan, your borrowing or 'gearing' level is too high, we will ask you to take steps to reduce it. This is called a 'margin call'. If you receive a margin call, you may need to repay some, or all, of the relevant loan or arrange for a guarantor to lodge cash or additional approved investments as security at short notice.

In the event of a margin call we will attempt to contact you, or contact your financial adviser if you have authorised them to speak to us on your behalf. You, or anyone authorised to act on your behalf, must remain contactable at all times.

Here are a few scenarios based on the previous example:

In scenario 1 a $80,000 loan has been used to help acquire $200,000 of an investment with a 50% LVR. You have contributed the required additional $120,000 to complete the transaction.

In scenario 2 an increase in the value of your investment by 10% to $220,000 increases both your security and buffer values. Your equity in the arrangement equals the difference between the investment's market value and the loan balance. Assuming a constant loan balance, your equity in the arrangement has increased by $20,000 to $140,000.

In scenario 3 the value of your investment has dropped by 30%, from its original position of $200,000, to $140,000. The security value has reduced to $70,000, but combined with the buffer value of $21,000, still exceeds the loan balance of $80,000. At this stage NAB would not require you to take corrective action.

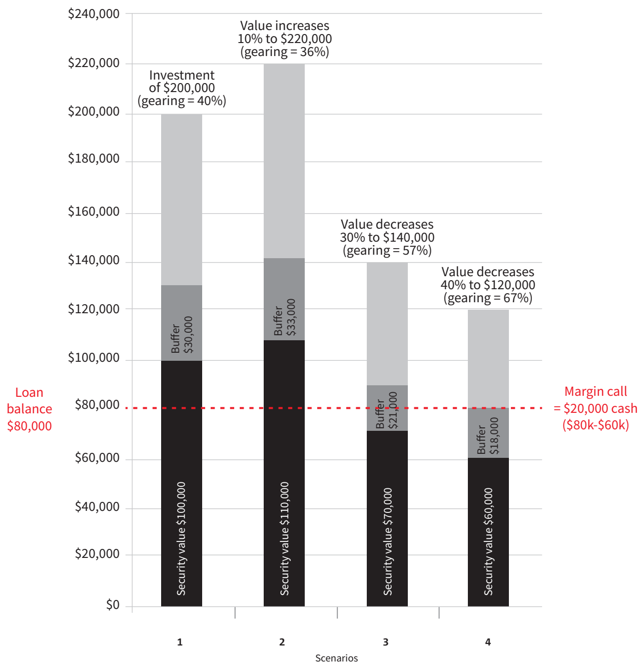
In scenario 4 the value of your investment has dropped by 40% from its original level of $200,000 to $120,000. Its security value plus buffer now total $78,000, which is below the associated loan balance of $80,000. This means your Facility is now in a "margin call" position. The value of the margin call in this example is $20,000, ie: the difference between the loan balance of $80,000 and the security value of $60,000.

Events that can trigger a margin call

- The market value of the investment falls too far (as described above).
- We reduce the LVR assigned to the investment.
- We remove the investment from our list of approved investments.
- A reduction in the buffer %.
- An increase in your loan balance (for example, due to capitalised interest or fees).
- A failure to make required payments such as interest.
- Any combination of these.

Market movements and margin calls

The example below demonstrates how changes in the market value of the investment securing your loan can impact its security value and result in a margin call.



Notes: The exact fall in value required to trigger a margin call from position (1) is 38.5%
Position (4) represents a 40% fall from position (1); resulting is a margin call of $20,000

Security LVR% = 50%
Buffer% = 15%
Security Value = LVR% x Market Value
Buffer Value = Buffer % x Market Value
Margin Call Trigger = Loan more than (Security Value + Buffer Value)
Margin Call Value = Loan – Security Value
Gearing = Loan/Market Value

5. The risk of losing money

Whilst a margin loan can increase your gains, it can also magnify your losses. As NAB Super Lever is a limited recourse margin loan, your loss is limited to the investments purchased with funds advanced under the NAB Super Lever facility.

If an investment is sold, the sale proceeds will be applied in payment of our and the investment trustee's costs and expenses and the amount outstanding in respect of the relevant loan. The funds that remain after the loan is repaid is your equity. In combination with any investment income received, this may be less value than the value of your original contribution.

Some of the key risks of the NAB Super Lever are listed below.

- **The security ratio (LVR) assigned to the investment may be reduced**, which could cause your loan to go into margin call.
- **Investment may be removed from Approved List**, which could cause a position to go into margin call.
- **Property may be sold** if a margin call occurs and you choose not to correct it. More specifically:
  - part or all of the financed investment may be sold; and
  - if guarantor security has been provided to support a facility limit, part or all of the guarantor security may be sold; but only after the financed investment has been completely sold.
- **Increasing interest rates, falling investment income and failure to receive returns on your investment** may result in your interest repayments being greater than your investment returns, and you may then be unable to meet your interest payments. If your margin loan has no extra capacity to support the capitalisation of loan interest, you must have sufficient cash reserves in your SMSF to pay the loan interest when it is due. If you do not manage your loan interest obligations, a margin call may be triggered.
- **You may need to liquidate other SMSF assets** if you do not have sufficient cash reserves within your SMSF to fund loan interest or margin call payments.
- **Changes in tax laws** may have an adverse effect on your tax or financial position. You should seek advice from your tax adviser in order to mitigate this risk.

Tax matters to consider

There is a range of tax matters which we recommend you consider and upon which we recommend that you seek professional advice. These matters could present as risks for you if they are not properly taken into account. They include:

- The accessibility of income that flows through the investment trust to you;
- Deductibility of your interest payments;
- The cost base of your investment for CGT purposes;
- The treatment of any capital gains that you make on your investment, including the availability of a discount on any capital gains;
- The debt forgiveness rules; and
- Contributions tax.

If you do not comply with the NAB Super Lever Facility Terms (a default event), you may be required to repay all or part of your margin loan (subject to the limitation on our recourse described above) and we may sell the investment. It is important that you read the NAB Super Lever Facility Terms and manage your loan on a regular basis.

Investment strategy for superannuation funds

You should be aware of your obligation as trustee of a superannuation fund to formulate and implement an appropriate investment strategy that has regard to the whole circumstances of the fund and to act in the best interests of the members of the fund.

This includes ensuring you are familiar with the risks involved in, and have in place adequate risk management procedures to manage the risks associated with, borrowing to fund an investment.

Relevant to this consideration will be the risks of a leveraged investment and factors such as the diversification of the assets of the superannuation fund and the overall level of gearing of the fund.

For more information regarding margin lending go to: https://www.moneysmart.gov.au/investing/borrowing-toinvest/margin-loans#how. This material is general information regarding a traditional margin loan and does not include the features unique to NAB Super Lever Facility as noted in part 3 of this PDS.

You should read the information about margin loans before making a decision.

Go to https://moneysmart.gov.au/investing borrowing-to-invest/margin-loans#how

This material may change between the time when you read it and the day you sign the application form.

6. The costs

This section does not show any dollar amounts for the costs involved with a NAB Super Lever Facility.

Interest rates can change on a daily basis. Any fees charged may depend on the nature of your SMSF trustee, or the way you use the service. Adviser remuneration will depend on what you agree directly with your adviser.

For current interest rates and fees go to **www.nab.com.au/nelrates** or call us on **1300 135 145** to obtain a copy of this information at no charge.

Interest

We offer fixed and variable interest rates. Interest will be calculated daily on the outstanding amount and you must pay accrued interest monthly in arrears if you have a variable rate loan. Fixed interest rates are available at the time of your loan application and do not change for the period of time that you nominate.

Default interest may be charged on any loan amount that exceeds the approved facility limit and otherwise if you default under the Facility Terms. Default interest is charged at NAB Equity Lending's published variable rate for loans of less than $250,000 plus a margin of 2.0% (p.a.). Therefore, if the variable rate for loans less than $250,000 changes, so will the default interest rate.

Fees

There is a fee to review the SMSF trust deed. There are no other application fees, establishment fees or account fees payable unless you are a Tasmanian resident. Fees may be varied by us.

Your financial adviser may charge fees for advice. The settlement of share transactions will include brokerage.

Economic costs

Early repayments of a fixed rate loan (including a conversion to a variable rate loan) may be subject to payment of economic costs.

These represent a reasonable estimate of costs that we incur if you terminate a fixed interest rate loan early.

Adviser remuneration

We may pay a commission to your financial adviser when the margin loan is initiated and for the period that it is maintained. If you invest in a fund at the recommendation of your financial adviser, your financial adviser may also receive a commission from the fund manager.

For further information on what commission may be paid, see the Statement of Advice provided to you by your financial adviser.

Your financial adviser will not receive any commission for this service where your account commenced after 1 July 2014. However, we may still make payments to your financial adviser or their dealer group that are permitted by law under arrangements that were in place before the Future of Financial Advice reforms.

! You should read the information about the interest, fees and costs that may be applied to your margin loan before making a decision.

Go to nab.com.au/nelrates.

The material relating to the current interest rates and other information about the fees and costs that may be applied may change between the time when you read this statement and the day you sign the application form.

7. How to apply

You may apply directly, or through a financial adviser. Before applying you may wish to speak to a financial adviser to see if margin lending is suitable for you.

You can:

1. Download a copy of the NAB Super Lever Application Kit from our website at nab.com.au/equitylending.
2. You can contact our Client Service Team on 1300 135 145 to request a NAB Super Lever Application Kit be sent to you via the post. We will send this to you at no charge.

Problems or disputes

If you have a problem or dispute regarding your NAB Super Lever Facility contact NAB on 1800 152 015, or ask at any NAB branch.

If you subsequently feel that an issue has not been resolved to your satisfaction, you may be able to raise your concerns with the Australian Financial Complaints Authority if you are an individual or small business customer covered by the Service.

Australian Financial Complaints Authority
GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 931 678
Website: www.afca.org.au

Want more information?
Just call

1300 135 145

Email **equity.lending@nab.com.au**
or visit us at **nab.com.au/equitylending**