

# Target Market Determination

## For Adelaide Bank SmartSuite Commercial Interest Only Loan (Variable Rate)

MB-COMM-IO-V

### Product

This target market determination (TMD) applies to Adelaide Bank's SmartSuite Commercial Interest Only Loan (Variable 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 January 2022.

## 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, to whom an exemption does not apply. 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, or who require credit wholly or predominantly 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 of a residential or commercial property for the purpose of it being used as an investment; or for the purpose of acquisition, renovation and/or improvement of commercial property for owner operator purposes; or for the purpose of refinancing an existing commercial loan; or for the purpose of releasing equity for business or investment purposes (working capital not accepted)
- 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 (generally a maximum of 30 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

Adelaide Bank's SmartSuite Commercial Interest Only Loan (Variable Rate) is a term loan (up to generally 25 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 5 years) after which they then have to pay principal and interest for the remainder of the loan term. This loan allows retail clients to make additional repayments without incurring early repayment costs and the ability to access those repayments. 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 25 years).
Minimum Loan Amount	Retail clients who want to borrow at least \$150,000 generally.
Residential Investment	Retail clients who will use the financing for the purpose of acquiring a residential (provided the loan is not predominantly for residential purposes) 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. Not available for individual borrowers where 50% or more of the loan amount is for the purchase, refinance, or raising equity for either residential owner occupation or residential investment.
Simple Doc	Retail clients have the option of applying for and utilising the product in a Simple Doc setting, where they will pay a higher interest rate generally than loans on a Full Doc setting but will not need to provide the same level of documentary evidence. This may be suitable for clients looking to invest in commercial rental property and have an acceptable lease in place to an unrelated client as proof of income.
Full Doc	Retail clients have the option of applying for and utilising the product in a Full Doc setting where they will generally pay a lower interest rate than they would on Simple Doc but need to provide a greater level of documentary evidence in support of their application.
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).
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).

## 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>	This product is to be distributed only through the following channels: <ul style="list-style-type: none"><li>• by calling our Adelaide Bank contact centre;</li><li>• by an accredited mortgage broker with Adelaide Bank;</li></ul>
<b>Additional conditions or restrictions</b>	The following additional conditions and restrictions also apply to the distribution of this product: <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 within the target market 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>	Any event or circumstances arising that would reasonably suggest the TMD is no longer appropriate. This may include (but is not limited to): <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></ul></li><li>• any other event occurs, or information is received that reasonably suggests this TMD is no longer appropriate.</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>	Retail client 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 retail client data in relation to this product as requested by Adelaide 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.

