

# Target Market Determination

## For Bendigo Bank Business Flexi Interest Only Loan (Variable Rate)

BEN-FLEXI-IO-V

### Product

This target market determination (TMD) applies to Bendigo Bank's Business Flexi Interest Only Loan (Variable Rate).

### Issuer

Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL / ACL 237879 (Bendigo Bank).

### Date from which this target market determination is effective

5 October 2021.

## 1. Target market for this product

### Target Market

This TMD only concerns one type of borrower who might require this product, i.e. borrowers who are 'retail clients' within the meaning of the Design and Distribution Obligations (DDO) legislation. For the avoidance of doubt, this document does not apply to and may be ignored in respect of other types of borrowers who are not 'retail clients' for the purpose of the DDO legislation, such as borrowers who require credit for business purposes.

The retail clients for whom this product has been designed include small businesses (specifically, companies, partnerships and trusts) who:

- do not propose to use the loan wholly or predominantly for business purposes;
- are able to grant a first-ranking registered real property mortgage in respect of one or more residential or commercial real properties to Bendigo Bank to secure the loan;
- want a term loan to finance or refinance the acquisition, renovation and/or improvement of residential or commercial property for the purpose of it being used as an investment;
- want to repay the interest amount only for a specified term (interest only up to 5 years)
- want flexibility to make additional repayments and have access to those early repayments;
- can afford the loan.

The retail clients for whom this product has not been designed are individuals or strata corporations who:

- require credit wholly or predominantly for personal, domestic or household purposes; or
- require credit to finance or refinance the purchase, renovation or improvement of a residential property for investment purposes.

### Product Description

Bendigo Bank's Business Flexi Interest Only Loan (Variable Rate) is a variable interest rate term loan (for a term of generally 5 years) which is used to finance or refinance the acquisition, renovation and/or improvement of a residential or commercial investment property. Retail clients only have to pay interest charges for an initial period (up to generally 5 years). This loan allows retail clients to make additional repayments without incurring early repayment costs and have access to them.

### Product key attributes

The key attributes of this product that make it likely to be consistent with the target market described above, include:

Attribute	Appropriate for
Term loan	Retail clients that want to repay their loan over medium to long term period (up to generally 5 years).

Attribute	Appropriate for
Minimum Loan Amount	Retail clients who want to borrow at least \$20,000 generally.
Property Investment	Retail clients who will use the financing for the purpose of acquiring a residential or commercial property investment. This product may not be suitable for retail clients who will use an acquired residential property to live in as a principal place of residence.
Suitable Entity Type	This product may not be suitable for individuals.
Interest only period	Retail clients who want to pay interest only for a specified period (up to generally 5 years). Repayments are made on a monthly frequency. Being a variable interest rate loan, the scheduled repayment amounts may be affected by a differing applicable interest rate over the term of the loan.
Variable interest rate	A variable interest rate means the interest rate may increase or decrease over the term of the loan. This product, being on a variable interest rate, may be more appropriate for retail clients who are able to sustain repayments where the interest rate rises while benefiting where the interest rate drops. This product may not be suitable for retail clients who require certainty around repayments by having a fixed interest rate.
Early repayments and redraw	Retail clients who want the flexibility to make additional repayments without incurring early repayment fees, and the ability to access those repayments (1 repayment amount is preserved and not accessible).
Interest capitalisation	Retail clients may apply to have any unpaid interest charges owing on their loan being added to the principal balance of their loan. This may be suitable for clients who wish to pay less in interest charges for a given period in exchange for paying off a higher principal balance after that period.
Interest Rate Risk Management	<p>Retail clients may wish to manage certain risks pertaining to interest rate movements by utilising an Interest Rate Risk Management solution. This may include:</p> <ul style="list-style-type: none"> <li>• Interest Rate Cap: Allows the client to set a known maximum variable rate</li> <li>• Interest Rate Collar: Allows the client to set a known range of variable rates to guarantee a maximum and minimum rate</li> <li>• Interest Rate Swap: Allows the client to receive certainty by locking in a known fixed rate for the contracted term of their loan</li> </ul>
Progressive Drawdowns	For retail clients using the loan for construction purposes, they have the option of utilising Progressive Drawdowns, where rather than drawing on their full approved loan amount immediately, they are able to access smaller amounts to coincide with particular stages of the construction process. The benefit for the client is that they will only pay interest based on the loan drawn up to the particular stage where they've progressed to, rather than on the full approved loan amount at the outset.

## 2. How this product is to be distributed

Bendigo Bank applies certain conditions and restrictions to the distribution of this product so that distribution is likely to be to retail clients within the target market for this product. The conditions and restrictions are:

<b>Channel</b>	<p>This product is to be distributed only through the following channels:</p> <ul style="list-style-type: none"><li>• Bendigo Bank and Community Bank branches;</li><li>• Bendigo Bank's Mobile Relationship Managers;</li><li>• Bendigo Bank's Business Bankers; and</li><li>• by an accredited mortgage broker with Bendigo Bank.</li></ul>
<b>Additional conditions or restrictions</b>	<p>The following additional conditions and restrictions also apply to the distribution of this product:</p> <ul style="list-style-type: none"><li>• Only prospective retail clients who meet Bendigo Bank's minimum eligibility criteria for the product should submit an application for this product;</li><li>• This product can only be issued to retail clients within the target market after applying Bendigo Bank's affordability and suitability processes; and</li><li>• This product can only be issued (or arranged to be issued) by persons who are trained and accredited.</li></ul>

## 3. Reviewing this target market determination

Bendigo Bank will review this TMD as set out below:

<b>Initial review</b>	Within the first year of the effective date.
<b>Periodic reviews</b>	At least every 12 months from the initial review.
<b>Review triggers or events</b>	<p>Any event or circumstances arising that would reasonably suggest the TMD is no longer appropriate. This may include (but is not limited to):</p> <ul style="list-style-type: none"><li>• a material change to the design or distribution of the product, including related documentation;</li><li>• occurrence of a significant dealing;</li><li>• distribution conditions found to be inadequate in ensuring that the product is issued to retail clients who are likely to be in the target market;</li><li>• relevant changes in the law or its application, a change in an industry code or decision of a court or other body (including through regulatory guidance) that materially affects the product;</li><li>• significant changes in metrics, including, but not limited to:<ul style="list-style-type: none"><li>○ a material increase in the number of complaints in relation to a product or aspect of a product;</li><li>○ the level of consumers experiencing hardship such as falling into arrears; and</li><li>○ an increase in early termination of the product; and</li><li>○ any other event occurs, or information is received that reasonably suggests this TMD is no longer appropriate.</li></ul></li></ul>

## 4. Reporting and monitoring this target market determination

Bendigo Bank's third-party distributors who are regulated persons will need to collect, keep and report the following information to Bendigo Bank:

Type	Description of information	Frequency of reporting
<b>Complaints</b>	Customer complaints made in relation to this product. This includes: <ul style="list-style-type: none"> <li>• written details of the complaint; and</li> <li>• the number of complaints during the reporting period.</li> </ul>	<b>Reporting period:</b> Monthly <b>When does the regulated person have to report:</b> Within 10 business days of the end of the reporting period
<b>Sales data</b>	Sales and customer data in relation to this product as requested by Bendigo Bank.	<b>Reporting period:</b> Monthly <b>When does the regulated person have to report:</b> Within 10 business days of the end of the reporting period.
<b>Significant dealings</b>	The following information: <ul style="list-style-type: none"> <li>• details of the significant dealing;</li> <li>• the date (or range) on which the significant dealing occurred;</li> <li>• why the distributor considers the dealing to be significant (including why it is inconsistent with this TMD); and</li> <li>• how the dealing was identified.</li> </ul>	<b>When does the regulated person have to report:</b> Within 10 business days of the distributor becoming aware of the dealing.