

Target Market Determination

Banking products – Investment loan (interest only)

This Target Market Determination (TMD) is required under section 994B of the *Corporations Act 2001* (Cth) (**the Act**). It describes the type of customer this product is appropriate for (**target market**), its key attributes, and any conditions around how the product can be distributed. It also describes events or circumstances where Heartland Bank Limited (**we, us, our**) may need to review this TMD and forms part of our design and distribution obligations.

The TMD isn't a summary of the features or terms of the product and doesn't take into account your individual objectives, financial situation or needs. If you're interested in applying for a loan with us, call us on **1300 221 479** to speak with one of our lending specialists, or view our website challenger.com.au/bank.

Target market summary

Our residential investment loan is likely to be appropriate for those seeking a variable rate investment loan with an initial interest only repayment period, converting then to principal and interest repayments.

Product and issuer identifier

| | |
|-------------|---|
| Product | Variable rate residential investment loan (interest only) |
| Issuer | Heartland Bank Limited |
| Issuer ABN | ABN 54 087 651 750 |
| Issuer AFSL | AFSL/Australian Credit Licence Number 245606 |
| Date of TMD | 23 June 2022 |
| Version | 2.0 |

Description of target market

| | |
|---------------------|---|
| Customer attributes | <p>This product is likely to be appropriate for those who satisfy the following:</p> <ul style="list-style-type: none">• Australian citizens or permanent residents who reside in Australia and are 18 years or older, and• require credit to purchase, refinance or release equity in residential house and land for investment purposes, with the flexibility to make additional repayments. <p>This product will not be suitable for those who:</p> <ul style="list-style-type: none">• are seeking the certainty of fixed repayments over the term of the loan, or• require branch assisted transactions. |
|---------------------|---|

Description of product, including key attributes

Eligible customers can borrow up to \$1,500,000 at a variable rate of interest that is calculated daily, for a maximum term of 30 years. There is a minimum loan amount of \$200,000.

Repayments are made on an interest only basis for a maximum period of five years, converting then to a principal and interest basis for the remainder of the loan term.

Repayments can be made on a weekly, fortnightly, or monthly repayment frequency.

Customers have access to an offset account and redraw facility. There is no application fee, monthly service fee, early repayment fee or redraw fees.

Loans with a loan to value ratio over 80% require Lenders Mortgage Insurance, with the premium passed onto the customer.

Description of likely objectives, financial situation and needs of customers in the target market

The likely objectives of someone taking out this product are that they seek a variable rate investment loan with an initial interest only repayment period, converting then to principal and interest repayments.

Their likely financial situation could include being employed and receiving regular income and meeting our lending criteria.

Their likely needs are the ability to cover the cost of purchasing, refinancing, or releasing equity in a residential investment property.

Explanation of why the product is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market

The product provides eligible customers:

- a variable interest rate loan with flexible repayment options, and
- no application fee, no monthly service fee, or early repayment fee.

Distribution conditions/restrictions

Distribution conditions

The product is distributed via several channels:

- direct to individual or joint customers via our website online form, or
- distributed direct to customers via a paper-based application form, obtained by calling us.

Trained and accredited phone-based lending specialists are available to speak with prospects and customers about the product.

Why the distribution conditions and restrictions will make it more likely that the customers who acquire the product are in the target market

Eligibility is outlined within the online form and the application process restricts individual or joint customers who do not meet the distribution criteria.

Accredited phone-based lending specialists are trained in the product's features and eligibility criteria.

All applications are assessed by us to ensure they meet the lending eligibility criteria.

Review triggers

The review triggers that would reasonably suggest that the TMD is no longer appropriate include:

- material changes to the product or the terms, such as a change in fee structure
- a significant dealing, as decided by us, that is not consistent with the TMD

- a material increase in complaints received from customers in relation to their use of the product
- a material increase in the rate of defaults
- a material increase in the rate hardships, or
- material changes to the regulatory environment.

Mandatory review periods

First review date: 23 June 2023
Periodic reviews: Annually every year thereafter

Distribution reporting requirements

The following information must be provided to us by distributors who engage in retail product distribution conduct in relation to this product:

| Type of information | Description | Reporting period |
|------------------------|---|---|
| Complaints | Complaints (as defined in section 994A(1) of the Act) relating to the product design, product availability and distribution. The distributor should provide all the content of the complaint, having regard to privacy. | Within 10 business days following the end of calendar quarter. |
| Significant dealing(s) | Date or date range of the significant dealing(s) and description of the significant dealing (e.g. loss of credit licence). | As soon as practicable, and in any case within 10 business days after becoming aware. |

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Need to talk to us? We'd be happy to help.

1300 221 479 | challenger.com.au/bank | PO Box 297, Flinders Lane, Melbourne VIC 8009

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