



NAB Equity Lending Risk Disclosure Statement

There are risks associated with using a NAB Equity Lending Facility to borrow on the security of *stocks* and *managed fund investments*. You should be aware of these risks before you enter into a NAB Equity Lending Facility. We have described some of these risks in the following paragraphs.

You should also carefully consider the NAB Equity Lending Product Disclosure Statement (PDS) and the Facility Terms as they contain important information regarding the terms and conditions that will apply to your NAB Equity Lending Facility and will help you understand this Risk Disclosure Statement.

Terms that are defined in the Facility Terms in italics have the same meaning in this statement.

We strongly recommend that you obtain independent professional advice as to the suitability of margin lending for you and the risks involved before you enter into a NAB Equity Lending Facility. You should not infer that we are providing personal investment or tax advice in making the *facility* available to you.

1. Borrowing on the security of *stocks* or *managed fund investments* exposes you to the volatility of the share market. If there is a decrease in the value of *stocks* or *managed fund investments* that you have borrowed against, your financial position may be significantly affected.

We may make a *margin call* if a fall in the value of *stocks* or *managed fund investments* in your portfolio causes the *current LVR* to be equal to or greater than the *margin call LVR* at that time.

It is important to note that *stocks* or *managed fund investments* other than *approved stocks* and *approved managed fund investments* will have a *security ratio* of zero.

If we make a *margin call* you may be required to provide additional security or funds on short notice (in many cases, by 2 p.m. on the business day after the *margin call* is made).

Unless you provide us with additional security or funds so that the *current LVR* is less than the *base LVR* by the *margin call deadline* we may sell some of your or the *guarantor's* (if any) *secured property* to meet the *margin call*.

2. There may also be circumstances where we require you to repay all of what you owe us. For example, we may require this if:
 - (a) you do not satisfy a *margin call*;
 - (b) any event occurs which in our opinion may materially affect your or the *guarantor's* (if any) ability to meet your or their obligations under the *facility*.

We may also require you to repay all of what you owe us at any time if we give you 5 business days notice.

There are other circumstances in which we can ask you to pay us all of what you owe us. You should familiarise yourself with these. (See clauses 10.2, 10.3 and 25.1 of the Facility Terms.)

3. In some cases, the value of *stocks* and *managed fund investments* that you have provided as *security*, may not be sufficient to repay the amount that you owe us. We may recover the remainder of what you owe us from you or the *guarantor* (if any) personally. We assign to each *stock* and *managed fund investment* a *security ratio*. The *security ratio* of a *stock* or *managed fund investment* is a percentage determined by us which reflects the amount that we may be prepared to lend against that *stock* or *managed fund investment*. The *security*



ratio that we assign to a *stock* or *managed fund investment* is not an indication by us as to the suitability of that *stock* or *managed fund investment* to form part of your portfolio or the financial prospects of that *stock* or *managed fund investment*. We may change the *security ratio* that we assign to a particular *stock* or *managed fund investment* in your portfolio at any time. This may cause a *margin call*. We will, via our website, give you notice of any changes in the security ratio used to calculate the security value of a *stock* or *managed fund investment* as soon as practicable after the change.

4. If you are intending to go away or will not be contactable for a length of time, you should make arrangements with us (for example, provide us with additional security) to reduce the risk of a *margin call* being made. In any case, if you cannot be contacted for a length of time, you should give us the name and contact details of a person who is able to be contacted in your absence and who is authorised by you to respond to a *margin call*. We will sell some of your *secured property* if we have taken reasonable steps to notify you of the margin call and you fail to meet that margin call. The sale of your secured property may occur even if you or your representative have not received notice of the margin call.
5. Gearing of your investments can magnify the gains and losses in the value of your portfolio. You should discuss with your financial or tax adviser whether gearing your investment is appropriate for you. If you do gear your investments you should be aware that you may not have received the income or the benefit of any tax deductions at the time you are required to pay interest owing. You should ensure that you always have adequate income, resources or borrowing capacity under the *facility* to meet any interest payments.
6. All *stocks* and *managed fund investments* that you or the *guarantor* (if any) have provided as security for your obligations under the margin lending *facility* or that you buy using funds advanced to you under the *facility* are mortgaged to us. Under the terms of the mortgage, all dividends, interest, allotments, offers, benefits, privileges, rights, bonuses, distributions or rights to take up *stocks* or *managed fund investments* are mortgaged to us and we must agree before you have access to these rights. If a default event occurs, we may sell the *stocks* or *managed fund investments* and keep that portion of the proceeds that you owe us. We will not release any mortgage you or the *guarantor* (if any) have given us under the *facility* until no amount is owing to us in connection with the *facility* by you or the *guarantor* (if any).
7. If you are borrowing through a company, each director of the company will be required by us to give us a *guarantee* of the company's obligations under the *facility*. This means that each director is personally liable for the company's obligations and individually bears all of the risks outlined above. Under the terms of the *guarantee*, we do not have to proceed against the company first before we can enforce our rights against directors.
8. We may pay commission to any person we choose (including any financial adviser or planner, any broker and any of our related entities). The payment of that commission is not an endorsement by us of that person and we do not, in any circumstances accept responsibility for any statement, act or omission of them, except where required by law.

In this Application, 'Facility Terms' means the terms and conditions of the NAB Equity Lending Facility Terms accompanying this Application, and 'NAB' means National Australia Bank Limited.