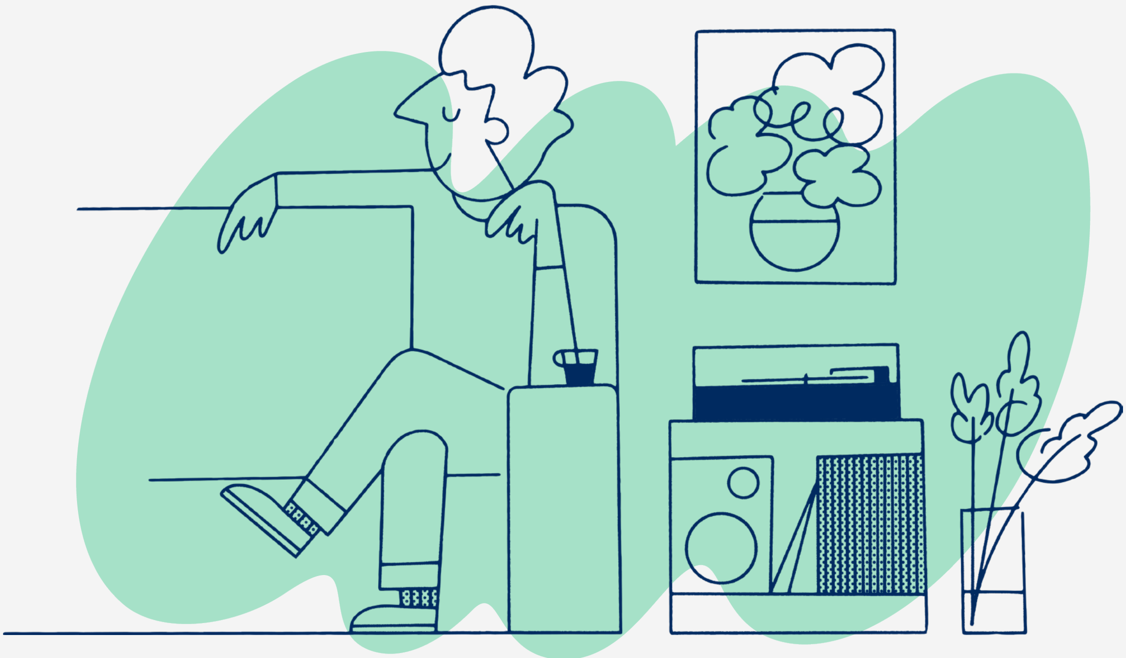
Plenti

Plenti Lending Platform: **The complete guide**

Published July 2022



Contents

Disclaimer

This document is not a Product Disclosure Statement. The information contained in this guide should not be taken as financial product advice and has been prepared as general information only without consideration for your particular investment objectives, financial circumstances or particular needs. Information current as at July 2022 and is subject to change without notice.

You should read the Plenti Lending Platform Product Disclosure Statement as well as the Target Market Determination (which are linked here and can also be located on Plenti's website) before making any decision about your investment choices. Information in this document is intended for residents of Australia only.

All figures stated represent the Plenti Lending Platform (ARSN 169 500 449) only unless stated otherwise. Plenti RE Limited ABN 57 166 646 635 holds Australian Financial Services Licence 449176 and Australian Credit Licence 449176.

*Terms and conditions apply. The "Earn up to" rate represents the interest rate limit for each lending market with the maximum lending rate of 6.5% p.a. being for the 5 year income market. Rates are not set by Plenti and are subject to the supply and demand of borrower and investor funds in each market.

Lender rates may assume payments received are continually reinvested at the stated rate and assume your investment is protected by the Provision Fund in the event of any borrower late payment or default, however, there is no guarantee nor warranty as to any protection from the Provision Fund. Subject to availability, you may be able to take advantage of our early access feature. Fees apply. Capital at risk. See the PDS for details.

All figures stated represent the Plenti Lending Platform (ARSN 169 500 449) only unless stated otherwise.

Published July 2022

What is retail lending?

Industry overview

Retail lending is simple: you lend your money to those who want borrow it. They pay you back the initial amount borrowed plus interest. This interest forms the returns you earn.

Essentially, you become your own small-scale lender.

A retail lending platform like Plenti's is an easy way to match borrowers and investors – think of it like an online marketplace, but for money.

Since retail lending platforms only operate online, retail lenders don't have the same overhead costs as traditional banks and credit unions. This means you earn better returns as an investor, and borrowers get better interest rates.

A retail lending platform does have some similarities to a traditional lender. For example, it checks a borrower's credit, including a credit history, employment status and credit score. The platform also manages all the details with the loan like establishing contracts, organising payments between borrowers and investors, and managing each investor's portfolio.

Basically, it does all the hard work for you.

As an investor, this is great news. You get to avoid all the administration of dealing with lending out your money, but you get returns from both principal and interest as borrowers make regular payments.

Creditworthy borrowers love retail lending because they get to access funds for major purchases, at competitive rates, without the hassle of dealing with traditional banks.

Global growth

Retail lending is one of the fastest-growing areas in financial services worldwide. Right now, investors lend billions of dollars' worth of loans each year.

Technology is a big reason why retail lending is taking off. Online platforms and marketplaces make it easy to connect borrowers and investors. In fact, according to research done relevant to retail lending, retail lending is forecast to grow over 19% a year between 2019 and 2024, by which point it will be worth ~US$15 billion globally.

That growth is happening in Australia too. Here are some of the reasons:

- the recent adoption of comprehensive credit reporting in Australia;
- the introduction of Open Banking in 2020;
- increasingly stringent regulation of credit card debt and a move away from interest accruing credit card balances; and
- the shift in consumer perceptions following the reports of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

How does retail lending work?

Even though retail lending is designed to connect borrowers and investors, the two individuals never actually connect on a personal basis. Marketplaces like the Plenti Lending Platform use technology to match the two.

The Plenti Lending Platform uses a loss provisioning model which means the retail lender charges borrowers a fee based on their risk profile. These fees are pooled together and form the Provision Fund.

The Provision Fund can help protect investors if borrowers make late payments or default on their loan. We're proud to have a 100% track record of protecting our investors, however, it is important to remember that the Provision Fund is not a guarantee or insurance policy.

Why would you take a loan with a retail lender?

Borrowers choosing to use retail lenders are attracted by the faster, simpler application processes, the competitive pricing and the excellent customer service.

Plus, borrowers might enjoy these additional benefits:

- **Better rates;** retail lenders offer more competitive rates than traditional lenders
- **A personalised rate;** instead of just offering a blanket rate for everyone, retail lenders typically reward borrowers with good credit history with a lower rate
- **A fast, simple experience;** retail lenders typically have an easier, online application process
- **Flexible product;** no early repayment or exit fees if they decide to pay their loan off early
- **Easy loan management;** The ability to shift away from expensive forms of credit, like credit cards, to a comparatively manageable loan with a simple payment plan.

How do retail lending platforms match borrowers with investors?

Responsible retail lenders provide strict credit checks on anyone who applies for a loan. They're the same types of checks a traditional lender would make, and they look at the same things including credit history, credit score, income, and employment status.

Once approved by the retail lender, the retail lender then tries to match the borrower with the appropriate investor and their funds, if available, and depending on the type of loan the borrower is requesting, interest rate and so on.

That means investors can have confidence in the borrowers they're lending to. Additionally, Plenti's Provision Fund acts as a buffer to help protect investors from a financial loss in the event that a borrower makes a late payment or defaults on their loan.

All investors and borrowers are anonymous to each other, so the retail lender is really an intermediary. It helps manage communications, takes responsibility for collecting arrears, and issues reports to investors.

Perhaps most importantly, retail lenders administer all payments, whether in the form of initial credit (to borrowers) or repayments (to investors). That means investors don't have to waste time or energy chasing up their investment – they can just enjoy the returns.

Why is retail lending good for investors?

Access to one of the world's largest and best-established asset classes

Investing in consumer credit has historically been dependable because it's tied to everyday and essential purchases, like vehicles, home repairs, and education.

This allows investors to achieve returns even when other investments, like shares or property, are on a decline.

(Previously, only banks and select institutional investors could invest in this asset class. Retail lending has now opened up access to everyday investors.)

Regular source of fixed income

As a fixed-income asset, retail lending builds stability into an investment portfolio. Investors earn regular returns as borrowers make regular repayments on their loans.

Attractive, stable returns

Consumer loans have a solid track record of providing investors with attractive risk-adjusted returns.

Simple, digital experience

It's easy to manage your investment activity online and on the go.

Regulated

Most Australian retail lending platforms provide investors with access to loans via a registered managed investment scheme. ASIC regulates these operators byrequiring them to undergo regular audits, employ an external 'Compliance Committee', publish various reports and information (such as a Product Disclosure Statement) to investors so that they can make informed choices, and ensure that advertising is neither misleading nor deceptive.

Under Australia's financial services and credit laws, providers of marketplace lending products and related services generally need an Australian Financial Services (**AFS**) licence, and an Australian credit licence where the loans made through the platform are consumer loans (e.g. loans to individuals for domestic, personal or household purposes).

This all means retail lending is well-regulated.

Of course, this does not mean retail lending doesn't carry any risk – all investments do. Australian retail lending platforms are not covered by the Financial Claims Scheme (which protects sums of up to $250,000 that are deposited with an Australian bank).

However, some retail lending platforms, including Plenti, use a provision fund which, while is not a guarantee, may help protect investors from losses.

Retail lending provides an attractive new investment option for everyday investors, including SMSF investors, who don't want their money sitting in a low-yielding cash investment or want to avoid concentrating their investment portfolio on volatile shares.

Investors love retail lending because they get to earn attractive returns, with the added reliability of having a platform like Plenti do the hard work of judging credit worthiness and risk.

Borrowers love retail lending because it provides better interest rates and a simpler loan process.

It's a win-win.

Risks to consider

No investment is without risk. You should always consider your own risk appetite, and carefully read any Product Disclosure Statement (**PDS**) and Target Market Determination (**TMD**) for any investment you consider.

No deposit guarantee

Retail or marketplace lenders aren't authorised deposit-taking institutions (ADIs). Therefore, your investment isn't a deposit and doesn't have the benefit of protection under the Financial Claims Scheme (which protects sums of up to $250,000 that are deposited with an Australian bank).

Borrower late payment or default

When you invest your money through a retail lender, a borrower or some of the borrowers who have been allocated your funds may delay or stop payment i.e. default on the loan.

If your retail lender is using a provision fund model like Plenti, you may be protected from some or all of a borrower default by its provision fund. See below in relation to the risks associated with a provision fund.

No provision fund protection

The retail lender you choose to invest with may or may not have a provision fund. If it does, a claim may be made on that provision fund in the event your funds are matched to a borrower that is late in making payments or defaults. However, in some instances, the provision fund may not cover all of the default. There is no guarantee nor warranty as to any protection from any provision fund, and as such you may suffer financial loss as a consequence of borrower late payment or default.

Borrower default impact on the availability of the funds

In the event of a borrower late payment or default where you have not benefited from the protection of a provision fund (if available), it may be the case that you can only withdraw your funds relating to that loan when any collections or recoveries have been made against that loan.

Early repayment

Borrowers might repay your investment in a loan back earlier than expected. If a borrower repays their loan early you will earn interest on the amount invested only up to the date that the borrower makes payment, rather than the full term of the lending option you chose.

No withdrawal of funds until end of lending market indicative term

Due to the way lending marketplaces work, you are only able to withdraw (or reinvest) your funds at the end of the indicative term of the lending market.

Think of it kind of like a term deposit: you don't get to withdraw money until the term is finished.

There are some exceptions to this rule:

- The funds are repaid to you through scheduled payments;
- A borrower repays the loan early;
- You are compensated by a provision fund or;
- The retail lender provides early access to funds by replacing your funds with those of another investor.

Plenti offers an early access transfer feature where investors may be able to request to exit an investment before the end of its indicative term, as long as there are funds from other investors to replace your interests in that loan.

Assignment of your loan

If a borrower to whom your funds are matched defaults on a loan and you are not fully compensated by a provision fund (if available), the retail lender (like Plenti) may assign that defaulted loan to a third party, such as a collections agency, for an amount it is able to negotiate.

Once a loan has been assigned, you may not benefit from any recoveries that may then be made from that borrower.

Differences in borrower creditworthiness

Your investment may be impacted by differences in the creditworthiness of borrowers to whom your funds are matched in circumstances where lenders are not fully compensated by a provision fund (if available) in the event of borrower late payment or default.

Plenti performs a comprehensive borrower risk assessment and lends only to creditworthy Australian-resident individuals and businesses, however, there may be differences between the creditworthiness of borrowers to whom your funds are matched and there may be different risks and different levels of overall risk associated with loans to individuals versus loans to businesses.

Variances in borrower creditworthiness over time

Some retail lenders, like Plenti, assess a borrower's creditworthiness as at the date of loan application, and the assessment reflects the borrower's creditworthiness at that point in time.

At Plenti, we do not commit to evaluating a borrower's creditworthiness on an ongoing basis, although we may do so periodically. Your investment may be impacted should the creditworthiness of that borrower change over time, reducing the borrower's capacity to repay their loan. In addition, your funds may be matched to the loan of a borrower whose creditworthiness has changed since their loan application was approved, or to a borrower who has been or is late in making payment on their loan.

About Plenti

Company background

Plenti uses smart technology to provide faster, fairer loans so our customers can bring their big ideas to life. Plenti offers award-winning automotive, renewable energy, and personal loans, delivered by proprietary technology. We help creditworthy borrowers bring their big ideas to life. Since establishment in 2014, Plenti has grown consistently to become Australia's largest fintech lender. Our growth has been supported by diversified loan products, distribution channels and funding, and is distinguished by our exceptional credit performance.

Plenti became an ASX listed company on 23 September 2020. Prior to that, Plenti was known as RateSetter Australia, and was locally owned and operated since establishment in 2012, and launched to the public in November 2014. The retail lending platform was launched then and licensed by ASIC to provide retail lending to retail investors and SMSFs, not just wholesale and sophisticated investors.

Key performance highlights for FY22 as at 31 March 2022

- Matching over $900 million in investor funds to over 62,500 borrower loans from 24,000 registered investors
- Managing credit risk and the unique Provision Fund, such that every investor participating via the Plenti Lending Platform has received every amount of principal and interest monies due
- $1.1B total loan originations including warehouse investment funding
- $1.3B loan portfolio, and over 123,000 loans funded to date
- More 5-star reviews than any other non-bank consumer lender
- Receiving Canstar's coveted 5 Star Award for Outstanding Value for seven years running, along with another 25 awards for our products, service and innovation

How does the Plenti model work?

Provision fund model: Every Plenti borrower pays money into Plenti's Provision Fund, (the exact amount depends on your credit strength and loan details). This fund is held in cash by an external trust company and can protect investors from any borrower late payment or default. Please note that the protection through the Provision Fund is not guaranteed.

Plenti's Provision Fund has, as at the date of this guide, successfully ensured that no Plenti Lending Platform investor has ever lost a cent of principal or interest since operations commenced.

Plenti tracks the performance of the Provision Fund by analysing its buffer, which is the amount of cash held in the Provision Fund plus the total amount of money Plenti expects will be paid into the Provision Fund from existing loans. As of 30 June 2022, the Provision Fund holds more than $16 million, representing a buffer of more than 200% of the platform's outstanding loan balance.

Managing credit risk

Plenti's credit teams conduct stringent credit checks on loan applicants, by using industry-leading underwriting processes. This ensures that Plenti Lending Platform investors only lend money to creditworthy borrowers whom Plenti is confident can repay their loans.

How rates are set

The Provision Fund simplifies the investment experience. Investors only choose the term-based lending market they want, the amount they want to lend, and the interest rate they want to lend at. This is known as creating a 'lending order'. Lending orders are then matched to borrower loans, with the lowest rate lending orders in each market taking priority - like how a stock market works.

How investors earn returns

Investors receive both principal and interest payments every time borrowers make repayments on the loans they have funded. This usually happens on a monthly basis. Investors can then choose to automatically reinvest these amounts, so they continue to earn further interest.

Access to funds

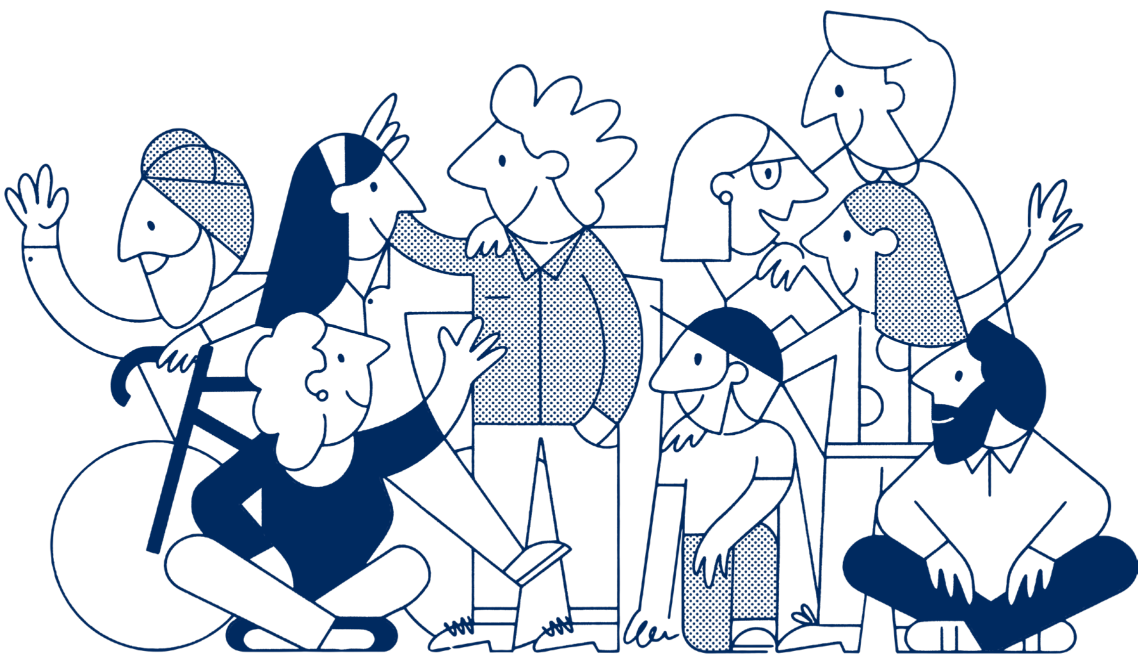
The early access transfer feature allows investors to request to withdraw part or all of their investment in a loan before its indicative term.

Transparency

Plenti believes that investors should be able to access all relevant information before making a decision to invest, allowing them to understand the risks of lending, learn about Plenti's investment offering, and gain confidence in its ability to deliver strong, stable returns on an ongoing basis. That's why Plenti has set a new benchmark with the level of transparency it provides to investors.

Investors can easily review investor returns to date by registering to invest with Plenti or by visiting the Plenti website. On the Plenti website, you can see how many loans Plenti has facilitated, how much money is on the Plenti Lending Platform, what the loan default rate is for each annual cohort, the history of rates in each lending market, the amount in the Provision Fund, and much more.

In addition, Plenti releases its loan book publicly each quarter, setting a new benchmark not only for retail lenders, but for lenders, fund managers, and financial service providers in Australia more generally.



How do I get started?

1. Register to invest
2. Transfer in funds using BPAY or a bank transfer
3. Choose the lending market, the amount you wish to invest, and the rate at which you wish to lend it

You'll then get matched with creditworthy borrowers and will start earning regular returns.

Plenti offers investors:

- Earn returns up to 7.5% per annum*
- Stable returns, given the nature of consumer loans and the existence of the Provision Fund
- A reliable source of fixed, monthly income
- Investment portfolio diversification
- Flexible lending terms
- The ability to request early access to funds

References

1. Rates as at July 19 2022. Lender rates are displayed on an annualised basis, after fees, based on last matched rates. Lender rates may assume borrower payments received are continually reinvested at the stated rate and assume your investment is protected by the Provision Fund in the event of any borrower late payment or default, however, there is no guarantee nor warranty as to any protection from the Provision Fund. See our Product Disclosure Statement for further details.

www.plenti.com.au