

Commonwealth Bank Geared Investments

Product Guidance

Effective date: March 2026



Important Information

This guidance wording for the Commonwealth Bank Geared Investments Loan is provided as a guide only for inclusion in a Statement of Advice (SOA). It is not a complete SOA. It does not take into account any particular individual's objectives, financial situation or needs. It does not provide you with a complete mechanism for complying with or demonstrating compliance with relevant advice-related obligations in the Corporations Act 2001 or elsewhere. It should be assessed in consultation with your own business rules and by your compliance department to determine its appropriateness for your client base and its compliance with the Corporations Act and other legislative or regulatory requirements.

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Commonwealth Bank Geared Investments Loans are issued by Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945. This product is administered by Commonwealth Securities Limited ABN 60 067 254 399 AFSL 238814 (CommSec), a wholly owned but non-guaranteed subsidiary of the Commonwealth Bank of Australia. CommSec is a Market Participant of ASX Limited and Cboe Australia Pty Limited, a Clearing Participant of ASX Clear Pty Limited and a Settlement Participant of ASX Settlement Pty Limited. Applications for Geared Investments Loans are subject to approval. Fees and charges apply. The information has been prepared without taking into account your objectives, financial situation or needs. For this reason, any individual should, before acting on this information, consider the

appropriateness of the information, having regards to their objectives, financial situation or needs, and, if necessary, seek appropriate professional advice. You can view the **Geared Investments Loan Product Disclosure Statement** and **Geared Investments Loan Terms and Conditions**, and should consider them before making any decision about these products and services.

There can be high levels of risk associated with trading in Options; only investors familiar with the risks of Options trading should consider these products. To trade Exchange Traded Options, a separate Options Trading account is required. Review the applicable Exchange Traded Options Target Market Determination

It is your responsibility to ensure that:

- You have the required authorisation to advise and deal in these financial products and strategies.
- These products are approved and appear on your licensee's approved product list.
- You meet the 'Know Your Product' and 'Know Your Client' obligations, as well as the best interests duty and all other advice related obligations in the Corporations Act 2001.
- Any clients are referred to the offer document when considering the Commonwealth Bank Geared Investments Loan.
- That any additional information or analysis, i.e. cash flow analysis, fee disclosure etc. is provided to the client in the required form to meet the reasonable basis of advice and SOA content requirements.

What is an Investment Loan?

An Investment Loan is a revolving line of credit that enables borrowing to invest in approved financial products – such as shares, managed funds, and exchange-traded funds (ETFs)– with existing investments or cash used as security. For companies or corporate trustees, the Commonwealth Bank Geared Investments Loan can be used to acquire financial products or acquire financial products in conjunction with other business or investment purposes, excluding residential property for investment purposes.

Unlike some other forms of lending, there is no set repayment schedule or due date for full repayment of the loan. Payments are required on the investment loan when:

- The loan balance exceeds the credit limit.
- There is a margin call, which occurs when the loan balance exceeds the margin call loan-to-value (LVR) or the maximum gearing ratio, which is determined by the security held and LVR applied to the security.
- The lender requires the loan to be repaid as per the Terms and Conditions of the facility.

Although interest is payable, it can be capitalised onto the loan provided the above criteria are maintained.

Benefits

Diversification

Diversifying investments within a portfolio helps to manage investment risk. The potential additional purchasing power from an investment loan allows an investor to diversify as potential opportunities arise.

Unlock equity

Commonwealth Bank Geared Investments loans allow investors to unlock equity in their existing portfolio without selling assets. This means capital gains (or losses) can be deferred while simultaneously expanding the investment portfolio.

Invest tax effectively

Depending on the individual investor's personal circumstances, interest expenses on the investment loan may be tax-deductible. Investors may also prepay interest to bring forward deductions and reduce taxable income. Additionally, investing in shares with franked dividends may further reduce tax liability. Please seek advice from your tax adviser.

Build wealth over time

A Regular Gearing Plan combines the discipline of monthly investing with the power of gearing. This structured approach helps investors build wealth gradually over time, leveraging both personal contributions and borrowed funds.

Flexible investing

Commonwealth Bank Geared Investments Loans offer a variety of interest rate structures (fixed, variable, or a combination) and repayment methods (capitalised or direct debit). There is no minimum loan balance, allowing investors to tailor the facility to their financial situation and investment strategy.

Liquidity

Investors can access capital by selling assets and transferring funds online, providing flexibility to respond to changing financial needs. This effectively gives investors "cash on call" without disrupting their broader investment strategy – provided they maintain their LVR.

Earn additional income

Investors can utilise eligible securities held on the investment loan to write covered call options to generate additional income. Exchange-traded Options trading involves certain risks and may not be suitable for all investors. It is recommended that only those who understand these risks consider trading in Options.

Risks of borrowing to invest

While borrowing to invest can amplify potential returns, it also increases exposure to market volatility and other financial risks. If the value of the investment portfolio declines, losses may be greater than if only personal funds had been invested.

Margin Calls

A margin call may occur if the value of an investment portfolio falls below the required level to secure the loan. If this happens, action will need to be taken to restore the LVR to an acceptable level.

Adverse market movements

Adverse shifts in the market may result in investment values not rising enough to cover borrowing costs. In such situations, gearing levels may need to be reduced quickly, which can involve the sale of assets or the addition of further capital.

Interest rate movements

An increase in variable interest rates can raise the costs associated with maintaining an investment loan. This scenario may diminish the profitability of an investment strategy or raise the portfolio's break-even threshold. One approach to managing this risk is to fix the loan's interest rate for a designated period, providing certainty over interest expenses.

Loan-to-Value ratio (LVR) changes

Commonwealth Bank Geared Investments Loan may change the LVR applied to specific investments in a portfolio at any time due to market conditions or make amendments to the Approved Securities Lists. A decrease in the LVR can trigger a margin call, even if the overall portfolio value has not changed.

Buffer

Some geared investment products, such as those offered by the Commonwealth Bank, provide a buffer of 5% to 10%, depending on portfolio composition. This buffer serves as a safeguard against short-term market volatility that might temporarily increase the LVR above the standard limit. However, the buffer cannot be used to make additional investments and is intended only to reduce the likelihood of a margin call.

Managing Margin Calls

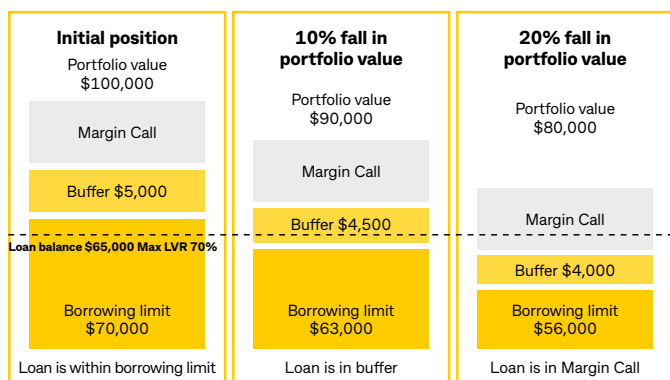
Resolving a Margin Call

There are three actions an investor can take to resolve a Margin Call:

- Depositing cash to reduce the loan balance
- Selling investments and using the proceeds to repay part of the loan
- Lodging additional approved securities, such as managed funds or shares

If a margin call is triggered, the investor is responsible for ensuring it is fully met by 2pm (Sydney time) on the next business day. This requires the investor to bring the loan out of buffer.

Illustrative Scenario: Investment Loan at 70% Gearing Level



The likelihood of a margin call is reduced when the portfolio is well diversified, moderately geared, and regularly reviewed. For example, if the current LVR is 50% and the margin call threshold is 80%, a fall of 37.5% in portfolio value would be required to trigger a margin call.

Monitoring Margin Calls

It is important to regularly monitor the status of an investment loan.

Gear the right portfolio	Understand the risks and know the costs	Managing the LVR
Hold a diversified portfolio	Know how investment lending works	Don't fully gear
Manage a market entry	Understand the costs involved	Keep some cash in reserve
Invest for the long term	Understand the implications of capitalising interest	Manage the LVR before a Margin Call

A downturn in the market or a reduction in the borrowing limit of a listed security or fund securing the investment loan may move the Current LVR closer to the Base and Margin Call LVR.

- Investors should keep their Current LVR below the Base LVR, the maximum permitted gearing level.
- If the Current LVR exceeds the Base LVR, the loan enters 'Buffer'.
- If the Current LVR reaches the Margin Call LVR, a margin call occurs.
- To resolve a margin call, investors must reduce the loan balance or add approved securities to bring the Current LVR back below the Base LVR.

If no action has been taken to address a margin call, steps may be taken on behalf of the investor to bring the gearing level back down to an acceptable level (for example, through forced sale of stock).

Features available on an Investment Loan

A Regular Gearing Plan (RGP)

A Regular Gearing Plan (RGP) is a structured and automated investment strategy designed to help investors build wealth over time through managed funds. It combines the discipline of regular monthly investing with the benefits of gearing, allowing investors to invest consistently into managed funds using a combination of personal contributions and borrowed funds. RGPs are specifically designed for managed fund investments and are not available for direct investment in individual shares or other securities.

How It Works

When establishing an RGP, the investor selects one or more managed funds that align with their investment strategy. An initial investment is made using either personal cash or by drawing against approved existing investments held on the investment loan. The investor then sets up a monthly instruction to invest a fixed amount into the selected managed fund or funds, using a mix of personal funds and loan advances.

Investors who already hold units in a managed fund can also initiate an RGP to continue investing in that fund. If required, and subject to the applicable terms and conditions, the RGP may be temporarily suspended following written notice, allowing the investor to redirect cash flow to other priorities.

Features of a Regular Gearing Plan

Low Initial and monthly investments

Investors can start with a modest initial investment and make ongoing regular contributions, which can be set at an amount that suits their financial situation and goals. These contributions are automatically invested each month into the selected managed fund or funds, streamlining the process and maintaining investment discipline.

Automation and flexibility

Once established, the RGP operates automatically each month, reducing administrative effort and ensuring consistent investment behaviour. Investors retain control and can adjust contribution amounts or suspend the plan temporarily if needed.

Writing of Covered Call Options

What is a covered call?

By utilising eligible securities held within an investment loan, investors can write covered call options against those holdings.

When writing (selling) a call option, you are granting someone else the right to purchase the stock at a pre-determined price – known as the strike price. If the market price rises above the strike price, the option becomes 'in the money', meaning the buyer stands to gain by exercising it. As the seller, you receive the strike price for the shares but forgo any upside beyond that level. In return, you earn a premium for taking on this risk.

What are the benefits?

There are several benefits to writing covered calls over your shares held in an investment loan:

- Earn additional income for investing
- Use the premium received to pay down the loan interest
- Reduce the loan balance by the premium received
- Keep all entitlements on the share, i.e. dividend payments

What are the risks?

If the share price rises above the strike price of the call option, it is likely that the buyer will exercise their right to purchase the shares at the strike price.

You will miss out on the upside gain on the share price. However, you will still receive the strike price of the shares plus retain the premium they received for writing the call option.

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The Costs

Interest

Commonwealth Bank Geared Investments Loans offers both variable and fixed interest rate options to suit different investor preferences and cash flow needs.

- **Variable Rate Loan**

The interest rate may change at any time. Interest is calculated daily on the outstanding variable loan balance and must be paid monthly in arrears. Payment can be made via direct debit or capitalised to the loan.

- **Fixed Rate Loan**

Investors may request a fixed interest rate for all or part of their loan balance. Interest can be paid either in advance or in arrears, depending on the selected term and payment method.

Example

For an investment loan balance of \$100,000 at a variable interest rate of 8.00% per annum, the annual interest cost would be \$8,000, or approximately \$666.67 per month. This calculation assumes that interest is paid monthly and not capitalised, and that the variable interest rate remains unchanged. If payments are not made on time, a higher default interest rate may be applied.

Fees and charges

There are no application fees, establishment fees or account keeping fees unless applying as a trustee. Government charges may apply. Fees and charges are subject to change at any time.

Remuneration

For wholesale investment loans, we may pay a commission or fee to your financial adviser (if applicable) or other financial intermediary who refers you to us when your Commonwealth Bank Geared Investments Loan is approved and for the period it is maintained. For more information on what commission or fee may be payable, please contact your financial adviser or other financial intermediary, or refer to the Statement of Advice provided to you by your financial adviser or otherwise contact us.

Commonwealth Bank (or its nominated related entity) will receive the interest payable on the outstanding balance of your Investment Loan. Commonwealth Bank will also receive any fees and charges payable as noted in the Fees and Charges section of the Geared Investments Loan Product Disclosure Statement. CommSec does not receive any compensation for its services in administering the Geared Investments Loan.

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