

Target Market Determination

Delphi Commercial Interest Only Loan (Fixed Rate)

DBKD-COMM-IO-F

Product

This target market determination (TMD) applies to the Delphi Commercial Interest Only Loan (Fixed Rate).

Issuer

Delphi 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

16 November 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, 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 to whom the DDO legislation applies and for whom this product has been designed include certain types of small businesses (specifically, companies, partnerships and trusts) who:

- want a term loan to finance or refinance the acquisition of residential or commercial property for an investment purpose (where that investment purpose is not also a business purpose) renovation or improvement of other types of real property (other than residential real property);
- want to repay the interest amount only for a specified term (interest only up to 5 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;
- can afford the loan; and
- can provide commercial and/or residential property as security for the loan.

The retail clients for whom this product has not been designed are individuals who require credit wholly or predominantly for personal, domestic or household purposes e.g., individuals who require a loan to buy a property to live in.

Product Description

The Delphi Commercial Interest Only Loan (Fixed Rate) is an 'interest only' term loan (for a term up to 5 years) which is used to finance or refinance the acquisition of a residential or commercial investment property. Borrowers 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 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 loan will automatically convert to a variable interest rate). Retail clients have limited ability to make additional repayments without incurring early repayment costs.

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 funding on interest only terms for a period of up to 5 years.

Attribute	Appropriate for
Minimum Loan Amount	Retail clients who want to borrow a minimum amount of \$20,000
Property Investment	Retail clients looking to finance or refinance the acquisition of real property (excluding individuals who are outside the target market, e.g. individuals who wish to use the loan for a personal purpose, such as buying a property to live in). Additional cash out is permitted for approved purposes within credit policy.
Suitable Entity Type	<p>Suitable applicants include retail clients who are:</p> <ul style="list-style-type: none"> • Partnerships • Companies • Trusts <p>This product may not be suitable for individuals.</p> <p>For the purchase or approved renovation / refurbishment / improvement of or re-finance of debt relating to investment in real property where a first registered mortgage is offered as security for the said facility.</p>
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 loan will convert to a variable rate loan.
Early repayments and redraw	Clients who do not require the flexibility to make additional repayments. Additional repayments may incur additional fees or charges (eg break costs).

2. How this product is to be distributed

Delphi 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:

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

3. Reviewing this target market determination

Delphi Bank will review this TMD as set out below:

Initial review	Within the first year of the effective date.
Periodic reviews	At least every 12 months from the initial review.
Review triggers or events	<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"> • a material change to the design or distribution of the product, including related documentation; • occurrence of a significant dealing; • 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; • 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; • significant changes in metrics, including, but not limited to: <ul style="list-style-type: none"> ○ a material increase in the number of complaints in relation to a product or aspect of a product; ○ the level of consumers experiencing hardship such as falling into arrears; and ○ an increase in early termination of the product; and ○ any other event occurs, or information is received that reasonably suggests this TMD is no longer appropriate.

4. Reporting and monitoring this target market determination

Delphi Bank will need to collect, keep and report the following information to Bendigo Bank:

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