

Guide to a Westpac Online Investment Loan.

Help when
it matters



Contents.

Features at a glance.	4
What is a margin loan?	4
The benefits of a Westpac Online Investment Loan.	5
Increase your investment returns.	5
Portfolio diversification.	5
Unlock the equity in your existing investments.	5
Avoid missing an investment opportunity.	5
Investing made easy.	5
Margin lending and taxation benefits.	5
Understanding the risks.	6
How a Westpac Online Investment Loan works.	6
Which investments can I borrow against?	6
How much can I borrow?	6
The multiplier effect.	7
Using cash as your initial equity contribution.	7
Interest rate options.	8
Variable rate.	8
Fixed rate.	8
Loan repayment options.	9
Reporting and statements.	9
Fees.	9
What is the buffer?	9
What is a margin call?	9
Applying for a Westpac Online Investment Loan.	11
Who can apply?	11
How do I apply?	11
Loan approval.	11
Glossary.	11

Features at a glance.

General	
Who can borrow?	Investors who are: <ul style="list-style-type: none"> • Australian residents for tax purposes; and • Individuals or joint individuals; and • 18 years of age and over; and • not holders of a Significant Investor Visa (188C)
Credit assessment	Loans are subject to approval and require credit assessment. When you request a Credit limit, we'll assess your financial situation to determine whether the Credit limit is not unsuitable for you.
Acceptable investments	Choose from a range of listed securities and managed funds on our Acceptable Securities List.
Loan features	
Minimum Credit limit	\$20,000
Loan structure	Your loan facility will consist of a variable interest rate loan and you may request any number of fixed interest rate loans.
Fixed interest rate options	Fixed interest rates are available for terms ranging from 3 months to 5 years.
Interest payment options	Variable interest can either be paid by direct debit or capitalised to the loan (subject to you having sufficient Funds available). Fixed interest can either be paid by direct debit, BPAY, direct credit or capitalised to the loan.
Repayments	No regular repayments are required provided your outstanding loan balance remains at or below your Borrowing Limit and Credit Limit .
Buffer	To ensure that small fluctuations in the market value of your security do not trigger a Margin Call , a 10% Buffer is applied to the market value of each Acceptable security.
Margin call alerts	You can choose to be alerted via SMS or email (or both) if your margin loan nears or has reached a Margin call.
Fees and other costs	
Establishment fee	Nil
Transaction fee	Nil
Account keeping fee	Nil
Keeping you informed	
Paper reporting	Quarterly Margin Loan statement
Online	Online access to your account via onlineinvesting.westpac.com.au/login , 24 hours a day, seven days a week.

What is a margin loan?

A margin loan is a loan designed specifically for investors looking to **borrow money to invest** in shares and managed investments. Just like borrowing to invest in property where the property is security for the loan, a margin loan is secured by your shares and managed investments.

The amount you're able to borrow at any point in time is determined by your pre-approved credit limit, the current value of your secured portfolio, and the **Loan to Value Ratio** assigned to each acceptable security.

The Westpac Online Investment Loan is a margin loan which is conveniently linked to a Westpac Online Investing account, making it easy to buy shares with borrowed money.

The benefits of a Westpac Online Investment Loan.

Increase your investment returns.

A Westpac Online Investment Loan gives you access to a larger amount of capital, allowing you to invest more than would be possible using just your own money. With more money to invest, you can build a larger portfolio and increase your potential for greater capital gains and investment income.

Portfolio diversification.

Diversification is a recognised strategy to potentially reduce investment risk without potentially sacrificing long-term returns. Because a margin loan gives you more money to invest, you can spread your investment across a broader range of assets or industry sectors to build a more diversified portfolio.

You can choose from a broad range of investments from our **Acceptable Securities List** which includes shares and managed funds.

Unlock the equity in your existing investments.

Because you can borrow money against your existing investments, a margin loan enables you to access money for investment purposes without having to sell your investments and therefore not trigger a capital gains tax event.

Avoid missing an investment opportunity.

A Westpac Online Investment Loan will let you take advantage of investment opportunities as they arise by providing ready access to investment capital. It means when an investment opportunity arises you can quickly implement your strategy.

Investing made easy.

Buy and sell shares through your linked Westpac Online Investment account and enjoy the convenience of your share trades settling automatically and seamlessly through your Westpac Online Investment Loan. You can keep track of your loan, trades and portfolio in the one place 24 hours a day, 7 days a week.

Margin lending and taxation benefits.

Tax-deductible interest.

Investors may be able to claim their loan interest expenses as a tax deduction to the extent that borrowed funds are used to acquire assets for the purpose of deriving assessable income such as dividends and income distributions.

Tax planning.

Choosing a fixed interest rate and prepaying the interest yearly in advance may allow you to bring your tax deduction forward to the current financial year.

Franking credits.

Australian shares often pay franked dividends, which yield imputation credits. Subject to your personal circumstances, these credits may be available to offset other tax liabilities. The utilisation of franking credits is subject to the holding period rule.

Please note we cannot give tax advice. Any tax commentary outlined in this Guide is general information only. Any such tax issues do not consider your specific circumstances and do not constitute tax advice. As such, you should not place reliance on any such taxation considerations included within this Guide as a basis for making your decision to acquire a Westpac Online Investment Loan. As the tax implications of a Westpac Online Investment Loan can impact individual situations differently, you should seek specific taxation and or financial advice from a registered tax agent or registered tax (financial) adviser about any liabilities, obligations or claim entitlements that arise, or could arise, under a taxation law now and in the future.

Understanding the risks.

Like any investment, investing with a Westpac Online Investment Loan involves risk. Some of the main risks are:

- While borrowing to invest can increase your potential for greater returns, it can also increase the potential for greater losses if your investments perform poorly. If the value of your portfolio falls, your losses will be greater than if you had only invested your own money.
- In a volatile market, the value of your investment loan portfolio may fall to a level where it no longer provides adequate security for your investment loan. If this happens, there may be a **Margin Call** and you'll have to find an alternative source of funds to repay the investment loan.
- If a Default Event occurs under the terms of your investment loan you may be required to repay all or part of your investment loan or we may sell or otherwise deal with any securities or other assets mortgaged to us. **For a full list of Default Events please refer to Clause 31 of the Westpac Online Investment Loan Facility Agreement.**
- We may reduce the **Loan to Valuation Ratio** or the **Buffer** that applies to some or all of your securities at any time (including reducing them to zero) without notice to you. This may result in a **Margin Call**.
- We can vary the interest rate applicable to your investment loan at any time (except on any amount for which you prepaid interest or have entered into a fixed interest rate). If the interest rate rises, your interest repayments may be more than your investment returns, and you may not be able to meet your interest payments. This may result in a **Margin Call**.
- You could lose any other assets you have provided as security for your investment loan.
- Dividends and other payments you anticipate receiving from your investments may not be paid, available or otherwise correspond with interest payments that must be made on your investment loan. In such circumstances, you may need to rely on an alternative source of funds to meet interest payments.
- Your liability in relation to your investment loan (including your obligation to pay us amounts outstanding) is not limited to the proceeds received from the sale of the mortgaged property. If we don't recover all money owing to us through such a sale we may, subject to the security arrangements we have in place, recover the balance from you personally.
- There are a number of uncertainties including tax laws (and the administrative treatment of tax laws) that may change in the future. If this happens, it may have an adverse impact on your tax position and this may negatively affect your financial position. You should seek advice from an independent taxation and or financial adviser on the tax and financial consequences of entering into a Westpac Online Investment Loan.

How a Westpac Online Investment Loan works.

A Westpac Online Investment Loan is integrated with a Westpac Online Investing account allowing you to buy and sell shares with each trade settling automatically through your loan. Once your Margin Loan is established you can transfer in **Acceptable Securities** or cash as your initial equity contribution.

Which investments can I borrow against?

A Westpac Online Investment Loan will allow you to borrow against a broad range of shares and managed investments on our **Acceptable Securities List**. Each **Acceptable Security** is listed with a **Loan to Value Ratio** which is the maximum that we will lend against that security expressed as a percentage of its value.

The **Loan to Value Ratios** of our **Acceptable Securities** generally range from 30% to 75%. In response to market conditions, the Loan to Value Ratios are subject to change (and may be reduced to nil) at the discretion of Westpac and without notice to you. You will be able to view the current LVR of each of your secured investments at any time by logging in to your Westpac Online Investing account.

We will publish a new **Acceptable Securities List** each month and highlight all changes since the previous list. You can download a copy of our latest **Acceptable Securities List** from westpac.com.au/personal-banking/investments/loans/investment-loan or by contacting our Customer Relations team on 1300 551 744.

How much can I borrow?

At any time you can borrow up to the lower of your approved **Credit limit** and your **Borrowing limit**.

Your **Borrowing Limit** is the maximum Loan balance allowed based on what investments you have provided as security. It is calculated by multiplying the LVR of each secured investment by its current market value and as the market value of your investments changes daily so too will your Borrowing Limit. For example, if the value of your secured investments increases or decreases by 10%, your Borrowing limit will also increase or decrease by 10% provided the LVRs remain the same.

Your **Funds Available** is the cash amount you can borrow to make additional investments and is calculated as follows:

Funds Available = Credit limit or Borrowing limit (whichever is lower) - Loan balance

Example:

Your Westpac Online Investment Loan currently has a \$0 balance and your Credit limit is \$200,000.

Your secured investment portfolio has a market value of \$100,000 and comprises the following investments:

Investments	Market Value	LVR	Borrowing limit
Share A	\$60,000	70%	\$42,000 (\$60,000 x 70%)
Share B	\$40,000	60%	\$24,000 (\$40,000 x 60%)
Total	\$100,000	66%	\$66,000

As your Borrowing limit (\$66,000) is less than your Credit limit (\$200,000), and your Loan balance is \$0, your Funds available will be calculated as follows:

$$\begin{aligned} \text{Funds available} &= \text{Credit limit or Borrowing limit (whichever is lower)} - \text{Loan balance} \\ &= \$66,000 - \$0 \\ &= \$66,000 \end{aligned}$$

This means you can borrow up to \$66,000 to invest, however you may be able to borrow more than \$66,000 if you choose to invest in shares or managed funds on our Accepted Securities list. See 'The multiplier effect' below.

The multiplier effect.

If you choose to use your **Funds Available** to buy an Acceptable Security with a LVR, the maximum amount you can borrow to invest in the security will generally be a multiple of your Funds Available. This is because your new investment will also become part of your secured portfolio and your Borrowing limit will increase as a result. This multiplier effect means that you could potentially borrow up to four times the amount of your Funds available depending on the LVR of your new investment and your Credit limit. The formula you can use to work out how much you can borrow if you're investing in an Acceptable security is as follows:

$$\text{Amount you could borrow} = \frac{\text{Funds available}}{1 - \text{LVR of the security you wish to invest in}}$$

Example:

As shown in the earlier example, your investment portfolio is valued at \$100,000 and you have Funds available of \$66,000. Let's say you wish to buy shares in XYZ Ltd which has a LVR of 75%. The maximum amount you could borrow would be calculated as follows:

$$\text{Amount you could borrow} = \frac{\text{Funds available}}{1 - \text{LVR}} = \frac{\$66,000}{(1 - 0.75)} = \frac{\$66,000}{0.25} = \$264,000$$

Your current Funds available of \$66,000 would allow you to borrow \$264,000 to invest in XYZ Ltd shares with the shares in XYZ included as security. However, as your Credit limit is \$200,000 and Loan balance is \$0, you would only be permitted to borrow a maximum of \$200,000 to invest in XYZ Ltd.

Using cash as your initial equity contribution.

If you are not providing any existing investments as security you will be required to make an initial cash contribution. Once again the maximum amount you can borrow to invest will be determined by your Credit limit and the LVR of the security you intend to invest into. You can work out how much you can borrow and invest by applying the following formula:

$$\text{Total amount you can invest} = \frac{\text{Initial cash contribution}}{1 - \text{LVR of security you wish to invest in}}$$

$$\text{Total amount you can borrow} = \text{Total amount you can invest} - \text{Initial cash contribution}$$

Example:

You currently have \$30,000 cash which you would like to invest in ABC Ltd which has a LVR of 70%. The amount you could borrow and invest in ABC Ltd is as follows:

$$\text{Total amount you can invest} = \frac{\text{Initial cash contribution}}{1 - \text{LVR of security}} = \frac{\$30,000}{1 - 0.70} = \$100,000$$

$$\begin{aligned} \text{The total amount you can borrow} &= \text{Total amount you can invest} - \text{Initial cash contribution} \\ &= \$100,000 - \$30,000 \\ &= \$70,000 \end{aligned}$$

In this example, a \$30,000 cash contribution would allow you to borrow \$70,000 to invest in ABC Ltd. The value of your investment would be \$100,000 and your Loan balance would be \$70,000.

Interest rate options.

Your Westpac Online Investment Loan will automatically be established as a variable rate loan. At any time you may establish one or more fixed interest rate loans with a choice of terms and flexible interest payment options. Depending on your personal circumstances interest paid on your loan may be claimed as a tax deduction in the current tax year[^].

Variable rate.

Interest is calculated daily on the balance of your variable rate loan and charged monthly in arrears. Interest charges may be capitalised to your variable rate loan or direct debited from a nominated bank account. The variable interest rate is subject to change at any time.

Fixed rate.

At any time you may request for a portion of your variable rate Loan balance to be transferred to a fixed rate loan. Our fixed interest rates are available for terms ranging from 3 months up to 5 years with the option for interest to be charged monthly in arrears or prepaid yearly in advance. Fixed interest charges may be capitalised to your variable rate loan or direct debited from a nominated bank account. The interest rate you will be charged will not change over the term of your fixed loan. On the expiry of your fixed rate loan you will have the option to rollover the balance to a new fixed rate loan or allow the balance to be transferred back to your variable rate loan.

Example:

You establish a Westpac Online Investment Loan and draw down \$100,000 to buy shares. You have a variable rate loan with a balance of \$100,000 at a variable interest rate of 5.00% per annum*.

It suits your circumstances to convert a portion of your loan to a fixed interest rate and prepay the interest. You decide to transfer \$80,000 to a fixed rate of 5.10% per annum for 12 months. The annual interest on your fixed rate loan is \$4,080 (\$80,000 x 5.10%) – and you decide to capitalise the amount to your variable rate loan.

You now have two loans under the one margin loan facility:

- a fixed loan of \$80,000 for 12 months
- a variable rate loan of \$24,080 (\$100,000 less \$80,000 plus \$4,080 interest).

The balance of your margin loan is now \$104,080

* Variable interest rate is subject to change by providing you sufficient notice.

Different interest rates apply to variable and fixed rate loans. For details of our current interest rates please visit westpac.com.au/personal-banking/investments/loans/investment-loan or contact our Customer Relations team on 1300 551 744.

[^] Investors may be entitled to claim interest as a tax deduction to the extent that borrowed funds are used to acquire assets for the purpose of deriving assessable income. Prepaying interest allows investors to fix an interest rate for up to 5 years AND prepay up to 12 months of interest in the current financial year.

Loan repayment options.

With a Westpac Online Investment Loan there are no set monthly loan repayments. You may make a repayment to your variable rate Loan balance at any time by electronic transfer or BPAY. If you have a bank account linked to your loan you may request a repayment via direct debit by contacting our Customer Relations team on 1300 551 744.

Your variable rate loan will also be credited with the sale proceeds of any secured investments that you sell. If the proceeds from the sale of your investments is greater than your outstanding variable Loan balance, your variable loan will have a credit balance. You may request to transfer any credit balance to your nominated bank account. Please note that no interest is earned on credit Loan balances.

Fixed rate loans cannot be repaid early unless you make a specific request to break the fixed loan. If your fixed rate loan is repaid early, any interest you have already paid will be forfeited and break costs may be payable.

Reporting and statements.

You can keep track of your loan, trades and portfolio in the one place 24 hours a day, 7 days a week. Simply log in to your linked Westpac Online Investing account via onlineinvesting.westpac.com.au/login

You'll also receive quarterly statements in relation to your Westpac Online Investment Loan.

Fees.

There are no establishment, account keeping or transaction fees.

What is the buffer?

As investment markets are by nature volatile, a 'Buffer' is added to the LVR of each Acceptable Security to ensure small fluctuations in the market value of your investments do not result in a **Margin Call**. It is especially useful if you have borrowed up to the maximum permitted. The **Buffer** gives you time to take the appropriate actions to return your loan to a suitable security position and reduce your chance of a **Margin Call**.

The **Buffer** is based on a percentage of the market value of each investment held as security on your Westpac Online Investment Loan. The **Buffer** is currently set at 10% of the market value of each security, although we may change it at any time, including reducing it to zero.

What is a margin call?

From time to time, your loan may exceed your **Borrowing Limit** for a number of reasons including a fall in the market value of your investments, changes to investment LVRs, or delisting of a company. If your **Loan Balance** exceeds your **Borrowing Limit** by more than the allocated **Buffer**, a **Margin Call** will be triggered. If this occurs, you will be contacted either by email and/or SMS (as per your preferred contact method nominated by you), however it is important that you proactively monitor your loan position regularly.

When a **Margin Call** is made, you will be required to restore your loan back to your **Borrowing Limit** by doing one of the following by 2pm (Sydney time) on the following business day:

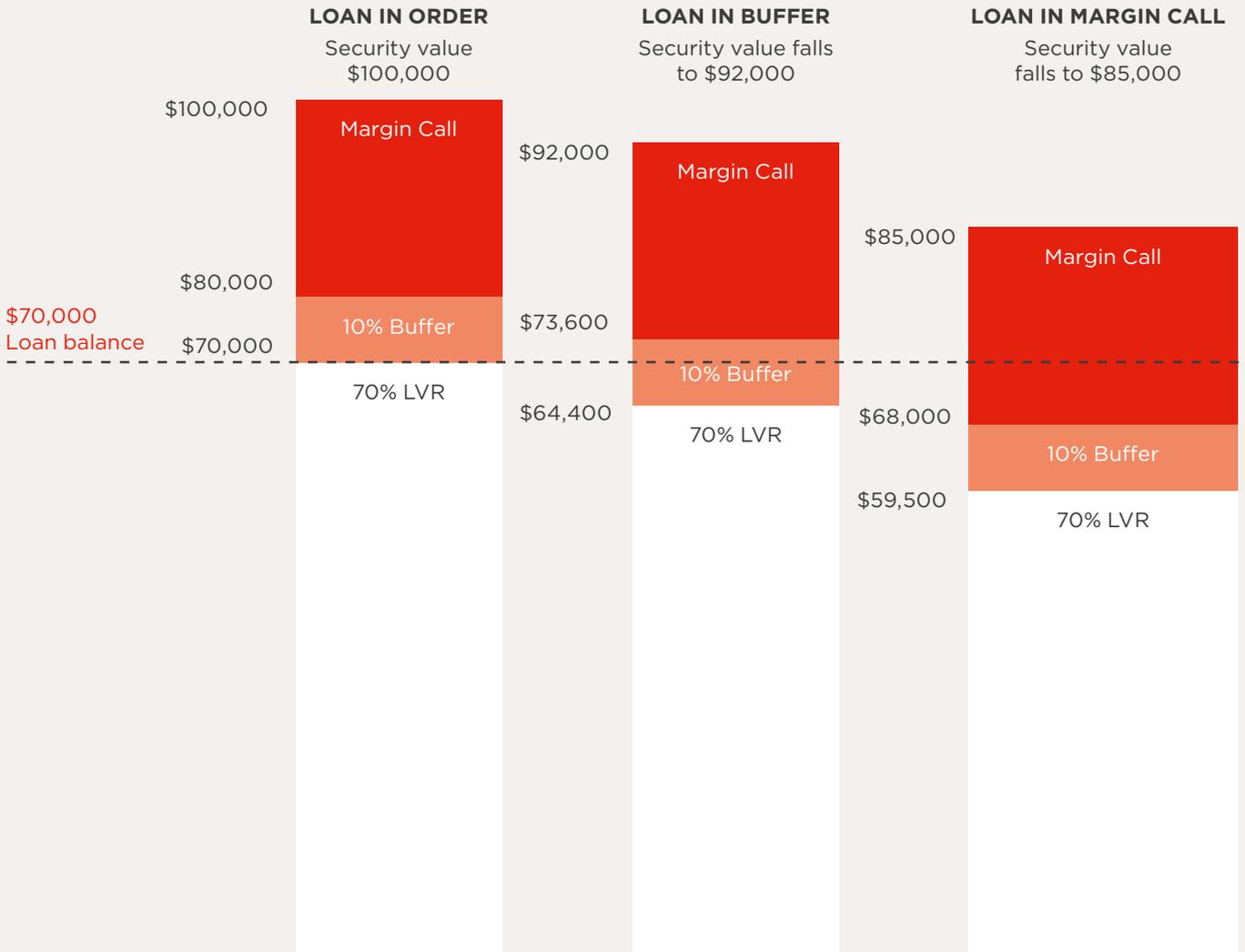
1. Make a loan repayment to reduce your outstanding Loan balance; or
2. Transfer/lodge additional approved securities (held externally) into your Westpac Online Investment Loan to increase your **Borrowing Limit**; or
3. Sell securities held on your Westpac Online Investment Loan to repay a portion of the loan; or
4. Any combination of the above.

Please note that if you are required to clear a **Margin Call**, you must restore your loan to the **Borrowing Limit**. Returning your loan back to within the **Buffer** will not be sufficient.

If you don't clear your **Margin Call** in full within the required timeframe, Westpac may sell some or all of the investments held as security to reduce the outstanding Loan balance to your **Borrowing Limit**.

Example:

You have decided to invest \$100,000 in ABC Ltd shares (which has a 70% LVR) by contributing \$30,000 cash and borrowing the maximum of \$70,000 (70%). The value of the investment subsequently falls in value to \$92,000, placing your loan inside the 10% Buffer. At this point no action is required, however it is recommended you monitor your loan and take action to avoid a Margin Call. The value of your ABC Ltd shares falls further to \$85,000 resulting in your Loan Balance exceeding the 10% buffer. A Margin Call of \$10,500 (\$70,000 Loan balance - \$59,500 borrowing limit) is triggered requiring you to make a loan repayment of \$10,500 to reduce your loan to the \$59,500 Borrowing Limit. Alternatively, you may increase your Borrowing limit by lodging additional Acceptable Securities or by selling a sufficient amount of security.



Margin Call = \$10,500 (\$70,000 loan balance less borrowing limit of \$59,500)

Applying for a Westpac Online Investment Loan.

Who can apply?

Individuals and joint individuals who are:

- 18 years and over; and
- Australian residents for tax purposes; and
- reside in Australia; and
- are not holders of a Significant Investor Visa (188C)

How do I apply?

Applying for a Westpac Online Investment loan is simple and can be completed online.

It's important that you fully understand how a margin loan works, the terms and conditions and all the risks associated with a Westpac Online Investment Loan. You will be required to read and agree to the information contained in the Westpac Online Investment Loan PDS, the BT Securities Limited Financial Services Guide and the Westpac Online Investment Loan Facility Agreement.

Loan approval.

Westpac is committed to responsible lending practices and conducts a comprehensive assessment process which includes credit reporting body and affordability verification. Westpac will contact you to notify you of the decision and may contact you requesting additional information.

Westpac will provide you with a Credit limit as determined by its assessment of your income and financial commitments.

Glossary.

'Acceptable Security/Securities' means an investment (i.e. share or managed investment) appearing on the Acceptable Securities List with a Loan to value ratio that you can lodge as security or collateral against your margin loan.

'Acceptable Securities List' means a list of all investments, and their Loan to value ratios, that you can borrow against with your margin loan.

'Borrowing Limit' is the maximum your Loan balance can reach based on the securities in your portfolio (different from your Credit limit – see below). It's calculated by multiplying each investment's market value by its LVR. The Borrowing limit will fluctuate based on changes in the market value and LVR.

'Buffer' is an amount above your Borrowing limit, which allows you to manage small market fluctuations without triggering a Margin call.

'Credit Limit' is the maximum amount we are prepared to lend to the borrower under the Facility, as varied from time to time. The credit limit you request in your application is subject to approval based on an assessment of your financial position.

'Facility' is another way of referring to your margin loan account.

'Funds Available' means the amount available to draw down from your loan for further investment. This is determined by the lower of your Borrowing limit and Credit limit, less the Loan balance.

'Loan Balance' means, at any time, the difference between all amounts credited and all amounts debited to the Facility at that time including any amount that Westpac is obliged to lend to the borrower but has not yet made available.

'Loan to Value Ratio (LVR)' is the percentage of an investment's market value that we'll lend you. An LVR is allocated to each of the approved shares and managed investments held on your margin loan. These can be changed at any time without notice.

'Margin Call' occurs if your Loan balance exceeds your Borrowing limit by more than the buffer.

We're here to help.

 1300 551 744

 westpac.com.au

 investmentlending@westpac.com.au

Help when
it matters



Things you should know: This information is current as at 1 July 2020.

BT Securities Limited ABN 84 000 720 114 and Westpac Banking Corporation ABN 33 007 457 141 are together the issuers of the Westpac Online Investment Loan – Product Disclosure Statement ('PDS'). Securities trading with Westpac Online Investing is a service provided through Westpac Securities Limited by Australian Investment Exchange Limited ABN 71 076 515 930 AFSL 241400 ('Participant'), a participant of the ASX Group and Chi-X Australia. WSL is a subsidiary of Westpac Banking Corporation ABN 33 007 457 141 AFSL and Australian credit licence 233714 ('Westpac').

The Participant is not authorised to carry on business in any jurisdiction other than Australia. Accordingly, the information contained in this email is directed to and available for Australian residents only. You should read the Financial Services Guide ('FSG'), which provides you with the services the Participant and Westpac Securities can provide.

This information has been prepared without taking account of your personal objectives, financial situation or needs. For this reason, before acting on the information you should consider its appropriateness to your objectives, financial situation and needs and consider the disclosure documents which include the PDS. The PDS and other disclosure documents are relevant when deciding whether to acquire or hold this product and are available at westpac.com.au. Investment in securities and derivatives involves risk. Share prices rise and fall. The payment of dividends and the return of capital are not guaranteed.

© 2020 Westpac Banking Corporation ABN 33 007 457 141 AFSL and Australian credit licence 233714.

WBCW60705 0720