

# Target Market Determination

## For Adelaide Bank Residential Investment Interest Only Home Loan (Fixed Rate) (SmartSaver & SmartFix)

MB-RIHL-IO-F

### Product

This target market determination (TMD) applies to Adelaide Bank's Residential Investment Interest Only Home Loan (Fixed Rate).

### Issuer

Adelaide Bank – A division of 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

The retail clients for whom this product has been designed are individuals who:

- want a term loan to finance or refinance the acquisition of residential property for the purpose of it being used as a residential investment;
- want to pay only interest for a specified period at the start of their loan (up to 5 years) after which they want to pay principal and interest for the remaining term (maximum total loan term is 30 years)
- 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;
- may want access to other features and benefits (such as linked offset account);
- can afford the loan; and
- can provide the residential property as security for the loan

### Product Description

Adelaide Bank's Residential Investment Interest Only Home Loan (Fixed Rate) is a term loan (up to a maximum term of 30 years) which is used to finance or refinance the acquisition of a residential investment property. Retail clients only have to pay interest charges for an initial period (up to 5 years) after which they then have to pay principal and interest for the remainder of the loan term. A fixed interest rate also applies to the home loan for set period. At the end of that fixed period, the retail client can set a new period (however, if this is not done the home loan will automatically convert to a variable interest rate). Retail clients have limited ability to make additional repayments without incurring early repayment costs. Retail clients can also access other features.

### 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 maximum of 30 years).
Residential Investment	Retail clients who will use the residential property acquired with the loan as a residential investment residence. This product may not be suitable for retail clients who will use the residential property to live in as a principal place of residence.



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Attribute	Appropriate for
Minimum Loan Amount	Retail clients who want to borrow a minimum amount of \$10,000.
Interest only period (prior to regular repayments of principal and interest)	Retail clients who want to pay interest only for a specified period at the start of their home loan (up to 5 years). After which, regular scheduled principal and interest repayments will be required for the remaining loan term 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 and within the remaining term of the loan, otherwise the home loan will convert to a variable rate loan.
Early repayments and redraw	Retail clients who do not require the flexibility to make additional repayments over the specified cap without incurring an extra fee or charge.  Ability to make additional repayments up to \$20,000 per year during the fixed rate period without incurring a prepayment fee. Repayments above \$20,000 per year, or changes to the fixed rate period (eg ending it early), may incur an additional fees or charges (eg break costs). Retail clients can access additional repayments through the redraw function in internet banking (1 repayment amount is preserved and not accessible).
Access to other features	Retail clients who may want access to other features (including a linked offset account) and are willing to pay additional fees or charges to access them (offset feature and pricing is subject to product selected).
Security over residential property	Retail clients that can use the residential property they have acquired with the loan as security for it.

## 2. How this product is to be distributed

Adelaide 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>• by calling our Adelaide Bank contact centre; and</li> <li>• by an accredited mortgage broker with Adelaide 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 Adelaide 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 after applying Adelaide 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

Adelaide 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 retail clients experiencing hardship such as falling into arrears; and</li> <li>○ an increase in early termination of the product;</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

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

Type	Description of information	Frequency of reporting
<b>Complaints</b>	<p>Retail client complaints made in relation to this product. This includes:</p> <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>	<p><b>Reporting period:</b> Monthly</p> <p><b>When does the regulated person have to report:</b> Within 10 business days of the end of the reporting period.</p>
<b>Sales data</b>	Sales and retail client data in relation to this product as requested by Adelaide Bank.	<p><b>Reporting period:</b> Monthly</p> <p><b>When does the regulated person have to report:</b> Within 10 business days of the end of the reporting period.</p>
<b>Significant dealings</b>	<p>The following information:</p> <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>	<p><b>When does the regulated person have to report:</b> Within 10 business days of the distributor becoming aware of the dealing.</p>