

# Target Market Determination

## For Bendigo Bank Business Flexi Principal & Interest Loan

### (Fixed Rate)

BEN-FLEXI-P&I-F

#### Product

This target market determination (TMD) applies to Bendigo Bank's Business Flexi Principal & Interest Loan (Fixed 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 make principal and interest payments over the term of the loan;
- want certainty of a fixed interest rate and fixed repayments for a fixed rate period, with limited ability to make additional repayments without incurring an extra charge;
- 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 Principal & Interest Loan (Fixed Rate) is a term loan (up to a term of generally 20 years) which is used to finance or refinance the acquisition, renovation and/or improvement of a residential or commercial investment property. A fixed interest rate applies to the loan for a fixed period. At the end of the period, the retail client can nominate a new fixed interest rate period, capped at no more than five years generally and within the remaining term of the loan, otherwise the loan will convert to a variable rate loan. Retail clients have no ability to make additional repayments without incurring early repayment costs. Regular principal and interest repayments are required over the term of the loan.

## 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 a term of generally 20 years).
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.
Regular repayments of principal and interest	Retail clients who want to make regular scheduled principal and interest repayments over the term of the loan. Repayments are made on a monthly frequency.
Fixed interest rate	A fixed interest rate means the interest rate will remain the same for a nominated period. At the end of the period, the retail client can nominate a new fixed interest rate period, capped at no more than five years generally and within the remaining term of the loan, otherwise the loan will convert to a variable rate loan.
Early repayments and redraw	Retail clients who do not require the flexibility to make additional repayments of the specified cap without incurring an extra fee or charge. No additional repayments can be made during the fixed rate period, any additional repayments above this cap, or changes to the fixed rate period (eg ending it early), may incur in additional fees or charges (eg break costs). Retail clients cannot access additional repayments during the fixed rate period.
Notional Terms and Residual Balance	Retail clients who want their principal and interest repayments calculated on a term that's longer than their contracted loan term have the option of their repayments being calculated based on a Notional Term. Because their repayments will be calculated on a Notional Term which is longer than their contracted loan term, their repayments will be lower throughout their loan term, but they will be required to repay or refinance a Residual Balance at the end of their loan term. This option may be suitable for retail clients who wish to have lower repayments over their loan term, provided they are able to repay or refinance the Residual Balance at the end of the loan term.
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>• Fixed Rate Lock: Allows the client to guarantee the current fixed rate offered to them will still apply to their loan when they first draw down on their loan, provided that is no more than 3 months after the Fixed Rate.</li> <li>• Deferred Start Fixed Rate: Allows the client to lock in a known, current fixed rate to a draw down to occur in the future</li> <li>• Forward Start Option: Allows the client to have their interest rate at the time of drawdown to be the lower of the agreed-upon Forward Start Option rate or the agreed-upon rate in their Facility Agreement.</li> </ul>

## 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 Business Bankers;</li><li>• Bendigo Bank's Mobile Relationship Managers; 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 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' 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.