

SIMPLE+.

For Non-Complex Business Lending up to \$3M.

February 2024

Contents.

1 (General	Informa	ation3
_ . \	Jenerat		JCIOII

2. SIMPLE+ Serviceability Tool How-To Guide......7

We're making things faster, simpler and easier for business customers.

- ✓ Access Business Lending up to \$3M¹ for new to bank and existing customers
- ✓ Brokers can assess serviceability with confidence using the SIMPLE+ Serviceability Tool
- ✓ Up to \$500K overdraft or business loan with no requirement for property as security²
- ✓ Simplified assessment criteria for residential and commercial property investors ineligible for Lease Doc³
- ✓ Caters to borrowing structures with up to 4 business entities and 4 households
- ✓ Extended LVRs available against residential and commercial security in line with policy, even for property investment⁴
- ✓ Customers with tax arrears under a formal payment arrangement are eligible.

SIMPLE+ eligibility criteria

Helping your customers apply for business lending products is easier under SIMPLE+.

Eligibility Criteria ²		
Maximum lending amount	Business lending up to \$3M1	
Business trading history	≥12 months trading history and no losses for past 12 months (Post adjustments)	
Borrowing structure	4 business entities and guarantors from up to 4 households	
Products	Business Loan and Business Overdraft	
Credit history	Clear credit bureau report	
Тах position	Tax liabilities either up to date or under a formal payment arrangement	
Security	Secured by one or a combination of the following: Non-specialised commercial property or standard residential property Cash, acceptable equipment finance assets or acceptable guarantees General Security Agreement (GSA) where applicable 	

Things you should know: Credit criteria, terms & conditions, fees & charges apply. This information does not take your personal objectives, circumstances or needs into account. Consider its appropriateness to these factors before acting on it. 1. Certain products have maximum limits less than \$3M, please confirm these with your BDM. 2. Refer to your Senior BDM or Relationship Manager to discuss the suitability of SIMPLE+. Excludes consumer lending, construction lending, sector policy & specialised lending. 3. Only specific Property finance – Investment lending scenarios are allowed under SIMPLE+. All other Property Finance Sector lending (including Lease Doc) are excluded 4. Where the customer's income is predominately self-employed.

What documents are required?

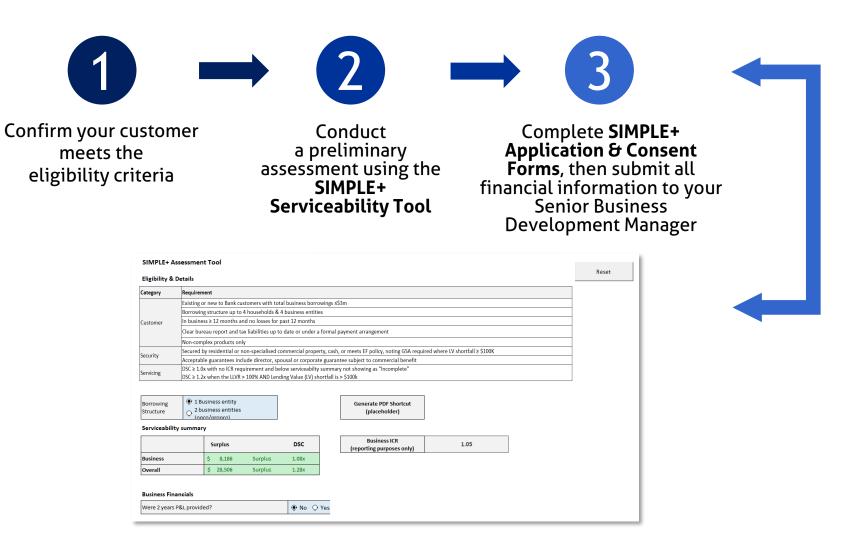
Documents required

- Signed SIMPLE+ Application Form
- Signed Business Finance Consent Form
- Latest annual accountant prepared financial statements or most recent business tax return
- 1 year tax return for self-employed, including Notice of Assessment
- 12 months' business ATO statements
- Signed copy of lease agreement(s)*

Additional documents (where applicable)

- Rental income statement if not in tax return
- Payslips for PAYG income
- Trust deed
- Contract of sale
- ATO payment plan
- For refinances, 3 months' bank statements for all loans being refinanced
- For new to bank customers, 3 months' business transaction statements and identification documents required
- The latest accountant prepared financials or latest tax return for the property investment entity (where available)*
- External accountant's letter confirming loan purpose is reimbursement of director / inter-company loans on the balance sheet or personal funds used to purchase the commercial property *

How do I apply?



2.
SIMPLE+ SERVICEABILITY TOOL.
How-to guide.

SIMPLE+ Serviceability Tool Eligibility criteria and borrowing structure

When first opening the SIMPLE+ Serviceability Tool the landing page named 'Worksheet' will provide an overview of the eligibility criteria for SIMPLE+.

This provides you an opportunity to ensure the application meets the SIMPLE+ requirements before continuing.

Only the **blue** cells are for inputs.

You will also be prompted to confirm whether the application is for:

- 1. Property investment purposes; and
- Where the predominant earnings/profit before tax is from the property investment activity or a trading business.

If your transaction is a trading business ANZSIC then skip to <u>'Incomplete' Status and Business ICR</u>

SIMPLE+ Serviceability Tool



Eligibility & Details

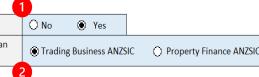
Category	Requirement
Customer	Existing or new to Bank customers with total business borrowings ≤\$3m
	Borrowing structure up to 4 households & 4 business entities
	In business ≥ 12 months and no losses for past 12 months
	Clear bureau report and tax liabilities up to date or under a formal payment arrangement
	Non-complex products only
C	Secured by residential or non-specialised commercial property, cash, or meets EF policy, noting GSA required where LV shortfall ≥ \$100K
Security	Acceptable guarantees include director, spousal or corporate guarantee subject to commercial benefit
C	DSC ≥ 1.0x with no ICR requirement and below serviceabilty summary not showing as "Incomplete"
Servicing	DSC ≥ 1.2x when the LLVR > 100% AND Lending Value (LV) shortfall is > \$100k

Property Investment Assessment

Is this a property investment transaction (answer no if the property is being purchased for a related operating entity to occupy)?

O No

Is this a trading business or Property Finance ANZSIC i.e. if the predominant source of earnings/profit before tax that contributes to loan repayment is from non-property activities of a business then apply the trading business ANZSIC



SIMPLE+ Serviceability Tool Property Investment Assessment

The **Property Investment Assessment** section of the SIMPLE+ servicing tool will prompt you to enter the property details that derive the ICR.

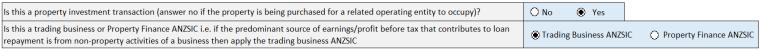
Where the standalone property ICR falls short of the current benchmark, the tool will display the required surplus from the group assessment to meet the ICR requirement.

In this example:

- The standalone property ICR is 0.71x and in order to meet the 1.5x ICR benchmark;
- A \$27,500 surplus must be available from the group assessment

The group assessment does not include the proposed property investment debt or income and incorporates all other income, expenses and commitments i.e. **do not include** the subject property's net rental income in the **Business Financials** EBITDA section of the tool as this will double count the income.

Property Investment Assessment



Address	1232 Test St, Sydney
Asset Type	Non-specialised commercial
Are financials available / held?	● No O Yes
Rental Income	\$ 50,000.00
Outgoings payable by owner	\$ 25,000.00
Outgoings allowance based on asset type	0.00%
CAPEX Allowance	
Other adjustments e.g. lease up or incentive period	
Loan Amount	\$ 500,000.00
Actual Rate + Line Fee	6.5%

Assessed interest expense	\$ 35,000.000	
Standalone property ICR	0.71	
ICR benchmark applicable	1.50	
Group surplus required to meet ICR benchmark	\$ 27,500.00	
Property surplus available for distribution whilst maintaining ICR benchmark	N/A no property surplus available	

SIMPLE+ Serviceability Tool 'Incomplete' status and business ICR

Serviceability summary

The serviceability summary ratio will indicate whether the assessment is finalised, otherwise it will reflect as 'Incomplete'.

This section will also contain the surplus, Debt Service Cover (DSC) and dynamically expand to include up to 4 households with their respective metrics.

Although SIMPLE+ has no Interest Cover Ratio (ICR) requirement, ICR is provided for reporting purposes.

Serviceability summary

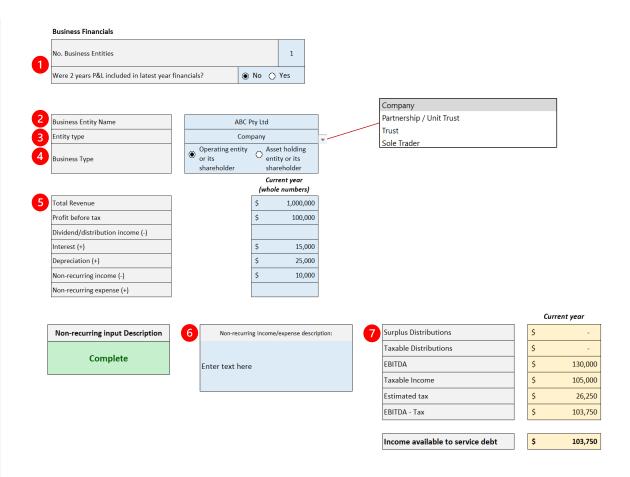
	Su	rplus		DSC
Business	\$	-	Incomplete	
Overall	\$	-	Incomplete	

Business ICR	
(reporting purposes only)	

SIMPLE+ Serviceability Tool Business Financials: Selecting 'no' to 2 years P&L financials

This section will prompt you to:

- 1. Select the number of entities and confirm whether 2 years profit and loss (**P&L**) was provided in the latest year financials (refer to the following page where the answer is yes)
- 2. Type in the business borrower's name
- Select from the drop down the relevant entity type (sole trader, partnership, company, trust)
- 4. Select whether the business is an **operating entity** or an **asset/property holding entity**
- 5. Enter the financial inputs to generate **EBITDA** ensuring to remove any distributions received by the entity whose source and sustainability is unknown
- 6. Where any non-recurring income/expense is input, a text box will prompt you to enter **additional information** and cannot be left blank or else it will show as incomplete
- 7. As you complete the blue fields you will see the EBITDA, Taxable Income, Estimated Tax and EBITDA Tax fields auto-populate based on your inputs to determine the Income available to service debt.



SIMPLE+ Serviceability Tool Business Financials: Selecting 'yes' to 2 years P&L financials

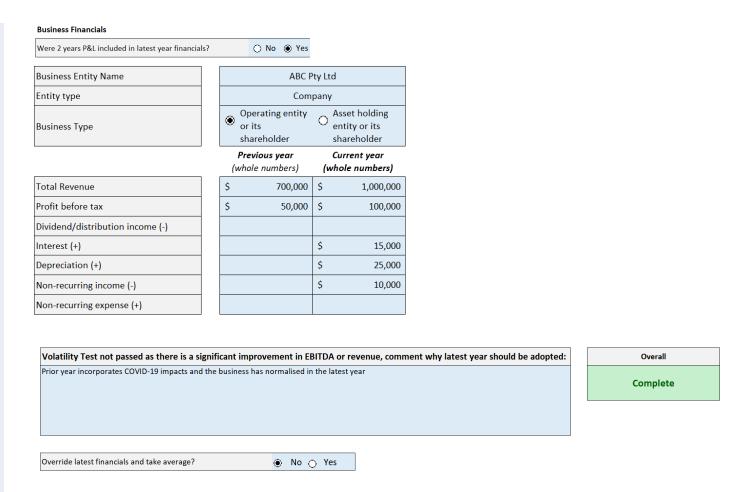
The prior year EBITDA inputs will appear if you confirm that 2 years profit and loss was provided.

After entering the prior year EBITDA there are 2 possible outcomes:

- 1. The tool determines that there was a substantial improvement in revenue or adjusted EBITDA.
- 2. There is not a substantial improvement and latest year EBITDA is adopted with no further commentary required

When there is a significant improvement in revenue or EBITDA, a text box and question will appear prompting you to provide justifying commentary regarding why the latest year EBITDA should be adopted.

You will also have the option to average using the Yes/No radio buttons.



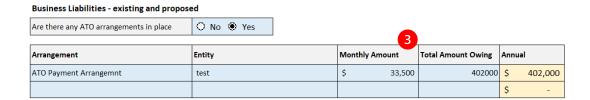
SIMPLE+ Serviceability Tool Completing business liabilities / commitments

Once your EBITDA inputs are finalised you are then able to load the business liabilities/commitments for all existing and proposed facilities.

An ATO payment arrangement can be captured separately by selecting the "Yes" which will expand an additional table where you need to confirm the monthly amount and total balance owing.

With the example here the payment instalments differ over the payment period. You will need to calculate an average monthly payment over the total payment term. To do this:

- 1. Determine the **no. of months** the payment plan is setup over.
- 2. Use the **Plan total inc estimated GIC** and divide this by the no. of months: \$402,000 / 12 months = \$33,500
- 3. Enter this into the Monthly Amount



Payment plans Activity statement 001 Date generated 20/05/2020 Amount \$402,000.00 DR Payment method Other payment options Payment frequency Monthly Plan total, including estimated GIC \$402,000.00 2 Creation date 31/03/2020



Amount to pay

29/01/2021

\$62,000.00

SIMPLE+ Serviceability Tool Completing business liabilities / commitments

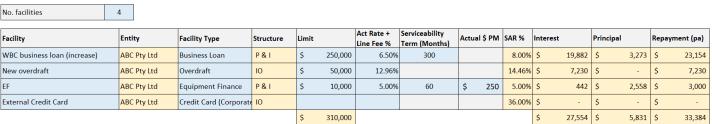
Business Liabilities/Commitments - existing and proposed

For all other **Business Liabilities** and **Commitments** you can select up to 15 business facilities from the drop down.

For the business debt schedule, depending upon the Facility Type entered, the appropriate fields according to facility type will be unlocked/locked.

The **SAR%** (Serviceability Assessment Rate) column has been configured to automatically apply.

The tool will also flag if a facility is incomplete, noting the overall ratios will still show as incomplete if this is not resolved.





SIMPLE+ Serviceability Tool Completing business distributions

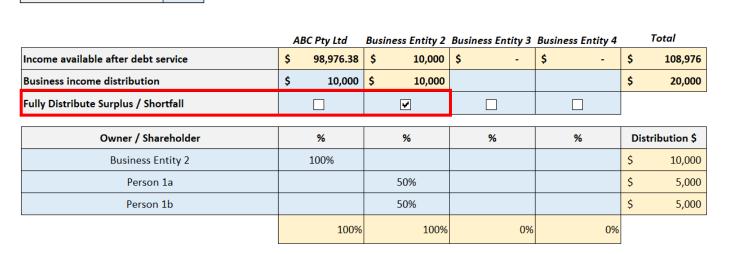
Personal

No. Households

2

Once business income and debts are finalised you will be able to select the **number of households** in the application (maximum of 4).

If required, you will be able to transfer surplus from the business to shareholders by selecting the "Fully distribute Surplus / Shortfall" box under the relevant entity.



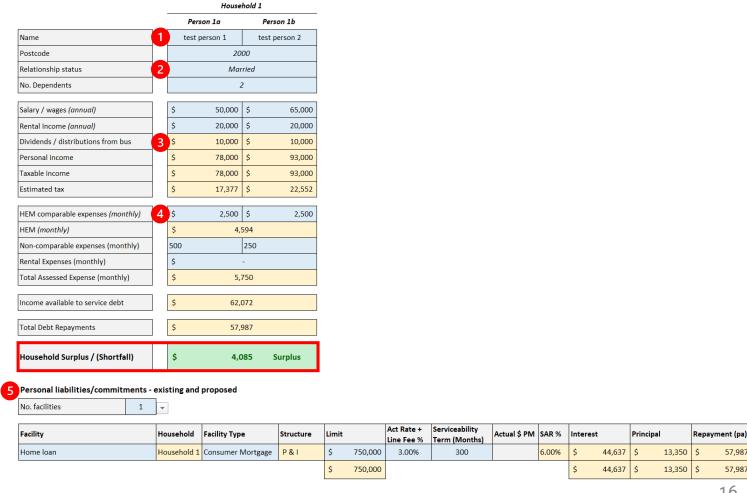
SIMPLE+ Serviceability Tool Completing personal income / expenses and liabilities / commitments

Personal income and expense

The **Personal income and expense** section of the SIMPLE+ servicing tool will prompt you to enter:

- 1. The individual's names
- 2. Postcode, relationship status and number of dependents which will inform the Household Expenditure Measure (HEM) calculation
- 3. Any relevant income, noting the business distributions are already reflected
- 4. The customers' HEM comparable and non-comparable expenses as per the SIMPLE+ Application Form
- 5. Below the Personal income and expense section you will also be able to capture each individual's liabilities/commitments.

Finally once each Household's income, expenses and liabilities are completed, the Household's surplus or shortfall will display.



SIMPLE+ Serviceability ToolServiceability summary

Once all sections are completed, when you navigate back to the top of the tool you will see the **Serviceability summary** is now completed.

Borrowing	1 Business entity		
Structure	2 business entities (opco/propco)		

Serviceability summary

	Surplus		DSC
Business	\$ 55,804	Surplus	2.35x
Household 1	\$ 4,085	Surplus	1.07x
Overall	\$ 59,888	Surplus	1.60x

Generate PDF Shortcut

Business ICR	2.18
(reporting purposes only)	



Let's talk SIMPLE+.



<u>banksa.com.au/brokers</u>

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