

## IMPORTANT NOTICE

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THE FOLLOWING INFORMATION MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS INFORMATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are reminded that the Information Memorandum has been delivered to you on the basis that you are a person into whose possession the Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Information Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the managers or any affiliate of the managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the managers or such affiliate on behalf of the issuing entity in such jurisdiction.

By accessing the Information Memorandum, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the Information Memorandum by electronic transmission, (c) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia, (d) if you are a person in the United Kingdom, then you are a person who (i) is an investment professional within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **FPO**) or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the FPO (all such persons together being referred to as **relevant persons**); (e) if you are a person in Australia you are a (i) sophisticated investor, (ii) a professional investor or (iii) a person in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act and (f) if you are a person in a Member State of the European Economic Area, you understand and agree that only the Class A Bonds and Class AB Bonds are being offered to you pursuant to this Information Memorandum. In the United Kingdom, this Information Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Information Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

This Information Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Members Equity Bank Limited, Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, Macquarie Bank Limited, National Australia Bank Limited or any person who controls any such person or any director, officer, employee nor agent of any such person (or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the Information Memorandum distributed to you in electronic format and the hard copy version available to you on request from Members Equity Bank Limited, Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, Macquarie Bank Limited or National Australia Bank Limited.



**The Superannuation Members' Home Loans Programme**  
**SMHL SERIES SECURITISATION FUND 2018-2**  
**INFORMATION MEMORANDUM**  
**DATED 10 August 2018**  
**RELATING TO THE ISSUE OF MORTGAGE BACKED SECURITIES**

***Trustee***

Perpetual Limited  
ABN 86 000 431 827

in its capacity as trustee of the SMHL Series Securitisation Fund 2018-2

***Manager***

ME Portfolio Management Limited  
ABN 79 005 964 134

***Approved Servicer***

Members Equity Bank Limited  
ABN 56 070 887 679

***Security Trustee***

Perpetual Trustee Company Limited  
ABN 42 000 001 007

***Arranger***

National Australia Bank Limited  
ABN 12 004 044 937

***Joint Lead Managers***

Australia and New Zealand Banking Group  
Limited  
ABN 11 005 357 522

Commonwealth Bank of Australia  
ABN 48 123 123 124

Macquarie Bank Limited  
ABN 46 008 583 542

National Australia Bank Limited  
ABN 12 004 044 937

**ME Portfolio Management**

## DISCLAIMERS

Neither Members Equity Bank Limited nor any associate of Members Equity Bank Limited (including ME Portfolio Management Limited) in any way stands behind the capital value and/or the performance of the Bonds or the assets of SMHL Series Securitisation Fund 2018-2. Members Equity Bank Limited does not stand behind the obligations of ME Portfolio Management Limited.

The Bonds do not represent deposits or other liabilities of Members Equity Bank Limited or associates of Members Equity Bank Limited including ME Portfolio Management Limited.

Members Equity Bank Limited does not guarantee the payment of interest or the repayment of principal due on the Bonds or the performance of the assets of SMHL Series Securitisation Fund 2018-2 (except to the limited extent provided in the transaction documents).

The holding of the Bonds is subject to investment risk, including possible delays in repayment and loss of income and principal invested.

Neither Perpetual Limited (whether in its personal capacity or as Trustee) nor any associate of Perpetual Limited in any way stands behind the capital value and/or the performance of the Bonds or the assets of SMHL Series Securitisation Fund 2018-2.

Neither Perpetual Trustee Company Limited (whether in its personal capacity or as Security Trustee) nor any associate of Perpetual Trustee Company Limited in any way stands behind the capital value and/or the performance of the Bonds or the assets of SMHL Series Securitisation Fund 2018-2.

Neither the Interest Hedge Providers nor any associate of the Interest Hedge Providers in any way stands behind the capital value and/or the performance of the Bonds or the assets of SMHL Series Securitisation Fund 2018-2.

Neither the Irish Listing Agent nor any associate of the Irish Listing Agent in any way stands behind the capital value and/or performance of the Bonds or the assets of SMHL Series Securitisation Fund 2018-2.

The Bonds do not represent deposits or other liabilities of any Interest Hedge Provider or the Irish Listing Agent or any associate of any Interest Hedge Provider or the Irish Listing Agent.

Neither the Arranger nor any Joint Lead Manager nor any associate of the Arranger or any Joint Lead Manager (collectively, the **Bond Manager Parties**) in any way stands behind the capital value and/or the performance of the Bonds or the assets of SMHL Series Securitisation Fund 2018-2.

The Bonds do not represent deposits or other liabilities of the Bond Manager Parties, and are subject to investment risk, including possible delays in repayment and loss of income and principal invested. None of the Bond Manager Parties guarantees any particular rate of return or the performance of the Bonds, nor do they guarantee the repayment of principal from the transaction.

Nothing contained in the Information Memorandum shall be relied on as a promise or representation, whether as to the past or to the future.

This Information Memorandum is not intended as an offer, invitation, solicitation or recommendation with respect to any business opportunity or to provide the basis of any credit or other evaluation and should not be considered as a recommendation by Perpetual Limited (whether in its personal capacity or as Trustee) nor any associate of Perpetual Limited, Perpetual Trustee Company Limited (whether in its personal capacity or as Security Trustee) nor any associate of Perpetual Trustee Company Limited, Members Equity Bank Limited nor any associate of Members Equity Bank Limited, any of the Bond Manager Parties nor any associate of the Bond Manager Parties, the Interest Hedge Providers nor any associate of the Interest Hedge Providers in relation to the Bonds or the Irish Listing Agent nor any associate of the Irish Listing Agent.

Each of the Arranger, the Interest Hedge Providers, the Joint Lead Managers and the Irish Listing Agent (the **Transaction Parties**) discloses that, in addition to the arrangements and interests it will or

may have with respect to the Manager and Trustee (together, the **Group**) as described in this Information Memorandum (the **Transaction Document Interests**), it, its Related Entities and its respective officers, directors, agents and employees (each a **Relevant Entity**):

- (a) may from time to time be a Bondholder or have pecuniary or other interests with respect to the Bonds and they may also have interests relating to other arrangements with respect to a Bondholder or a Bond; and
- (b) will receive or may pay fees, brokerage and commissions or other benefits, and act as principal with respect to any dealing with respect to any Bonds,

together, the **Bond Interests**.

Each purchaser of Bonds acknowledges these disclosures and further acknowledges and agrees that:

- (a) each Relevant Entity will or may from time to time have the Transaction Document Interests and may from time to time have the Bond Interests and is, and from time to time may be, involved in a broad range of transactions including, without limitation, banking, dealing in financial products, credit, derivative and liquidity transactions, investment management, corporate and investment banking and research (the **Other Transactions**) in various capacities in respect of any member of the Group or any other person, both on the Relevant Entity's own account and for the account of other persons (the **Other Transaction Interests**);
- (b) each Relevant Entity in the course of its business (whether with respect to the Transaction Document Interests, the Bond Interests, the Other Transaction Interests or otherwise) may act independently of any other Relevant Entity;
- (c) to the maximum extent permitted by applicable laws, the duties of each Relevant Entity in respect of the Bonds are limited to the contractual obligations of the Transaction Parties to the Manager, the Mortgage Manager, the Security Trustee and the Trustee as set out in the Transaction Documents and, in particular, no advisory or fiduciary duty is owed to any person;
- (d) a Relevant Entity may have or come into possession of information not contained in this Information Memorandum that may be relevant to any decision by a potential investor to acquire the Bonds and which may or may not be publicly available to potential investors (**Relevant Information**);
- (e) to the maximum extent permitted by applicable law, no Relevant Entity is under any obligation to disclose any Relevant Information to any member of the Group or to any potential investor and this Information Memorandum and any subsequent conduct by a Relevant Entity should not be construed as implying that the Relevant Entity is not in possession of such Relevant Information; and
- (f) each Relevant Entity may have various potential and actual conflicts of interest arising in the course of its business, including in respect of the Transaction Document Interests, the Bond Interests or the Other Transaction Interests. For example, the exercise of rights against a member of the Group arising from the Transaction Document Interests (eg by a dealer, an arranger, an interest rate swap provider or a liquidity facility provider) or from an Other Transaction may affect the ability of the Group member to perform its obligations in respect of the Bonds. In addition, the existence of a Transaction Document Interest or Other Transaction Interest may affect how a Relevant Entity in another capacity (eg as a Bondholder) may seek to exercise any rights it may have in that capacity. These interests may conflict with the interests of the Group or a Bondholder, and the Group or a Bondholder may suffer loss as a result. To the maximum extent permitted by applicable law, a Relevant Entity is not restricted from entering into, performing or enforcing its rights in respect of the Transaction Document Interests, the Bond Interests or the Other Transaction Interests and may otherwise continue or take steps to further or protect any of those interests and its business even where to do so may be in conflict with the interests of Bondholders or the Group, and the Relevant Entities may in so doing act without notice to, and without regard to, the interests of any such person.

## 1 Important Notices

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### 1.1 Interpretation

References in this Information Memorandum (this **Information Memorandum**) to various parties and documents are explained in Sections 6 and 16 respectively.

Unless defined elsewhere in this Information Memorandum, all other terms are defined in the Glossary of Terms in Section 18.

### 1.2 BBSW benchmark

Amounts payable under the Bonds are calculated by reference to BBSW, which is provided by ASX. As at the date of this Information Memorandum, ASX does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (**ESMA**) pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011 (the **BMR**)). As far as the Manager is aware, the transitional provisions in Article 51 of the BMR apply, such that ASX is not currently required to obtain authorisation (or, if located outside the European Union, recognition, endorsement or equivalence).

### 1.3 Prospectus for the purposes of Directive 2003/71/EC

This Information Memorandum constitutes a prospectus for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the **Prospectus Directive**). This Information Memorandum has been approved by the Central Bank of Ireland (the **Central Bank**), as competent authority under the Prospectus Directive. The Central Bank only approves this Information Memorandum as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Such approval relates only to the Class A Bonds and the Class AB Bonds which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (the **Markets in Financial Instruments Directive**) and/or which are to be offered to the public in any Member State of the European Economic Area.

Application has been made by the Manager to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the Class A Bonds and the Class AB Bonds to be admitted to the official list (the **Official List**) and trading on its regulated market (the **Main Securities Market**). The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive. The Class B Bonds, Class C Bonds, Class D Bonds and the Class E Bonds will not be admitted to the Official List nor will they be admitted to trading on the Main Securities Market or any other stock exchange.

### 1.4 Admission to Official List

The Manager has made the application to Euronext Dublin for the Class A Bonds and the Class AB Bonds to be admitted to the Official List and to trading on the Main Securities Market.

The Trustee has not authorised or caused the issue of this Information Memorandum or made or authorised the application to Euronext Dublin for the Class A Bonds or the Class AB Bonds to be admitted to the Official List and trading on the Main Securities Market.

### 1.5 Date and Currency of this Information Memorandum

This Information Memorandum has been prepared by the Manager as at 10 August 2018.

The delivery of the Information Memorandum at any time after the date of this Information Memorandum does not imply that the information contained in this Information Memorandum is accurate, timely or complete at any time subsequent to the date of this Information Memorandum. Accordingly, neither the delivery of this Information Memorandum nor any offer or issue of the Bonds implies or should be relied upon as a representation or warranty that:

- there has been no change since the date of this Information Memorandum in the affairs or financial condition of the Fund, the Trustee, the Security Trustee, the Manager, the Approved Servicer or any other party referred to in this Information Memorandum; or
- the information contained in this Information Memorandum remains accurate, timely and complete at any time after the date of this Information Memorandum.

No one undertakes to review the financial condition or affairs of the Trustee or the Fund at any time or to keep a recipient of this Information Memorandum or a Bondholder informed of changes in, or matters arising or coming to their attention which may affect, anything referred to in this Information Memorandum.

## **1.6 Function of this Information Memorandum**

This Information Memorandum relates solely to a proposed issue of Bonds by the Trustee in its capacity as trustee of the Fund. This Information Memorandum is not relevant for any other purpose. You should rely only on the information contained in this Information Memorandum or to which the Manager has referred you. No-one has been authorised to provide you with information or to make any representation not contained in this Information Memorandum and if given or made, such information or representation must not be relied on as having been authorised by or on behalf of the Manager, the Principal Approved Seller, any Approved Seller, the Trustee, the Security Trustee, the Arranger, any Joint Lead Manager, the Interest Hedge Providers or the Irish Listing Agent.

This Information Memorandum is being made available to assist each recipient of it to decide whether it will undertake its own further independent investigation of the Bonds. This Information Memorandum does not purport to contain all the information a person considering subscribing for or purchasing the Bonds may require. Intending subscribers or purchasers of the Bonds should review the Transaction Documents which contain the definitive terms relating to SMHL Series Securitisation Fund 2018-2 and connected transactions, and each intending subscriber should seek its own tax, accounting and legal advice as to the consequence of investing in any of the Bonds. If there is any inconsistency between this Information Memorandum and the Transaction Documents, the Transaction Documents are to be regarded as containing the definitive information and shall prevail to the extent of any such inconsistency.

A copy of the Transaction Documents may be inspected by intending subscribers or purchasers of the Bonds at the office of the Manager referred to in the Directory or by requesting an electronic copy via the following email address: [ME.InvestorReporting@mebank.com.au](mailto:ME.InvestorReporting@mebank.com.au). This Information Memorandum may only be used where it is legal to sell the Bonds.

Neither this Information Memorandum nor any part hereof shall constitute an offer to sell or the solicitation of an offer to buy or subscribe for the Bonds by any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The Bonds may not be sold in any jurisdiction where such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any jurisdiction. This Information Memorandum may only be issued or made available in any jurisdiction to a person to whom it may be so issued or made available, without any further action on the part of any person, in accordance with all applicable securities laws.

As of the date of this Information Memorandum, the information in this Information Memorandum is not inaccurate or misleading.

## **1.7 Responsibility for Information**

The Manager accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge and belief of the Manager, which has taken all reasonable care to ensure

that such is the case, the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Manager has made all reasonable inquiries with respect to the content of this Information Memorandum. However, the Manager has relied upon information (including as described below) which has been provided to it by the Approved Servicer, Perpetual Limited, Perpetual Trustee Company Limited, the Interest Hedge Providers, Genworth Financial Mortgage Insurance Pty Limited, as a Mortgage Insurer and QBE, as a Mortgage Insurer. The information provided by the above-named parties described in the following six paragraphs has been accurately reproduced. As far as the Manager is aware and is able to ascertain from information published by these parties, no facts have been omitted from the information described in the following six paragraphs which would render the reproduced information inaccurate or misleading.

Perpetual Limited accepts responsibility for the information contained in Section 6.1(c)(ii) of this Information Memorandum. To the best of the knowledge and belief of Perpetual Limited, which has taken all reasonable care to ensure that such is the case, the information contained in Section 6.1(c)(ii) of this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. Perpetual Limited does not accept responsibility for any other information contained in this Information Memorandum. No representation, warranty or undertaking, expressed or implied, is made and no responsibility or liability is accepted by Perpetual Limited as to the accuracy or completeness of any of the information in this Information Memorandum (other than the information contained in Section 6.1(c)(ii) of this Information Memorandum) or any other information supplied in connection with the Bonds or their distribution.

The Approved Servicer accepts responsibility for the information contained in Section 6.1(b) of this Information Memorandum. To the best of the knowledge and belief of the Approved Servicer, which has taken all reasonable care to ensure that such is the case, the information contained in Section 6.1(b) of this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Approved Servicer does not accept responsibility for any other information contained in this Information Memorandum. No representation, warranty or undertaking, expressed or implied, is made and no responsibility or liability is accepted by the Approved Servicer as to the accuracy or completeness of any of the information in this Information Memorandum (other than the information contained in Section 6.1(b) of this Information Memorandum) or any other information supplied in connection with the Bonds or their distribution.

Perpetual Trustee Company Limited accepts responsibility for the information contained in Section 6.1(d)(ii) of this Information Memorandum. To the best of the knowledge and belief of Perpetual Trustee Company Limited, which has taken all reasonable care to ensure that such is the case, the information contained in Section 6.1(d)(ii) of this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. Perpetual Trustee Company Limited does not accept responsibility for any other information contained in this Information Memorandum. No representation, warranty or undertaking, expressed or implied, is made and no responsibility or liability is accepted by Perpetual Trustee Company Limited as to the accuracy or completeness of any of the information in this Information Memorandum (other than the information contained in Section 6.1(d)(ii) of this Information Memorandum) or any other information supplied in connection with the Bonds or their distribution.

Genworth Financial Mortgage Insurance Pty Limited accepts responsibility for the information contained in Section 16.8(b) of this Information Memorandum under the heading "Mortgage Insurers", other than the information regarding Genworth Financial Mortgage Insurance Pty Limited's financial strength ratings (the **Genworth information**). To the best of the knowledge and belief of Genworth Financial Mortgage Insurance Pty Limited, which has taken all reasonable care to ensure that such is the case, the Genworth information is in accordance with the facts and does not omit anything likely to affect the import of such information. Genworth Financial Mortgage Insurance Pty Limited does not accept responsibility for any other information contained in this Information Memorandum. No representation, warranty or undertaking, expressed or implied, is made and no responsibility or liability is accepted by Genworth Financial Mortgage Insurance Pty Limited as to the accuracy or completeness of any of the information in this Information Memorandum (other than the Genworth information) or any other information supplied in connection with the Bonds or their distribution.

QBE accepts responsibility for the information contained in Section 16.8(c) of this Information Memorandum under the heading "Mortgage Insurers". To the best of the knowledge and belief of QBE, which has taken all reasonable care to ensure that such is the case, the information contained

in Section 16.8(c) of this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. QBE does not accept responsibility for any other information contained in this Information Memorandum. No representation, warranty or undertaking, expressed or implied, is made and no responsibility or liability is accepted by QBE as to the accuracy or completeness of any of the information in this Information Memorandum (other than the information contained in Section 16.8(c) of this Information Memorandum) or any other information supplied in connection with the Bonds or their distribution.

Each Interest Hedge Provider accepts responsibility for the information contained in Section 6.1(f) of this Information Memorandum in respect of itself. To the best of the knowledge and belief of each Interest Hedge Provider, which has taken all reasonable care to ensure that such is the case, the information contained in Section 6.1(f) of this Information Memorandum in respect of itself is in accordance with the facts and does not omit anything likely to affect the import of such information. The Interest Hedge Providers do not accept responsibility for any other information contained in this Information Memorandum. No representation, warranty or undertaking, expressed or implied, is made and no responsibility or liability is accepted by the Interest Hedge Providers as to the accuracy or completeness of any of the information in this Information Memorandum (other than the information contained in Section 6.1(f) of this Information Memorandum in respect of itself) or any other information supplied in connection with the Bonds or their distribution.

The only role of the Auditor in the preparation of this Information Memorandum has been to confirm to the Manager as accurate in all material respects as at the date of this Information Memorandum the information under the heading "Auditor" in the Directory in Section 19.

The only role of the Bond Manager Parties in the preparation of this Information Memorandum has been to confirm to the Manager as accurate in all material respects as at the date of this Information Memorandum the information in respect of itself under the headings "Arranger" and "Joint Lead Managers" on the cover page of this Information Memorandum and in the Directory in Section 19. None of the Bond Manager Parties accepts any responsibility for any other information contained in this Information Memorandum and none has separately verified any other information contained in this Information Memorandum. Accordingly, none of the Bond Manager Parties makes any representation, recommendation, undertaking or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained in this Information Memorandum or in any further notice or other document or information which may at any time be supplied in connection with the Bonds, nor undertakes to review the financial condition or affairs of the Fund during the life of the arrangements contemplated in this Information Memorandum, nor undertakes to inform any investor or potential investor in the Bonds of any information coming to the attention of any of the Bond Manager Parties which is not included in this Information Memorandum, nor accept any responsibility to or liability for and do not owe any duty to any investor or potential investor in the Bonds in respect of the preparation and due execution of the Transaction Documents. Each person receiving a copy of this Information Memorandum acknowledges that such person has not relied on any of the Bond Manager Parties or any person affiliated with any of the Bond Manager Parties in connection with its investigation of the accuracy of such information or its investment decisions.

### **1.8 No other material authorised**

No person is authorised to give any information, or to make any representation, not contained in this Information Memorandum and any information or representation not contained in this Information Memorandum must not be relied upon as having been authorised by or on behalf of the Manager or any other person referred to in this Information Memorandum.

### **1.9 The Bonds may not be a suitable investment for all investors**

The information contained in this Information Memorandum is not a recommendation by the Manager, the Trustee, the Security Trustee, the Approved Servicer, the Liquidity Facility Provider, the Interest Hedge Providers, the Arranger, the Joint Lead Managers, the Mortgage Insurers, the Auditor, the Irish Listing Agent, any external adviser to any of the foregoing or any other person that any person acquire the Bonds.



Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Information Memorandum;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including Bonds where the currency for principal or interest payments is different from the potential investor's currency;
- understands thoroughly the terms of the Bonds; and
- is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing, and (c) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

A potential investor should not invest in the Bonds, which are complex financial instruments, unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

### **1.10 No Public Offering**

No action has been or will be taken to permit a public offering of the Bonds or the distribution of this Information Memorandum in any jurisdiction. The distribution of this Information Memorandum and the offering, sale and delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession the whole or any part of this Information Memorandum comes are required by the Manager, the Trustee, the Arranger, each Joint Lead Manager and their respective Related Entities to inform themselves about and to observe such restrictions.

### **1.11 No Guarantee of Return of Principal or Rate of Return**

The Manager, the Trustee, the Security Trustee, the Approved Servicer, the Liquidity Facility Provider, the Interest Hedge Providers, the Arranger, the Joint Lead Managers, the Mortgage Insurers, the Auditor, the Irish Listing Agent and any external adviser to any of the foregoing and each of their respective associates do not:

- guarantee the payment or repayment of any moneys owing to holders of the Bonds or the return of any principal invested or any particular rate of return; and
- make any statement (including, without limitation, any representation) with respect to the income tax or other taxation consequences for any person regarding any purchase, acquisition or subscription for, purchase or holding of, the Bonds or the receipt of any amounts under the Bonds by that person.

### 1.12 Trustee's Liability Limited

The Trustee's liability in respect of the Bonds is limited to the amount that it is entitled to recover through its right of indemnity from the Assets of the Fund and which are available to the Trustee in accordance with the Master Trust Deed and the other Transaction Documents to meet that liability.

In addition, both the Trustee and the Manager are relieved from any personal liability in respect of the performance of their rights, powers and duties under the Master Trust Deed, except to the extent that any liability would arise from their own fraud, negligence or wilful default.

### 1.13 Reference to Credit Ratings

It is a condition to the issuance of the Class A Bonds that they be rated AAA(sf) by S&P and Aaa(sf) by Moody's and the Class A Bonds, on issuance, are expected to be assigned a rating of AAA(sf) from S&P and Aaa(sf) from Moody's. It is a condition to the issuance of the Class AB Bonds that they be rated AAA(sf) by S&P and the Class AB Bonds, on issuance, are expected to be assigned a rating of AAA(sf) from S&P. It is a condition to the issuance of the Class B Bonds that they be rated AA(sf) by S&P and the Class B Bonds on issuance, are expected to be assigned a rating of AA(sf) from S&P. It is a condition to the issuance of the Class C Bonds that they be rated A(sf) by S&P and the Class C Bonds on issuance, are expected to be assigned a rating of A(sf) from S&P. It is a condition to the issuance of the Class D Bonds that they be rated BBB(sf) by S&P and the Class D Bonds, on issuance, are expected to be assigned a rating of BBB(sf) from S&P. The Class AB Bonds, the Class B Bonds, the Class C Bonds and the Class D Bonds are unrated by Moody's. The Class E Bonds are unrated.

None of S&P or Moody's is established in the European Union and none of S&P or Moody's has applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) however, their credit ratings are endorsed on an ongoing basis by S&P Global Ratings Europe Limited and Moody's Investors Service Ltd, respectively, pursuant to and in accordance with the CRA Regulation. Each of S&P Global Ratings Europe Limited and Moody's Investors Service Ltd is established in the European Union and registered under the CRA Regulation. References in this Information Memorandum to S&P and/or Moody's will be construed accordingly. As such, each of S&P Global Ratings Europe Limited and Moody's Investors Service Ltd is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation (on [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)). The European Securities Markets Authority has indicated that ratings issued in Australia which have been endorsed by S&P Global Ratings Europe Limited and Moody's Investors Service Ltd may be used in the EU by the relevant market participants.

A credit rating of the Bonds is not a recommendation to buy, sell or hold the Bonds or any other securities and may be subject to revision, suspension or withdrawal at any time by the Rating Agencies.

The Rating Agencies have conducted their analysis on the basis of the Classes of Bonds to which they are expected to assign a rating.

The Rating Agencies have not been involved in the preparation of this Information Memorandum (or any supplementary information memorandum).

### 1.14 Arranger and Joint Lead Managers

The Arranger and the Joint Lead Managers, and their associates, directors and employees may have pecuniary or other interests in the Bonds and may also have interests pursuant to other arrangements and may receive fees, brokerage and commissions and may act as principal in dealing in any Bonds. See the "Disclaimers" Section at the beginning of this Information Memorandum for further information.

### 1.15 No disclosure under Corporations Act

This Information Memorandum is not a 'prospectus', 'product disclosure statement' or other 'disclosure document' for the purposes of the Corporations Act 2001 (Cth) (**Corporations Act**) and is not required to be lodged with the Australian Securities and Investments Commission (**ASIC**) or the Australian Securities Exchange (**ASX**). Accordingly, a person may not (directly or indirectly) offer for subscription or purchase or issue invitations to subscribe for or buy or sell the bonds, or distribute this information memorandum where such offer, issue or distribution is received by a person in the Commonwealth of Australia, its territories or possessions, except if:

- (a) the amount payable by the transferee in relation to the relevant bonds is A\$500,000 or more or if the offer or invitation to the transferee is otherwise an offer or invitation that does not require disclosure to investors in accordance with part 6D.2 or part 7.9 of the Corporations Act;
- (b) the offer or invitation does not constitute an offer to a 'retail client' under Chapter 7 of the Corporations Act; and
- (c) the offer or invitation complies with all applicable laws, regulations and directives.

### 1.16 No Registration under the U.S. Securities Act

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR ANY STATE SECURITIES LAWS, AND UNLESS SO REGISTERED MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE BONDS ARE BEING OFFERED AND SOLD IN OFFSHORE TRANSACTIONS ONLY TO PERSONS (OTHER THAN U.S. PERSONS) OUTSIDE THE UNITED STATES PURSUANT TO REGULATION S UNDER THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES OR TRANSFERS, SEE SECTION 14.

### 1.17 Notice to Residents of the United Kingdom

THIS INFORMATION MEMORANDUM MAY ONLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED TO PERSONS IN THE UNITED KINGDOM IN CIRCUMSTANCES WHERE THE PROVISIONS OF SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED (**FSMA**) DO NOT APPLY OR TO INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE **ORDER**) OR TO HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER. NEITHER THE BONDS NOR THIS INFORMATION MEMORANDUM ARE AVAILABLE TO OTHER CATEGORIES OF PERSONS IN THE UNITED KINGDOM AND NO-ONE FALLING OUTSIDE SUCH CATEGORIES IS ENTITLED TO RELY ON, AND THEY MUST NOT ACT ON, ANY INFORMATION IN THIS INFORMATION MEMORANDUM. THE COMMUNICATION OF THIS INFORMATION MEMORANDUM TO ANY PERSON IN THE UNITED KINGDOM OTHER THAN THE CATEGORIES STATED ABOVE, OR ANY OTHER PERSON TO WHOM IT IS OTHERWISE LAWFUL TO COMMUNICATE THIS INFORMATION MEMORANDUM, IS UNAUTHORISED AND MAY CONTRAVENE THE FSMA.

### 1.18 Notice to Residents of Hong Kong

Neither this Information Memorandum nor any part hereof shall constitute, and under no circumstances is it to be construed as an offer for sale to the public of securities in Hong Kong within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong and it is not the intention of the Manager, the Trustee, the Arranger, any Joint Lead

Manager or their respective Related Entities that the Bonds be offered for sale to the public in Hong Kong.

### 1.19 Notice to the public in a Member State of the European Economic Area

This Information Memorandum has been prepared on the basis that any offer of Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of Bonds which are the subject of the offering contemplated in this Information Memorandum may only do so in circumstances in which no obligation arises for the Trustee, Arranger or any of the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Trustee, the Arranger nor any of the Joint Lead Managers have authorised, nor do they authorise, the making of any offer of Bonds in circumstances in which an obligation arises for the Trustee, Arranger or any of the Joint Lead Managers to publish or supplement a prospectus for such offer. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU).

### 1.20 Distribution and selling restrictions

The distribution of this Information Memorandum and the offering or invitation to subscribe for or buy the Bonds in certain jurisdictions may be restricted by law. No action has been taken or will be taken which would permit the distribution of this Information Memorandum or the offer or invitation to subscribe for or buy the Bonds in any jurisdiction where action for that purpose is required. The sale of the Bonds is subject to selling restrictions. Please see Section 14 for more information.

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intended for, and must not be distributed to, any person in those countries who would come within the FCA definition of “retail client”.

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This information is distributed in Hong Kong by Macquarie Bank Limited Hong Kong Branch (“MBLHK”), Macquarie Capital Limited (“MCL”), Macquarie Funds Management (Hong Kong) Limited (“MFMHK”) or Macquarie Futures and Options (Hong Kong) Limited (“MFOHK”), as the case may be and is intended solely for “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong for the purpose of providing preliminary information and does not constitute any offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong.

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### 1.23 MIFID II product governance / Professional investors and ECPs only target market –

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

### 1.24 PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the **PRiIPs Regulation**) for offering or selling the Bonds or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRiIPs Regulation.

### 1.25 Arranging by National Australia Banking Limited ABN 12 004 044 937

National Australia Bank Limited, in its individual capacity and as Arranger and Joint Lead Manager:

- has not authorised or caused the issue of this Information Memorandum or made or authorized the application for admission to listing and/or trading or any offer of any Bonds to the public and has not separately verified the information contained in this Information Memorandum;
- does not accept any responsibility for the admission to listing and/or trading of any of the Bonds;
- does not accept any responsibility for the accuracy or completeness of any information contained in this Information Memorandum and has not separately verified the information contained in this Information Memorandum and makes no representation, warranty or undertaking, express or implied, as to the accuracy or completeness of, or any errors or omissions in, any information contained in this Information Memorandum or any other information supplied in connection with the Bonds except with respect to the information for which it accepts responsibility in the preceding paragraphs (if any); and
- does not accept any responsibility to or liability for and does not owe any duty to any person who purchases or intends to purchase the Bonds in respect of the preparation and due execution of the Transaction Documents.

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## 2 Risk Factors

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***The Bonds are complex securities. You should consider the following risk factors in deciding whether to purchase any of the Bonds. There may be other and/or unforeseen reasons why you might not receive principal or interest on the Bonds. The Manager believes that the risks described below are the material risks for Bondholders inherent in the transaction. However, the inability of the Trustee to make a payment on the Bonds may occur for other reasons and the Manager does not in any way represent that the description of the risks outlined below is exhaustive. It is only a summary of the material risks. You should also read the detailed information set out elsewhere in this Information Memorandum, review the Transaction Documents and make your independent investigation and seek your own independent advice as to the potential risks involved in purchasing and holding the Bonds.***

### 2.1 General

The Manager believes that the risks described below are the principal risks inherent in investment in the Bonds. However, a failure of the Trustee to pay interest or principal on the Bonds may occur for other reasons. Although the Manager believes that the various structural protections available to Bondholders lessen or eliminate a certain element of these risks, there can be no assurance that these measures will be sufficient to ensure the payment to Bondholders of interest or principal on the Bonds on a timely basis or in full.

Prospective Bondholders should read the information set out elsewhere in this Information Memorandum and make their own independent investigation, and seek their own independent advice, as to the possible risks involved in acquiring and holding the Bonds.

### 2.2 Limited Recourse

The Bonds represent debt obligations of the Trustee only in its capacity as trustee of the Fund and in no other capacity. The Bonds do not represent an interest in or obligation of any of the other parties to the transaction. The Assets of the Fund will be the main source of payments on the Bonds. The Trustee's other assets will only be available to make payments on the Bonds to the extent that the Trustee is held to be negligent, fraudulent or to have acted in wilful default with respect to its obligations under the Transaction Documents and that this negligence, fraud or wilful default has resulted in a reduction of the Assets of the Fund. Payment of principal and interest are not guaranteed by any of the Manager, the Approved Servicer, the Principal Approved Seller, the Approved Sellers, the Arranger, any Joint Lead Manager, the Trustee, the Security Trustee, the Interest Hedge Providers or any affiliate, parent or officer of any of them. Therefore, if the Assets of the Fund are insufficient to pay the interest and principal on your Bonds when due, except as disclosed above, there will be no other source from which to receive these payments and you may not get back the yield you expected to receive and you may suffer a loss on your investment.

The Trustee's obligation to pay interest on and to repay the Bonds in full is limited by reference to receipts under or in respect of the Pool of Approved Mortgage Loans (see "Limits of Liability" under Section 16.2). In order to minimise risks to Bondholders arising from this limitation, the Manager has incorporated a number of structural enhancements into the SMHL Programme which are described in this Information Memorandum.

The Mortgage Loan interest rates are set at a rate elected at the discretion of the Manager. It is possible that if interest rates increase significantly relative to historical levels, borrowers may experience distress, and increased default rates on the Mortgage Loans may result.

If borrowers fail to make their periodic mortgage payments when due, there is a possibility that the Trustee may have insufficient funds from payments under the Approved Mortgage Loans to enable it to make full and timely payment of interest and principal to Bondholders. A wide variety of local or international developments of legal, social, economic, political or other nature could conceivably affect the performance of borrowers under the Approved Mortgage Loans.

To mitigate this risk, the Trustee has entered into the Mortgage Insurance Policies described in Section 16.8. The Mortgage Insurance Policies provide protection to Bondholders in respect of the timing and payment of the obligations of borrowers under the SMHL Programme.

To further facilitate the timely payment of interest outstanding under the Bonds, the Trustee has entered into a Liquidity Facility Arrangement for a liquidity facility limit of an amount equal to the lesser of (i) 1.0% of the aggregate Outstanding Principal Balance of the Approved Mortgage Loans at any time; (ii) the amount agreed in writing between the Liquidity Facility Provider, the Manager and the Trustee (provided that such amount will not, in the reasonable opinion of the Manager (following discussions between the Manager and each Rating Agency), give rise to an Adverse Rating Effect); and (iii) the amount (if any) to which the liquidity facility limit has been reduced at that time in accordance with the Liquidity Facility Arrangement (subject to a minimum amount equal to the Required Liquidity Limit).

### 2.3 Mortgage Rate and Threshold Rate

In exercising its powers and performing its obligations under the Master Trust Deed, the Manager must at all times ensure that, to the extent that the Trustee is entitled to do so under the terms of the Approved Mortgage Loans, the rate of interest payable on or in respect of the Purchased Loans is changed from time to time so that:

- on the assumption that all parties to all of the Transaction Documents and all issuers of Authorised Investments from time to time included in the Assets of the Fund have complied and will at all times comply in full with their respective obligations under those Transaction Documents and Authorised Investments; and
- having regard to:
  - (i) the terms of the Transaction Documents;
  - (ii) the terms of the Purchased Loans;
  - (iii) the anticipated Expenses of the Fund;
  - (iv) the Excess Revenue Reserve Balance;
  - (v) all other information available to the Manager;
  - (vi) the Benchmark Rate from time to time; and
  - (vii) any mismatch between the time at which the Benchmark Rate is determined and the time at which the rate of interest payable on or in respect of the Purchased Loans may be reset,

the Trustee will have available to it at all times sufficient funds to enable it to make the Required Payments for the next Calculation Period as they fall due (such rate being the **Threshold Rate**).

Without limiting the operation of the above, the interest rate applicable to each fixed interest period of Fixed Rate Loans comprised in the Assets of the Fund must be equal to or greater than:

- for so long as the Outstanding Principal Balance of all such Fixed Rate Loans is equal to or less than 50% of the Outstanding Principal Balance of all Purchased Loans, the rate, expressed as a percentage, determined by the Manager to be the fixed-floating swap rate for the period most closely approximating the term of the fixed interest period of such Fixed Rate Loans plus "a margin"; and
- for so long as the Outstanding Principal Balance of all such Fixed Rate Loans is greater than 50% of the Outstanding Principal Balance of all Purchased Loans, such rate as determined from time to time by the Manager which must not be lower than the rate referred to in the bullet point above, provided that the Manager has given each Rating Agency at least 5 Banking Days prior notice of the proposed new rate.

In setting the interest rate on the Purchased Loans, it is possible that the rate may be set at a level which encourages borrowers to seek alternative finance, although it is the intention of the Manager to avoid this situation so far as is possible. These measures could also cause more delinquent payments by borrowers than expected and could affect the yield on the Bonds.

## 2.4 Limited Liquidity

There is currently only a limited secondary market for the Bonds to be issued. There is no assurance that any limited secondary market which exists will develop or, if it does develop, that it will provide sufficient liquidity of investment, or will continue for the life of the Bonds, or that if Bondholders sell in the secondary market they will receive on sale the Outstanding Principal Balance owing under the Bonds.

In addition, the liquidity of the Bonds may be affected by present uncertainties and future unfavourable developments concerning legal investment. Consequently, Bondholders should be aware that they may be required to bear the financial risks of an investment in the Bonds for an indefinite period of time. The market value of the Bonds also may be affected by many other factors, including the then prevailing interest rates and market perceptions of risks associated with residential mortgage lending in Australia or elsewhere, and no representation is made by any person or entity as to what the market value of any of the Bonds will be at any time.

Potential increases in defaults and foreclosures in residential properties or other conditions may depress the overall economy. A housing downturn may lead to declines in the value of residential real estate. Additionally, a lack of credit liquidity, higher mortgage rates and decreases in the property values may occur and potentially prevent payments by borrowers under the Mortgage Loans which may increase the likelihood of default.

These economic conditions may also adversely affect the amount of liquidation proceeds the Fund would realise in the event of foreclosure. Moreover, even if the Bonds are performing as anticipated, the value of the Bonds in the secondary market may nevertheless fall as a result of deterioration in general market conditions for residential mortgage-backed securities or other structured products. The market value of the Bonds is likely to fluctuate, which could result in a significant loss to the Bondholder.

## 2.5 Repayment and Prepayment Considerations

The average life of a Bond refers to the average amount of time that each dollar of principal will remain outstanding. The average life of the Bonds will be influenced by, among other things, the rate at which principal on the Purchased Loans is paid and any redraw of principal. The Purchased Loans may be prepaid in full or in part at any time, however, break costs may apply for prepayment of Fixed Rate Loans.

Interest on any Mortgage Loan which is prepaid during an Interest Period will cease to accrue as at the date of prepayment, whereas interest will continue to be payable in respect of a corresponding amount of principal on the Bonds until the end of the Interest Period immediately following the prepayment. Amounts prepaid by borrowers, which will be available to make payments of interest and principal on the Bonds, will be credited to the Fund's account which will likely earn interest at a rate less than that payable on the Bonds. If less, the Trustee may not have sufficient funds to pay the Bondholders the full amounts of interest due to them on the next Payment Date.

Prepayments may also result from liquidations due to default, proceeds of claims under a Mortgage Insurance Policy or repurchases by the Manager as a result of a Mortgage Loan not satisfying the conditions to be satisfied by each Mortgage Loan in the Pool of Approved Mortgage Loans. If substantial principal prepayments on the Purchased Loans are received, the actual average life of the Bonds will be significantly shorter than would otherwise be the case.

A variety of political, economic, social, geographic, demographic and other factors, including home owner mobility, economic conditions, property prices, mortgage interest rates and the availability of mortgage funds, may affect the prepayment experience of the Purchased Loans. As a consequence historical payment experience of the portfolio or similar portfolios managed by the Manager may change over time.

Further, no assurance can be given that prepayments on the Purchased Loans will conform to any historical experience, and no prediction can be made as to the actual prepayment rates which will be experienced on the Purchased Loans. Bondholders will bear the investment risk resulting from the rate and time of prepayment of Purchased Loans.

In addition, as ME and the Manager develop new lending products, such as the redraw facility to be offered to borrowers, the profile of payments received under the Purchased Loans may alter, affecting payments under the Bonds.

If the Manager increases the interest rates on the variable rate Loans, borrowers may be unable to make their required payments under the Purchased Loans, and accordingly, may become delinquent or may default on their payments. In addition, if the interest rates are raised above market interest rates, borrowers may refinance their Loans with another lender to obtain a lower interest rate. This could cause higher rates of principal prepayment than expected and affect the yield on the Bonds.

The Bonds are not a suitable investment for any investor that requires a regular or predictable schedule of payments or payment on any specific date. The Bonds are complex investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyse the prepayment, reinvestment, default and market risk, the tax consequences of an investment, and the interaction of these factors.

## **2.6 Deductions**

If the Bonds become subject to any withholding or deduction for, or on account of, any present or future taxes or debts of whatever nature, neither the Manager nor the Trustee will be obliged to pay any additional amounts to Bondholders by way of compensation for such withholding or deduction. For further information, see Section 13.

## **2.7 Trustee's Call Option**

The ability of the Trustee to redeem all the Bonds before the Final Maturity Date (see Section 7.8) will depend upon whether the Trustee is able to collect or otherwise obtain an amount sufficient to redeem the Bonds and to pay its obligations of principal on the Bonds. The early retirement of the Bonds will shorten their lives and may result in a lower yield on the Bonds than expected by Bondholders.

## **2.8 Imposition of a Withholding Tax**

If a withholding tax is imposed on payments of interest on the Bonds, Bondholders will not be entitled to receive grossed-up amounts to compensate for such withholding tax. Thus, Bondholders will receive less interest than is scheduled to be paid on the Bonds.

If the option to redeem the Bonds affected by a withholding tax is exercised, unless Bondholders, by Extraordinary Resolution, elect not to require the Trustee to redeem the Bonds, the Bonds will be redeemed for an amount equal to the Outstanding Principal Balance of the Bonds, less unreimbursed losses allocated to the Bonds, plus accrued interest. As a result, to the extent losses are allocable to your Bonds, you may not fully recover your investment. In addition, the early retirement of your Bonds will shorten their average lives and potentially lower the yields on your Bonds. For further information, see Section 7.9.

## **2.9 Termination of the Swaps**

If the provider of an Interest Hedge fails to perform its obligations or if the terms of such swap are held to be unenforceable under applicable law, such swap terminates and a replacement hedge provider is not able to be found or a judgment against the relevant Interest Hedge Provider cannot be enforced, Bondholders will be exposed in that the floating rates of interest payable on the Bonds may be greater than the discretionary fixed rates set on the Fixed Rate Loans and the floating rates set on the floating rate Mortgage Loans in the Pool of Approved Mortgage Loans. The Interest Hedges contains provisions requiring cash collateral and replacement of the relevant Interest Hedge Provider if the relevant Interest Hedge Provider's rating falls below certain specified levels.

## 2.10 Changes to Features of the Mortgage Loans

The features of the Mortgage Loans, including their interest rates, may be changed by ME, either on its own initiative or, where they are offered, at a borrower's request. Some of these changes may include the addition of newly developed features which are not described in this Information Memorandum. As a result of these changes and borrower's payments of principal, the concentration of Mortgage Loans with specific characteristics may change over time, which may affect the timing and amount of payments you receive under your Bonds.

If ME changes the features of the Mortgage Loans or fails to offer desirable features offered by its competitors, borrowers might elect to refinance their loan with another lender to obtain more favourable features. In addition, the Purchased Loans are not permitted to have some features. At the present time ME does not expect to agree to add features to the Purchased Loans that currently are not permitted. However, if ME decides to add one of these features to a Purchased Loan, in effect the Purchased Loan will be repaid and a new Mortgage Loan will be written which will not form part of the Assets of the Fund. The refinancing or removal of Mortgage Loans could cause you to experience higher rates of principal prepayment than you expected, which could affect the yield on your Bonds.

## 2.11 Over Hedging

In relation to Fixed Rate Loans, the use of an Interest Hedge will expose the Fund to the risk of over hedging. This may occur if repayment rates of borrowers are higher than expected, potentially creating a differential between the principal amount of the Interest Hedge and the principal amount of the Mortgage Loans. In some cases, this could necessitate the unwinding of the Interest Hedge at a cost to the Fund. It is the intention of the Manager that such costs would be considered in the subsequent reset of the lending rates on the Mortgage Loans.

## 2.12 Application of principal repayments towards the Bonds, pre and post enforcement of the Security Trust Deed

Prior to enforcement of the Security where the Step Down Payment Requirements are not satisfied, principal repayments on the Class AB Bonds will only occur after all principal has been repaid on the Class A Bonds. Similarly, principal repayments on the Class B Bonds will only occur after all principal has been repaid on the Class A Bonds, and the Class AB Bonds; principal repayments on the Class C Bonds will only occur after all principal has been repaid on the Class A Bonds, the Class AB Bonds, and the Class B Bonds; principal repayments on the Class D Bonds will only occur after all principal has been repaid on the Class A Bonds, the Class AB Bonds, the Class B Bonds, and the Class C Bonds; and principal repayments on the Class E Bonds will only occur after all principal has been repaid on the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, and the Class D Bonds. Accordingly, if any loss is suffered which cannot be recovered under the security for any Purchased Loan or the relevant Mortgage Insurance Policy, or if any Mortgage Insurer defaults under its Mortgage Insurance Policy, such loss may be suffered by the Class E Bondholders in priority to the Class A Bondholders, the Class AB Bondholders, the Class B Bondholders, the Class C Bondholders, and the Class D Bondholders; by the Class E Bondholders and the Class D Bondholders in priority to the Class A Bondholders, the Class AB Bondholders, the Class B Bondholders, and the Class C Bondholders; by the Class E Bondholders, the Class D Bondholders and the Class C Bondholders in priority to the Class A Bondholders, the Class AB Bondholders, and the Class B Bondholders; by the Class E Bondholders, the Class D Bondholders, the Class C Bondholders and the Class B Bondholders in priority to the Class A Bondholders, and the Class AB Bondholders; and by the Class E Bondholders, the Class D Bondholders, the Class C Bondholders, the Class B Bondholders and the Class AB Bondholders in priority to the Class A Bondholders.

Prior to enforcement of the Security, where the Step Down Payment Requirements are satisfied, the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds (as a group) will rank *pari passu* and rateably between themselves as to repayment of principal.

Following enforcement of the Security, principal repayments on the Class A Bonds will rank senior to principal repayments on the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D

Bonds and the Class E Bonds; principal repayments on the Class A Bonds, and the Class AB Bonds will rank senior to principal repayments on the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds; principal repayments on the Class A Bonds, the Class AB Bonds, and the Class B Bonds will rank senior to principal repayments on the Class C Bonds, the Class D Bonds and the Class E Bonds; principal repayments on the Class A Bonds, the Class AB Bonds, the Class B Bonds, and the Class C Bonds will rank senior to principal repayments on the Class D Bonds and the Class E Bonds; and principal repayments on the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, and the Class D Bonds will rank senior to principal repayments on the Class E Bonds. Accordingly, if any loss is suffered which cannot be recovered under the security for any Purchased Loan or the relevant Mortgage Insurance Policy, or if any Mortgage Insurer defaults under its Mortgage Insurance Policy, such loss will be suffered by the Class E Bondholders in priority to the Class D Bondholder, Class C Bondholders, the Class B Bondholders, the Class AB Bondholders, and the Class A Bondholders; by the Class E Bondholders and Class D Bondholders in priority to the Class C Bondholders, the Class B Bondholders, the Class AB Bondholders, and the Class A Bondholders; by the Class E Bondholders, the Class D Bondholders and the Class C Bondholders in priority to the Class B Bondholders, the Class AB Bondholders, and the Class A Bondholders; by the Class E Bondholders, the Class D Bondholders, Class C Bondholders and the Class B Bondholders in priority to the Class AB Bondholders, and the Class A Bondholders; and by the Class E Bondholders, the Class D Bondholders, the Class C Bondholders, the Class B Bondholders and the Class AB Bondholders in priority to the Class A Bondholders. See also Sections 8.4, 8.5 and 8.6.

### **2.13 Third Party Risk**

If the Fund is holding Interest Hedges or Enhancements, there is risk of default by counterparties. This risk will be managed by entering into transactions of this type with counterparties whose rating is approved by the Rating Agencies. In the event of a counterparty default leading to a higher funding cost, this may be reflected in the subsequent reset of the lending rates on the Mortgage Loans. However, in setting the Threshold Rate, the Manager is entitled to assume that all parties to the Transaction Documents comply in full with their obligations. See Section 8.13.

In addition, there exists the risk that parties to the Transaction Documents may terminate a Transaction Document or default in the performance of their respective obligations under the Transaction Documents.

Where the Trustee has entered into arrangements with a rated entity there is a risk that that entity's rating may be downgraded. Such a downgrading may have an Adverse Rating Effect. Such arrangements include Interest Hedges and the Mortgage Insurance Policies. The Interest Hedges contain provisions requiring cash collateral and replacement of the relevant Interest Hedge Provider if its rating falls below certain specified levels. There is no similar provision in respect of the Mortgage Insurance Policies.

With respect to the performance of the obligations of the Manager, Bondholders should note the measures taken pursuant to the Management Support Deed described in Section 16.10 to ensure that the Manager is able to carry out its obligations under the terms of the Master Trust Deed.

### **2.14 Approved Servicer**

The Approved Servicer will serve as the servicer for all of the Mortgage Loans relating to the Fund. For a description of the activities of the Approved Servicer as servicer for the funds see Section 15.2. In the event of its insolvency or the removal of the Approved Servicer as servicer of the Fund, a replacement servicer would need to be appointed and the relevant Mortgage Loans (to the extent held by the Approved Servicer) would need to be transferred to that replacement servicer and its servicing system. Such an event may have an adverse impact on the Purchased Loans and may cause a delay in payments on the Bonds. However, these risks are mitigated because the Approved Servicer is an experienced servicer of mortgage loans. The Manager, an affiliate of the Approved Servicer, is also the settlor of the Fund.

## 2.15 National Credit Code

The National Consumer Credit Protection Act 2009 (Cth) (the **NCCPA**) commenced operation from 1 July 2010. ASIC is responsible for administering the NCCPA.

Schedule 1 of the NCCPA contains the National Credit Code (the **National Credit Code**). The National Credit Code imposes key pre-contractual and post-contractual disclosure and conduct obligations on providers of consumer finance. The National Credit Code replaces, but largely incorporates, the Consumer Credit Code which formerly applied as a uniform law of the Australian States and Territories.

Among other things, the NCCPA:

- prescribes a national licensing regime under which persons that engage in “credit activities” (including credit providers, finance brokers and certain other entities) will need to register and once registered will need to obtain an Australian credit licence (an **ACL**) that authorises them to engage in those “credit activities”. In general, a person cannot engage in a credit activity if the person does not hold an ACL;
- imposes responsible lending requirements on ACL holders and others designed to better inform consumers and prevent them from being offered credit contracts which are unsuitable;
- provides consumers with access to certain remedies, so that they can seek restitution or compensation for an offence, in addition to the remedy available under the civil effect of that offence; and
- imposes civil penalties and criminal sanctions on those entities which breach certain obligations under the NCCPA as well as granting ASIC powers to take action in respect of those entities which are in breach of the legislation.

Both the Trustee and the Approved Servicer registered with ASIC on 16 June 2010 and 27 May 2010 respectively as credit providers under transitional arrangements for the commencement of the NCCPA. The Approved Servicer applied for and obtained an ACL which commenced on 27 January 2011. The ACL authorised the Approved Servicer to engage in certain credit activities. The Trustee has not applied for or obtained an ACL on the basis of either a licensing exemption available to a fund raising special purpose entity under section 110(a) of the NCCPA and regulation 23B of the *National Consumer Credit Protection Regulations 2010* (Cth) (the **NCCP Regulations**) or to a securitisation entity under section 110(a) of the NCCPA and regulation 23C of the NCCP Regulations, under which it is sufficient for a servicer, such as the Approved Servicer, acting under a servicing agreement, to be unlicensed.

Some or all of the Mortgage Loans and related Mortgages and guarantees are regulated by the NCCPA and the National Credit Code.

Under the National Credit Code, a borrower may have a right to apply to a court to make a wide range of orders in relation to the following, among other things:

- vary the terms of a Mortgage Loan on the grounds of hardship or that it is an unjust contract;
- annul or reduce a change in the interest rate or rates payable on a Mortgage Loan if the change is unconscionable (a court may also make ancillary or consequential orders);
- annul or reduce any establishment fee or charge, early termination fee or charge or prepayment fee or charge which the court is satisfied is unconscionable (a court may also make ancillary or consequential orders);
- have certain provisions of a Mortgage Loan which are in breach of the legislation declared unenforceable or void;
- grant an injunction preventing a Mortgage Loan from being enforced (or any other action in relation to the Mortgage Loan) if to do so would breach the Code;
- obtain an order for a civil penalty against the Trustee, the amount of which may be set off against any amount payable by the borrower under the applicable Mortgage Loan; or
- obtain restitution or compensation to be paid for loss or damage suffered (or likely to be suffered) from the Trustee in relation to breaches of the Code in relation to a Mortgage Loan.

An application may also be made to relevant external dispute resolution schemes which have the power to resolve disputes where the amount in dispute is \$500,000 or less.

A person who provides a guarantee or Mortgage can also apply to a court in some instances.

ASIC can make an application to vary the terms of a contract or a class of contracts on the above grounds, if this is in the public interest.

Where a systemic contravention affects contract disclosures across multiple Mortgage Loans, there is a risk of a representative or class action under which a civil penalty could be imposed in respect of all affected Mortgage Loan contracts. If borrowers suffer any loss, orders for compensation may also be made.

The Trustee is liable for compliance with the National Credit Code. Any order under the National Credit Code may affect the timing or amount of interest or principal payments or repayments under the relevant Mortgage Loan, which might in turn affect the timing or amount of interest or principal payments or repayments to you under the Bonds.

In addition, the Trustee may be liable for the commission of an offence and/or civil penalties for contravention of the National Credit Code.

The Trustee may be indemnified out of the Assets of the Fund for civil and offence penalties and liabilities it incurs under the National Credit Code. The Approved Servicer has indemnified the Trustee against any loss the Trustee may incur as a result of a failure by the Approved Servicer to comply with the National Credit Code in respect of a Mortgage. Where the Trustee is held liable for breaches of the National Credit Code, the Trustee must seek relief initially under any indemnities provided to it by the Approved Servicer before exercising its rights to recover against any Assets of the Fund.

The Principal Approved Seller will give certain representations and warranties that the Mortgages relating to the Purchased Loans complied in all material respects with all applicable laws when those Mortgages were entered into. In addition, the Approved Servicer has undertaken to comply with the Code in carrying out its obligations under the Transaction Documents. In certain circumstances, the Trustee may have the right to claim damages from the Principal Approved Seller or the Approved Servicer (as the case may be) where the Trustee suffers loss in connection with a breach of the Code which is caused by a breach of a relevant representation or undertaking.

Further undertakings in relation to the National Credit Code are described in Section 16.7.

## **2.16 Mortgage Loans and related Mortgages and guarantees entered into before 1 July 2010**

Certain transitional arrangements apply in relation to contracts made before the commencement of the National Credit Code (i.e. 1 July 2010) in respect of which the old uniform Consumer Credit Code of a referring Australian State or a Territory applied immediately before 1 July 2010.

Under these arrangements, the Code will apply to "carried over instruments" with some modifications. The modifications are generally designed to ensure the Code applies to "carried over instruments" on terms which are equivalent to the old uniform Consumer Credit Code. This includes some or all of the Mortgage Loans and related Mortgages and guarantees.

## **2.17 No historical financial information**

From the date of the creation of SMHL Series Securitisation Fund 2018-2 to the Issue Date of the Bonds, the Trustee has not, in its capacity as trustee of SMHL Series Securitisation Fund 2018-2, carried on any business and no financial statements relating to SMHL Series Securitisation Fund 2018-2 have been prepared at the date of this Information Memorandum.

## **2.18 Unfair contract terms regime**

In July 2010, the Australian Securities and Investments Commission Act 2001 (Cth) (**ASIC Act**) was amended to include an unfair contract terms regime as part of the Australian Consumer Law reforms. As a result, a term in a standard form consumer contract that is declared "unfair" by the Court is void.



On 12 November 2016, the consumer protections in section 12BF of the ASIC Act were extended to include small businesses who enter into standard form contracts. The protections apply renewals or variations (but only to the extent of the variation) of standard form consumer and small business contracts entered into prior to 12 November 2016.

Accordingly, a term of a consumer contract or a small business contract will be void if:

- the term is unfair; and
- the contract is a standard form contract; and
- the contract is:
  - a financial product; or
  - a contract for the supply, or possible supply, of services that are financial services.

#### ***Definition of consumer contract***

A contract will be a consumer contract if at least one of the parties to the contract is an individual whose acquisition of what is supplied under the contract is wholly or predominantly for personal, domestic or household use or consumption.

#### ***Definition of small business contract***

A contract will be a small business contract if:

- at the time the contract is entered into, at least one party to the contract is a business that employs fewer than 20 persons; and
- either of the following applies:
  - the upfront price payable under the contract does not exceed \$300,000;
  - the contract has a duration of more than 12 months and the upfront price payable under the contract does not exceed \$1,000,000.

Under the ASIC Act, a term of a standard form consumer or small business contract will be “unfair” if it:

- would cause significant imbalance in the parties’ rights and obligations under the contract; and
- is not reasonably necessary to protect the legitimate interests of the party who would be advantaged by the term; and
- would cause detriment (financial or otherwise) if it were applied or relied on.

The unfair contract terms regime in the ASIC Act may apply to some or all of the Mortgage Loans and related Mortgages and guarantees. Whether the protections apply in respect of these contracts will depend, in part, on the nature of the counterparty (consumer or small business), the upfront price payable under the contract and when the relevant contract was entered into or varied.

Pursuant to section 12GNB of the ASIC Act, ASIC may make such orders (including class orders) as the court thinks appropriate against a person who contravenes the unfair contract terms provisions of the ASIC Act. This means that a non-party consumer can benefit from an order obtained by ASIC in relation to unfair terms.

Such an order may affect the timing or amount of interest or principal payments or repayments under the relevant Mortgage Loan, which might in turn affect the timing or amount of interest or principal payments or repayments to you under the Bonds.

It is also possible that Mortgage loans will be regulated by State fair trading laws which also give effect to the Australian Consumer Law on equivalent terms.

## 2.19 Audit of the Fund

The Trustee will appoint Deloitte Touche Tohmatsu as Auditor of the Fund. The accounts of the Fund will be audited in accordance with the provisions of the Master Trust Deed.

## 2.20 Anti-Money Laundering and Counter Terrorism Financing

On 12 December 2006 the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (the **AML Act**) received Royal Assent. All provisions were effective from 12 December 2008. A key objective of the legislation is to strengthen Australia's anti-money laundering and counter terrorism financing measures to reflect the recommendations of the international Financial Action Task Force.

The AML Act regulates reporting entities. Reporting entities are identified by reference to a list of a multitude of designated services. These include but are not limited to (i) opening or providing certain accounts, allowing any transaction in relation to such an account or receiving instructions to transfer money in and out of such an account, (ii) making a loan in the course of carrying on a loans business, (iii) providing a custodial or depository service, (iv) the issuing or selling of a security (e.g. a share or debenture) by a company other than a security in the company itself, (v) operating a remittance network service or (vi) exchanging one currency for another in certain circumstances.

The AML Act imposes the following key obligations (amongst others) on reporting entities:

- the verification of customer identities and collection of account holder information, including beneficial ownership information and politically exposed persons information;
- the reporting of suspicious transactions, significant cash transactions (being transfers of A\$10,000 or more) and international funds transfer instructions;
- the retention of records and ongoing updating of customer records;
- the adoption of and compliance with an internal AML program in managing compliance with their AML obligations and in verifying customer identities;
- conducting enhanced due diligence if required to identify ultimate beneficial ownership information, politically exposed persons and sanctioned or otherwise high-risk or non-cooperative jurisdictions; and
- conducting ongoing due diligence of customers in relation to money laundering and financing of terrorism risks, including beneficial ownership information.

The AML Act is supplemented by the Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1) (Cth) (the **AML Rules**) as updated from time to time. Amongst other things, the AML Rules outline more detailed risk-based requirements for verifying customer identities and monitoring customer transactions on an ongoing basis. The current maximum civil penalty for a single contravention of the AML Act is up to A\$21 million for a body corporate and up to A\$2.1 million for an individual (based on the current penalty unit of \$210). The criminal penalties include imprisonment for up to 10 years and fines up to A\$2.1 million (based on the current penalty unit of \$210).

The Australian Transaction Reports and Analysis Centre (**AUSTRAC**) is the official regulator of the AML Act and AML Rules and Australia's specialist financial intelligence unit. Reporting entities may apply to AUSTRAC for specific exemptions and/or modifications to a reporting entity's obligations under the AML Act.

The obligations imposed on a reporting entity under the AML Act could affect the services of a reporting entity or the funds it provides and ultimately may result in a delay or decrease in the amounts a Bondholder receives.

## 2.21 Independent evaluation of ratings

The ratings of the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds and the Class D Bonds should be evaluated independently from similar ratings on other types of bonds or securities. A rating by a Rating Agency is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, qualification or withdrawal at any time by a Rating Agency. A

revision, suspension, qualification or withdrawal of the rating of the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds or the Class D Bonds may adversely affect the price of the Bonds. In addition, the ratings of the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds and the Class D Bonds do not address the expected timing of principal repayments under those Bonds, only that principal will be received no later than the Final Maturity Date.

## 2.22 Ratings of the Bonds and the CRA Regulation

It is a condition to the issuance of the Class A Bonds that they be rated AAA(sf) by S&P and Aaa(sf) by Moody's and it is expected that the Class A Bonds, on issuance, will be assigned a rating of AAA(sf) from S&P and Aaa(sf) from Moody's. It is a condition to the issuance of the Class AB Bonds that they be rated AAA(sf) by S&P and it is expected that the Class AB Bonds, on issuance, will be assigned a rating of AAA(sf) from S&P. It is a condition to the issuance of the Class B Bonds that they be rated AA(sf) by S&P and it is expected that the Class B Bonds, on issuance, will be assigned a rating of AA(sf) from S&P. It is a condition to the issuance of the Class C Bonds that they be rated A(sf) by S&P and it is expected that the Class C Bonds, on issuance, will be assigned a rating of A(sf) from S&P. It is a condition to the issuance of the Class D Bonds that they be rated BBB(sf) by S&P and it is expected that the Class D Bonds, on issuance, will be assigned a rating of BBB(sf) from S&P. The Class E Bonds are unrated.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

Neither S&P nor Moody's is established in the European Union and neither S&P nor Moody's has applied for registration under the CRA Regulation, however, their credit ratings are endorsed on an ongoing basis by S&P Global Ratings Europe Limited and Moody's Investors Service Ltd, respectively, pursuant to and in accordance with the CRA Regulation. Each of S&P Global Ratings Europe Limited and Moody's Investors Service Ltd is established in the European Union and registered under the CRA Regulation. References in this Information Memorandum to S&P and/or Moody's will be construed accordingly. As such, each of S&P Global Ratings Europe Limited and Moody's Investors Service Ltd is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation (on [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)). The European Securities Markets Authority has indicated that ratings issued in Australia which have been endorsed by S&P Global Ratings Europe Limited and Moody's Investors Service Ltd may be used in the EU by the relevant market participants.

A credit rating is not a recommendation to buy, sell or hold securities. A credit rating does not address the market price or suitability of the Bonds for a Bondholder. The credit ratings do not address the expected schedule of principal repayments other than to say that principal will be returned no later than the Final Maturity Date of the Bonds. The credit ratings of the Bonds will be based primarily on (a) the creditworthiness of the Pool of Approved Mortgage Loans; (b) the subordination provided by the Class E Bonds with respect to the Class D Bonds, the Class C Bonds, the Class B Bonds, the Class AB Bonds and the Class A Bonds; (c) the subordination provided by the Class E Bonds and the Class D Bonds with respect to the Class C Bonds, the Class B Bonds, the Class AB Bonds and the Class A Bonds; (d) the subordination provided by the Class E Bonds, the Class D Bonds and the Class C Bonds with respect to the Class B Bonds, the Class AB Bonds and the Class A Bonds; (e) the subordination provided by the Class E Bonds, the Class D, the Class C Bonds and the Class B Bonds with respect to the Class AB Bonds and the Class A Bonds; (f) the subordination provided by the Class E Bonds, the Class D Bonds, the Class C Bonds, the Class B Bonds and the Class AB Bonds with respect to the Class A Bonds; (g) the availability of excess Interest Collections after payment of interest on the Bonds and the Fund's expenses; (h) other than in respect of the Class A Bonds, the Mortgage Insurance Policies; (i) the availability of the Liquidity Facility Arrangement; (j) the availability of the Excess Revenue Reserve; (k) the creditworthiness of the Interest Hedge Providers and (l) other than in respect of the Class A Bonds, the Mortgage Insurers.

## **2.23 Losses and delinquent payments**

If borrowers fail to make payments of interest and principal under the Purchased Loans when due and the Enhancement described in Section 11.22 is not sufficient to protect a Bondholder's Bonds from the borrowers' failure to pay, the Trustee may not have enough funds to make full payments of interest and principal due on those Bonds. Consequently, the yield on the Bonds could be lower than expected and losses could be suffered by the Bondholder on the Bonds.

## **2.24 Enforcement of the Mortgage Loans**

Substantial delays could be encountered in connection with the liquidation of a Mortgage Loan and its related rights, which may lead to shortfalls in payments to Bondholders to the extent those shortfalls are not covered by a Mortgage Insurance Policy. If the proceeds of the sale of a mortgaged property, net of preservation and liquidation expenses, are less than the amount due under the related Mortgage Loan, the Trustee may not have enough funds to make full payments of interest and principal due, unless the difference is covered under a Mortgage Insurance Policy or recovered pursuant to Section 9.1.

## **2.25 Limited protection against losses**

The amount of Enhancement provided through the subordination of the Class E Bonds to the Class D Bonds is limited and could be depleted prior to the payment in full of the Class D Bonds. If the principal amount of the Class E Bonds is reduced to zero, the Class D Bondholders may suffer losses on the Class D Bonds.

The amount of Enhancement provided through the subordination of the Class E Bonds and the Class D Bonds to the Class C Bonds is limited and could be depleted prior to the payment in full of the Class C Bonds. If the principal amount of the Class D Bonds and Class E Bonds is reduced to zero, the Class C Bondholders may suffer losses on the Class C Bonds.

The amount of Enhancement provided through the subordination of the Class E Bonds, the Class D Bonds and the Class C Bonds to the Class B Bonds is limited and could be depleted prior to the payment in full of the Class B Bonds. If the principal amount of the Class C Bonds, the Class D Bonds and Class E Bonds is reduced to zero, the Class B Bondholders may suffer losses on the Class B Bonds.

The amount of Enhancement provided through the subordination of the Class E Bonds, the Class D Bonds, the Class C Bonds and the Class B Bonds to the Class AB Bonds is limited and could be depleted prior to the payment in full of the Class AB Bonds. If the aggregate principal amount of the Class B Bonds, the Class C Bonds, the Class D and the Class E Bonds is reduced to zero, the Class AB Bondholders may suffer losses on the Class AB Bonds.

The amount of Enhancement provided through the subordination of the Class E Bonds, the Class D Bonds, the Class C Bonds, the Class B Bonds and the Class AB Bonds to the Class A Bonds is limited and could be depleted prior to the payment in full of the Class A Bonds. If the aggregate principal amount of the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D and the Class E Bonds is reduced to zero, the Class A Bondholders may suffer losses on the Class A Bonds.

## **2.26 Mortgage Insurance Policies**

The Mortgage Insurance Policies are subject to some exclusions from coverage, limitations on coverage and rights of termination which are described in Section 16.8. Furthermore, Genworth Financial Mortgage Insurance Pty Limited, QBE and HLIC are acting as Mortgage Insurer with respect to 31.42%, 0.52% and 0.34%, respectively, of the aggregate Outstanding Principal Balance of the Pool of Approved Mortgage Loans. The availability of funds under a Mortgage Insurance Policy will ultimately be dependent on the financial strength of Genworth Financial Mortgage Insurance Pty Limited or QBE. Additionally, a Mortgage Insurance Policy may be held to be unenforceable under applicable law. Therefore, a borrower's payments that are expected to be covered by the Mortgage Insurance Policies may not be covered because of these exclusions and limitations, unenforceability

or because of financial difficulties impeding the relevant Mortgage Insurer's ability to perform its obligations. If such circumstances arise, the Trustee may not have enough money to make timely and full payments of principal and interest on the Bonds.

### **2.27 Proceeds from enforcement**

If the Security Trustee enforces the Security granted in respect of the Assets of the Fund after an Event of Default under the Security Trust Deed, there is no assurance that the market value of the Assets of the Fund will be equal to or greater than the outstanding principal and interest due on the offered Bonds, or that the Security Trustee will be able to realise the full value of the Assets of the Fund. The Trustee, the Manager, the Custodian, the Approved Servicer, the Back Up Servicer, the Security Trustee, the Interest Hedge Providers and other service providers will generally be entitled to receive the proceeds of any sale of the Assets of the Fund, to the extent they are owed fees and expenses, before Bondholders. Consequently, the proceeds from the sale of the Assets of the Fund after an Event of Default under the Security Trust Deed may be insufficient to pay principal and interest in full to Bondholders.

### **2.28 Interest Hedge termination payments**

If the Trustee is required to make a termination payment to an Interest Hedge Provider upon the termination of an Interest Hedge, the Trustee may, prior to enforcement of the Security Trust Deed, make the termination payment from the Assets of the Fund. After enforcement of the Security Trust Deed, certain termination payments will be made *pari passu* with payments to the holders of the Class A Bonds (other than as a consequence of a tax event, force majeure or illegality). Thus, if the Trustee makes a termination payment, there may not be sufficient funds remaining to pay or allocate interest on the Bonds on the next relevant Payment Date, and the principal on the Bonds may not be repaid in full. Additionally, if an Interest Hedge Provider is required to make a termination payment to the Trustee upon the termination of a swap, then the Fund will be exposed to credit risk in relation to the capacity of the relevant Interest Hedge Provider to make that termination payment.

### **2.29 Limits on available liquidity**

If the Interest Collections during a relevant Calculation Period are insufficient to cover fees, expenses and interest payments due on the Bonds on the next relevant Payment Date, Principal Collections collected during the relevant Calculation Period may be used to cover these amounts. If Principal Collections are not sufficient to cover the shortfall, the Trustee will draw funds from the Liquidity Facility or the Collateral Account and in certain circumstances from the Excess Revenue Reserve. Bondholders should be aware that in the event that there is not enough money available under the Liquidity Facility or the Collateral Account or in the Excess Revenue Reserve, as the case may be, they may not receive a payment of interest on the relevant Payment Date, which will reduce the yield on the Bonds.

### **2.30 Use of Principal Collections**

On each relevant Payment Date, Principal Collections may be applied to cover shortfalls in Interest Collections. To the extent that there are insufficient Interest Collections in succeeding Calculation Periods to reimburse these principal draws, full repayment of principal on the Bonds may not be received by Bondholders.

### **2.31 Substitutions of Mortgage Loans**

If the Manager determines that a representation or warranty by the Principal Approved Seller is incorrect with respect to a Mortgage Loan, the Manager may, subject to certain conditions, substitute that Mortgage Loan by using the proceeds of any repurchase of Mortgage Loan by the Principal Approved Seller to acquire a substitute Mortgage Loan from one of the Approved Sellers. Whether the

Manager directs the Trustee to substitute a Mortgage Loan from the Fund with a substitute Mortgage Loan from one of the Approved Sellers will depend on the relevant circumstances at the time the representation or warranty is found to be incorrect. Generally, it is anticipated that the Manager would determine to source the purchase of a substitute Mortgage Loan from one of the Approved Sellers. If the Manager determines not to substitute a Mortgage Loan from the Fund with a substitute Mortgage Loan from one of the Approved Sellers, the purchase from the Fund of a Mortgage Loan by the Principal Approved Seller would operate similarly to a prepayment of the respective Mortgage Loan. See Section 15.3 of this Information Memorandum.

### **2.32 Economic conditions**

If the Australian economy were to experience a significant downturn, a substantial increase in interest rates, a sharp fall in property values or any combination of these factors, delinquencies or losses on the Mortgage Loans may increase, which may cause losses on the Bonds.

### **2.33 Geographic concentration of Mortgage Loans**

If the Fund contains a high concentration of Mortgage Loans secured by properties located within a single state or region within Australia, any deterioration in the real estate values or the economy of any of those states or regions could result in higher rates of delinquencies, foreclosures and loss than expected on the Mortgage Loans. In addition, these states or regions may experience natural disasters, which may not be fully insured against and which may result in property damage and losses on the Mortgage Loans. These events may in turn have a disproportionate impact on funds available to the Fund, which could cause losses to be suffered by Bondholders. See Section 11 of this Information Memorandum for further details in respect of the geographic concentration of the Pool of Approved Mortgage Loans.

### **2.34 Goods and Services Tax**

A goods and services tax (**GST**) is a tax imposed in respect of the making of taxable supplies by an entity, and the acquisition of some services by an enterprise in Australia from a supplier outside Australia.

Various acquisitions made by the Trustee on behalf of the Fund will be subject to GST and the amount payable by the Fund in respect of those services will generally be grossed up by an amount on account of GST. To the extent that the Trustee is not entitled to an input tax credit in respect of these acquisitions there will be a net cost in respect of GST which will reduce the funds available to meet the Trustee's obligations to the Bondholders. See Section 13 of this Information Memorandum.

In limited circumstances, the Trustee may be liable for GST in respect of the supply of a property pursuant to a power of sale in a Mortgage. This may reduce the proceeds of sale available to meet the other obligations of the Trustee.

### **2.35 Electronic registration of Bonds**

A Bondholder's ownership of the Bonds will be registered electronically through Austraclear. Bondholders will not receive physical bonds. This could:

- cause delays in receiving payments on the Bonds because distributions on the Bonds will be to Austraclear instead of directly to the Bondholder;
- limit or prevent Bondholders from using Bonds as collateral; and
- hinder a Bondholder's ability to resell the Bonds or reduce the price when reselling the Bonds.

### 2.36 Australian tax reform

The Australian federal, state and territory legislation may change in the future without notice and legislation introduced to give effect to announcements may contain provisions that are currently not contemplated and may have retrospective effect. Any future changes may affect the taxation treatment of the Fund and could impact the amount of cash available to the Fund to pay interest on the Bonds and meet its other obligations. See Section 13 of this Information Memorandum for further details.

We note in particular that Australian income tax legislation dealing with anti-hybrid mismatch rules is likely to be passed by the Australian Parliament in August 2018 with effect, generally, for years of income commencing on or after 1 January 2019. While the precise effect of this legislation on the taxation calculations or the Fund are not clear at this stage, it is conceivable that the timing of deductions for interest payments on some classes of Bonds may be affected.

### 2.37 Termination of Ultimate Accounts

Under the terms of each Mortgage Loan, the Manager has the right to terminate the provisions of the redraw funding facility and therefore the use of the Ultimate Accounts (as described in Section 10.2). This could occur if any of the Approved Sellers is in default of its contractual obligations under the relevant redraw funding facility or the Fund does not have, through the application of prepayments of principal, the financial resources to meet the redraws requested via the Ultimate Accounts. Therefore, the borrower may seek to refinance their loan with another lender to obtain access to a program with features similar to that of the Ultimate Account which is no longer available to them. This could lead to higher principal prepayments than expected and affect the yield on the Bonds.

### 2.38 Personal Property Securities Act

A personal properties securities regime commenced operating in Australia on 30 January 2012 (**PPSA Start Date**). The Personal Property Securities Act 2009 (Cth) (the **PPS Act**) established a single national system for registration of security interests in personal property, together with new rules for the creation, priority and enforcement of security interests in personal property. The PPS Act has a retrospective effect on security interests and security agreements arising before the PPSA Start Date by operation of the transitional provisions.

Personal property for the purposes of the PPS Act is almost all property, whether tangible or intangible, that is not land.

Security interests for the purposes of the PPS Act include traditional securities such as charges and mortgages. However, security interests under the PPS Act also include:

- transactions that in substance, secure payment or performance of an obligation but may not have previously been legally classified as securities (or may not have been registrable); and
- certain transactions which are deemed by the PPS Act to be security interests, even if those transactions do not secure payment or performance of an obligation.

For example, in most cases, an assignment of receivables is deemed to be a security interest even if the assignment does not, in substance, secure anything. In addition, even though land and certain land related interests are excluded from the PPS Act, the PPS Act does apply to a mortgage-backed security and to any real property mortgage loan if transferred to a person in connection with the issue of a mortgage-backed security.

A person who holds a security interest under the PPS Act will need to register (or otherwise perfect) the security interest to ensure that the security interest has the best possible protection (including the best available priority position). If a security interest is not perfected, the consequences include the following:

- other perfected security interests will take priority;

- another person may acquire an interest in the assets which are subject to the security interest free of the security interest (although this can also happen to perfected security interests in some cases); and / or
- the secured party may lose the security interest if the grantor becomes insolvent.

The assignment of the Purchased Loans will be a deemed security interest and an appropriate registration will need to be made in favour of the Trustee on the Personal Property Securities Register to perfect that security interest. The Manager will review the Transaction Documents to determine if the Transaction Documents (or a transaction in connection with them) is or contains a security interest for the purposes of the PPS Act, and whether any such security interest has been, or should be perfected under the PPS Act.

Under the Security Trust Deed, the Trustee grants the Security, being a security interest over all the Collateral in favour of the Security Trustee to secure the payment of moneys owing to the Secured Creditors (including, among others, the Bondholders). The Security will need to be perfected under the PPS Act.

Under the Security Trust Deed, the Trustee has agreed not to create or allow another interest in any Collateral unless expressly permitted by the Transaction Documents or unless the Security Trustee consents. The Trustee may in the ordinary course of its ordinary business deal with and pay or apply Collateral in accordance with the provisions of the Transaction Documents or if the Security Trustee consents unless permission to deal ceases in accordance with the Security Trust Deed.

However, under Australian law, the above contractual prohibitions on dealings with the Collateral will not of themselves prevent such a dealing from taking effect in the event that the Trustee breaches those obligations. In addition, despite the contractual prohibitions, it is possible in some cases for:

- another security interest granted by the Trustee over the Collateral to take priority over the Security; and
- a third party to acquire Collateral from the Trustee free of the Security.

Whether this would be the case, depends upon matters including the nature of the dealing by the Trustee, the particular Collateral concerned and the actions and knowledge of the relevant third party.

The PPS Act significantly changed Australian law in relation to security interests over personal property and there is still little experience of how many aspects of the law will be applied in practice. As a result, uncertainties as to the effect of the PPS Act (including in respect of the Security) remain. In addition, a statutory review of the PPS Act was completed in March 2015. The final report on the review was tabled before the Commonwealth parliament on 18 March 2015. The report included more than 350 recommendations for reform of the PPS Act and the PPSR. If implemented, many of the recommendations would result in significant changes to the reach of the PPS Act and current market practice.

### **2.39 Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Bonds**

In Europe, the United States and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures (including, without limitation, the Capital Requirements Regulation and the AIFM Regulation) for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Bonds are responsible for analysing their own regulatory position and none of the Trustee, the Manager, the Joint Lead Managers, the Principal Approved Seller, any Approved Seller, the Arranger or ME makes any representation to any prospective investor or purchaser of the Bonds regarding the regulatory capital treatment of their investment on the Issue Date or at any time in the future.

In particular, investors should be aware of the EU risk retention and due diligence requirements which currently apply, or are expected to apply in the future, in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings and UCITS funds. Amongst other things, such



requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its bond position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator; and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an ongoing basis, a net economic interest of not less than five per cent. in respect of certain specified credit risk tranches or asset exposures. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal capital charge on the bonds acquired by the relevant investor. Aspects of the requirements and what is or will be required to demonstrate compliance to national regulators remain unclear and this uncertainty is increased by certain legislative developments. In particular, in the context of the requirements which apply in respect of EU regulated investment firms and authorised alternative investment fund managers, the corresponding interpretation materials (to be made in the form of technical standards) have not yet been finalised. No assurance can be provided that such final materials will not affect the compliance position of previously issued transactions and/or the requirements applying to relevant investors in general.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Bonds. Investors should therefore make themselves aware of such requirements (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Bonds. With respect to the commitment of ME to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Trustee or another relevant party (or, after the Issue Date, by the Approved Servicer on the Trustee's behalf), please see the statements set out in Section 5.1. Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with any relevant requirements and none of the Trustee, ME (in its capacity as the Principal Approved Seller and the Approved Servicer), any Approved Seller, the Manager, the Arranger nor any Joint Lead Manager makes any representation that the information described above is sufficient in all circumstances for such purposes.

The EU risk retention and due diligence requirements described above and any other changes to the regulation or regulatory treatment of the Bonds for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Bonds in the secondary market.

#### **2.40 Implementation of and/or changes to the Basel III framework may affect the capital requirements and/or the liquidity associated with holding the Bonds for certain investors**

The Basel Committee on Banking Supervision (the **Basel Committee**) approved significant changes to the Basel II regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as **Basel III**). In particular, Basel III provides for a substantial strengthening of existing prudential rules, including requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the **Liquidity Coverage Ratio** and the **Net Stable Funding Ratio**). It is intended that member countries will implement the new capital standards and the new Liquidity Coverage Ratio as soon as possible (with provision for phased implementation, meaning that the measure will not apply in full until 1 January 2019) and the Net Stable Funding Ratio from 1 January 2018. Implementation of Basel III requires national legislation and therefore the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation. The Basel Committee has also published certain proposed revisions to the securitisation framework, including changes to the approaches to calculating risk weights and a new risk weight floor of 10% for senior tranches and 15% for non-senior tranches for STC-compliant securitisations.

In September 2012, following a period of consultation with ADIs, the Australian Prudential Regulation Authority (**APRA**) released the final prudential and reporting standards that will govern the implementation of Basel III in Australia. In November 2012, APRA released updated prudential standards which incorporated the Basel III requirements in relation to counterparty credit risk. The November 2012 release represented the final measures to complete implementation of the Basel III

capital reforms in Australia. APRA required that ADIs meet the new capital requirements from 1 January 2013. The Liquidity Coverage Ratio requirement came into effect in Australia from 1 January 2015. In May 2015, following a period of further consultation with ADIs, APRA released updated prudential standards in respect of capital adequacy and public disclosure to rectify slight deviations identified by Basel Committee in its March 2014 review of APRA's implementation of the Basel III capital framework and these new disclosure requirements came into effect from 1 July 2015. In December 2016, APRA released the final revised *Prudential Standard APS 210 Liquidity* which incorporates, amongst other things, the Net Stable Funding Ratio requirements for some authorised deposit-taking institutions which commenced on 1 January 2018.

The changes approved by the Basel Committee and their expected implementation in Australia may have an impact on the capital requirements in respect of the Bonds and/or on incentives to hold the Bonds for investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Bonds.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Bonds and as to the consequences for and effect on them of any changes to the Basel framework (including the changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

### 3 Overview

**The following information summarises the key terms and conditions of the Bonds and certain aspects of the SMHL Programme. The following information should be read in conjunction with and is qualified in its entirety by reference to the detailed information presented elsewhere in this Information Memorandum and the Transaction Documents.**

<b>Fund</b>	SMHL Series Securitisation Fund 2018-2.
<b>Limitation of Trustee's liability</b>	Except as described in Section 16.2 (under the heading "Limits of Liability"), the Trustee will have no personal liability in respect of the Bonds.
<b>Bonds</b>	<p>The Bonds are fully amortising, secured, limited recourse, pass-through, floating rate debt securities.</p> <p>The Bonds are divided into six Classes - Class A Bonds, Class AB Bonds, Class B Bonds, Class C Bonds, Class D Bonds and Class E Bonds.</p>
<b>Issue Amount</b>	<p>Class A Bonds: A\$1,150,000,000</p> <p>Class AB Bonds: A\$60,000,000</p> <p>Class B Bonds: A\$18,750,000</p> <p>Class C Bonds: A\$11.250.000</p> <p>Class D Bonds: A\$3,750,000</p> <p>Class E Bonds: A\$6,250,000</p>
<b>Denomination</b>	Each of the Class A Bonds, Class AB Bonds, Class B Bonds, Class C Bonds, Class D Bonds and Class E Bonds has an initial face value of A\$1,000.
<b>Issue Price</b>	The Bonds will be issued at par in minimum parcels of A\$500,000.
<b>Issue Date</b>	16 August 2018.
<b>Final Maturity Date</b>	<p>The principal balance of each Class A Bond, each Class AB Bond, each Class B Bond, each Class C Bond, each Class D Bond and each Class E Bond must be repaid in full on or by the Payment Date falling in September 2050.</p> <p>In some circumstances, the Final Maturity Date may be brought forward.</p> <p><i>For further details, see Section 7.8.</i></p>
<b>Rate of Interest</b>	<p>For each Class A Bond for an Interest Period, the aggregate of the Benchmark Rate for that Interest Period plus the applicable Margin for the Class A Bonds.</p> <p>For each Class AB Bond for an Interest Period, the aggregate of the Benchmark Rate for that Interest Period plus the applicable Margin for the Class AB Bonds.</p> <p>For each Class B Bond for an Interest Period, the aggregate of the Benchmark Rate for that Interest Period plus the applicable Margin for the Class B Bonds.</p> <p>For each Class C Bond for an Interest Period, the aggregate of the Benchmark Rate for that Interest Period plus the applicable Margin for the Class C Bonds.</p> <p>For each Class D Bond for an Interest Period, the aggregate of the Benchmark Rate for that Interest Period plus the applicable Margin for the Class D Bonds.</p>

For each Class E Bond for an Interest Period, the aggregate of the Benchmark Rate for that Interest Period plus the applicable Margin for the Class E Bonds.

Interest on the Bonds will be paid monthly in arrears on each Payment Date.

**Benchmark Rate** See Section 7.5.

**Margin** See Section 7.6.

**Payment Dates** Payment Dates for the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds will be the 26<sup>th</sup> day of each calendar month after the Issue Date, with the first Payment Date being 26 September 2018.

The last Payment Date for all the Bonds will be the Final Maturity Date.

Where any of the foregoing is not a Banking Day, then the Payment Date will be the next Banking Day.

**Principal Repayments** **Principal Repayments prior to enforcement of the Security**

***Sequential Repayment where Step Down Payment Requirements have not been met***

Prior to enforcement of the Security, where the Step Down Payment Requirements have not been met:

- first, the Class A Bonds will rank pari passu and rateably between themselves and ahead of the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds for payment of principal on the Bonds;
- second, after all payments of principal on the Class A Bonds have been repaid in full, the Class AB Bonds will rank pari passu and rateably between themselves and ahead of the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds for payment of principal on the Bonds;
- third, after all payments of principal on the Class AB Bonds have been repaid in full, the Class B Bonds will rank pari passu and rateably between themselves and ahead of the Class C Bonds, the Class D Bonds and the Class E Bonds for payment of principal on the Bonds;
- fourth, after all payments of principal on the Class B Bonds have been repaid in full, the Class C Bonds will rank pari passu and rateably between themselves and ahead of the Class D Bonds and the Class E Bonds for payment of principal on the Bonds;
- fifth, after all payments of principal on the Class C Bonds have been repaid in full, the Class D Bonds will rank pari passu and rateably between themselves and ahead of the Class E Bonds for payment of principal on the Bonds; and
- sixth, after all payments of principal on the Class D Bonds have been repaid in full, the Class E Bonds will rank pari passu and rateably between themselves for payment of principal on the Bonds.

***Serial Repayment where Step Down Payment Requirements have been met***

Prior to enforcement of the Security, where the Step Down Payment Requirements have been met, the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E

Bonds will rank pari passu and rateably between themselves.

### **Principal Repayments on or after enforcement of the Security**

At all times on or after the enforcement of the Security:

- first, the Class A Bonds will rank pari passu and rateably between themselves and ahead of the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds for payment of principal on the Bonds until all payments of principal on the Class A Bonds have been repaid in full;
- second, after all payments of principal on the Class A Bonds have been repaid in full, the Class AB Bonds will rank pari passu and rateably between themselves and ahead of the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds for payment of principal on the Bonds until all payments of principal on the Class AB Bonds have been repaid in full;
- third, after all payments of principal on the Class AB Bonds have been repaid in full, the Class B Bonds will rank pari passu and rateably between themselves and ahead of the Class C Bonds, the Class D Bonds and the Class E Bonds for payment of principal on the Bonds until all payments of principal on the Class B Bonds have been repaid in full;
- fourth, after all payments of principal on the Class B Bonds have been repaid in full, the Class C Bonds will rank pari passu and rateably between themselves and ahead of the Class D Bonds and the Class E Bonds for payment of principal on the Bonds until all payments of principal on the Class C Bonds have been repaid in full;
- fifth, after all payments of principal on the Class C Bonds have been repaid in full, the Class D Bonds will rank pari passu and rateably between themselves and ahead of the Class E Bonds for payment of principal on the Bonds until all payments of principal on the Class D Bonds have been repaid in full; and
- sixth, after all payments of principal on the Class D Bonds have been repaid in full, the Class E Bonds will rank pari passu and rateably between themselves for payment of principal on the Bonds until all payments of principal on the Class E Bonds have been repaid in full.

*For further details, see Sections 9.4 and 9.11.*

### **Interest Payments**

At all times prior to and on and after the enforcement of the Security:

- first, the Class A Bonds will rank pari passu and rateably between themselves and ahead of the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds for payment of interest on the Bonds;
- second, after all payments of interest on the Class A Bonds have been paid in full, the Class AB Bonds will rank pari passu and rateably between themselves and ahead of the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds for payment of interest on the Bonds;
- third, after all payments of interest on the Class AB Bonds have been paid in full, the Class B Bonds will rank pari passu and rateably between themselves and ahead of the Class C Bonds, the Class D Bonds and the Class E Bonds for payment of interest on the Bonds;

- fourth, after all payments of interest on the Class B Bonds have been paid in full, the Class C Bonds will rank pari passu and rateably between themselves and ahead of the Class D Bonds and the Class E Bonds for payment of interest on the Bonds;
- fifth, after all payments of interest on the Class C Bonds have been paid in full, the Class D Bonds will rank pari passu and rateably between themselves and ahead of the Class E Bonds for payment of interest on the Bonds; and
- sixth, after all payments of interest on the Class D Bonds have been paid in full, the Class E Bonds will rank pari passu and rateably between themselves for payment of interest on the Bonds.

*For further details, see Sections 9.2, 9.4 and 9.11.*

## **Realised Losses**

To the extent that the Manager determines that the aggregate amount of Realised Losses for the related Calculation Period exceeds funds available on such Payment Date to reinstate such Realised Losses through the application of Interest Collections (such excess, the **Realised Losses Excess**), the Realised Losses Excess must be allocated as follows:

- (a) first, to the Class E Bonds. The amount of the loss will reduce pro-rata as between the Class E Bonds, the Outstanding Principal Balance of the Class E Bonds by the amount of that Realised Losses Excess until the Outstanding Principal Balance of the Class E Bonds is zero;
- (b) second, to the extent there is any Realised Losses Excess outstanding after the application of paragraph (a) and the Outstanding Principal Balance of the Class E Bonds is zero, to the Class D Bonds. The amount of the remaining Realised Losses Excess will reduce pro-rata as between the Class D Bonds, the Outstanding Principal Balance of the Class D Bonds until the Outstanding Principal Balance of the Class D Bonds is zero;
- (c) third, to the extent there is any Realised Losses Excess outstanding after the application of paragraphs (a) and (b) and the Outstanding Principal Balance of the Class D Bonds and the Class E Bonds is zero, to the Class C Bonds. The amount of the remaining Realised Losses Excess will reduce pro-rata as between the Class C Bonds, the Outstanding Principal Balance of the Class C Bonds until the Outstanding Principal Balance of the Class C Bonds is zero;
- (d) fourth, to the extent there is any Realised Losses Excess outstanding after the application of paragraphs (a), (b) and (c) and if the Outstanding Principal Balance of the Class C Bonds, the Class D Bonds and the Class E Bonds is zero, to the Class B Bonds. The amount of the remaining Realised Losses Excess will reduce pro-rata as between the Class B Bonds the Outstanding Principal Balance of the Class B Bonds until the Outstanding Principal Balance of the Class B Bonds is zero;
- (e) fifth, to the extent there is any Realised Losses Excess outstanding after the application of paragraphs (a), (b), (c) and (d) and if the Outstanding Principal Balance of the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds is zero, to the Class AB Bonds. The amount of the remaining Realised Losses Excess will reduce pro-rata as between the Class AB Bonds the Outstanding Principal Balance of the Class AB Bonds until the Outstanding Principal Balance of the Class AB Bonds is zero;

- (f) sixth, to the extent there is any Realised Losses Excess outstanding after the application of paragraphs (a), (b), (c), (d) and (e) and if the Outstanding Principal Balance of the Class AB Bonds, the Class B Bonds, Class C Bonds, the Class D Bonds and the Class E Bonds is zero, to the Class A Bonds. The amount of the remaining Realised Losses Excess will reduce pro-rata as between the Class A Bonds the Outstanding Principal Balance of the Class A Bonds until the Outstanding Principal Balance of the Class A Bonds is zero; and
- (g) seventh, to the extent there is any Realised Losses Excess outstanding after the application of paragraphs (a), (b), (c), (d), (e) and (f) if the Outstanding Principal Balance of the Class A Bonds, the Class AB Bonds, the Class B Bonds and the Class C Bonds, the Class D Bonds and the Class E Bonds is zero, to the Redraw Funding Facility. The amount of the remaining Realised Losses Excess will reduce pro-rata and rateably as between each Redraw Funding Facility, the Redraw Principal Outstanding of the Redraw Funding Facility by the amount of the remaining Realised Losses Excess until the Redraw Principal Outstanding under the Redraw Funding Facility is zero.

**Trustee's Option to Call Bonds**

If directed to do so by the Manager, the Trustee must offer, by written notice to ME, to extinguish in favour of ME all of the Trustee's right, title and interest in and to the Purchased Loans and their related rights on any Payment Date when the aggregate Outstanding Principal Balance of the Bonds at that time is equal to or less than 10% of the aggregate Outstanding Principal Balance of the Bonds as at the Issue Date.

The Manager must not give a direction to the Trustee unless the Manager is satisfied that there will be sufficient monies available on that Payment Date to meet all amounts payable to the Class A Bondholders, the Class AB Bondholders, the Class B Bondholders, the Class C Bondholders, the Class D Bondholders and the Class E Bondholders.

*For further details, see Section 7.8.*

**Redemption of Bonds for taxation events**

If the Manager determines that either:

- (a) on the next Payment Date, the Trustee would be required to deduct or withhold from any payment of principal or interest in respect of the Bonds, the Payment Funding Facility Arrangement, any Liquidity Facility, the Interest Hedge or the Redraw Funding Facility Arrangement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Commonwealth of Australia or any of its political subdivisions or any of its authorities; or
- (b) the total amount payable in respect of interest in relation to the Mortgage Loans secured by the Approved Mortgages comprised in the assets of the Fund for a Calculation Period ceases to be receivable, whether or not actually received by the Trustee during such Calculation Period (provided that this paragraph (b) does not apply to a failure by the Trustee to receive any interest in relation to any of the Mortgage Loans merely by reason of the failure by any borrowers to pay that interest in breach of the relevant Loans),

then the Trustee must, when so directed by the Manager at the Manager's option, redeem all, but not some, of the Bonds at their then Outstanding Principal Balance together with accrued interest to (but excluding) the date of redemption on any subsequent Payment Date, provided that the Trustee will be in a position on such Payment Date to discharge, and the Manager will so certify to the Trustee, all its liabilities in respect of the Bonds and

any amounts which would be required under the Security Trust Deed to be paid in priority to or pari passu with the Bonds if the Security were being enforced.

*For further details, see Section 7.9.*

**Redraw Funding Facility Arrangement**

The Trustee may during the term of the Bonds enter into a facility as approved by the Manager (the **Redraw Funding Facility Arrangement**) for the purpose of funding applications for redraws which have not otherwise been funded through Principal Collections.

*For further details, see Section 9.8.*

**Payment Funding Facility Arrangement**

The Trustee may during the term of the Bonds enter into a facility approved by the Manager (the **Payment Funding Facility Arrangement**) for the purpose of:

- supporting or funding payments in respect of break costs payable under any fixed-floating rate swap;
- funding any costs and expenses of the Trustee and Manager in connection with perfecting the Trustee's title in and to the Purchased Loans; and
- covering extraordinary expenses.

On the Issue Date, the Payment Funding Facility will be drawn on by the Trustee for an amount equal to A\$150,000.

*For further details, see Section 9.9.*

**Liquidity Facility Arrangement**

The Trustee may during the term of the Bonds enter into a facility as approved by the Manager (the **Liquidity Facility Arrangement**) for the purpose of providing liquidity to meet expenses and Coupon Amounts if on any Payment Date there is a delay or shortfall in Interest Collections.

The required limit of the Liquidity Facility Arrangement is the higher of:

- the sum of 1.0% of the Outstanding Principal Balance of the Approved Mortgage Loans and such other amount determined by the Manager and notified to the Rating Agencies which, in the reasonable opinion of the Manager, will not cause an Adverse Rating Effect; and
- the sum of 0.10% of the aggregate initial face value of all Bonds as at the Issue Date and such other amount determined by the Manager and notified to the Rating Agencies which, in the reasonable opinion of the Manager, will not cause an Adverse Rating Effect.

*For further details, see Section 9.10.*

**Excess Revenue Reserve**

The Excess Revenue Reserve will be established by the Trustee on the Issue Date and will be funded from Interest Collections. Amounts standing to the credit of the Excess Revenue Reserve will be applied as Interest Collections on each Payment Date in certain circumstances.

*For further details, see Section 9.11.*

**Use of the Proceeds of the Issue**

*See Section 12.*

**The Pool of Approved Mortgage Loans**

The Pool of Approved Mortgage Loans is comprised of 100% income verified, first ranking Mortgage Loans, secured over residential property and approved under the origination criteria noted in Sections 15.1 and 15.3 of which 32.28% of the aggregate Outstanding Principal Balance of the Pool of Approved Mortgage Loans will have the benefit of a Mortgage Insurance Policy.



	<p>It is the intention of the Manager and the Approved Servicer that qualifying borrowers may apply for a Loan Redraw Facility under their Approved Mortgage Loan. The terms of the Loan Redraw Facility are described more fully in Section 9.8.</p> <p>A description of the Pool of Approved Mortgage Loans relating to the issue of the Bonds is set out in Section 11.</p>
<b>Threshold Rate</b>	<p>The Manager undertakes that the interest rate charged on the Purchased Loans will be maintained at a level which is sufficient to ensure that, assuming that all relevant parties comply with their obligations at all times under the Transaction Documents, the Trustee will have sufficient available funds to enable it to make the Required Payments for the next Calculation Period as they fall due.</p>
<b>Mortgage Insurance Policies</b>	<p>32.28% of the aggregate Outstanding Principal Balance of the Pool of Approved Mortgage Loans in the Fund is covered by one of three separate master Mortgage Insurance Policies issued by Housing Loans Insurance Corporation, Genworth Financial Mortgage Insurance Pty Limited or QBE.</p> <p><i>For further details of the Mortgage Insurance Policies, see Section 16.8.</i></p>
<b>Security Trust Structure</b>	<p>All moneys which the Trustee is or may become liable to pay to or for the account of the Bondholders will be secured by a security interest over the assets and undertakings of the Fund in favour of the Security Trustee.</p>
<b>Credit Ratings</b>	<p>It is a condition to the issuance of the Class A Bonds that they be rated AAA(sf) by S&amp;P and Aaa(sf) by Moody's and it is expected that the Class A Bonds, on issuance, will be assigned a rating of AAA(sf) from S&amp;P and Aaa(sf) from Moody's.</p> <p>It is a condition to the issuance of the Class AB Bonds that they be rated AAA(sf) by S&amp;P and it is expected that the Class AB Bonds, on issuance, will be assigned a rating of AAA(sf) from S&amp;P. The Class AB Bonds will not be assigned a rating by Moody's.</p> <p>It is a condition to the issuance of the Class B Bonds that they be rated AA(sf) by S&amp;P and it is expected that the Class B Bonds, on issuance, will be assigned a rating of AA(sf) from S&amp;P. The Class B Bonds will not be assigned a rating by Moody's.</p> <p>It is a condition to the issuance of the Class C Bonds that they be rated A(sf) by S&amp;P and it is expected that the Class C Bonds, on issuance, will be assigned a rating of A(sf) from S&amp;P. The Class C Bonds will not be assigned a rating by Moody's.</p> <p>It is a condition to the issuance of the Class D Bonds that they be rated BBB(sf) by S&amp;P and it is expected that the Class D Bonds, on issuance, will be assigned a rating of BBB(sf) from S&amp;P. The Class D Bonds will not be assigned a rating by Moody's.</p> <p>The Class E Bonds are unrated.</p> <p>The rating of the Bonds does not address the expected schedule of principal repayments under the Approved Mortgage Loans prior to the Final Maturity Date of the Bonds.</p>
<b>Trustee</b>	<p>Perpetual Limited ABN 86 000 431 827 in its capacity as trustee of the Fund.</p>
<b>Security Trustee</b>	<p>Perpetual Trustee Company Limited ABN 42 000 001 007 in its capacity as trustee of the Security Trust.</p>
<b>Manager</b>	<p>ME Portfolio Management Limited ABN 79 005 964 134.</p>
<b>Principal Approved Seller</b>	<p>Members Equity Bank Limited ABN 56 070 887 679 (ME).</p>

<b>Approved Sellers</b>	ME.  Perpetual Limited ABN 86 000 431 827 in its capacity as trustee of the SMHL Series Private Placement Trust 2011-1.
<b>Approved Servicer</b>	ME.
<b>Mortgage Insurers</b>	Housing Loans Insurance Corporation. Genworth Financial Mortgage Insurance Pty Ltd. QBE.
<b>Arranger</b>	National Australia Bank Limited ABN 12 004 044 937.
<b>Joint Lead Managers</b>	Australia and New Zealand Banking Group Limited ABN 11 005 357 522.  Commonwealth Bank of Australia ABN 48 123 123 124. Macquarie Bank Limited ABN 46 008 583 542. National Australia Bank Limited ABN 12 004 044 937.
<b>Irish Listing Agent</b>	Arthur Cox Listing Services Limited.
<b>Auditor</b>	Deloitte Touche Tohmatsu ABN 74 490 121 060.
<b>Interest Hedge Providers</b>	National Australia Bank Limited ABN 12 004 044 937; and Australia and New Zealand Banking Group Limited ABN 11 005 357 522.
<b>Transfer</b>	The Bonds may only be transferred by execution and registration of a bond transfer form.  <i>For further details, see Section 7.14.</i>
<b>Stamp Duty</b>	The Manager has received legal advice that, under the applicable legislation in force as at the date of this Information Memorandum, neither the issue, nor the transfer, of the Bonds will attract stamp duty in any jurisdiction of Australia.
<b>Secondary Market</b>	There is currently only a limited secondary market for the Bonds.  <i>For further details, see Section 2.4.</i>
<b>Application for Listing</b>	In respect of the Class A Bonds and the Class AB Bonds only, the Main Securities Market. The Class B Bonds, Class C Bonds, Class D Bonds and the Class E Bonds will not be listed.
<b>Clearance/ Settlement</b>	Austraclear – Class A Bonds, Class AB Bonds, Class B Bonds, Class C Bonds, Class D Bonds and Class E Bonds.  Where Bonds are lodged into the Austraclear system conducted by Austraclear, Austraclear will become the registered holder of those Bonds inscribed in the Register. While those Bonds remain in the Austraclear system, all payments and notices required of the Trustee and the Manager in relation to those Bonds will be directed to Austraclear, and all dealings and payments in relation to those Bonds within the Austraclear system will be governed by Austraclear's regulations.  Subject to the rules of the relevant clearing and settlement system, Bondholders may elect to hold interests in the Bonds (i) directly through the Austraclear system, (ii) indirectly through Euroclear or Clearstream, Luxembourg if they are participants in such systems or (iii) indirectly through organisations which are participants in the Austraclear system, Euroclear or Clearstream, Luxembourg.
<b>ISINs</b>	The Class A Bonds, Class AB Bonds, Class B Bonds, Class C Bonds, Class D Bonds and Class E Bonds have been accepted for clearing through Austraclear under the following ISINs:

Class A Bonds	AU3FN0043808
Class AB Bonds	AU3FN0043816
Class B Bonds	AU3FN0043824
Class C Bonds	AU3FN0043832
Class D Bonds	AU3FN0043840
Class E Bonds	AU3FN0043857

**Governing Law**

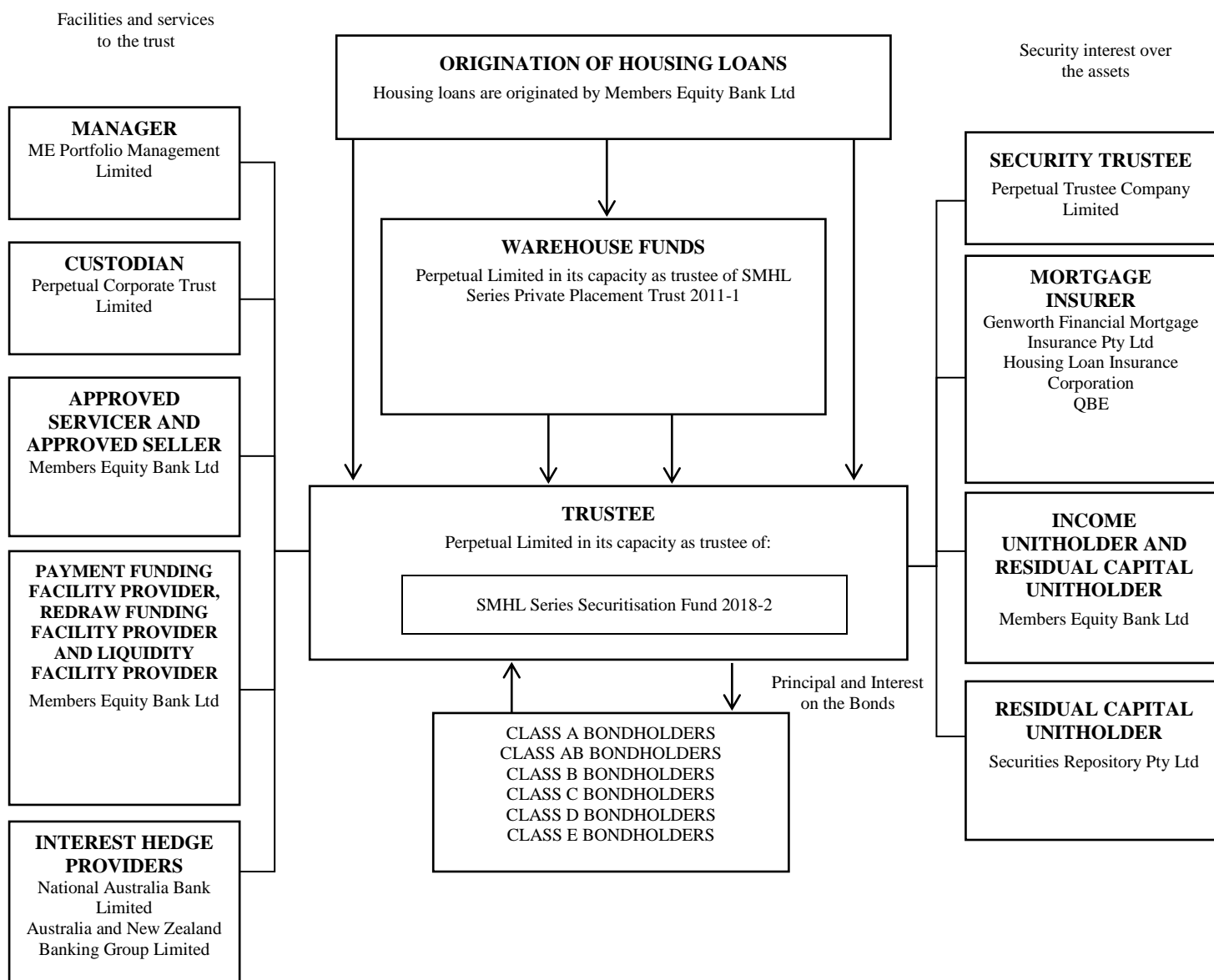
The Transaction Documents and the Bonds are governed by the laws of New South Wales, Australia.

## 4 Structure Diagrams

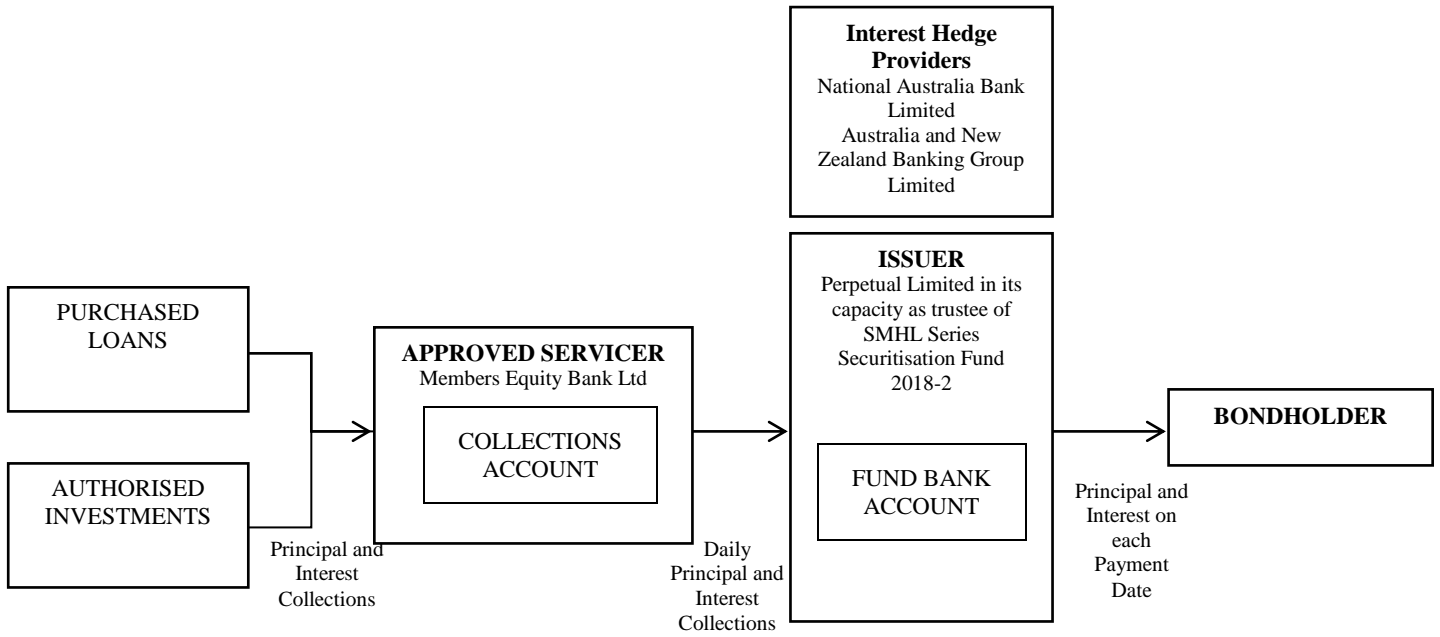
The information set out below is an overview of various aspects of the transaction. This overview is not purported to be complete and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Information Memorandum.

You should read the entire Information Memorandum carefully, especially the risks of investing in the Bonds discussed in Section 2.

### 4.1 Overview of the transaction



**4.2 Overview of the on-going cashflows**



## **5 Capital Requirements Regulation and AIFM Regulation**

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### **5.1 Retention Statement**

ME will retain a material net economic interest of not less than five per cent in the securitisation in accordance with the text of each of Article 405 of Regulation (EU) No 575/2013 (the **Capital Requirements Regulation**) and Article 51 of the Regulation (EU) No 231/2013 (the **AIFM Regulation**) and Article 254 of the Regulation (EU) No. 2015/35 (which, in each case, does not take into account any corresponding national measures). As at the Issue Date, such interest will be comprised of certain randomly selected exposures held on the balance sheet of the Principal Approved Seller as required by the text of each of the Capital Requirements Regulation and the AIFM Regulation. Any change to the manner in which such interest is held will be notified to Bondholders.

As to the information made available to prospective investors, reference is made to the information set out herein and forming part of this Information Memorandum and after the Issue Date, to the monthly investor reports. ME has provided a corresponding undertaking with respect to the interest to be retained by it to the Joint Lead Managers in the Dealer Agreement. For the avoidance of doubt, none of ME (in its capacity as the Principal Approved Seller and the Approved Servicer), any Approved Seller, the Trustee, the Manager nor any Joint Lead Manager makes any representation as to the accuracy or suitability of any financial model which may be used by a prospective investor in connection with its investment decision.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Information Memorandum generally for the purposes of complying with each of Part Five of the Capital Requirements Regulation (including Article 405) and Section Five of Chapter III of the AIFM Regulation (including Article 51) and any corresponding national measures which may be relevant and none of the Trustee, the Manager, ME (in its capacity as the Principal Approved Seller and the Approved Servicer), any Approved Seller nor the Joint Lead Managers makes any representation that the information described above or in this Information Memorandum is sufficient in all circumstances for such purposes.

### **5.2 AIFM Qualitative Requirements**

ME has internal policies, practice and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation. The policies, practice and procedures of ME in this regard broadly include the following:

- (a) criteria for the granting of credit and the process for approving, amending, renewing and re-financing credits, as to which please see the information set out in Section 15 of this Information Memorandum;
- (b) systems in place to administer and monitor the various credit-risk bearing portfolios and exposures, as to which the Pool of Approved Mortgages will be serviced in line with ME's usual servicing procedures;
- (c) adequate diversification of credit portfolios given ME's target market and overall credit strategy, as to which, in relation to the Pool of Approved Mortgages, please see Section 11 of this Information Memorandum; and
- (d) policies and procedures in relation to risk mitigation techniques, as to which please see Section 15.1 of this Information Memorandum.

## **6 Introduction to the SMHL Programme and Programme Participants**

### **6.1 Background**

In July 1994, the Superannuation Members' Home Loans programme (the **SMHL Programme**) was established. The main objectives of the SMHL Programme were to make home loan finance available on commercial terms and at competitive rates to qualifying borrowers while at the same time providing competitive returns to investors in the funds created under the SMHL Programme.

The Manager established the SMHL Programme pursuant to the Master Trust Deed for the purpose of enabling Perpetual Limited, as trustee of each fund established pursuant to the Master Trust Deed, to finance and own Mortgage Loans and to invest in pools of Mortgage Loans. The Master Trust Deed provides for the creation of an unlimited number of separate funds.

In October 2008 the Manager amended the SMHL Programme to enable Mortgage Loans originated by ME to be financed, acquired and invested in by Perpetual Limited as trustee of any fund established on and after 31 October 2008 pursuant to the Master Trust Deed.

Mortgage Loans originated by ME are initially financed and owned by ME and may be sold to Perpetual Limited as trustee of any fund established on and after 31 October 2008 under the Master Trust Deed pursuant to the mechanics contained in the Master Trust Deed.

As of July 2008, ME commenced originating Mortgage Loans on its balance sheet. It is only Mortgage Loans that have ME as legal title holder that will form the Pool of Approved Mortgage Loans.

As at the date of this Information Memorandum, one fund has been created for the purpose of warehousing Mortgage Loans originated by ME. This fund is the SMHL Series Private Placement Trust 2011-1.

The Pool of Approved Mortgage Loans to be transferred to the Fund is described in Section 11.

The issue to which this Information Memorandum relates is confined solely to the Fund. Bondholders have no recourse to the assets of any other fund established at any time under the SMHL Programme.

### **Programme Participants**

#### **(a) *Manager – ME Portfolio Management Limited ABN 79 005 964 134***

ME Portfolio Management Limited (the **Manager**) is a wholly-owned subsidiary of ME. The Manager is a limited liability company incorporated under the Corporations Act. The Manager was established in 1994 with the commercial purpose of managing the funds management and securitisation programmes for ME's off-balance sheet lending programmes. A significant portion of the Manager's business activities consists of the management of trust funds established under the SMHL Programme. The Manager's other business activities include the management of ME's other residential lending programs, including the securitisation programme for ME's on-balance sheet lending programme.

The Manager has managed RMBS issues in the Australian, European and U.S. SEC-regulated markets since 1994. The Manager currently has 15 active funds under the SMHL Programme.

In the current transaction, the Manager will participate in the structuring of the transaction and the negotiation of the Transaction Documents with respect to the Fund and the issue of the Bonds. The Manager will calculate all income and expenses allocated to the Fund in accordance with the allocation of cash flows described in this Information Memorandum. The Manager will also manage all ongoing reporting requirements of the Fund as required by the Transaction Documents and applicable regulations.

The Manager has full powers of management of the Fund, including the administration of assets, borrowings and other liabilities of the Fund and the operation of the Fund. Subject to

the terms of the Master Servicing Deed and the Back Up Servicing Deed, the Manager's management powers include the servicing of any assets that are not serviced by the Approved Servicer or Back Up Servicer, as the case may be.

In the event that the Approved Servicer was removed as servicer upon a termination of the Master Servicing Deed and the Back Up Servicer resigned from its servicing obligations under the Back Up Servicing Deed without the appointment of a replacement servicer or the appointment of a replacement back up servicer, the Manager would be required to initiate a programme for the servicing of the Purchased Loans.

The Manager does not currently service Mortgage Loans and does not currently have or operate a programme for the servicing of Mortgage Loans. It is anticipated that the Manager would employ similar servicing procedures with respect to the servicing of Mortgage Loans as are employed by the Approved Servicer under the Master Servicing Deed and as would be employed by the Back Up Servicer under the Back Up Servicing Deed.

The Manager holds an Australian Financial Services Licence under Part 7.6 of the Corporations Act (Australian Financial Services Licence No. 292301). This licence is necessary for the Manager to conduct its financial services business in Australia.

The Manager's registered office is located at Level 28, 360 Elizabeth Street, Melbourne, VIC 3000, Australia, and the phone number of its registered office is +61 3 9708 3000.

(b) **Approved Servicer – Members Equity Bank Limited ABN 56 070 887 679**

Members Equity Bank Limited (**ME**) is directly and wholly owned by 29 Australian industry superannuation funds and is a limited liability company under the Corporations Act.

ME was originally established in 1995 to add economic and strategic value to industry superannuation funds, affiliated unions, employer associations and their members. For shareholders, ME provides a direct economic benefit through a return on equity. For the broader industry superannuation fund movement, ME provides investment products. ME's strategic value comes from its ability to help the industry superannuation funds, affiliated unions and employer associations to attract and retain members, and more broadly from its ability to support the social and economic values that underpin all these organisations.

The general character of ME's business is that of providing banking products to its customers and investment opportunities for its investors. The unique ownership structure of ME provides ME with an alternative approach to distribution. ME is able to access the industry superannuation funds' and ACTU-affiliated unions' networks of employers and members, enabling direct communication with members. This includes ME being granted access to worksites of various unions and funds to distribute and market its products. These efforts are further supported by ME's National Customer Contact Centre and mobile lenders throughout Australia. Distribution channels, including the use of broker aggregator groups and greater partnerships with industry superannuation funds increases the visibility of ME nationally. In partnership with specific funds, ME has been able to enhance the offering to fund members.

ME holds an Australian Financial Services Licence under Part 7.6 of the Corporations Act having AFSL No. 229500. This AFSL is necessary for ME to conduct its financial services business and offer "financial services" (such as bank deposit accounts) in Australia. ME also holds Australian Credit Licence No. 229500.

The Australian banking activities of ME come under the regulatory supervision of the Australian Prudential Regulation Authority (**APRA**), which is responsible (with the Reserve Bank of Australia) for the maintenance of overall stability in the Australian financial system. ME holds an authority to act as an approved deposit-taking institution and to use the word "Bank" when referring to itself. ME serves as the Approved Servicer for all Mortgage Loans relating to the Fund. For a description of the activities of ME as Approved Servicer for the Fund, see Section 15.2 in this Information Memorandum. As at the date of this Information Memorandum, S&P confirmed its counterparty credit ratings on ME of "BBB" long-term and "A-2" short-term with a Stable Outlook.

ME's registered office is located at Level 28, 360 Elizabeth Street, Melbourne, VIC 3000, Australia, and the phone number of its registered office is +61 3 9708 3000. ME maintains an internet web site at the address <http://www.mebank.com.au>.



As at 30 May 2018, ME had consolidated net assets of approximately A\$1.40 billion and approximately A\$27.3 billion of assets under management, comprising of approximately A\$300 million of off-balance sheet assets and A\$27 billion of on-balance sheet loans, liquid assets and investments.

(c) **Trustee**

(i) *Perpetual Limited and the Fund*

Perpetual Limited is the Trustee of the Fund. In addition to the Fund, it is also the trustee of the other trust funds forming part of the SMHL Programme.

Perpetual Limited is appointed as Trustee of the Fund on the terms set out in the Master Trust Deed and the Supplementary Bond Terms. The Trustee is required to act in the interests of the Bondholders and the Income Unitholders and the Residual Capital Unitholders of the Fund on, and subject to, the terms and conditions of the Master Trust Deed. In the event of any conflict of interest between the Income Unitholder and Residual Capital Unitholders and the Bondholders, the interests of Bondholders as creditors of the Trustee will prevail.

Subject to certain limitations set forth in Section 16.2 under the heading "Limits of Liability", the Trustee is entitled under the Master Trust Deed to be indemnified out of the assets of the Fund for any liability properly incurred by the Trustee in performing or exercising any of its powers or duties in relation to the Fund. See Sections 1.12, 7.10 and 16.2.

The Trustee will be entitled to a monthly fee. See Section 16.2.

(ii) *Perpetual Limited*

Perpetual Limited was incorporated as Perpetual Trustees Australia Limited on 31 July 1963 under the Companies Act of New South Wales as a public company and, after a name change in 2006, is now known as Perpetual Limited. Perpetual Limited operates as a limited liability public company under the Corporations Act. Perpetual Limited's Australian Business Number is ABN 86 000 431 827 and its place of registration is New South Wales. Perpetual Limited's registered office is located at Level 18, 123 Pitt Street, Sydney, NSW 2000, Australia, and the phone number of its registered office is +61 2 9229 9000. Perpetual Limited's principal business activities are the provision of services from financial management for private individuals through to the provision of trustee, custodial and administrative arrangements to the funds management, superannuation, property, infrastructure and capital markets. Perpetual Limited also provides managed investment products through their funds management division.

Perpetual Limited is an authorised trustee corporation under the Corporations Act. Perpetual Trustee Company Limited, a related body corporate of the Trustee, has obtained an Australian Financial Services Licence under Part 7.6 of the Corporations Act (Australian Financial Services Licence No. 236643). Perpetual Trustee Company Limited has appointed Perpetual Limited to act as its authorised representative under that licence (Authorised Representative No. 264842).

The directors of Perpetual Limited are as follows:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Philip Bullock	Level 18, 123 Pitt Street, Sydney, NSW 2000, Australia	Director
Sylvia Falzon	Level 18, 123 Pitt Street, Sydney, NSW 2000, Australia	Director
Anthony Michael D'Aloisio	Level 18, 123 Pitt Street, Sydney, NSW 2000, Australia	Director

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Philip Craig Ueland	Level 18, 123 Pitt Street, Sydney, NSW 2000, Australia	Director
Ian Leslie Hammond	Level 18, 123 Pitt Street, Sydney, NSW 2000, Australia	Director
Nancy Suzanne Fox	Level 18, 123 Pitt Street, Sydney, NSW 2000, Australia	Director

(d) **Security Trustee**

(i) *Perpetual Trustee Company Limited and the Fund*

Perpetual Trustee Company Limited is the Security Trustee of the Fund.

(ii) *Perpetual Trustee Company Limited*

Perpetual Trustee Company Limited was incorporated as Perpetual Trustee Company (Limited) on 28 September 1886 under the Companies Statute of New South Wales as a public company and, after a name change in 1971, is now known as Perpetual Trustee Company Limited. Perpetual Trustee Company Limited operates as a limited liability public company under the Corporations Act. Perpetual Trustee Company Limited's registered office is located at Level 18, 123 Pitt Street, Sydney, NSW 2000, Australia, and the phone number of its registered office is +61 2 9229 9000. Perpetual Trustee Company Limited's principal activities are the provision of services as trustee, executor, administrator, attorney and agent and other fiduciary services.

Perpetual Trustee Company Limited has obtained an Australian Financial Services Licence under Part 7.6 of the Corporations Act (Australian Financial Services Licence No. 236643).

(e) **Mortgage Insurers**

Throughout this Information Memorandum the expression Mortgage Insurer refers, as the context requires, to the Housing Loans Insurance Corporation, Genworth Financial Mortgage Insurance Pty Limited or QBE.

The principal place of business of Genworth Financial Mortgage Insurance Pty Limited is Level 26, 101 Miller Street, North Sydney, New South Wales, Australia.

The principal place of business of QBE is Level 5, 2 Park Street, Sydney, New South Wales, Australia.

Details of the Mortgage Insurers and a summary of the general provisions of the Mortgage Insurance Policies are provided in Section 16.8.

(f) **Interest Hedge Providers**

The Interest Hedge Providers are National Australia Bank Limited ABN 12 004 044 937 (**NAB**) and Australia and New Zealand Banking Group Limited ABN 11 005 357 522 (**ANZ**).

NAB is a public limited company incorporated in the Commonwealth of Australia and it operates under Australian legislation including the Corporations Act 2001 (Cth). Its registered office is Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia.

NAB is the holding company for the NAB Group (comprising NAB and its controlled entities), as well as being the main operating company. As at 31 March 2018, NAB Group had total assets of A\$796,068 million and total equity of A\$50,401 million.

The NAB Group is an international financial services group, providing a comprehensive and integrated range of financial products and services. The majority of NAB Group's financial services businesses operate in Australia and New Zealand, with branches located in Asia, the United States and the United Kingdom.

As at the date of this Information Memorandum, the long-term senior unsecured credit ratings of NAB are “AA- negative outlook” by S&P, “AA- stable outlook” by Fitch and “Aa3 stable outlook” by Moody’s.

As at the date of this Information Memorandum, the short-term unsecured credit ratings of NAB are “A-1+” by S&P, “F1+” by Fitch and “Prime-1” by Moody’s.

The credit ratings assigned to NAB by each rating agency may change subsequent to the date of this Information Memorandum and any person receiving this Information Memorandum should make his or her own investigation as to the credit ratings assigned to NAB. A summary of the general provisions of the Interest Hedges is provided in Sections 11.22 and 16.9.

As at 23 July 2018, ANZ has short-term credit ratings of A-1+ from S&P, F1+ from Fitch and P-1 from Moody’s and long-term credit ratings of AA- (negative) from S&P, AA- (stable) from Fitch and Aa3 (stable) from Moody’s. A summary of the general provisions of the Interest Hedges is provided in Sections 11.22 and 16.9

(g) **Approved Sellers**

There are two Approved Sellers in connection with the Fund:

- ME

*For further details, see Section 6.1(b).*

- Perpetual Limited ABN 86 000 431 827 in its capacity as trustee of the SMHL Series Private Placement Trust 2011-1

The SMHL Series Private Placement Trust 2011-1 was established on 21 November 2011 under the Master Trust Deed. ME is an “Approved Seller” in connection with the SMHL Series Private Placement Trust 2011-1 and from time to time sells Mortgage Loans to the trustee of the SMHL Series Private Placement Trust 2011-1. These Mortgage Loans are warehoused within the SMHL Series Private Placement Trust 2011-1 until they are transferred to another fund under the SMHL Programme, such as the Fund.

## 6.2 Security Trust

In addition to SMHL Series Securitisation Fund 2018-2, a trust is created under the terms of the Security Trust Deed for the purpose of facilitating administration of the rights of Secured Creditors (the **Security Trust**). The Security Trustee acts as trustee of the Security Trust for the benefit of Bondholders and all other Secured Creditors under the terms of the Security Trust Deed. The Security Trustee holds a security interest in all the assets of the Fund comprising Collateral granted by the Trustee under the Security Trust Deed for the benefit of the Secured Creditors.

If an Event of Default occurs under the Security Trust Deed and the Security is enforced, the Security Trustee, or a receiver appointed by it, will be responsible for realising the assets of the Fund and the Security Trustee will be responsible for distributing the proceeds of realisation to Secured Creditors in the order prescribed under the Security Trust Deed.

The Security Trust will not, prior to the enforcement of the Security under the Security Trust Deed, hold any assets other than the sum of A\$10.00 and certain rights under the Transaction Documents. If the Security under the Security Trust Deed is enforced, any amounts recovered under the Security which are payable to Secured Creditors will become assets of the Security Trust pending payment to the Secured Creditors in accordance with the Security Trust Deed and the other Transaction Documents.

## 7 Terms and Conditions of the Bonds

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### 7.1 The Bonds

The Bonds are fully amortising, secured, debt securities issued by the Trustee.

Each Class A Bond has an initial face value of A\$1,000 and will initially be issued in minimum parcels of at least A\$500,000 and in whole multiples of A\$1,000 thereafter.

Each Class AB Bond has an initial face value of A\$1,000 and will initially be issued in minimum parcels of at least A\$500,000 and in whole multiples of A\$1,000 thereafter.

Each Class B Bond has an initial face value of A\$1,000 and will initially be issued in minimum parcels of at least A\$500,000 and in whole multiples of A\$1,000 thereafter.

Each Class C Bond has an initial face value of A\$1,000 and will initially be issued in minimum parcels of at least A\$500,000 and in whole multiples of A\$1,000 thereafter.

Each Class D Bond has an initial face value of A\$1,000 and will initially be issued in minimum parcels of at least A\$500,000 and in whole multiples of A\$1,000 thereafter.

Each Class E Bond has an initial face value of A\$1,000 and will initially be issued in minimum parcels of at least A\$500,000 and in whole multiples of A\$1,000 thereafter.

### 7.2 Interest Periods

The period during which the Bonds are outstanding will be divided into successive Interest Periods. The first Interest Period for a Bond will commence on (and include) the Issue Date and will end on (and include) the day immediately before the Payment Date falling in September 2018. Thereafter, each Interest Period will commence on (and include) a Payment Date and end on (and include) the day immediately before the next Payment Date. The last Interest Period will end on (and include) the day immediately before the Final Maturity Date.

Payment Dates for the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds are the 26<sup>th</sup> day of each calendar month, with the first interest Payment Date being 26 September 2018 and the last Payment Date being on or before the Final Maturity Date.

Where any of the foregoing is not a Banking Day, the Payment Date will be the next Banking Day.

### 7.3 Calculation of Interest

Interest on each Bond is calculated for each Interest Period on the first Banking Day of that Interest Period by multiplying the Invested Amount of the relevant Bond by the Coupon Rate for that Bond for that Interest Period and by then multiplying such product by the actual number of days in that Interest Period divided by 365.

### 7.4 Rate of Interest

The rate of interest (the **Coupon Rate**) in respect of each Class A Bond, each Class AB Bond, each Class B Bond, each Class C Bond, each Class D Bond and each Class E Bond for an Interest Period is the aggregate of the Benchmark Rate for that Interest Period plus the applicable Margin for the relevant Class of Bonds.

## 7.5 Benchmark Rate

The Benchmark Rate in relation to an Interest Period means the Australian Bank Bill Swap Reference Rate administered by ASX Benchmarks Pty Limited (or any other person which takes over the administration of that rate) for the relevant period and displayed on page BBSW of the Thomson Reuters Screen (or any replacement Thomson Reuters page which displays that rate) (**Screen Rate**) at approximately 10:30 am Sydney time on (subject to this paragraph) the first Banking Day of that Interest Period and having a tenor equal to one month, (if necessary) rounding the resultant figure upwards to four decimal places.

If no Screen Rate is available for an Interest Period, the Benchmark Rate for that Interest Period will be calculated as the rate which results from interpolating on a linear basis between:

- the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than that Interest Period; and
- the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds that Interest Period,

at approximately 10:30 a.m. Sydney time on the first Banking Day of that Interest Period and having a tenor equal to one month, (if necessary) rounding the resultant figure upwards to four decimal places.

In relation to the first Interest Period, if the first Interest Period is less than or equal to one month, the Benchmark Rate will be determined as above by reference to such bills of a tenor equal to one month. If the first Interest Period is greater than one month, the Benchmark Rate in relation to the first Interest Period will be determined by linear interpolation calculated with reference to the Benchmark Rate for bills of exchange of one month tenor and bills of exchange of two months tenor.

If a rate cannot be determined in accordance with the foregoing procedures, then the Benchmark Rate will mean such rate as is specified in good faith by the Manager at or around that time on that date, having regard, to the extent possible, to comparable indices then available as to the rates otherwise bid and offered for such bills of that tenor around that time.

## 7.6 Margins

The applicable Margin for each Class of Bonds will be determined as outlined in the table below:

<b>Class of Bonds</b>	<b>Margin applicable up to but excluding the Call Option Date (the Pre COD Margin)</b>	<b>Margin applicable on and from the Call Option Date</b>
Class A Bonds	The percentage rate per annum determined prior to the Issue Date by agreement between the Arranger, the Joint Lead Managers and the Manager (on behalf of the Trustee) and notified by the Manager to the Trustee prior to the Issue Date in respect of the Class A Bonds.	The Pre COD Margin for the Class A Bonds plus 0.25% per annum.
Class AB Bonds	The percentage rate per annum determined prior to the Issue Date by agreement between the Arranger, the Joint Lead Managers and the Manager (on behalf of the Trustee) and notified by the Manager to the Trustee prior to the Issue Date in respect of the Class AB Bonds.	The Pre COD Margin for the Class AB Bonds plus 0.25% per annum.
Class B Bonds	The percentage rate per annum	The Pre COD Margin for the

	determined prior to the Issue Date by agreement between the Arranger and the Manager (on behalf of the Trustee) and notified by the Manager to the Trustee prior to the Issue Date in respect of the Class B Bonds.	Class B Bonds.
Class C Bonds	The percentage rate per annum determined prior to the Issue Date by agreement between the Arranger and the Manager (on behalf of the Trustee) and notified by the Manager to the Trustee prior to the Issue Date in respect of the Class C Bonds.	The Pre COD Margin for the Class C Bonds.
Class D Bonds	The percentage rate per annum determined prior to the Issue Date by agreement between the Arranger and the Manager (on behalf of the Trustee) and notified by the Manager to the Trustee prior to the Issue Date in respect of the Class D Bonds.	The Pre COD Margin for the Class D Bonds.
Class E Bonds	The percentage rate per annum determined prior to the Issue Date by agreement between the Arranger and the Manager (on behalf of the Trustee) and notified by the Manager to the Trustee prior to the Issue Date in respect of the Class E Bonds.	The Pre COD Margin for the Class E Bonds.

## 7.7 Payment of Interest

Interest accrued on the Bonds will be paid in arrears on each Payment Date until the Final Maturity Date or the date on which the Invested Amounts of the Bond is reduced to zero, whichever is the earlier. Notwithstanding this, each Bond ceases to bear interest for so long as the Outstanding Principal Balance of that Bond is zero. The options available to a Bondholder for receiving interest are set out in Section 7.11.

## 7.8 The Final Maturity Date and Trustee's Call Option

The Final Maturity Date of the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds is the Payment Date falling in September 2050.

This may be brought forward by the Trustee, at the direction of the Manager. In order to do so, the Trustee must offer, by written notice to ME, to extinguish in favour of ME all of the Trustee's right, title and interest in and to the Purchased Loans and their related rights on any Payment Date when the aggregate Outstanding Principal Balance of the Bonds at that time is equal to or less than 10% of the aggregate Outstanding Principal Balance of the Bonds as at the Issue Date.

The Manager must not give a direction to the Trustee unless the Manager is satisfied that there will be sufficient monies available on the date to be declared as the Final Maturity Date to meet all amounts payable to the Class A Bondholders, the Class AB Bondholders, the Class B Bondholders, the Class C Bondholders, the Class D Bondholders and the Class E Bondholders.

## 7.9 Redemption of Bonds for taxation events

A **Tax Event** occurs if the Manager determines that either:

- on the next Payment Date to occur after such time, the Trustee would be required to deduct or withhold from any payment of principal or interest in respect of the Bonds, the Payment Funding Facility Arrangement, the Liquidity Facility Arrangement, any Interest Hedge or the Redraw Funding Facility Arrangement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Commonwealth of Australia or any of its political subdivisions or any of its authorities; or
- the total amount payable in respect of interest in relation to any of the Purchased Loans for a Calculation Period ceases to be receivable, whether or not actually received, by the Trustee during such Calculation Period (provided that this paragraph does not apply to a failure by the Trustee to receive any interest in relation to any of such Purchased Loans merely by reason of the failure by any obligor to pay that interest in breach of the relevant Purchased Loan).

If the Manager has determined that a Tax Event has occurred and satisfies the Trustee immediately prior to giving the notice referred to below that such Tax Event has occurred, the Trustee must, when directed by the Manager at the Manager's option, redeem all, but not some only, of the Bonds at their then Invested Amounts together with accrued interest to (but excluding) the date of redemption on any subsequent Payment Date in accordance with that notice, provided that the Trustee will be in a position on such Payment Date to discharge, and the Manager will so certify to the Trustee, all its liabilities in respect of the Bonds (at their Invested Amount) and any amounts which would be required under the Security Trust Deed to be paid in priority or *pari passu* with the Bonds if the Security for the Bonds were being enforced.

The Trustee must, when so directed by the Manager at the Manager's option, give not more than 60, and not less than 45 days' notice to the Bondholders of the proposed redemption of the Bonds where a Tax Event has occurred.

Notwithstanding the above provisions, the Bondholders may by Extraordinary Resolution elect, and must notify the Trustee and the Manager not less than 21 days before the next Payment Date following the receipt of notice of such proposed redemption, that they do not require the Trustee to redeem the Bonds.

## 7.10 Limited Recourse

The Trustee's liability in respect of the Bonds is limited to the amount that it is entitled to recover through its right of indemnity from the Assets of the Fund and which are available in accordance with the Master Trust Deed and the other Transaction Documents to meet that liability.

In addition, both the Trustee and the Manager are relieved from any personal liability in respect of the performance of their rights, powers and duties under the Master Trust Deed, except to the extent that any liability would arise from their own fraud, negligence or wilful default.

## 7.11 Payments

Each Bondholder will receive payments of interest and principal in Australian dollars by cheque sent through the mail to the address of that Bondholder appearing on the Register. Alternatively, if a Bondholder nominates on a Bond transfer form or by written notice to the Trustee, payments can be made via Austraclear to a specified bank account in Australia in the name of the Bondholder.

Where Bonds are held jointly, payments will be made to the address or account of the Bondholder whose name appears first on the Register.

All payments in respect of the Bonds will be made without withholding or deduction for, or on account of, any taxes, duties or charges, unless the Trustee or any person making payments on behalf of the Trustee is required by law to make such a payment. In that event, the payment will be made after a withholding or deduction has been made and accounted for to the relevant authorities. Neither the

Trustee nor any person making payments on behalf of the Trustee will be obliged to make any additional payments to Bondholders in respect of that withholding or deduction.

Payments in respect of the Bonds may be subject to deduction on account of Tax where received by an Australian resident holding an interest in Bonds (or a non-resident carrying on business at or through a permanent establishment in Australia) at the highest personal marginal income tax rate (currently 49%), unless that person provides a tax file number, Australian Business Number (**ABN**) or evidence of a relevant exemption to quoting its tax file number or ABN (see Section 13 of this Information Memorandum in this regard). The tax file number, ABN or appropriate evidence must be received by the Trustee or any person making payments on behalf of the Trustee not less than 10 Banking Days prior to the relevant Payment Date.

### **7.12 The Register**

The Trustee, as registrar, will maintain a Register of Bondholders at its office at Level 18, 123 Pitt Street, Sydney, Australia. The Register will include the names and addresses of the Bondholders and a record of each distribution in respect of principal and interest in relation to the Bonds.

The Register is conclusive evidence of the title of a person to Bonds, as well as to any entitlement to principal and interest.

The Trustee may with prior notice to Bondholders close the Register for a period not exceeding 30 Banking Days (or such other period as agreed between the Trustee and the Manager) in aggregate in any calendar year. The Register will also be closed by the Trustee for the purpose of determining entitlements to interest and principal on Bonds from the close of business (Sydney time) on the day 7 clear Banking Days prior to each Payment Date and will re-open at the commencement of business on the Banking Day following the Payment Date. On each Payment Date, principal and interest will be paid to those Bondholders whose names appear in the Register prior to its closure.

The Register (unless closed) may be inspected by a Bondholder during normal business hours in respect of information relating to that Bondholder. Copies of the Register may not be taken except if agreed to by the Manager and the Trustee.

### **7.13 Bond Registration Confirmation**

No global or definitive certificate or other instrument will be issued to evidence a Bondholder's title to Bonds. Instead, each Bondholder will be issued with a Bond registration confirmation, confirming that the Bondholder appears in the Register as the holder of the Bonds referred to therein. The Bond registration confirmation will be sent by the Trustee to a Bondholder by mail or personal delivery to the address of that Bondholder appearing on the Register.

Where Bonds are held jointly, the Bond registration confirmation will be sent by the Trustee to the address of the Bondholder whose name appears first on the Register.

A Bond registration confirmation is not a certificate of title.

If the Bond registration confirmation becomes worn out or defaced, then upon production of it to the Trustee, a replacement will be issued. If the Bond registration confirmation is lost or destroyed, then upon proof of this to the satisfaction of the Trustee, and the provision of such indemnity as the Trustee considers adequate, a replacement confirmation will be issued. A fee not exceeding A\$10 must also be paid for a replacement.

### **7.14 Transfers of Bonds**

Subject to the following conditions, a Bondholder is entitled to transfer any of its Bonds:

- No Bondholder may transfer any of its Bonds unless the amount payable on acceptance of the offer by the transferee is at least A\$500,000 (disregarding any amount payable to the extent to which it is to be paid out of money lent by the person offering the Bonds or an associate (as defined in Division 2 of Part 1.2 of the Corporations Act)) or the offer or invitation to the transferee by the Bondholder in relation to such Bonds does not otherwise



require disclosure under Part 6D.2 or Part 7.9 of the Corporations Act and is not made to a Retail Client (as defined in section 761G of the Corporations Act).

- All transfers of Bonds must be effected by a Bond transfer form available from the Trustee's registry office.
- Every Bond transfer form must be executed by the transferor and transferee, stamped (if applicable) and lodged for registration with the Trustee. For the purposes of accepting a Bond transfer form, the Trustee is entitled to assume that it is genuine and signed by the transferor and transferee with appropriate authority.

The Trustee is authorised to refuse to register any Bond transfer form which would result in:

- a contravention of or failure to observe:
  - the terms of the Bonds, the Master Trust Deed or the Security Trust Deed; or
  - a law of a State or Territory or of the Commonwealth of Australia; or
- an obligation to procure registration of the Bonds, the Master Trust Deed or the Security Trust Deed with, or the approval of any of the foregoing by, any regulatory authority in any State, Territory or of the Commonwealth of Australia.

The Trustee is not bound to give any reason for its refusal to register a transfer of Bonds and its decision will be final, conclusive and binding on Bondholders.

A Bond transfer form will not take effect until registered by the Trustee.

If a Bond transfer form is received by the Trustee whilst the Register is closed for any purpose, the Bond transfer form will not be registered until after the Register is re-opened.

Upon registration of a Bond transfer form, the Trustee will cancel the then existing Bond registration confirmation and will issue to the transferee a Bond registration confirmation in respect of the transferred Bonds and, where applicable, will concurrently issue to the transferor a Bond registration confirmation for the balance of the holding retained by the transferor.

### **7.15 Marked Bond Transfers**

A Bondholder may request the Trustee to provide a marked Bond transfer form in relation to part or all of its holding of Bonds. Once a Bond transfer form has been marked by the Trustee, for a period of 90 calendar days thereafter the Trustee will not register any transfer of Bonds relating thereto other than on the marked Bond transfer form.

### **7.16 Accounts**

The Manager is required to cause audited accounts to be prepared for each financial year of the Fund. A copy of the audited accounts of the Fund will be available for inspection, but not copying, by Bondholders at the offices of the Manager.

### **7.17 Banking Day Convention**

Where any determination, date, payment, matter or thing to be done in relation to the Bonds falls on a day which is not a Banking Day, the determination, date, payment, matter or thing shall be done on the next Banking Day.

### **7.18 Lodgement of the Bonds in the Austraclear system**

The Bonds will be lodged in the Austraclear system. Where Bonds are lodged into the Austraclear system conducted by Austraclear, Austraclear will become the registered holder of those Bonds inscribed in the Register. While those Bonds remain in the Austraclear system, all payments and notices required of the Trustee and the Manager in relation to those Bonds will be directed to

Austraclear, and all dealings and payments in relation to those Bonds within the Austraclear system will be governed by Austraclear's regulations.

Subject to the rules of the relevant clearing and settlement system, Bondholders may elect to hold interests in the Bonds (i) directly through the Austraclear system, (ii) indirectly through Euroclear or Clearstream, Luxembourg if they are participants in such systems or (iii) indirectly through organisations which are participants in the Austraclear system, Euroclear or Clearstream, Luxembourg.

## **8 Credit Structure**

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### **8.1 General**

The cashflow allocation methodology has been structured to provide certain protections to Bondholders including:

- 32.28% of the Purchased Loans (by value) will have the benefit of a Mortgage Insurance Policy;
- the allocation of any excess cash flow which may be generated by the Approved Mortgage Loans on a monthly basis towards, among other things, reducing any Realised Losses and reimbursing previous applications of Interest Collections and /or Principal Collections;
- subordination, in certain circumstances, of the lower ranking classes of Bonds which is intended to provide a certain degree of protection to holders of senior classes of Bonds;
- the availability of the Excess Revenue Reserve, Liquidity Draws under the Liquidity Facility Arrangement and Principal Draws to ensure the timely payment of interest to Bondholders;
- the availability of the Payment Funding Facility Arrangement to meet extraordinary expenses and certain other amounts; and
- the setting of minimum interest rates on the Approved Mortgages which ensure there are sufficient funds available to the Trustee to meet its payment obligations in respect of the Fund.

Each of these protections is discussed in further detail in Sections 8.2 to 8.13 below.

### **8.2 Mortgage Insurance Policies**

32.28% of the Purchased Loans (by value) are covered by one of three separate master Mortgage Insurance Policies issued by Housing Loans Insurance Corporation, Genworth Financial Mortgage Insurance Pty Limited or QBE.

The Bondholders' first level of protection against principal and/or interest losses on the Approved Mortgage Loans is provided by the respective Mortgage Insurance Policies under which the Approved Mortgage Loans are insured. Subject to the terms of the Mortgage Insurance Policies, each Mortgage Insurance Policy covers all principal and/or interest losses incurred in respect of the relevant Approved Mortgage Loan. For further details on the Mortgage Insurers and the Mortgage Insurance Policies, see Section 16.8.

### **8.3 Excess Interest Collections**

The Bondholders' second level of protection is the monthly excess of the cash flow which may be generated by the Approved Mortgage Loans which is allocated in accordance with Section 9.2. To the extent that there is such an excess in cash flow available in relation to a Payment Date after the Required Payments are met, it will be used to (a) reimburse unreimbursed Principal Draws; (b) reduce any Realised Losses in respect of the relevant Calculation Period; (c) reinstate any Carry Over Charge Offs in respect of the Bonds and the Redraw Funding Facility; (d) increase the Excess Revenue Reserve Balance; (e) cover any break costs payable in cancellation of any Interest Hedge; (f) repay any principal due under the Redraw Funding Facility; (g) pay any increased costs and certain other amounts due under the Liquidity Facility, Payment Funding Facility or Redraw Funding Facility; and (h) pay any early termination amounts payable to an Interest Hedge Provider under any Interest Hedge before any remaining amount is distributed to the Income Unitholder in respect of the Fund.

#### **8.4 Subordination of the Class AB Bonds, Class B Bonds, Class C Bonds, Class D Bonds and Class E Bonds to the Class A Bonds**

At all times prior to and on and after the enforcement of the Security, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds will be subordinated to the Class A Bonds in their right to receive interest payments.

Prior to enforcement of the Security where the Step Down Payment Requirements are not satisfied, principal repayments on the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds will only occur after all principal has been repaid on the Class A Bonds and under the Redraw Funding Facility Arrangement.

Prior to enforcement of the Security where the Step Down Payment Requirements are satisfied, principal repayments will be made pro rata among the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds and will only occur after all principal has been repaid under the Redraw Funding Facility Arrangement.

At all times on or after the enforcement of the Security, the rights of the Class AB Bondholders, the Class B Bondholders, the Class C Bondholders, the Class D Bondholders and the Class E Bondholders to receive payments of amounts due and payable by the Trustee will be subordinated in priority to payments of amounts due and payable to the Class A Bondholders.

See further Sections 9.2, 9.4 and 9.11.

#### **8.5 Subordination of the Class B Bonds, Class C Bonds, Class D Bonds and Class E Bonds to the Class A Bonds and Class AB Bonds**

At all times prior to and on and after the enforcement of the Security, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds will be subordinated to the Class A Bonds and the Class AB Bonds in their right to receive interest payments.

Prior to enforcement of the Security where the Step Down Payment Requirements are not satisfied, principal repayments on the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds will only occur after all principal has been repaid on the Class A Bonds, the Class AB Bonds and under the Redraw Funding Facility Arrangement.

Prior to enforcement of the Security where the Step Down Payment Requirements are satisfied, principal repayments will be made pro rata among the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds and will only occur after all principal has been repaid under the Redraw Funding Facility Arrangement.

At all times on or after the enforcement of the Security, the rights of the Class B Bondholders, the Class C Bondholders, the Class D Bondholders and the Class E Bondholders to receive payments of amounts due and payable by the Trustee will be subordinated in priority to payments of amounts due and payable to the Class A Bondholders and the Class AB Bondholders.

See further Sections 9.2, 9.4 and 9.11.

#### **8.6 Subordination of the Class C Bonds, the Class D Bonds and the Class E Bonds to the Class A Bonds, Class AB Bonds and Class B Bonds**

At all times prior to and on and after the enforcement of the Security, the Class C Bonds, the Class D Bonds and the Class E Bonds will be subordinated to the Class A Bonds, the Class AB Bonds and the Class B Bonds in their right to receive interest payments.

Prior to enforcement of the Security where the Step Down Payment Requirements are not satisfied, principal repayments on the Class C Bonds, the Class D Bonds and the Class E Bonds will only occur after all principal has been repaid on the Class A Bonds, the Class AB Bonds, the Class B Bonds and under the Redraw Funding Facility Arrangement.

Prior to enforcement of the Security where the Step Down Payment Requirements are satisfied, principal repayments will be made pro rata among the Class A Bonds, the Class AB Bonds, the Class

B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds and will only occur after all principal has been repaid under the Redraw Funding Facility Arrangement.

At all times on or after the enforcement of the Security, the rights of the Class C Bondholders, the Class D Bondholders and the Class E Bondholders to receive payments of amounts due and payable by the Trustee will be subordinated in priority to payments of amounts due and payable to the Class A Bondholders, the Class AB Bondholders and the Class B Bondholders.

See further Sections 9.2, 9.4 and 9.11.

#### **8.7 Subordination of the Class D Bonds and the Class E Bonds to the Class A Bonds, Class AB Bonds, Class B Bonds and Class C Bonds**

At all times prior to and on and after the enforcement of the Security, the Class D Bonds and the Class E Bonds will be subordinated to the Class A Bonds, the Class AB Bonds, the Class B Bonds and the Class C Bonds in their right to receive interest payments.

Prior to enforcement of the Security where the Step Down Payment Requirements are not satisfied, principal repayments on the Class D Bonds and the Class E Bonds will only occur after all principal has been repaid on the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds and under the Redraw Funding Facility Arrangement.

Prior to enforcement of the Security where the Step Down Payment Requirements are satisfied, principal repayments will be made pro rata among the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds and will only occur after all principal has been repaid under the Redraw Funding Facility Arrangement.

At all times on or after the enforcement of the Security, the rights of the Class D Bondholders and the Class E Bondholders to receive payments of amounts due and payable by the Trustee will be subordinated in priority to payments of amounts due and payable to the Class A Bondholders, the Class AB Bondholders, the Class B Bondholders and the Class C Bondholders.

See further Sections 9.2, 9.4 and 9.11.

#### **8.8 Subordination of the Class E Bonds to the Class A Bonds, Class AB Bonds, Class B Bonds, Class C Bonds and Class D Bonds**

At all times prior to and on and after the enforcement of the Security, the Class E Bonds will be subordinated to the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds and the Class D Bonds in their right to receive interest payments.

Prior to enforcement of the Security where the Step Down Payment Requirements are not satisfied, principal repayments on the Class E Bonds will only occur after all principal has been repaid on the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and under the Redraw Funding Facility Arrangement.

Prior to enforcement of the Security where the Step Down Payment Requirements are satisfied, principal repayments will be made pro rata among the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds and will only occur after all principal has been repaid under the Redraw Funding Facility Arrangement.

At all times on or after the enforcement of the Security, the rights of the Class E Bondholders to receive payments of amounts due and payable by the Trustee will be subordinated in priority to payments of amounts due and payable to the Class A Bondholders, the Class AB Bondholders, the Class B Bondholders, the Class C Bondholders and the Class D Bondholders.

See further Sections 9.2, 9.4 and 9.11.

## 8.9 Principal Draws

On each relevant Payment Date, to the extent that the Interest Collections are insufficient to meet, among other payments, interest payments on the Bonds, Principal Collections may be allocated towards payment of such amounts in accordance with Section 9.4(a).

## 8.10 Excess Revenue Reserve

The Excess Revenue Reserve will be established by the Trustee on the Issue Date and will be funded from Interest Collections (see Section 9.2(aa)). Amounts standing to the credit of the Excess Revenue Reserve will be applied as Interest Collections. For further details, see Section 9.11.

## 8.11 Payment Funding Facility Arrangement

The Trustee will enter into the Payment Funding Facility Arrangement for the purpose of:

- supporting or funding payments in respect of break costs payable under any future fixed-floating rate swap;
- funding any costs and expenses of the Trustee and Manager in connection with perfecting the Trustee's title in and to the Purchased Loans; and
- covering any extraordinary expenses.

On the Issue Date, the Payment Funding Facility will be drawn by the Trustee for an amount equal to A\$150,000. For further details, see Section 9.9.

## 8.12 Liquidity Facility Arrangement

The Trustee will enter into the Liquidity Facility Arrangement for the purpose of providing liquidity to meet expenses and Coupon Amounts if on any Payment Date there is a delay or shortfall in Interest Collections. On any Payment Date, the **Required Liquidity Limit** of the Liquidity Facility Arrangement is the higher of:

- the sum of 1.0% of the Outstanding Principal Balance of the Approved Mortgage Loans and such other amount determined by the Manager and notified to the Rating Agencies which, in the reasonable opinion of the Manager, will not cause an Adverse Rating Effect; and
- the sum of 0.10% of the aggregate Original Principal Balance of the Bonds and such other amount determined by the Manager and notified to the Rating Agencies which, in the reasonable opinion of the Manager, will not cause an Adverse Rating Effect.

For further details, see Section 9.10.

## 8.13 Threshold Rate

The Manager undertakes that the interest rate charged on the Purchased Loans will be maintained at a level which is sufficient to ensure that, assuming that all relevant parties comply with their obligations at all times under the Transaction Documents, the Trustee will have sufficient available funds to enable it to make the Required Payments for the next calculation date as they fall due.

## 9 Cashflow Allocation Methodology

### 9.1 Collections

**Collections** for a Calculation Period means the aggregate of all moneys received by the Trustee or applied toward Collections in respect of the Fund during that Calculation Period. This will include:

- (a) payments of interest, principal, fees and other amounts under the Mortgage Loans included in the Pool of Approved Mortgage Loans;
- (b) proceeds from the enforcement of the Mortgage Loans included in the Pool of Approved Mortgage Loans;
- (c) amounts received under the relevant Mortgage Insurance Policies;
- (d) amounts recovered from losses on Mortgage Loans not previously received;
- (e) amounts received from the Approved Servicer for breaches of representations or undertakings which have not been designated as Suspended Moneys;
- (f) receipts in respect of Authorised Investments (other than funds received under the Payment Funding Facility Arrangement);
- (g) all moneys received on the Payment Date for the Calculation Period from the Interest Hedge Providers in respect of that Calculation Period and that Payment Date; and
- (i) to the extent of any default by an Interest Hedge Provider under an Interest Hedge any amounts held by the Trustee as collateral against default by that Interest Hedge Provider under the relevant Interest Hedge (except for any collateral which is returnable to that Interest Hedge Provider in accordance with the terms of the relevant Interest Hedge) or any other amount received on termination of an Interest Hedge in respect of the Calculation Period,

but excludes:

- (j) receipts (whether of an income or capital nature) in respect of Authorised Investments comprised in any Collateral Account;
- (k) receipts which the Trustee is required to pay to the relevant Mortgage Insurer under a relevant Mortgage Insurance Policy;
- (l) receipts under or arising from any drawing under the Redraw Funding Facility Arrangement;
- (m) receipts under or arising from any drawing under the Payment Funding Facility Arrangement;
- (n) to the extent that an Interest Hedge Provider has defaulted under the relevant Interest Hedge any Close-Out Amount (as defined in the terms of that Interest Hedge) which will be used by the Trustee to enter into an equivalent Interest Hedge;
- (o) where an Interest Hedge Provider has not defaulted under its Interest Hedge, all moneys that have been provided to the Trustee as collateral against default by that Interest Hedge Provider under the relevant Interest Hedge as a consequence of a rating downgrade of the rating of that Interest Hedge Provider;
- (p) Suspended Moneys; and
- (q) an amount equal to the aggregate initial face value of all Bonds issued in that Calculation Period.

**Principal Collections** for a Calculation Period represent an amount of the Collections for that Calculation Period equal to the aggregate Outstanding Principal Balance of the Mortgage Loans comprised in the assets of the Fund as at the commencement of that Calculation Period, minus the aggregate Outstanding Principal Balance of the Mortgage Loans as at the end of that Calculation Period, minus any Realised Losses for that Calculation Period, plus in the case of the first Calculation Period only, an amount equal to:

- (a) the aggregate initial face value of the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds; minus
- (b) the aggregate Outstanding Principal Balance of the Mortgage Loans as at the Cut Off Date.

**Interest Collections** for a Calculation Period represent all Collections for that Calculation Period other than Principal Collections.

For a description of the order of priority of application of Interest Collections and Principal Collections, see Sections 9.2 and 9.4 of this Information Memorandum.

## 9.2 Distribution of Interest Collections prior to the enforcement of the Security

Subject to the terms of the Security Trust Deed and the Supplementary Bond Terms, on each Payment Date, the Trustee must (to the extent that it has not already done so in accordance with Section 9.3, Section 9.4(a), Section 9.9, Section 9.11 or this Section 9.2) apply the Interest Collections, together with any amounts to be applied under this Section 9.2 pursuant to Sections 9.10 for the relevant Calculation Period to the following amounts in the following order of priority:

- (a) first, one dollar for the Income Unitholder to the Income Unitholder;
- (b) second, in or toward payment of, or allowance for, taxes in respect of the Fund;
- (c) third, pari passu and rateably, in or toward payment of or allowance for the Trustee's fee, the Security Trustee's fee, the Manager's fee, the Custodian's fee, the Approved Servicer's fee, the Back Up Servicer's fee and any other Expenses (other than the expenses referred to below in this Section 9.2) in respect of the Fund;
- (d) fourth, pari passu and rateably in or toward:
  - (i) payment of any fees and interest and any part of a Liquidity Draw due on any previous Payment Dates, but which remain unpaid, under the Liquidity Facility Arrangement (other than amounts payable referred to below in Section 9.2(ee));
  - (ii) payment of any fees and interest due on any previous Payment Dates, but which remains unpaid, under the Redraw Funding Facility Arrangement (other than amounts payable referred to below in Section 9.2(ee));
  - (iii) payment of any fees, interest and any Principal Outstanding (as defined in any Payment Funding Facility Arrangement) due on any previous Payment Dates, but which remains unpaid, under the Payment Funding Facility Arrangement (other than amounts payable referred to below in Section 9.2(ee)); and
  - (iv) amounts due on any previous Payment Date, but which remain unpaid, under any Interest Hedge (other than amounts payable to the Interest Hedge Providers referred to below in this Section 9.2);
- (e) fifth, pari passu and rateably in or toward payment of:
  - (i) any Liquidity Draw or part of a Liquidity Draw made on or prior to the immediately preceding Payment Date under any Liquidity Facility Arrangement which is due and in or toward payment of any fees and interest due under any Liquidity Facility Arrangement on that Payment Date (other than amounts payable referred to below in Section 9.2(ee));
  - (ii) any fees and interest due under any Redraw Funding Facility Arrangement (other than amounts payable referred to below in Section 9.2(ee)); and
  - (iii) any fees, interest and any Principal Outstanding (as defined in any Payment Funding Facility) due under any Payment Funding Facility Arrangement (other than amounts payable referred to below in Section 9.2(ee)); and
  - (iv) amounts due under any Interest Hedge on that Payment Date (other than amounts payable to the Interest Hedge Providers referred to below in this Section 9.2);



- (f) sixth, in or toward payment to Class A Bondholders of Coupon Amounts due on the Class A Bonds on any previous Payment Dates but which remain unpaid;
- (g) seventh, in or toward payment to Class A Bondholders of Coupon Amounts due on the Class A Bonds on that Payment Date;
- (h) eighth, in or toward payment to Class AB Bondholders of Coupon Amounts due on the Class AB Bonds on any previous Payment Dates but which remain unpaid;
- (i) ninth, in or toward payment to Class AB Bondholders of Coupon Amounts due on the Class AB Bonds on that Payment Date;
- (j) tenth, in or toward payment to Class B Bondholders of Coupon Amounts due on the Class B Bonds on any previous Payment Dates but which remain unpaid;
- (k) eleventh, in or toward payment to Class B Bondholders of Coupon Amounts due on the Class B Bonds on that Payment Date;
- (l) twelfth, in or toward payment to Class C Bondholders of Coupon Amounts due on the Class C Bonds on any previous Payment Dates but which remain unpaid;
- (m) thirteenth, in or toward payment to Class C Bondholders of Coupon Amounts due on the Class C Bonds on that Payment Date;
- (n) fourteenth, in or toward payment to Class D Bondholders of Coupon Amounts due on the Class D Bonds on any previous Payment Dates but which remain unpaid;
- (o) fifteenth, in or toward payment to Class D Bondholders of Coupon Amounts due on the Class D Bonds on that Payment Date;
- (p) sixteenth, in or toward payment to Class E Bondholders of Coupon Amounts due on the Class E Bonds on any previous Payment Dates but which remain unpaid;
- (q) seventeenth, in or toward payment to Class E Bondholders of Coupon Amounts due on the Class E Bonds on that Payment Date;
- (r) eighteenth, pari passu and rateably, to reimburse any amounts that have been paid on any previous Payment Dates under Section 9.4(a) (to the extent not already reimbursed under this Section 9.2(r) on any previous Payment Date);
- (s) nineteenth, in or towards payment to the Trustee of any amount then available to reduce any of Realised Losses for the relevant Calculation Period to the extent of such amount;
- (t) twentieth, in respect of the amount of any Carry Over Redraw Charge Offs, in or toward reinstatement of, in the books of the Fund, pari passu and rateably, any Carry Over Redraw Charge Offs;
- (u) twenty-first, in respect of the amount of any Carry Over Class A Charge Offs, in or toward reinstatement of, in the books of the Fund pari passu and rateably, any Carry Over Class A Charge Offs;
- (v) twenty-second, in respect of the amount of any Carry Over Class AB Charge Offs, in or toward reinstatement of, in the books of the Fund pari passu and rateably, any Carry Over Class AB Charge Offs;
- (w) twenty-third, in respect of the amount of any Carry Over Class B Charge Offs, in or toward reinstatement of, in the books of the Fund pari passu and rateably, any Carry Over Class B Charge Offs;

- (x) twenty-fourth, in respect of any amount of Carry Over Class C Charge Offs, in or toward reinstatement of, in the books of the Fund *pari passu* and rateably, any Carry Over Class C Charge Offs;
- (y) twenty-fifth, in respect of any amount of Carry Over Class D Charge Offs, in or toward reinstatement of, in the books of the Fund *pari passu* and rateably, any Carry Over Class D Charge Offs;
- (z) twenty-sixth, in respect of any amount of Carry Over Class E Charge Offs, in or toward reinstatement of, in the books of the Fund *pari passu* and rateably, any Carry Over Class E Charge Offs;
- (aa) twenty-seventh, if the Payment Date is on or after the Call Option Date and any Bonds are then outstanding, *pari passu* and rateably, in or towards payment of:
  - (i) the Relevant Percentage of the amount available to be applied pursuant to this clause 9.2 on that Payment Date to the Income Unitholder of the Fund; and
  - (ii) the Reserve Percentage of the amount available to be applied pursuant to this clause 9.2 on that Payment Date to the Excess Revenue Reserve;
- (bb) twenty-eighth, in or toward payment to the EEA Ledger in the Fund Bank Account in an amount equal to the EEA Shortfall on that Payment Date, provided that the EEA Shortfall must first be reduced by any amount to be advanced by the Payment Funding Facility Provider on that Payment Date pursuant to a Funding Notice delivered in accordance with Section 9.9;
- (cc) twenty-ninth, in or toward payment of any break costs payable on cancellation of any Interest Hedge to the extent that:
  - (i) those amounts are not recovered under the relevant Purchased Loan in the form of prepayment fees; or
  - (ii) a drawing has not been made under the Payment Funding Facility Arrangement;
- (dd) thirtieth, (to extent not paid under Section 9.4) *pari passu* and rateably in or toward repayment of any principal due and payable under the Redraw Funding Facility Arrangement;
- (ee) thirty-first, *pari passu* and rateably, in or toward payment of:
  - (i) any increased cost amounts due under the Liquidity Facility Arrangement, the Payment Funding Facility Arrangement or the Redraw Funding Facility Arrangement arising as a consequence of any change in any law, regulation, order, treaty, official directive or request and as contemplated by the Liquidity Facility Arrangement, the Payment Funding Facility Arrangement or the Redraw Funding Facility Arrangement;
  - (ii) any costs and expenses incurred by the Trustee after the Issue Date under clause 15.2 of the Liquidity Facility Arrangement, clause 12.2 of the Payment Funding Facility Arrangement and clause 12.2 of the Redraw Funding Facility Arrangement; and
  - (iii) any other amounts due under the Liquidity Facility Arrangement, Payment Funding Facility Arrangement or Redraw Funding Facility Arrangement (other than any costs and expenses incurred by the Trustee up to and including the Issue Date under clause 15.2 of the Liquidity Facility Arrangement, clause 12.2 of the Payment Funding Facility Arrangement and clause 12.2 of the Redraw Funding Facility Arrangement);
- (ff) thirty-second, where an "Early Termination Date" (as defined in an Interest Hedge) under any Interest Hedge has occurred and the Interest Hedge Provider under that Interest Hedge is the "Defaulting Party" or sole "Affected Party" (other than due to "Illegality", "a Force Majeure Event" or "Tax", each as defined in that Interest Hedge), in or toward payment any "Early Termination Amount" (as defined in that Interest Hedge) (or equivalent termination payments) payable under the Interest Hedge to the Interest Hedge Provider; and

- (gg) thirty-third, in payment of or provision for amounts payable to the Income Unitholder of the Fund.

### 9.3 Accrued Interest Adjustment

On each Payment Date and upon the Manager's direction, prior to any allocation or a payment described under any provision of Section 9.2, the Trustee must first apply the Interest Collections to pay the relevant Approved Seller the Accrued Interest Adjustment (if any) in respect of the Purchased Loans acquired from that Approved Seller.

### 9.4 Distribution of Principal Collections prior to the enforcement of the Security

Subject to the Security Trust Deed and the Supplementary Bond Terms, on each Payment Date, the Trustee must (to the extent that it has not already done so in accordance with this Section 9.4) apply the Principal Collections for the relevant Calculation Period, together with the amounts to be applied under this Section 9.4 pursuant to Section 9.5 and Section 9.7(a), for the relevant Calculation Period towards the following amounts in the following order of priority:

- (a) first, if there is a Payment Shortfall on that Payment Date, by applying an amount up to the Payment Shortfall in accordance with Section 9.2;
- (b) second, pari passu and rateably in or toward repayment of any Redraw Principal Outstanding under the Redraw Funding Facility Arrangement;
- (c) third, pari passu and rateably in or toward payments approved by the Manager under any Loan Redraw Facility;
- (d) fourth,
  - (i) if the Step Down Payment Requirements are not satisfied on that Payment Date, in or toward repayment of principal on the Bonds in the following order of priority:
    - (A) first, pari passu and rateably to the Class A Bondholders in accordance with the Supplementary Bond Terms until the Outstanding Principal Balance for each of the Class A Bonds is reduced to zero;
    - (B) second, to the Class AB Bondholders in accordance with the Supplementary Bond Terms until the Outstanding Principal Balance for each of the Class AB Bonds is reduced to zero;
    - (C) third, to the Class B Bondholders in accordance with the Supplementary Bond Terms until the Outstanding Principal Balance for each of the Class B Bonds is reduced to zero;
    - (D) fourth, to the Class C Bondholders in accordance with the Supplementary Bond Terms until the Outstanding Principal Balance for each of the Class C Bonds is reduced to zero;
    - (E) fifth, to the Class D Bondholders in accordance with the Supplementary Bond Terms until the Outstanding Principal Balance for each of the Class D Bonds is reduced to zero; and
    - (F) sixth, to the Class E Bondholders in accordance with the Supplementary Bond Terms until the Outstanding Principal Balance for each of the Class E Bonds is reduced to zero; or
  - (ii) if the Step Down Payment Requirements are satisfied on that Payment Date, pari passu and rateably in or toward repayment of principal to:
    - (A) the Class A Bondholders in accordance with the Supplementary Bond Terms until the Outstanding Principal Balance for each of the Class A Bonds is reduced to zero; and

- (B) the Class AB Bondholders in accordance with the Supplementary Bond Terms until the Outstanding Principal Balance for each of the Class AB Bonds is reduced to zero; and
  - (C) the Class B Bondholders in accordance with the Supplementary Bond Terms until the Outstanding Principal Balance for each of the Class B Bonds is reduced to zero; and
  - (D) the Class C Bondholders in accordance with the Supplementary Bond Terms until the Outstanding Principal Balance for each of the Class C Bonds is reduced to zero; and
  - (E) the Class D Bondholders in accordance with the Supplementary Bond Terms until the Outstanding Principal Balance for each of the Class D Bonds is reduced to zero; and
  - (F) the Class E Bondholders in accordance with the Supplementary Bond Terms until the Outstanding Principal Balance for each of the Class E Bonds is reduced to zero;
- (e) fifth, in or toward reinstatement of, in the books of the Fund, pari passu and rateably any Carry Over Class Redraw Charge Offs and repaying the Redraw Principal Outstanding of the Redraw Funding Facility Arrangement to the extent of any Carry Over Redraw Charge Off;
  - (f) sixth, in or toward reinstatement of, in the books of the Fund, pari passu and rateably, any Carry Over Class A Charge Offs and repaying the Invested Amount of the Class A Bonds to the extent of any Carry Over Class A Charge Offs;
  - (g) seventh, in or toward reinstatement of, in the books of the Fund, pari passu and rateably, any Carry Over Class AB Charge Offs and repaying the Invested Amount of the Class AB Bonds to the extent of any Carry Over Class AB Charge Offs;
  - (h) eighth, in or toward reinstatement of, in the books of the Fund, pari passu and rateably, any Carry Over Class B Charge Offs and repaying the Invested Amount of the Class B Bonds to the extent of any Carry Over Class B Charge Offs;
  - (i) ninth, to the extent of any Carry Over Class C Charge Offs, in or toward reinstatement of, in the books of the Fund, pari passu and rateably, any Carry Over Class C Charge Offs and repaying the Invested Amount of the Class C Bonds to the extent of any Carry Over Class C Charge Offs;
  - (j) tenth, to the extent of any Carry Over Class D Charge Offs, in or toward reinstatement of, in the books of the Fund, pari passu and rateably, any Carry Over Class D Charge Offs and repaying the Invested Amount of the Class D Bonds to the extent of any Carry Over Class D Charge Offs;
  - (k) eleventh, to the extent of any Carry Over Class E Charge Offs, in or toward reinstatement of, in the books of the Fund, pari passu and rateably, any Carry Over Class E Charge Offs and repaying the Invested Amount of the Class E Bonds to the extent of any Carry Over Class E Charge Offs;
  - (l) twelfth, in or toward payment of break costs payable on cancellation of any Interest Hedge to the extent that these amounts are not recovered under the relevant Loans secured by Mortgages comprised in the Assets of the Fund in the form of any applicable prepayment fees or a drawing has not been made under the Payment Funding Facility Arrangement (to the extent not paid or provided for under Section 9.2); and
  - (m) thirteenth, to the extent of any surplus, any remaining amounts to the Income Unitholder.

The **Step Down Payment Requirements** are satisfied on any Payment Date if:

- the amount of Carry Over Charge Offs is zero at that time;
- the aggregate Outstanding Principal Balance of Purchased Loans which are in arrears for 60 days or more on a rolling 3 month average basis, on the Cut-Off immediately preceding that Payment Date is not greater than 4% of the aggregate Outstanding Principal Balance of all Purchased Loans at that time;
- the ratio of the aggregate Outstanding Principal Balance of all the Bonds at that time to the aggregate Original Principal Balance of all the Bonds is greater than 10%;
- the ratio of the aggregate Outstanding Principal Balance of the Class AB Bonds, Class B Bonds, Class C Bonds, Class D Bonds and Class E Bonds at that time to the aggregate Outstanding Principal Balance of the Class A Bonds, Class AB Bonds, Class B Bonds, Class C Bonds, Class D Bonds and Class E Bonds is equal to or greater than 16%; and
- the Payment Date is a date at least 24 months after the Issue Date.

### 9.5 Payment of Charge-Offs and Principal Draws

- (a) The amount of any reinstatement under Sections 9.2(t), (u), (v) (w) (x), (y) and (z) must be applied on the Payment Date of the reinstatement in accordance with Section 9.4 as if the amount reinstated formed part of Principal Collections.
- (b) The amount of any reimbursement amount under Section 9.2(r) must be applied on the Payment Date of such reimbursement in accordance with Sections 9.4(a) as if the reimbursement amount formed part of Principal Collections for the relevant Calculation Period.

### 9.6 Application of Realised Losses

On each Payment Date on which the Manager determines that the aggregate amount of Realised Losses for the related Calculation Period exceeds the funds available on such Payment Date to reimburse such Realised Losses under the interest collections waterfall referred to in Section 9.2 (such excess, the **Realised Losses Excess**), the Manager must do the following, on and with effect on such Payment Date:

- (a) reduce pro rata as between the Class E Bonds, the Outstanding Principal Balance of the Class E Bonds by the amount of the Realised Losses Excess until the Outstanding Principal Balance of the Class E Bonds is zero;
- (b) if the Outstanding Principal Balance of the Class E Bonds is zero and any amount of the Realised Losses Excess remains after application under the preceding paragraph (a) (such amount for the purposes of this paragraph, the **Realised Losses Excess Balance**), reduce pro rata as between the Class D Bonds, the Outstanding Principal Balance of the Class D Bonds by the amount of the Realised Losses Excess Balance until the Outstanding Principal Balance of the Class D Bonds is zero;
- (c) if the Outstanding Principal Balance of the Class E Bonds and the Class D Bonds is zero and any amount of the Realised Losses Excess remains after application under the preceding paragraphs (a) and (b) (such amount for the purposes of this paragraph, the **Realised Losses Excess Balance**), reduce pro rata as between the Class C Bonds, the Outstanding Principal Balance of the Class C Bonds by the amount of the Realised Losses Excess Balance until the Outstanding Principal Balance of the Class C Bonds is zero;
- (d) if the Outstanding Principal Balance of the Class E Bonds, the Class D Bonds and the Class C Bonds is zero and any amount of the Realised Losses Excess remains after application under the preceding paragraphs (a), (b) and (c) (such amount for the purposes of this paragraph, the **Realised Losses Excess Balance**), reduce pro rata as between the Class B Bonds, the Outstanding Principal Balance of the Class B Bonds by the amount of the

Realised Losses Excess Balance until the Outstanding Principal Balance of the Class B Bonds is zero; and

- (e) if the aggregate Outstanding Principal Balance of each of the Class E Bonds, the Class D Bonds, the Class C Bonds and Class B Bonds is zero and any amount of the Realised Losses Excess remains after application under the preceding paragraphs (a), (b), (c) and (d) (such amount for the purposes of this paragraph, the **Realised Losses Excess Balance**), reduce pro rata as between the Class AB Bonds the Outstanding Principal Balance of the Class AB Bonds by the amount of the Realised Losses Excess Balance until the Outstanding Principal Balance of the Class AB Bonds is zero;
- (f) if the Outstanding Principal Balance of the Class E Bonds, the Class D Bonds, the Class C Bonds, the Class B Bonds and the Class AB Bonds is zero and any amount of the Realised Losses Excess remains after application under the preceding paragraphs (a), (b), (c), (d) and (e) (such amount for the purposes of this paragraph, the **Realised Losses Excess Balance**), reduce pro rata as between the Class A Bonds, the Outstanding Principal Balance of the Class A Bonds by the amount of the Realised Losses Excess Balance until the Outstanding Principal Balance of the Class A Bonds is zero; and
- (g) if the Outstanding Principal Balance of the Class E Bonds, the Class D Bonds, the Class C Bonds, the Class B Bonds and the Class AB Bonds is zero and any amount of the Realised Losses Excess remains after application under the preceding paragraphs (a), (b), (c), (d), (e) and (f) (such amount for the purposes of this paragraph, the **Realised Losses Excess Balance**), reduce pro rata as between the Redraw Funding Facility Arrangement, the Redraw Principal Outstanding of the Redraw Funding Facility Arrangement by the amount of the Realised Losses Excess Balance until the Redraw Principal Outstanding under the Redraw Funding Facility Arrangement is zero.

## 9.7 Reimbursement of Charge-Offs

If part of the Interest Collections are allocated to a Bond or Redraw Funding Facility pursuant to Section 9.2(t), (u), (v), (w), (x), (y) and (z) (as the case may be) towards Principal Collections on a Payment Date, the effect of this will be to:

- (a) increase the Outstanding Principal Balance for that Bond by the amount of the allocation for that Bond; and
- (b) increase the Redraw Principal Outstanding in respect of a Redraw Funding Facility by the amount of the allocation for that Redraw Funding Facility.

## 9.8 Redraw Funding Facility Arrangement

As noted in Section 10.2, qualifying borrowers may apply to redraw amounts by which the actual outstanding principal balance under a Mortgage Loan is less than the scheduled principal balance (otherwise known as a **Loan Redraw Facility**). The Approved Servicer, in accordance with guidelines agreed with the relevant Mortgage Insurer, retains the absolute discretion to approve or reject a borrower's application.

Applications to redraw funds which have been approved by the Approved Servicer will be funded by the application of Principal Collections held from time to time and, to the extent that the Fund has insufficient proceeds from Principal Collections, by drawings under the Redraw Funding Facility Arrangement.

The Redraw Funding Facility Arrangement will be entered into on commercial terms and will be floating rate debt obligations of the Trustee. Interest Collections and Principal Collections are expected to be applied, on each Payment Date, as noted in Sections 9.2 and 9.4 to repay outstanding balances under the Redraw Funding Facility Arrangement.

Potential Bondholders should note that the creation and repayment of redraws under Purchased Loans and the Redraw Funding Facility Arrangement may influence timing and amounts of payments under the Bonds.

## 9.9 Payment Funding Facility Arrangement

As noted in Section 10.2, since 1 October 1997 borrowers under the SMHL Programme have had the option of nominating either fixed rate or standard variable rate loan repayment obligations.

As part of the hedging arrangements to be entered into by the Trustee, the Payment Funding Facility Arrangement will be established.

The Payment Funding Facility Arrangement is available to:

- support or fund payments in respect of break costs payable under any fixed-floating rate swap in circumstances where Loans are prepaid (including upon default) prior to the fixed rate maturity date;
- fund any costs and expenses of the Trustee and Manager in connection with perfecting the Trustee's title in and to the Purchased Loans; and
- cover extraordinary expenses.

In order to maintain the assigned rating by each Rating Agency of the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds or the Class D Bonds, the Manager may direct the Trustee to increase the amount of the principal outstanding under the Payment Funding Facility Arrangement.

The Trustee must, and the Manager must cause the Trustee to, keep the proceeds of all funding portions invested in Authorised Investments as contemplated by, and in accordance with, the Supplementary Bond Terms Notice. The Trustee may withdraw from these amounts for the purposes described below.

On or before the Issue Date, the Manager must deliver to the Payment Funding Facility Provider a funding notice for an amount equal to A\$150,000 (**Extraordinary Expenses Amount**) and request that the Extraordinary Expenses Amount be provided to the Trustee on the Issue Date, by depositing the Extraordinary Expenses Amount to the bank account for the Fund (**Fund Bank Account**) for use by the Trustee in accordance with this Section 9.9. The Fund Bank Account will initially be held with Australia and New Zealand Banking Group Limited ABN 11 005 357 522 (**ANZ**). ANZ has short term credit ratings of P-1 from Moody's and A-1+ from S&P.

Immediately upon the Extraordinary Expenses Amount being deposited to the Fund Bank Account, the Manager must establish a ledger account in the accounting records maintained by it pursuant to the Master Trust Deed designated "SMHL Series SF2018-2 Extraordinary Expenses Account" in respect of the Extraordinary Expenses Amount (the **EEA Ledger**) and maintain that ledger account at all times until the Extraordinary Expenses Amount is reduced to zero under and in accordance with the Supplementary Bond Terms.

The Trustee must, and the Manager must direct the Trustee to, withdraw from the EEA Ledger in the Fund Bank Account from time to time funds up to a maximum equal to the amount standing to the credit of the EEA Ledger to meet any of the following extraordinary expenses of the Trustee in respect of the Fund (in each case as certified in writing by the Manager to the Trustee):

- legal expenses of the Trustee in relation to the Fund;
- subject to the Master Trust Deed, expenses incurred in replacing the Manager, the Security Trustee or the Trustee in relation to the Fund;
- subject to the Security Trust Deed, any expenses incurred by the Trustee or the Security Trustee on enforcement of the security created under the Security Trust Deed; and
- any other expense, cost, charge or other amount in relation to the Fund determined from time to time by the Manager to be an extraordinary expense.

If at any time the amount standing to the credit of the EEA Ledger is or will be less than the Extraordinary Expenses Amount (**EEA Shortfall**), the Manager must deliver to the Payment Funding Facility Provider a Funding Notice for an amount equal to the EEA Shortfall and requesting that the EEA Shortfall be provided to the Trustee on the date specified in that Funding Notice, by depositing the EEA Shortfall to the EEA Ledger in the Fund Bank Account for use by the Trustee only in accordance with the preceding paragraphs.

To the extent that the amount of all funding portions invested in Authorised Investments exceeds the Extraordinary Expenses Amount, the Trustee must, and the Manager must cause the Trustee to, withdraw from the Fund Bank Account from time to time funds up to a maximum equal to the Payment Amount Shortfall to meet any Payment Amount Shortfall (as defined in the Payment Funding Facility Agreement).

To the extent that the amount all funding portions invested in Authorised Investments exceeds the Extraordinary Expenses Amount, the Trustee must, and the Manager must cause the Trustee to, withdraw from the Fund Bank Account at any time following the occurrence of the Title Perfection Event funds to meet any of the costs and expenses of the Trustee and the Manager in connection with perfecting the Trustee's title in and to any relevant Purchased Loans and rights related to those Purchased Loans.

This Section 9.9 is in addition to and in no way limits the Trustee or Security Trustee's rights to be indemnified for or paid its fees, costs, charges, liabilities and expenses in accordance with the priority specified in Sections 9.2, 9.4 and 9.11 and any other relevant provision of the Transaction Documents.

#### **9.10 Liquidity Facility Arrangement**

The Trustee will, at the direction of the Manager, enter into a Liquidity Facility Arrangement, under which the Liquidity Facility Provider will provide a liquidity facility (**Liquidity Facility**) to the Trustee. If the Manager determines on any Cut-Off that there is a Remaining Liquidity Shortfall for the relevant Calculation Period, the Manager must direct the Trustee to request, to the extent available, a Liquidity Draw under the Liquidity Facility Agreement equal to the Remaining Liquidity Shortfall.

If at any time the Liquidity Facility Provider's counterparty risk assessment is less than P-1(cr) from Moody's or its long term credit rating is less than BBB from S&P (where it has a short term credit rating of at least A-2 from S&P) or BBB+ from S&P (where it does not have a short term credit rating from S&P) within any period of 5 consecutive Banking Days, the Liquidity Facility Provider must promptly notify the Trustee and the Manager of that rating downgrade and the Liquidity Facility Provider must within 30 days, or such longer period (provided that the Manager confirms that no Adverse Rating Effect will occur as a result of such longer period) after becoming aware of that downgrade undertake any one of the following courses of action:

- procure a replacement Liquidity Facility Provider with a counterparty risk assessment of at least P-1(cr) from Moody's and a long term credit rating of at least BBB from S&P (where the replacement Liquidity Facility Provider has a short term credit rating of at least A-2 from S&P) or at least BBB+ from S&P (where the replacement Liquidity Facility Provider does not have a short term credit rating from S&P) to provide financial accommodation on the same terms as the Liquidity Facility Arrangement or such other terms which, in the reasonable opinion of the Manager (following discussions between the Manager and each Rating Agency) will not give rise to an Adverse Rating Effect. The Liquidity Facility Provider agrees to be replaced in accordance with the terms of the Liquidity Facility Arrangement and to take all steps necessary to give effect to that replacement;
- deposit into the Collateral Account an amount equal to the Available Liquidity Amount (as defined in the Liquidity Facility Arrangement) at that time (**Collateral Amount**) (but for the avoidance of doubt, such deposit shall not be considered as a Liquidity Draw for the purposes of the Liquidity Facility Arrangement); or
- implement such other structural changes determined by the Manager which, in the reasonable opinion of the Manager (following discussions with each Rating Agency) do not give rise to an Adverse Rating Effect.



### 9.11 Excess Revenue Reserve

- (a) The Manager must establish a ledger account in the accounting records maintained by it pursuant to the Master Trust Deed designated "SMHL Series SF2018-2 Excess Revenue Reserve" in respect of the Excess Revenue Reserve and maintain that ledger account at all times.
- (b) The Trustee will establish an Excess Revenue Reserve on and from the Issue Date to provide yield support to each of the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds and the Class D Bonds. The balance of that Excess Revenue Reserve from time to time (the Excess Revenue Reserve Balance) must be held in the Fund Bank Account and must not be withdrawn by the Trustee other than:
  - (i) on a Payment Date, at the direction of the Manager to be drawn in an amount equal to the Excess Revenue Reserve Liquidity Draw for that Payment Date and applied in accordance with Section 9.2;
  - (ii) if at any time the Outstanding Principal Balance of all Bonds is reduced to zero, the balance of the Excess Revenue Reserve may be withdrawn by the Trustee, at the direction of the Manager, and paid directly to the Income Unitholder of the Fund;
  - (iii) in accordance with the Security Trust Deed; and
  - (iv) on the Termination Date in respect of the Fund, to be withdrawn by the Trustee at the direction of the Manager and paid directly to the Income Unitholder.

### 9.12 Priority of Application of Secured Moneys on Enforcement

Subject to the final paragraphs of this Section 9.11, all money received by the Security Trustee or a receiver under the Security is to be applied in the following order of priority:

- (a) first, in payment of all amounts which, to the extent required by law, have priority over the payments listed below;
- (b) second, in payment rateably of all fees (including the Security Trustee's fees), costs, charges, expenses and disbursements incurred in, or incidental to, the exercise or performance or attempted exercise or performance of any of the powers of the receiver or the Security Trustee in relation to the Fund and the Collateral;
- (c) third, in payment or towards satisfaction, *pari passu* and rateably, of all fees and other amounts owing to the Trustee, the Manager, the Approved Servicer and the Custodian under the Transaction Documents;
- (d) fourth, in payment rateably of such other outgoings in relation to the Fund or the Collateral as the receiver or the Security Trustee thinks fit to pay;
- (e) fifth, in payment of any other security interests (if any) over the Collateral of which the Security Trustee is aware which have priority over the Security (including the Prior Interest), in the order of their priority;
- (f) sixth, in payment to the Liquidity Facility Provider of any Outstanding Cash Advance Deposit;
- (g) seventh, in payment rateably to each Approved Seller of so much of the Accrued Interest Adjustment in respect of the Purchased Loans forming part of the Assets of the Fund that has not been paid and is owing to that Approved Seller;
- (h) eighth, in payment or towards satisfaction, *pari passu* and rateably, of Secured Moneys owing to:
  - (i) the Enhancement Providers, the Interest Hedge Providers (other than in respect of any amount payable to the Interest Hedge Providers as described in paragraph (p)

- below), the Redraw Funding Facility Providers and the Liquidity Facility Providers;  
and
- (ii) the Payment Funding Facility Providers;
- (i) ninth, in payment of all Secured Moneys owing to the Class A Bondholders (as at the date of payment);
  - (j) tenth, in payment of all Secured Moneys owing to the Class AB Bondholders (as at the date of payment);
  - (k) eleventh, in payment of all Secured Moneys owing to the Class B Bondholders (as at the date of payment);
  - (l) twelfth, in payment of all Secured Moneys owing to the Class C Bondholders (as at the date of payment);
  - (m) thirteenth, in payment of all Secured Moneys owing to the Class D Bondholders (as at the date of payment);
  - (n) fourteenth, in payment of all Secured Moneys owing to the Class E Bondholders (as at the date of payment);
  - (o) fifteenth, in payment rateably to each Secured Creditor any remaining amounts forming part of the Secured Moneys and owing to that Secured Creditor except any amounts as described in paragraph (p) below;
  - (p) sixteenth, *pari passu* and rateably toward payment of:
    - (i) where an “Early Termination Event” (as defined under an Interest Hedge) has occurred and the Interest Hedge Provider under the Interest Hedge is the “Defaulting Party” or sole “Affected Party” (other than due to “Illegality”, “a Force Majeure” or “Tax”, each as defined in that Interest Hedge), in payment of any termination payments payable under that Interest Hedge to the Interest Hedge Provider; and
    - (ii) any break costs payable on cancellation of any Interest Hedge to the extent that:
      - (A) those break costs are not recovered under the relevant Purchased Loan comprised in the Assets of the Fund in the form of prepayment fees; or
      - (B) a drawing has not been made under the Payment Funding Facility;
  - (q) seventeenth, in payment of subsequent security interests over the Collateral of which the Security Trustee is aware, in the order of their priority; and
  - (r) eighteenth, any surplus in payment to the Trustee to be distributed in accordance with the terms of the Master Trust Deed, but any such surplus will not carry interest as against the Security Trustee.

Any collateral provided by an Interest Hedge Provider or Liquidity Facility Provider will not be available for distribution in accordance with the preceding paragraphs of this Section 9.12. Any such collateral must be applied in accordance with the terms of the relevant Interest Hedge or Liquidity Facility.

The Excess Revenue Reserve Balance will not be available for distribution in accordance with the preceding paragraphs of this Section 9.12. Any such Excess Revenue Reserve Balance will be paid by the Trustee, at the direction of the Manager, directly to the Income Unitholder of the Fund.

For further details on the circumstances in which the Security is immediately enforceable and/or the Secured Money becomes immediately due and payable, see Section 16.3.

## 10 The Fund and its Assets

### 10.1 The Fund and the Unitholders of the Fund

The Fund is a trust fund duly constituted as such under the Master Trust Deed and was created on 5 July 2018 pursuant to the Notice of Creation entered into between the Trustee and the Manager.

The purpose of the Fund is to enable the Trustee to issue Bonds in order to finance and own the Pool of Approved Mortgage Loans.

The Unitholders of the Fund are:

- Members Equity Bank Limited ABN 56 070 887 679 as to 10 income units (as holder of such income units, the **Income Unitholder**) and 90 residual capital units (as holder of such Residual Capital Units, a **Residual Capital Unitholder**); and
- Securities Repository Pty Ltd ACN 153 724 862 as to 10 residual capital units (a **Residual Capital Unitholder**).

The Master Trust Deed contains provisions which limit the rights of the Unitholders of the Fund to take certain actions in respect of the Fund including, without limitation, restrictions on their ability to (i) exercise any rights, powers or privileges in respect of any Asset of the Fund; (ii) require Assets of the Fund to be transferred to it; (iii) terminate the Fund; or (iv) interfere with the management of the Fund.

### 10.2 Asset Features

#### (a) **Background**

The Pool of Approved Mortgage Loans to be acquired by the Trustee has been originated by the Principal Approved Seller.

The Pool of Approved Mortgage Loans is comprised of Mortgage Loans which are governed by the laws of the Commonwealth of Australia and each Australian State and Territory.

The Pool of Approved Mortgage Loans is comprised of Mortgage Loans which are fully amortising, principal and interest obligations of borrowers, each of which has been approved pursuant to the origination criteria noted in Section 15.

The Manager undertakes ongoing reviews of loans within its programmes. The Manager may, within 120 days after the Issue Date, determine to substitute any Approved Mortgage Loans in the Fund in respect of which there is a breach of the representations and warranties given by the Principal Approved Seller under the Transaction Documents. If that occurs, the Manager will arrange for the Principal Approved Seller to repurchase the affected Mortgage Loan and substitute another compliant Mortgage Loan owned by one of the Approved Sellers. If any such repurchase and substitution occurs, the characteristics of the Pool of Approved Mortgage Loans may change.

The process of assessment of applications for Mortgage Loans is described in Section 15.

#### (b) **Mortgage Loan Limits**

Except in circumstances approved by the Mortgage Insurers, all Mortgage Loans to be acquired by the Trustee have been advanced within the following limits:

Details of Limit Criteria			Limit
Maximum Outstanding Balance of a Mortgage Loan	Principal		\$1,000,000
Mortgage Loan type			Credit foncier
Maximum Mortgage Loan term			30 years

Maximum loan to valuation ratio of a 95%  
Mortgage Loan

(c) ***Mortgage Loan Types and Characteristics***

The Pool of Approved Mortgage Loans consists of three main types of Mortgage Loan product with the following characteristics:

**Type of Mortgage Loan**

**Characteristics of Mortgage Loan Types**

***Standard Variable Rate Mortgage Loan***

The Standard Variable Rate Mortgage Loan product was ME's benchmark product until mid 2015. It offers a variable rate of interest which may be adjusted at the discretion of the Approved Servicer, either upward or downward. Adjustments of the variable rate may be made on a monthly basis, or more frequently as determined by the Approved Servicer, in line with changes in market interest rates on debt. The Approved Servicer considers the Reserve Bank of Australia's official overnight cash rate and other traditional indices for interest on debt when setting the variable interest rate. Standard Variable Rate Mortgage Loans are convertible to a Fixed Rate Loan product at the borrower's request.

***Fixed Rate Loan***

The Pool of Approved Mortgage Loans also includes Mortgage Loans that bear a fixed rate of interest for up to a maximum period of five years. At the end of that fixed rate period, unless the interest rate is re-fixed at a rate and for a term agreed between the borrower and the Approved Servicer, these Mortgage Loans will automatically convert to the standard variable rate of interest. A borrower may be permitted to prepay up to a maximum aggregate amount of \$30,000 during a fixed rate period. A borrower is also permitted to terminate a fixed rate loan before the fixed rate period ends, but may incur economic break costs for such termination.

The Approved Servicer will not allow the interest rate on a fixed rate loan to be re-fixed at the end of its fixed rate term if it will result in a downgrade or withdrawal of the rating of the Bonds.

***Interest Only Mortgage Loan***

Customers may select an interest only period of up to five years, after which the Mortgage Loan reverts to a principal and interest repayment basis for the balance of the Mortgage Loan term. Customers may request a further interest only period extension. The interest rates applicable for an Interest Only Mortgage Loan will be a variable rate of interest which may be adjusted at the discretion of the Approved Servicer, either upward or downward. Adjustments of the variable rate may be made on a monthly basis, or more frequently as determined by the Approved Servicer, in line with changes in market interest rates on debt. The Approved Servicer considers the Reserve Bank of Australia's official overnight cash rate and other traditional indices for interest on debt when setting the interest rate. The interest rate may differ from the rate of

interest applicable to the Standard Variable Rate Mortgage Loan product. The Interest Only Mortgage Loan is subject to the Approved Servicer's usual loan servicing criteria.

(d) ***Additional Mortgage Loan Features***

Other features which may be included as part of ME's Mortgage Loan product types include:

**Additional Features**

***Redraws***

**Mortgage Loan Types to which Additional Features may apply**

ME's Mortgage Loans permit borrowers to redraw principal repayments made in excess of scheduled repayments during the period in which the relevant Mortgage Loan is charged a variable rate of interest. A redraw represents a re-drawing of principal repayments made by the borrower in excess of scheduled repayments on a borrower's existing Mortgage Loan that increases the Outstanding Principal Balance of the Mortgage Loan to an amount up to the scheduled amortised principal amount. A redraw is secured by the same mortgage that originally secured the Mortgage Loan and becomes part of the Mortgage Loan initially drawn by the borrower. Borrowers may request a redraw at any time, but its availability is always at the discretion of the Approved Servicer.

The Trustee and the Manager may only permit a redraw on a Mortgage Loan comprised in the Assets of the Fund where the redraw would not result in a Rating Downgrade Event.

The borrower may be required to pay a fee to ME in connection with a redraw. This fee does not form part of the Assets of the Fund.

Currently, ME does not normally permit redraws on Fixed Rate Loans.

A redraw will not result in the related Mortgage Loan being removed from the Fund.

***Ultimate Accounts***

Ultimate Accounts are facilities promoted to borrowers as part of a Mortgage Loan by ME. A borrower may elect to have his/her salary or other amounts paid in full or in part into his/her Mortgage Loan account. If the prepayments on the Mortgage Loan at anytime exceed the amortised scheduled balance at that time, borrowers may redraw by using a facility which encompasses a cheque facility and a direct debit card facility. These disbursements are treated as redraws.

Where the borrower has made disbursements from an Ultimate Account, these will be initially advanced by ME and will be reimbursed by the Fund, as a redraw on a related Mortgage Loan. If the Fund has insufficient Principal Collections to meet the Fund's obligations on redraws, the Trustee may draw under the initial Redraw Funding Facility Arrangement to meet the shortfall.

**Combination or “split” Mortgage Loans**

ME does provide the ability for a borrower to elect to split his/her loan into separate funding portions which may, among other things, be subject to different types of interest rates. Each part of the Mortgage Loan is effectively a separate loan, even though all the separate loans are all secured by the same Mortgage.

If a Mortgage Loan is split, each separate loan will remain in the Fund as long as each individual loan matures before the Final Maturity Date of the Bonds. If any part of the Mortgage Loan matures after the Final Maturity Date of the Bond, that part of the Mortgage Loan will be removed from the Fund and the Outstanding Principal Balance of that part of the Mortgage Loan will be repaid by ME or relevant Warehouse Fund. The other parts of the “split” Mortgage Loan will also be removed from the Fund and the Outstanding Principal Balance of those parts of the Mortgage Loan will be repaid by ME or the relevant Warehouse Fund.

**Loan Purposes**

As approved borrowers are able to access the equity within their property, funds may be used for, but are not limited to, the following purposes:

- purchase of an owner-occupied or investment residential property, refinance/consolidation of existing debts or construction/renovation of a residential property; and
- purchase of a holiday home, vacant land, shares, investments, consumer goods and cars.

Any funds made available are secured by a registered mortgage over a property.

**Switching interest rates**

The Approved Servicer will consider requests from borrowers to change from a Fixed Rate Loan product to a variable interest rate loan product, or vice versa. The Manager will not allow conversion of a Mortgage Loan if it will result in a downgrade or withdrawal of the rating of the Bonds. Any variable rate loan product converting to a fixed rate product will be matched by an increase in the fixed-floating interest rate swap to hedge the fixed rate exposure. Economic break costs may apply for Fixed Rate Loans that are prepaid or changed before the end of the fixed interest rate period.

**Substitution of security**

A borrower may apply to the Approved Servicer to achieve the following:

- substitute a different real property in place of the existing real property securing a Mortgage Loan;
- add a further real property as security for a Mortgage Loan which results in a reduction of the LVR; or
- release a real property from a Mortgage.

If each of the following conditions is satisfied, the substitution may be made, the Mortgage securing the existing Mortgage Loan will be discharged and the existing Mortgage Loan will remain in the Pool of Approved Mortgage Loans secured by the new Mortgage:

- the new real property subject to a Mortgage must comply with the representations and warranties regarding the Mortgage Loans described in Section 15.3;
- ME's credit approval policies regarding the substitution of real property as security for a Mortgage Loan, as described under Section 15, must be satisfied;
- the original borrower(s) must remain liable under the related Mortgage Loan;
- the principal outstanding under the Mortgage Loan must not increase;
- the purchase of the new real property by the borrower and the grant of a new Mortgage over the new real property must occur simultaneously with the discharge of the original Mortgage; and
- the new real property must be acceptable to the relevant Mortgage Insurer.

A borrower will not be permitted to change the existing Mortgage Loan arrangements if:

- the new real property does not comply with the representations and warranties regarding the Mortgage Loans described under Section 15.3;
- ME's credit approval policies regarding the substitution of real property as security for a Mortgage Loan, as described under Section 15, are not satisfied;
- the principal outstanding under the Mortgage Loan will increase; or
- settlement will not, or does not, occur simultaneously with the discharge of the original Mortgage.

(e) **Other**

Bondholders should also note that the Approved Servicer may from time to time offer or make available, on a commercial basis, new mortgage loan products or features to existing and potential borrowers.

## 11 The Pool of Approved Mortgage Loans

**Note: As a consequence of rounding, throughout this Section 11 percentages may not add up to 100.00%. Also, as mentioned in Section 15.3, the Manager may direct the Trustee to repurchase and substitute Mortgage Loans in certain circumstances and if any such repurchase and substitution occurs, the characteristics of the Pool of Approved Mortgage Loans may change.**

### 11.1 Description of the Pool of Approved Mortgage Loans

As at the Cut Off Date, the profile of the Pool of Approved Mortgage Loans was as follows:

<b>Total Portfolio</b>	<b>1,249,999,970.75</b>
Number of Housing Loans*	5,318
Average Housing Loan Balance*	\$235,050.77
Maximum Housing Loan Balance	\$949,993.47
Total Valuation of the Properties	\$2,902,526,818.00
Maximum Remaining Term to Maturity (months)	359
Weighted Average Remaining Term to Maturity (months)	253
Weighted Average Seasoning (months)	91.79
Weighted Average Current LTV	56.93%
Weighted Average Scheduled LTV	61.11%
Average Current LTV	47.01%
Maximum Current LTV	93.93%

\* Consolidated

The initial aggregate Outstanding Principal Balance of all Bonds will likely exceed the aggregate Outstanding Principal Balance as at the Cut Off Date of all Mortgages comprised in the Pool of Approved Mortgage Loans. To take account of this, the difference between the initial aggregate Outstanding Principal Balance of all Bonds and the aggregate Outstanding Principal Balance as at the Cut Off Date of all Mortgages comprised in the Pool of Approved Mortgage Loans will be treated as a Principal Collections received during the first Calculation Period. This amount will, accordingly, be paid out to Bondholders as a pass-through of principal in accordance with the order of distribution set out in Section 9.4.

### 11.2 Characteristics of the Pool of Approved Mortgage Loans

In this Section 11, the distribution of the Pool of Approved Mortgage Loans as at the Cut Off Date is described:

- by geographic distribution and metropolitan location;
- by loan purpose;
- by loan to valuation ratio;
- by Mortgage Loan size distribution;
- by occupancy;
- by original loan term to maturity and by remaining loan term to maturity;



- by loan security;
- by year of maturity;
- by interest option;
- by remaining term to interest only period expiry; and
- by loan seasoning;
- by current interest rate;
- by remaining term to fixed rate period expiry;
- by Mortgage Insurer.

### 11.3 Pool of Approved Mortgage Loans by Geographic Distribution and Metropolitan Location

The metropolitan classifications of the Pool of Approved Mortgage Loans were in accordance with classifications used by S&P.

The distribution of Pool of Approved Mortgage Loans by the aforementioned metropolitan classifications was as follows:

Geographic Location	Number of Loans	Balance Outstanding (A\$)	WA Current LTV	(%) by Number of Loans	(%) by Balance Outstanding
VIC - Inner City	6	827,711.88	53.93%	0.07	0.07
VIC - Metro	2,087	292,068,215.12	52.00%	23.81	23.37
VIC - Non Metro	471	57,985,009.48	60.54%	5.37	4.64
N.S.W. - Inner City	1	42,697.38	9.82%	0.01	0.00
N.S.W. - Metro	859	134,772,948.29	48.37%	9.80	10.78
N.S.W. - Non Metro	800	106,646,643.97	56.30%	9.13	8.53
A.C.T. - Inner City	0	0.00	0.00%	0.00	0.00
A.C.T. - Metro	809	119,461,215.75	59.73%	9.23	9.56
A.C.T. - Non Metro	0	0.00	0.00%	0.00	0.00
QLD - Inner City	3	410,976.73	71.83%	0.03	0.03
QLD - Metro	740	107,801,898.54	61.39%	8.44	8.62
QLD - Non Metro	500	69,264,049.68	59.88%	5.70	5.54
S.A. - Inner City	8	718,329.01	53.19%	0.09	0.06
S.A. - Metro	497	64,148,239.68	59.40%	5.67	5.13
S.A. - Non Metro	102	11,185,404.65	63.84%	1.16	0.89
W.A. - Inner City	16	3,253,564.55	63.49%	0.18	0.26
W.A. - Metro	1,095	179,989,481.83	60.84%	12.49	14.40
W.A. - Non Metro	118	15,978,138.07	63.01%	1.35	1.28
N.T. - Inner City	0	0.00	0.00%	0.00	0.00
N.T. - Metro	84	16,359,008.69	61.94%	0.96	1.31
N.T. - Non Metro	17	4,073,171.88	70.90%	0.19	0.33
TAS - Inner City	24	2,976,609.76	61.11%	0.27	0.24
TAS - Metro	350	42,889,366.78	59.73%	3.99	3.43
TAS - Non Metro	178	19,147,289.03	62.54%	2.03	1.53
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

The distribution of the Pool of Approved Mortgage Loans by geographic location was as follows:

<b>Geographic Location</b>	<b>Number of Loans</b>	<b>Balance outstanding (A\$)</b>	<b>Weighted Average Current LVR (%)</b>	<b>(%) by Number of Loans</b>	<b>(%) by Balance Outstanding</b>
Inner City	58	8,229,889.31	60.91%	0.66	0.66
Metro	6,521	957,490,374.68	56.18%	74.40	76.60
Non Metro	2,186	284,279,706.76	59.34%	24.94	22.74
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

#### 11.4 Pool of Approved Mortgage Loans by Loan to Valuation Ratio

The loan to valuation ratio (**LVR**) represents the Outstanding Principal Balance of the Mortgage Loans as at the Cut Off Date as a proportion of the value of the security property disclosed in the valuation for the security property obtained by the Manager pursuant to the mortgage origination procedures.

The distribution of Pool of Approved Mortgage Loans by the LVR ranges was as follows:

<b>LTV Distribution</b>	<b>Number of Loans</b>	<b>Balance Outstanding (A\$)</b>	<b>WA Current LTV</b>	<b>(%) by Number of Loans</b>	<b>(%) by Balance Outstanding</b>
>0% ≤ 25%	1,846	88,269,153.85	17.08%	21.06	7.06
> 25% & ≤ 30%	393	39,782,169.25	27.53%	4.48	3.18
> 30% & ≤ 35%	477	57,214,108.12	32.52%	5.44	4.58
> 35% & ≤ 40%	494	63,861,873.42	37.54%	5.64	5.11
> 40% & ≤ 45%	563	78,450,968.71	42.53%	6.42	6.28
> 45% & ≤ 50%	610	92,075,475.88	47.28%	6.96	7.37
> 50% & ≤ 55%	603	95,989,576.25	52.54%	6.88	7.68
> 55% & ≤ 60%	689	118,536,861.02	57.44%	7.86	9.48
> 60% & ≤ 65%	701	128,055,230.80	62.54%	8.00	10.24
> 65% & ≤ 70%	679	129,744,050.04	67.55%	7.75	10.38
> 70% & ≤ 75%	692	133,489,151.55	72.63%	7.90	10.68
> 75% & ≤ 80%	505	112,322,318.94	77.42%	5.76	8.99
> 80% & ≤ 85%	238	48,652,064.87	82.66%	2.72	3.89
> 85% & ≤ 90%	227	51,476,852.09	86.92%	2.59	4.12
> 90% & ≤ 95%	48	12,080,115.96	91.17%	0.55	0.97
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

### 11.5 Pool of Approved Mortgage Loans by Mortgage Loan Size Distribution

The Mortgage Loan size distribution is calculated by banding in \$50,000 increments, the dollar value of the Outstanding Principal Balance of the Mortgage Loans as at the Cut Off Date.

The Mortgage Loan size distribution of the Pool of Approved Mortgage Loans was as follows:

Loan Size Distribution	Number of Loans	Balance Outstanding (A\$)	WA Current LTV	(%) by Number of Loans	(%) by Balance Outstanding
≤ \$50,000.00	2,442	53,451,888.51	40.29%	27.86	4.28
\$50,000.01 ≤ \$100,000.00	1,665	123,766,959.17	44.18%	19.00	9.90
\$100,000.01 ≤ \$150,000.00	1,245	154,336,172.56	48.39%	14.20	12.35
\$150,000.01 ≤ \$200,000.00	1,065	185,749,982.72	54.18%	12.15	14.86
\$200,000.01 ≤ \$250,000.00	746	167,944,960.59	57.88%	8.51	13.44
\$250,000.01 ≤ \$300,000.00	577	158,539,124.22	61.21%	6.58	12.68
\$300,000.01 ≤ \$350,000.00	400	129,676,665.29	63.99%	4.56	10.37
\$350,000.01 ≤ \$400,000.00	268	100,336,716.95	65.34%	3.06	8.03
\$400,000.01 ≤ \$450,000.00	162	68,560,031.27	67.90%	1.85	5.48
\$450,000.01 ≤ \$500,000.00	70	32,810,907.91	67.09%	0.80	2.62
\$500,000.01 ≤ \$550,000.00	49	25,649,030.99	65.45%	0.56	2.05
\$550,000.01 ≤ \$600,000.00	33	18,768,991.30	65.92%	0.38	1.50
\$600,000.01 ≤ \$650,000.00	20	12,501,841.74	65.79%	0.23	1.00
\$650,000.01 ≤ \$700,000.00	8	5,389,967.36	63.67%	0.09	0.43
\$700,000.01 ≤ \$750,000.00	1	747,363.72	50.14%	0.01	0.06
\$750,000.01 ≤ \$800,000.00	5	3,848,620.37	58.99%	0.06	0.31
\$800,000.01 ≤ \$850,000.00	2	1,630,640.50	65.78%	0.02	0.13
\$850,000.01 ≤ \$900,000.00	3	2,582,166.79	63.52%	0.03	0.21
\$900,000.01 ≤ \$950,000.00	4	3,707,938.79	69.18%	0.05	0.30
\$950,000.01 ≤ \$1,000,000.00	0	0.00	0.00%	0.00	0.00
< \$1,000,000.01	0	0.00	0.00%	0.00	0.00
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

### 11.6 Pool of Approved Mortgage Loans by Occupancy

The occupancy of the Pool of Approved Mortgage Loans represents the dollar value of the Outstanding Principal Balance of the Mortgage Loans as at the Cut Off Date by occupancy type.

The distribution of the Pool of Approved Mortgage Loans by occupancy type was as follows:

Occupancy	Number of Loans	Balance Outstanding (A\$)	WA Current LTV	(%) by Number of Loans	(%) by Balance Outstanding
Owner Occupied	7,050	1,000,016,682.58	56.74%	80.43	80.00
Investment	1,715	249,983,288.17	57.71%	19.57	20.00
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

### 11.7 Pool of Approved Mortgage Loans by Original Term to Maturity

In the case of a Mortgage Loan that has experienced a top-up (and that has not experienced a simultaneous or subsequent loan term extension), the original term to maturity of the Mortgage Loan reflects the remaining term to maturity of the loan at the time of the top-up. In the case of a Mortgage Loan that has experienced a top-up and a simultaneous loan term extension, the original term to maturity of the Mortgage Loan reflects the remaining term to maturity of the loan at the time of the top-up plus the loan term extension. In the case of a Mortgage Loan that has experienced a loan term extension (including a loan that has previously experienced a top-up), the original term to maturity of the Mortgage Loan reflects the initial loan term plus the loan term extension.

The distribution of the Pool of Approved Mortgage Loans by original term to maturity was as follows:

Loan Term (months)	Number of Loans	Balance Outstanding A\$	WA Current LTV	(%) by Number of loans	(%) by Balance Outstanding
1 - 48	0	0.00	0.00%	0.00	0.00
49 - 60	2	28,578.62	50.68%	0.02	0.00
61 - 72	5	108,717.57	24.63%	0.06	0.01
73 - 84	4	82,327.78	36.36%	0.05	0.01
85 - 96	1	27,196.13	22.59%	0.01	0.00
97 - 108	9	341,240.24	24.39%	0.10	0.03
109 - 120	6	320,038.19	32.01%	0.07	0.03
121 - 132	35	1,720,554.09	37.50%	0.40	0.14
133 - 144	16	835,902.81	26.67%	0.18	0.07
145 - 156	12	780,120.85	45.88%	0.14	0.06
157 - 168	18	1,554,345.94	43.12%	0.21	0.12
169 - 180	25	2,226,851.24	38.46%	0.29	0.18
181 - 192	62	6,100,942.16	43.52%	0.71	0.49
193 - 204	24	2,222,436.72	43.02%	0.27	0.18
205 - 216	41	3,849,173.24	55.37%	0.47	0.31
217 - 228	33	2,527,292.05	40.00%	0.38	0.20
229 - 240	50	3,555,568.69	41.97%	0.57	0.28
241 - 252	187	19,189,275.68	48.15%	2.13	1.54
253 - 264	69	6,125,136.99	49.57%	0.79	0.49
265 - 276	81	7,254,895.06	50.05%	0.92	0.58
277 - 288	114	11,208,897.09	51.72%	1.30	0.90
289 - 300	203	15,626,651.31	50.01%	2.32	1.25
301 - 312	1,388	129,613,785.94	43.64%	15.84	10.37
313 - 324	88	12,979,793.93	60.98%	1.00	1.04
325 - 336	136	23,052,467.29	62.78%	1.55	1.84
337 - 348	112	14,501,542.03	58.99%	1.28	1.16
349 - 360	6,044	984,166,239.11	59.27%	68.96	78.73
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

### 11.8 Pool of Approved Mortgage Loans by Remaining Term to Maturity

The distribution of the Pool of Approved Mortgage Loans by remaining term to maturity (rounded to the nearest month) was as follows:

Range of Remaining Term (months)	Number of Loans	Balance Outstanding (A\$)	WA Current LTV	(%) by Number of Loans	(%) by Balance Outstanding
≤ 24	24	254,239.28	11.94%	0.27	0.02
25 - 36	37	656,527.85	20.42%	0.42	0.05
37 - 48	39	1,204,373.73	18.89%	0.44	0.10
49 - 60	84	1,858,553.96	20.28%	0.96	0.15
61 - 72	78	3,637,755.58	29.63%	0.89	0.29
73 - 84	153	8,247,592.67	31.41%	1.75	0.66
85 - 96	225	14,261,195.83	29.51%	2.57	1.14
97 - 108	203	17,636,636.30	39.07%	2.32	1.41
109 - 120	258	21,000,174.66	38.30%	2.94	1.68
121 - 132	343	30,946,813.42	41.51%	3.91	2.48
133 - 144	259	25,907,171.17	40.89%	2.95	2.07
145 - 156	88	8,936,878.69	47.47%	1.00	0.71
157 - 168	56	6,530,155.03	42.71%	0.64	0.52
169 - 180	58	7,941,697.30	51.29%	0.66	0.64
181 - 192	66	9,452,784.51	51.68%	0.75	0.76
193 - 204	352	41,423,564.70	49.92%	4.02	3.31
205 - 216	596	72,691,914.89	50.49%	6.80	5.82
217 - 228	702	86,356,009.00	54.04%	8.01	6.91
229 - 240	550	73,923,801.55	55.56%	6.27	5.91
241 - 252	503	69,199,630.36	55.36%	5.74	5.54
253 - 264	758	116,111,210.25	57.14%	8.65	9.29
265 - 276	405	71,274,037.52	60.41%	4.62	5.70
277 - 288	502	91,690,131.35	58.95%	5.73	7.34
289 - 300	735	138,513,277.72	63.00%	8.39	11.08
301 - 312	913	179,951,698.86	64.03%	10.42	14.40
313 - 324	689	132,780,161.00	65.01%	7.86	10.62
325 - 336	81	16,785,330.95	73.75%	0.92	1.34
337 - 348	5	699,426.37	71.56%	0.06	0.06
349 - 360	3	127,226.25	40.15%	0.03	0.01
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

### 11.9 Pool of Approved Mortgage Loans by Year of Maturity

The distribution of the Pool of Approved Mortgage Loans by year of maturity was as follows:

Year of Maturity	Number of Loans	Balance Outstanding (A\$)	WA Current LTV	(%) by Number of Loans	(%) by Balance Outstanding
2018	2	205.61	0.02%	0.02	0.00
2019	15	100,784.27	16.31%	0.17	0.01
2020	19	327,781.01	18.17%	0.22	0.03
2021	49	1,157,046.10	17.80%	0.56	0.09
2022	52	1,359,842.66	20.10%	0.59	0.11
2023	96	3,087,365.03	26.75%	1.10	0.25
2024	98	5,121,841.41	30.36%	1.12	0.41
2025	227	14,014,388.46	29.52%	2.59	1.12
2026	193	13,673,587.36	35.20%	2.20	1.09
2027	219	18,292,423.89	39.91%	2.50	1.46
2028	305	26,190,411.33	39.18%	3.48	2.10
2029	356	34,689,142.96	41.28%	4.06	2.78
2030	119	12,377,233.64	44.60%	1.36	0.99
2031	71	7,984,799.58	46.69%	0.81	0.64
2032	48	5,755,483.72	44.83%	0.55	0.46
2033	69	9,372,439.08	53.50%	0.79	0.75
2034	109	15,362,733.80	50.38%	1.24	1.23
2035	575	65,570,256.86	49.00%	6.56	5.25
2036	670	83,506,770.86	52.83%	7.64	6.68
2037	626	82,363,084.51	54.51%	7.14	6.59
2038	527	66,756,249.43	55.57%	6.01	5.34
2039	656	99,151,687.14	56.35%	7.48	7.93
2040	569	90,018,378.80	58.41%	6.49	7.20
2041	421	78,489,439.51	58.93%	4.80	6.28
2042	600	115,168,473.31	62.26%	6.85	9.21
2043	855	158,779,650.76	63.89%	9.75	12.70
2044	847	166,518,806.22	63.31%	9.66	13.32
2045	360	73,791,086.78	69.21%	4.11	5.90
2046	7	482,276.41	70.28%	0.08	0.04
2047	2	409,074.00	75.20%	0.02	0.03
2048	3	127,226.25	40.15%	0.03	0.01
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

### 11.10 Pool of Approved Mortgage Loans by Loan Purpose

The loan purpose of the Pool of Approved Mortgage Loans represents the dollar value of the Outstanding Principal Balance of the Mortgage Loans as at the Cut Off Date by loan purpose. The loan purpose named "Other" represents those purposes noted in Section 10.2.

The distribution of the Pool of Approved Mortgage Loans by loan purpose was as follows:

Loan Purpose	Number of Loans	Balance Outstanding (A\$)	WA Current LTV	(%) by Number of Loans	(%) by Balance Outstanding
Refinance	2,379	364,259,473.44	59.59%	27.14	29.14
Renovation	201	28,512,226.69	57.02%	2.29	2.28
Purchase	2,663	414,069,434.67	59.63%	30.38	33.13
Construction	273	40,628,016.87	60.42%	3.11	3.25
Other	3,249	402,530,819.08	51.39%	37.07	32.20
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

### 11.11 Pool of Approved Mortgage Loans by Loan Security

The distribution of the Pool of Approved Mortgage Loans by Loan Security was as follows:

Loan Security	Number of Loans	Balance Outstanding (A\$)	WA Current LTV	(%) by Number of Loans	(%) by Balance Outstanding
House	7,652	1,093,134,133.16	56.51%	87.30	87.45
Apartment	176	30,898,596.44	65.14%	2.01	2.47
Unit	736	94,481,649.48	57.89%	8.40	7.56
Townhouse	140	23,663,316.47	61.45%	1.60	1.89
Construction	0	0.00	0.00%	0.00	0.00
Vacant Land	0	0.00	0.00%	0.00	0.00
Other	61	7,822,275.20	57.81%	0.70	0.63
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

### 11.12 Pool of Approved Mortgage Loans by Loan Seasoning

The seasoning of a Mortgage Loan represents the duration of time (rounded to the nearest month) from the first disbursement date of a Mortgage Loan to the Cut Off Date.

The distribution of the Pool of Approved Mortgage Loans by seasoning was as follows:

<b>Loan Seasoning (months)</b>	<b>Number of Loans</b>	<b>Balance Outstanding (A\$)</b>	<b>WA Current LTV</b>	<b>(%) by Number of Loans</b>	<b>(%) by Balance Outstanding</b>
> 0 ≤ 3	67	9,143,010.47	57.57%	0.76	0.73
> 3 ≤ 6	33	3,116,601.71	53.05%	0.38	0.25
> 6 ≤ 9	43	6,389,325.73	60.06%	0.49	0.51
> 9 ≤ 12	43	5,817,219.20	62.97%	0.49	0.47
> 12 ≤ 15	42	5,703,130.36	63.52%	0.48	0.46
> 15 ≤ 18	29	3,685,544.66	56.31%	0.33	0.29
> 18 ≤ 21	36	4,966,785.94	63.74%	0.41	0.40
> 21 ≤ 24	26	2,704,380.79	59.05%	0.30	0.22
> 24 ≤ 27	20	3,554,325.65	68.12%	0.23	0.28
> 27 ≤ 30	38	4,720,502.40	54.09%	0.43	0.38
> 30 ≤ 33	43	4,623,490.62	58.37%	0.49	0.37
> 33 ≤ 36	142	30,124,937.91	72.83%	1.62	2.41
> 36 ≤ 48	843	145,962,371.66	62.44%	9.62	11.68
> 48 ≤ 60	1,048	198,444,053.96	63.15%	11.96	15.88
> 60 ≤ 72	757	143,064,689.43	61.86%	8.64	11.45
> 72 ≤ 84	507	87,710,930.08	58.07%	5.78	7.02
> 84 ≤ 96	424	72,026,860.20	59.71%	4.84	5.76
> 96 ≤ 108	681	100,154,914.05	55.01%	7.77	8.01
> 108 ≤ 120	460	59,636,897.14	53.44%	5.25	4.77
> 120 ≤ 144	1,281	155,668,487.62	53.55%	14.61	12.45
> 144	2,202	202,781,511.17	43.35%	25.12	16.22
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>



### 11.13 Pool of Approved Mortgage Loans by Current Interest Rate

The dollar value of the outstanding principal balance distribution of the Pool of Approved Mortgage Loans by current interest rate was as follows:

Interest Rate Distribution	Number of Loans	Balance Outstanding (A\$)	WA Current LTV	(%) by Number of Loans	(%) by Balance Outstanding
3.01 - 3.50	3	424,011.78	48.02%	0.03	0.03
3.51 - 4.00	1,092	238,123,822.19	62.87%	12.46	19.05
4.01 - 4.50	2,357	379,137,078.36	56.89%	26.89	30.33
4.51 - 5.00	1,372	203,266,608.49	57.07%	15.65	16.26
5.01 - 5.50	3,145	347,387,102.19	53.91%	35.88	27.79
5.51 - 6.00	672	64,519,134.08	50.70%	7.67	5.16
6.01 - 6.50	124	17,142,213.66	58.55%	1.41	1.37
6.51 - 7.00	0	0.00	0.00%	0.00	0.00
7.01 - 7.50	0	0.00	0.00%	0.00	0.00
7.51 - 8.00	0	0.00	0.00%	0.00	0.00
8.01 - 8.50	0	0.00	0.00%	0.00	0.00
8.51 - 9.00	0	0.00	0.00%	0.00	0.00
9.01 - 9.50	0	0.00	0.00%	0.00	0.00
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

### 11.14 Pool of Approved Mortgage Loans by Interest Option

The Pool of Approved Mortgage Loans by interest option represents the dollar value of the Outstanding Principal Balance of the Mortgage Loans by interest option.

The distribution of the Pool of Approved Mortgage Loans by repayment type was as follows:

Interest Option	Number of Loans	Balance Outstanding (A\$)	WA Current LTV	(%) by Number of Loans	(%) by Balance Outstanding
Variable - Amortizing	6,398	763,437,198.84	53.45%	72.99	61.07
Variable - Interest Only	168	30,531,882.41	63.83%	1.92	2.44
Fixed Rate - Amortizing	2,027	410,819,124.74	61.68%	23.13	32.87
Fixed Rate - Interest Only	172	45,211,764.76	67.92%	1.96	3.62
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

### 11.15 Pool of Approved Mortgage Loans by Remaining Term Until Fixed Rate Period Expires

The distribution of the Pool of Approved Mortgage Loans by remaining term until fixed rate period expires was as follows:

Months Until Expiration	Number of Loans	Balance Outstanding (A\$)	WA Current LTV	(%) by Number of Loans	(%) by Balance Outstanding
> 0 ≤ 6	396	84,257,265.15	62.23%	18.01	18.48
> 6 ≤ 12	367	75,037,528.23	62.90%	16.69	16.45
> 12 ≤ 18	344	74,165,099.47	64.09%	15.64	16.26
> 18 ≤ 24	267	55,184,742.43	62.55%	12.14	12.10
> 24 ≤ 30	328	65,891,736.17	60.55%	14.92	14.45
> 30 ≤ 36	334	72,369,541.44	62.32%	15.19	15.87
> 36 ≤ 42	19	2,293,330.87	51.80%	0.86	0.50
> 42 ≤ 48	72	12,115,318.56	59.35%	3.27	2.66
> 48 ≤ 54	55	12,265,215.75	61.34%	2.50	2.69
> 54 ≤ 60	17	2,451,111.43	61.70%	0.77	0.54
<b>Total</b>	<b>2,199</b>	<b>456,030,889.50</b>	<b>62.30%</b>	<b>100.00</b>	<b>100.00</b>

### 11.16 Pool of Approved Mortgage Loans by Remaining Term Until Interest Only Period Expires

The distribution of the Pool of Approved Mortgage Loans by remaining term until interest only period expires was as follows:

Months Until Expiration	Number of Loans	Balance Outstanding (A\$)	WA Current LTV	(%) by Number of Loans	(%) by Balance Outstanding
≤ 6	61	13,782,626.52	66.46%	17.94	18.20
> 6 ≤ 12	75	17,646,672.84	65.44%	22.06	23.30
> 12 ≤ 18	75	16,958,027.86	67.39%	22.06	22.39
> 18 ≤ 24	54	11,745,942.94	65.50%	15.88	15.51
> 24 ≤ 30	27	5,955,602.04	63.07%	7.94	7.86
> 30 ≤ 36	14	3,393,118.01	66.41%	4.12	4.48
> 36 ≤ 42	16	2,465,427.86	69.92%	4.71	3.25
> 42 ≤ 48	7	1,098,358.29	73.07%	2.06	1.45
> 48 ≤ 54	7	1,884,300.91	68.72%	2.06	2.49
> 54 ≤ 60	2	206,799.90	46.84%	0.59	0.27
> 60 ≤ 120	2	606,770.00	72.39%	0.59	0.80
<b>Total</b>	<b>340</b>	<b>75,743,647.17</b>	<b>66.27%</b>	<b>100.00</b>	<b>100.00</b>

### 11.17 Pool of Approved Mortgage Loans by Mortgage Insurer

The distribution of the Pool of Approved Mortgage Loans by Mortgage Insurer was as follows:

<b>Mortgage Insurer</b>	<b>Number of Loans</b>	<b>Balance Outstanding (A\$)</b>	<b>WA Current LTV</b>	<b>(%) by Number of Loans</b>	<b>(%) by Balance Outstanding</b>
Genworth Financial	3,173	392,792,799.60	62.44%	36.20	31.42
HLIC	173	4,300,915.55	23.93%	1.97	0.34
QBE	49	6,462,832.58	0.56	0.56	0.52
Not Insured	5,370	846,443,423.02	54.55%	61.27	67.72
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

### 11.18 Pool of Approved Mortgage Loans by Broker Originated Loans

The Pool of Approved Mortgage Loans contains the following amount of broker originated loans:

	<b>Number of Loans</b>	<b>Balance Outstanding (A\$)</b>	<b>WA Current LTV</b>	<b>(%) by Number of Loans</b>	<b>(%) by Balance Outstanding</b>
Broker Origination	836	171,483,174.77	69.66%	9.54	13.72
Non- Broker Origination	7,929	1,078,516,795.98	54.91%	90.46	86.28
<b>Total</b>	<b>8,765</b>	<b>1,249,999,970.75</b>	<b>56.93%</b>	<b>100.00</b>	<b>100.00</b>

### 11.19 Other Authorised Investments

Apart from Approved Mortgage Loans, the Fund may also comprise the following additional Authorised Investments (determined as at the date of their acquisition):

- cash on hand or at a Bank;
- bonds, debentures, stock, notes or treasury bills or other securities of the Commonwealth of Australia or the Government of any State or Territory of the Commonwealth;
- debentures or stock of any public statutory body constituted under the law of the Commonwealth of Australia or of any State or Territory of the Commonwealth where the repayment of the principal secured and the interest payable thereon is guaranteed by the Commonwealth or the State or Territory;
- deposits with, or the acquisition of certificates of deposit (whether negotiable, convertible or otherwise) issued by, a Bank;
- bills of exchange which at the time of acquisition have a remaining term to maturity of not more than 200 days, accepted, drawn on or endorsed by a Bank;
- securities which are "mortgage backed securities", within the meaning of either the Duties Act 1997 (NSW) or the Duties Act 2000 (Vic) or any equivalent concept in any other stamp duties legislation of any other State or Territory; and
- any other assets of a class of assets that are:

- “prescribed property” as defined in the Duties Act 1997 (NSW) or the Duties Act 2000 (Vic) or any stamp duties legislation of any other State or Territory; or
- part of a “pool of mortgages” as defined in the Duties Act 1997 (NSW) or the Duties Act 2000 (Vic) or any stamp duties legislation of any other State or Territory,

but excluding any investments that would cause the Bonds to be classified as a “resecuritisation exposure” as defined in the Australian Prudential Regulation Authority’s Prudential Standard APS120 (Securitisation) of January 2018).

Apart from Mortgage Loans, all Authorised Investments (other than cash) of the Fund must have:

- in respect of S&P:
  - a short term credit rating of A-1 by S&P in relation to Authorised Investments which are overnight deposits with, or are issued, endorsed (with recourse) or accepted by, a bank or financial institution with a short term credit rating of A-1 by S&P and are held by the Trustee for less than 30 days; and
  - a short term credit rating of A-1+ by S&P in relation to all other Authorised Investments; and
- in respect of Moody’s:
  - where such Authorised Investments have remaining maturities at the time of purchase of less than or equal to 90 days, a short term issuer default rating of P-1 by Moody’s or a long term issuer default rating of A2 by Moody’s;
  - where such Authorised Investments have remaining maturities at the time of purchase of more than 90 days but less than or equal to 180 days, a short term issuer default rating of P-1 by Moody’s or a long term issuer default rating of Aa3 by Moody’s; or
  - where such Authorised Investments have remaining maturities at the time of purchase of more than 180 days, a long term issuer default rating of Aaa by Moody’s.

(or such other approved ratings).

Assets may also be invested in deposits which mature or are callable within 30 days of being made with a Bank which has (i) a minimum short term credit rating of at least A-1 by S&P and (ii) a minimum long term issuer default rating of A2 or a minimum short term issuer default rating of P-1 by Moody’s.

## 11.20 Investment of Fund Assets

The Manager alone, in accordance with the terms of the Master Trust Deed, has the full discretion to determine, and to recommend or propose in writing to the Trustee, the manner in which the Assets of the Fund will be invested. It is the role of the Trustee to give effect to such recommendations or proposals. The Trustee is not required, nor is it under a duty, to inquire or to make any assessment or judgement in relation to that proposal or whether the proposed investment is an Authorised Investment or is otherwise permitted under the Master Trust Deed.

As at the Issue Date, the Assets of the Fund will predominantly comprise of the Pool of Approved Mortgage Loans.

## 11.21 Fixed Rate Loans

Unless the Manager should otherwise notify each Rating Agency as to any of the matters in this Section, the Manager must not at any time cause:

- the aggregate Outstanding Principal Balance of all Fixed Rate Loans to exceed 50% of the aggregate Outstanding Principal Balance of all Mortgages;

- the aggregate Outstanding Principal Balance of all Fixed Rate Loans with an outstanding fixed interest rate period of three years or less to exceed 50% of the aggregate Outstanding Principal Balance of all Mortgages;
- the aggregate Outstanding Principal Balance of all Fixed Rate Loans with an outstanding fixed interest rate period of greater than three years and not exceeding five years to exceed 50% of the aggregate Outstanding Principal Balance of all Mortgages; and
- the fixed interest rate period for any Mortgage to end on or after 26 September 2023.

The Outstanding Principal Balance of a Fixed Rate Loan is that portion of the Outstanding Principal Balance which is subject to a fixed interest rate.

## 11.22 Interest Hedges and Enhancements

In relation to Fixed Rate Loans in the Pool of Approved Mortgage Loans, the Manager will direct the Trustee to enter into Interest Hedges, including futures contracts, option agreements, hedges, swaps, caps, collars, forward rate agreements or other similar arrangements in relation to interest rates. These Interest Hedges will be entered into for the purpose of hedging interest rate risk and not with the intention of leveraging the Fund or speculation. Similarly, the Trustee may at the direction of the Manager enter into enhancements including mortgage insurance policies, stand-by arrangements, guaranteed investment contracts and any other security, support, rights or benefits in support of or substitution for an Authorised Investment or of the income or benefit arising on an Authorised Investment (each an **Enhancement**).

Part of the Pool of Approved Mortgage Loans consists of Fixed Rate Loans. Interest Hedges will be entered into to convert the fixed rate interest receipts into floating rate amounts. The initial provider of these Interest Hedges are NAB and ANZ. The current ratings assigned to these entities are set out in Section 6.1(f).

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## **12 Use of Proceeds**

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The Trustee will use the proceeds of the Bonds to fund the acquisition of the Pool of Approved Mortgage Loans from the Approved Sellers on the Cut Off Date, provided that an amount equal to the difference between the aggregate initial face value of the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds and the aggregate Outstanding Principal Balance of the initial Pool of Approved Mortgage Loans as at the Cut Off Date will be retained by the Trustee and treated as Principal Collections received during the first Calculation Period.

The estimated fees and expenses related to the admission to trading of the Class A Bonds and the Class AB Bonds on Euronext Dublin are approximately €7,500 and ME will be responsible for payment of this amount.

The estimated fees and expenses of the issue of the Bonds (including, without limitation, the fees and expenses of the Arranger and Joint Lead Managers) will not be deducted from the proceeds of issue of the Bonds. These amounts will be paid separately to the relevant parties by ME.

## 13 Tax Considerations

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### Australian Tax Considerations

*The following statements with respect to Australian taxation describe the material tax consequences to non-Australian residents holding an interest in the Bonds (referred to herein as Bondholders), on the basis of Australian law as in effect on the date of this Information Memorandum (which is subject to change possibly with retrospective effect).*

*The following statements are general in nature only and are not intended to constitute a complete analysis of all potential tax consequences of holding an interest in the Bonds. Prospective Bondholders should consult their own tax advisers concerning the application of the Australian tax laws and the laws of any other taxing jurisdiction of the ownership of or any dealing in the Bonds to their particular circumstances.*

#### 13.1 Payments of Principal, Premiums and Interest

##### (a) **Australian interest withholding tax - general**

It is anticipated that the only payments to be made by the Trustee in relation to the Bonds will constitute principal or interest for Australian tax purposes. Under existing Australian tax law, non-resident Bondholders (other than persons holding securities or interests as part of a business carried on at or through a permanent establishment in Australia) potentially may be subject to Australian interest withholding tax on payments of interest or amounts in the nature of interest. However, non-resident Bondholders will not be subject to Australian income tax by assessment on such interest.

Interest withholding tax generally is levied at the rate of 10% on the gross amount of interest (as defined in section 128A(1AB) of the Income Tax Assessment Act 1936 (the **1936 Act**)) paid or credited by the borrower.

Section 128A(1AB) of the 1936 Act provides that "interest" includes amounts in the nature of interest. A premium on redemption generally would be treated as an amount in the nature of interest.

A payment in consideration of the transfer of a debt interest can be deemed to be interest:

- under section 128AA of the 1936 Act where the debt interest is issued at a discount and is disposed of for an amount in excess of the issue price; or
- where the debt interest is disposed of to an Australian resident prior to the payment of interest with the sole or dominant purpose of avoiding withholding tax on that interest.

Interest that is derived by a non-resident carrying on business in Australia at or through a permanent establishment in Australia is not subject to Australian interest withholding tax but would be subject to Australian income tax by assessment (see also below in relation to tax file numbers).

##### (b) **Australian interest withholding tax - exemptions**

Pursuant to section 128F of the 1936 Act, an exemption from Australian interest withholding tax applies provided all prescribed conditions are met.

These conditions are:

- the Bonds constitute debentures or certain other kinds of debt interests;
- the Bonds are issued by a company (including one acting in the capacity of trustee of a trust, where only companies other than trustee companies may benefit under the trust, which will be the case with the Fund) which is a resident of Australia;
- the Fund is a resident of Australia when the relevant interest is paid on the Bonds; and

- the Bonds are issued in a manner which satisfies the public offer test as prescribed by section 128F of the 1936 Act.

The Bonds should constitute debentures. The Trustee will seek to issue the Bonds and interests in any Bond in a way that will satisfy the public offer test.

The public offer test will not be satisfied in relation to the issue of the Bonds if, at the time of issue, the Trustee knew or had reasonable grounds to suspect that an interest in the Bonds was being, or would later be, acquired directly or indirectly by an associate of the Trustee where that associate:

- is either:
  - a non-resident and the Bond is not acquired by the associate in carrying on a business in Australia at or through a permanent establishment of the associate in Australia; or
  - an Australian resident and the Bond is acquired by the associate in carrying on business in a country outside Australia at or through a permanent establishment of the associate in that country,
 (an **Offshore Associate**); and
- is acting other than in the capacity of a dealer, manager or underwriter in relation to the placement of the Bond, or a clearing house, custodian, funds manager or responsible entity of a registered scheme.

For these purposes, an “associate” includes any person under common control or influence with the Trustee or ME (however this is not a complete statement of the definition). **Offshore Associates acting other than in one of the capacities listed above should therefore not acquire Bonds or an interest in the Bonds.**

The exemption from Australian withholding tax will also not apply to interest paid by the Trustee to an associate of the Trustee if, at the time of the payment, the Trustee knows, or has reasonable grounds to suspect, that the person is an Offshore Associate which does not receive the payment in capacity of a clearing house, paying agent, custodian, fund manager or responsible entity of a registered scheme.

An exemption from interest withholding tax may also be available under a tax treaty (**Double Tax Agreements**) for interest paid to financial institutions resident in certain countries (including the United Kingdom and the United States of America) where the financial institution is unrelated to and dealing wholly independently with the payer and subject to a number of eligibility requirements (for example, the recipient must be entitled to the benefits of the relevant Double Tax Agreement and the interest must not be paid as part of a back-to-back loan or economically equivalent arrangement).

Bondholders should obtain their own independent tax advice as to whether in their particular circumstances an exemption may be available to them under a Double Tax Agreement.

(c) **Other withholding taxes**

- **Tax file numbers**

Under the Taxation Administration Act 1953 (Cth) (the **TAA**) an amount must be withheld on account of tax at the highest personal marginal rate of tax (currently 47%) from payments of income on the Bonds if the holder of an interest in the Bonds does not quote an Australian Tax File Number (**TFN**) or, if applicable, Australian Business Number (**ABN**), or provide proof of a relevant exemption. However, a non-resident holder of an interest in the Bonds (other than one holding their interest at or through a permanent establishment in Australia) will not be subject to these rules if the payment is subject to interest withholding tax, or would have been but for the operation of the section 128F exemption described above.

- **Additional withholdings from certain payments to non-residents**

The TAA also gives the Governor-General power to make regulations requiring withholding from certain payments to non-residents of Australia. However, the regulations will not apply to interest and other payments which are already subject to, or specifically exempt from, Division



11A of Part III of the 1936 Act (which includes the general interest withholding tax provisions discussed at Section 13.1(a)). Further, regulations may only be made if the responsible Minister is satisfied that the specific payments are of a kind that could be reasonably related to the assessable income of foreign residents. The existing regulations made pursuant to this power are not relevant to any payments in respect of the Bonds and it is not anticipated that any future regulations would apply in respect of such payments.

- **Garnishee notices**

The Commissioner of Taxation may issue a notice requiring any person who owes, or who may later owe, money to a taxpayer who has a tax-related liability, to pay to him the money owed to the taxpayer. If the Trustee is served with such a notice in respect of a Bondholder, then the Trustee would be required to comply with that notice.

## 13.2 Profit on Sale

Under current Australian tax law, a non-resident Bondholder who has never held their interest in the Bonds in carrying on business at or through a permanent establishment in Australia will not be subject to Australian income tax on profits derived from the sale or disposal of their interest in the Bonds, unless the profits are regarded as having an Australian source.

The source of any profit on the disposal of the Bonds will depend on the factual circumstances. Generally, where the Bonds were initially acquired and are subsequently disposed of by the selling Bondholder pursuant to contractual arrangements entered into and concluded outside Australia, any payment is made outside Australia and the selling Bondholder is a non-resident of Australia who does not transact through an Australian permanent establishment, the profit should not have an Australian source.

## 13.3 Tax Liability of the Trustee

Under Australian income tax law, the beneficiary of a trust estate (and not the trustee) is subject to tax on the income of the trust that is determined for tax law purposes (the **taxable income**) in the same proportion to which they are presently entitled to the income of the trust as determined under trust law principles (the **trust law income**). The Trustee will not pay Australian income tax on any taxable income of the Fund, and instead, the Income Unitholder of the Fund will pay tax on this amount, provided that there is an amount of trust law income of the Fund for the income year, and the Income Unitholder of the Fund is presently entitled to all of that trust law income (as the terms of the Master Trust Deed contemplate).

The Trustee, however, may have a liability to pay goods and services tax (**GST**) (see Section 13.4 below).

## 13.4 Goods and Services Tax

### (a) **General**

If an entity, such as the Trustee, makes a taxable supply it will have to pay GST equal to (generally) one eleventh of the consideration (inclusive of GST) received for the supply. However, GST is not payable if an entity makes a GST-free supply or an input taxed supply. GST-free supplies include supplies that are for consumption outside Australia. Input taxed supplies include most financial supplies. GST-free characterisation prevails over input taxed characterisation in the event of overlap.

An entity may also incur a GST liability in respect of the acquisition (rather than supply) of services from outside Australia where the supply to the entity is not “connected with Australia” and is not wholly for a “creditable purpose” (the **reverse charge** provisions).

To the extent that the supplies made by an entity are taxable supplies or GST-free supplies the entity can obtain a credit for the GST component of the cost of goods and services acquired to make those supplies.

To the extent that the supplies made by an entity are “input taxed”, the entity may not be entitled to a full credit (or in some circumstances, any credit) for the GST component of the cost of goods and services acquired to make those supplies.

(b) ***Application to Bondholders***

On the basis of the current GST legislation, a disposal of a Bond or receipt of interest by a Bondholder will not give rise to a GST liability to the Bondholder.

(c) ***Application to the Trustee***

The issue of the Bonds and the provision of credit under the Mortgages will not be taxable supplies by the Trustee. The supply of the Bonds will, in general, be an input taxed supply. The issue of the Bonds to non-resident Bondholders may be a GST-free supply. As such, the Trustee should not incur a GST liability on these supplies. However, some of the acquisitions made by the Trustee may give rise to a GST liability under the reverse charge provisions.

Services provided to the Trustee will be a mixture of taxable and input taxed supplies. If a supply is taxable, the supplier has the primary obligation to account for GST in respect of that supply and must rely on a contractual provision to recoup that GST from the Trustee. Various fees paid by the Trustee, including the Manager’s fee, the Trustee’s fee and the Security Trustee’s fee will be in consideration of a taxable supply and will be increased to take into account the supplier’s GST liability.

GST may increase the cost of repairing or replacing damaged properties as security for Mortgage Loans. However, it is a condition of the loan contracts associated with the Mortgages held by the Fund that the borrower must maintain full replacement value property insurance at all times during the loan term.

In respect of certain specified costs and expenses, the Trustee may be entitled to a partial credit for the GST component of those costs and expenses (including any GST liability arising under the reverse charge provisions) to the extent those costs are incurred in making financial supplies. The Trustee would be entitled to a full credit for the GST component of its costs and expenses to the extent those costs are incurred in making GST-free supplies. If the Trustee is not entitled to a full credit for the increase in any costs and expenses that is attributable to GST, the overall fund expenses will increase, resulting in a decrease in the funds available to the Fund to pay Bondholders.

The supply of another person’s property made by the Trustee to a third party in satisfaction of a debt (e.g., if it exercised its power of sale in respect of a property) is a taxable supply if, had the debtor made the supply, the supply would have been a taxable supply. In most circumstances, the supply of residential premises to be used predominately for residential accommodation will not be a taxable supply and will not give rise to a GST liability to the Trustee. However, a GST liability may arise in respect of the supply of premises that are commercial residential premises (e.g., a hostel or boarding house) or a new residential premises (e.g., if the Trustee is making the first supply of the premises, or the first supply after substantial renovation or demolition and replacement). If a supply of residential premises by the Trustee is a taxable supply, the Trustee will have to account for GST out of the sale proceeds. The Trustee may or may not be able to increase the sale price to cover this liability. If a sale price cannot be increased to recover GST the remaining sale proceeds may be insufficient to cover the unpaid balance of the related loan.

Any GST liability accruing to the Trustee when enforcing the Mortgage Loans will decrease the funds available to the Fund to pay you to the extent not covered by the Mortgage Insurance Policies (if any). The extent to which the Trustee is able to recover an amount on account of GST arising in the circumstances described above will depend on the terms of the relevant policy.

### **13.5 Other Taxes**

No stamp duty, issue, registration or similar taxes are payable in Australia in connection with the issue of the Bonds.

### 13.6 Consolidation

The Fund will not qualify as a wholly owned subsidiary of a head company as all of the beneficial interests in the Fund will not be owned, directly or indirectly, by a single holding company. Accordingly, the Fund cannot be a member of a consolidated group for the purposes of the consolidation rules.

### 13.7 The Foreign Account Tax Compliance Act and the Common Reporting Standard

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a **foreign financial institution** or **FFI** (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA, and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Trustee (a **Recalcitrant Holder**).

The FATCA withholding regime currently applies to payments from sources within the United States and is proposed to apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2019. Foreign passthru payment withholding would potentially apply to payments in respect of (i) any Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued or materially modified at any time more than six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, and (ii) any Bonds characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States has entered into intergovernmental agreements to facilitate the implementation of FATCA with a number of jurisdictions (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Australia have entered into an agreement (the **US-Australia IGA**) based largely on the Model 1 IGA.

The Trustee does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. However, the Trustee and financial institutions through which payments on the Bonds are made may be required to make FATCA Withholding if (i) any FFI through or to which payment on such Bonds is made is not a Participating FFI, a Reporting FI or otherwise exempt from or in deemed compliance with FATCA, or (ii) an investor is a Recalcitrant Holder.

Whilst the Bonds are held within the Austraclear system, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Bonds by the Trustee and Austraclear Limited (as depositary for the Austraclear system), given that each of the entities in the payment chain between the Trustee and the Austraclear system is a major Australian financial institution subject to the US-AUS IGA.

FATCA is particularly complex. Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Bonds.

The Standard for Automatic Exchange of Financial Account Information developed by the OECD (commonly referred to as the **Common Reporting Standard** or **CRS**) commenced in Australia on 1 July 2017. The CRS is a standard for the automatic exchange of information between participating countries, and in many ways is similar to FATCA but with a global application. However, while the CRS requires the gathering and reporting of information from financial institutions about customers and investors, no withholding tax is to be imposed as a result of failure to comply.

## 14 Selling Restrictions on Bonds

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### 14.1 Australia

No information memorandum, prospectus or other disclosure document (as defined in the Corporations Act) in relation to any of the Bonds has been or will be lodged with ASIC or the ASX.

The Bonds may not be offered or sold, directly or indirectly, in the Commonwealth of Australia, its territories or possessions, or to any resident of Australia except by way of an offer or sale not required to be disclosed pursuant to Chapter 6D of the Corporations Act.

Each of the Joint Lead Managers has severally represented and agreed that it:

- has not, directly or indirectly, offered for issue or sale or invited applications for the issue of or for offers to purchase nor has it sold, the Bonds;
- will not, directly or indirectly, offer for issue or sale or invite applications for the issue of or for offers to purchase nor will it sell the Bonds; and
- has not distributed and will not distribute any draft, preliminary or definitive information memorandum, or any advertisement or other offering material,

in Australia, its territories or possessions unless the:

- amount payable for the Bonds on acceptance of the offer by each offeree or invitee is a minimum amount of A\$500,000 (or its equivalent in another currency) (disregarding amounts, if any, lent by the Manager or other person offering the Bonds or any associate of them, which will also include for this purpose the Trustee) or the offer or invitation is otherwise an offer or invitation for which no disclosure is required to be made under Part 6D.2 of the Corporations Act and the Corporations Regulations made under the Corporations Act;
- offer, invitation or distribution complies with all applicable laws, regulations and directives in relation to the offer, invitation or distribution and does not require any document to be lodged with the Australian Securities and Investments Commission; and
- offer, invitation or distribution is not made to a person who is a 'retail client' within the meaning of section 761G of the Corporations Act.

In addition, in order for the issuance of the Bonds to be undertaken in accordance with the public offer test for the purpose of satisfying the exemption from interest withholding tax in section 128F of the 1936 Act (see Section 13 of this Information Memorandum), each of the Joint Lead Managers has made certain representations.

Each of Joint Lead Managers has represented and agreed that, in connection with the primary distribution of the Bonds, it will not sell any Bonds in circumstances where its employees or officers involved in the sale have either been previously notified in writing by the Manager or the Trustee, or, have reasonable grounds to suspect that, as a result of such sale, such Bonds or any interest in such Bonds were being, or would later be acquired (directly or indirectly) by an associate for the purposes of section 128F of the 1936 Act of the Trustee or the Manager that is:

- a non-resident of Australia that does not acquire, or would not acquire, the Bonds in carrying on a business in Australia or through a permanent establishment of the associate in Australia;
- a resident of Australia that acquires, or would acquire, the Bonds in carrying on a business in a country outside Australia or through a permanent establishment of the associate in that country; or
- notified by the Manager or Trustee to the Joint Lead Managers,

other than in the capacity of a dealer, manager or underwriter in relation to the placement of the Bonds or in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered scheme (where those terms have the same meaning as in section 128F of the 1936 Act).

Each of the Joint Lead Managers has represented and agreed that it must make a bona fide offer of the Bonds for which it subscribes for sale within 30 days of the date of the Dealer Agreement. Such offer must only be by one of the following means (or a combination thereof):

- as a result of negotiations being initiated publicly by a Joint Lead Manager in electronic form, or in another form that is used by financial markets for dealing in instruments similar to the Bonds; or
- as a result of the Bonds being accepted for listing on a stock exchange, where the Trustee has previously entered into an agreement with it in relation to the placement of the Bonds requiring such listing; or
- by a Joint Lead Manager offering those Bonds for sale to at least 10 persons, each of whom must be:
  - carrying on a business of providing finance, or investing or dealing in securities, in the course of operating in the financial markets; and
  - neither known nor suspected by a Joint Lead Manager to be an associate (within the meaning of section 128F of the 1936 Act) of any of the others; or
- by a Joint Lead Manager offering those Bonds for sale to at least 100 persons who it would be reasonable to regard as either having acquired instruments similar to the Bonds in the past or as likely to be interested in acquiring the Bonds or instruments similar to the Bonds.

#### 14.2 United States

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (**Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act (**Regulation S**) or pursuant to any other exemption from the registration requirements of the Securities Act.

Each of the Joint Lead Managers has severally represented and agreed that it has not offered or sold and will not offer, sell or deliver the Bonds within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

#### 14.3 United Kingdom

Each of the Joint Lead Managers has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue or sale of any of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

#### 14.4 European Economic Area

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

- (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**); and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

#### 14.5 Hong Kong

Each Joint Lead Manager has severally represented and agreed that:

- (a) it has not offered or sold and will not offer or sell any of the Bonds (except for Bonds which are a "structured product" defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**)) in Hong Kong, by means of any document, other than:
  - (i) to **professional investors** as defined in the SFO and any rules made under the SFO; or
  - (ii) in other circumstances which do not result in the document being a **prospectus** as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **CO**) or which do not constitute an offer to the public within the meaning of the CO; and
- (b) unless permitted to do so under the securities laws of Hong Kong, it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to **professional investors** as defined in the SFO and any rules made under the SFO.

#### 14.6 Singapore

This Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has severally represented and agreed that it has not offered or sold any Bonds or caused any such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than:

- to an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**); or
- to a relevant person under Section 275(1) of the SFA or to any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; or
- otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Bonds pursuant to an offer under Section 275 of the SFA except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or
- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law; or
- pursuant to Section 276(7) of the SFA; or
- as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

#### 14.7 Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Joint Lead Manager has severally represented and agreed that it will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

#### 14.8 New Zealand

The Bonds are offered as part of a wholesale programme. No action has been taken to permit the Bonds to be offered or sold to any retail investor, or otherwise under any regulated offer, in terms of the Financial Markets Conduct Act 2013 of New Zealand (**NZ FMCA**). In particular, no product disclosure statement under the NZ FMCA has been prepared or lodged in New Zealand in relation to the Bonds.

The Trustee does not intend that the Bonds should be offered for sale or issue to any retail investor, or otherwise under any regulated offer in terms of the NZ FMCA. Accordingly, no person may subscribe for, offer, sell or deliver any Bonds or distribute this Information Memorandum, any advertisement or offering material relating to the Bonds in breach of the NZ FMCA and, in particular, no person may sell, offer for sale or deliver Bonds to any retail investor (as defined in the NZ FMCA) and no person may subscribe for, offer, sell or deliver the Bonds or distribute this Information Memorandum or any other offering material relating to the Bonds in any jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations of New Zealand. Additionally, each Joint Lead Manager has represented that it is a wholesale investor under clause 3(2) of Schedule 1 to the NZ FMCA and no Joint Lead Manager may offer, sell or deliver the Bonds or distribute any advertisement or offering material relating to the Bonds, in breach of any provision of the NZ FMCA.

#### 14.9 Switzerland

Each Joint Lead Manager has represented and agreed that this Information Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland

and will not be listed on SIX Swiss Exchange (**SIX**) or on any other exchange or regulated trading facility in Switzerland. This Information Memorandum and any other offering or marketing material relating to the Bonds has been prepared without regard to the disclosure standards for issuance prospectuses under article 652a or article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under articles 27 et seqq. of the SIX Listing Rules or the listing rules of any other exchange or regulated trading facility in Switzerland or the rules related to prospectuses under Swiss Federal Act on Collective Investment Schemes. Neither this Information Memorandum nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Information Memorandum nor any other offering or marketing material relating to the offering, nor the Trustee nor the Bonds have been or will be filed with or approved by the Swiss Financial Market Supervision Authority FINMA (**FINMA**). The Bonds are not subject to the supervision by FINMA and investors in the Bonds will not benefit from protection or supervision by FINMA.

#### 14.10 Republic of Ireland

Each Joint Lead Manager has represented and agreed that, and each further Joint Lead Manager appointed under the Information Memorandum will be required to represent and agree that, it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the Bonds, or do anything in Ireland in respect of the Bonds, otherwise than in conformity with the provisions of:

- the European Union (Markets in Financial Instruments) Regulations 2017 (as amended, the "**MiFID II Regulations**") including, without limitation, Regulation 5 (Requirement for Authorisation (and certain provisions concerning MTFS and OTFS)) thereof, or any rules or codes of conduct made under the MiFID II Regulations, and the provisions of the Investor Compensation Act 1998 (as amended);
- the Companies Act 2014 (as amended) (the "**Companies Act 2014**"), the Central Bank Acts 1942 – 2015 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended);
- the Market Abuse Regulation (EU 596/2014) (as amended) and any rules and guidance issued by the Central Bank of Ireland (the "**Central Bank**") under Section 1370 of the Companies Act 2014;
- the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued by the Central Bank under section 1363 of the Companies Act 2014; and
- in respect of Bonds with a maturity at less than one year, the terms of Central Bank Notice BSD C01/02 dated 12th November, 2002 issued by the Central Bank and Financial Services Authority pursuant to Section 8(2) of the Central Bank Act 1971 (as amended).

#### 14.11 The People's Republic of China

The Bonds are not intended to be offered or sold directly or indirectly within the People's Republic of China (**PRC**) which for such purposes, does not include the Hong Kong or Macau Special Administrative Region or Taiwan. This Information Memorandum, the Transaction Documents, or any information contained or incorporated by reference herein relating to the Bonds, does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in the PRC. This Information Memorandum, the Transaction Documents, any information contained herein, or the Bonds have not been, and are not intended to be, submitted to, approved by, verified by, or registered with any governmental authorities in the PRC and thus may not be circulated to the public in the PRC or used in connection with any offer for the subscription or sale of the Bonds in the PRC, except as permitted by the applicable laws or regulations of the PRC.



**14.12 General**

No action has been or will be taken by the Manager, the Trustee or the Arranger or any Joint Lead Manager that would permit a public offering of the Bonds or distribution of this Information Memorandum or any other offering or publicity material relating to the Bonds in or from any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Information Memorandum nor any circular, prospectus, form of application, advertisement or other material, may be distributed in or from or published in any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws or regulation.

## 15 Mortgage Origination and Servicing

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### 15.1 Mortgage Origination Policy

Mortgage Loans originated by ME are administered in accordance with business processes that have been established and that seek to address the requirements of the Code as it is in force in Australia as at the date of this Information Memorandum. These business processes and policies are discussed below.

**Assessment Policy – General** – ME processes Mortgage Loans applications in accordance with its residential lending credit policy criteria.

The credit policy framework is driven from traditional mortgage lending principles, being:

- capacity / serviceability – this involves ascertaining and confirming a customer's ability to meet their financial obligations;
- character – this involves ascertaining and confirming a customer's willingness to meet their financial obligations; and
- collateral / security – credit accommodations backed by mortgage secured residential type properties.

These policies are monitored and are subject to continuous review by ME to ensure that they are maintained in line with the Australian lending environment. Accordingly, prospective Bondholders should note that ME's approval policies are guidelines only and may change from time to time, including in the future. ME in providing residential Mortgage Loans to borrowers does not divide borrowers into groups of differing credit quality for the purpose of setting standard interest rates for its residential Mortgage Loans.

ME's approval policies set out the underwriting criteria that are used in assessing the Mortgage Loan applications, determining the suitability of the loan applicants, and evaluating the value and adequacy of the property being used as security for the Mortgage Loan. The underwriting criteria include the following:

- the individual applicant must be a minimum of 18 years of age;
- an analysis of the legal capacity of the applicant entering into the loan contract;
- an analysis of the applicant's employment history/eligible income sources;
- satisfactory credit checks;
- satisfactory savings history/loan repayment history;
- assessment that the home loan product is not unsuitable; and
- financial capacity to repay the Mortgage Loan.

Credit decisions are made by employees of ME who hold varying levels of delegated lending authorities. These delegated lending authorities represent approval limits that are set and monitored by management, and are based upon the level of experience of credit staff. Decisions to recommend and approve loan applications are made within these delegated lending authorities.

Mortgage Loan applications are initially received by ME and then allocated to staff for assessment and approval based upon their approved delegated lending authorities. To the extent that an application is received and is outside the approval authority of a credit officer, then a final decision for approval of the loan is made by credit staff with a higher delegated lending authority.

Mortgage Loans outside ME agreed delegated underwriting authority are referred to the applicable mortgage insurer for approval.

**Assessment Policy –  
Capacity and  
Serviceability**

In order to ascertain a customer's capacity to service, ME verifies income and other pertinent criteria on loan applications by reviewing required documentation.

For all customers ME verifies serviceability by reviewing documentation which includes but is not limited to the following:

- tax returns or Australian Tax Office payment summary (formerly group certificate);
- income confirmation, pay slip or letter of employment; and
- for self-employed customers, up to two years of certified annual financial statements and both personal and company tax returns.

**Assessment Policy –  
Character**

ME verifies a customer's willingness to pay by verifying the customers' background, character and credit history through the following:

- savings history and / or loan repayment history; and
- credit reference reporting.

**Assessment Policy –  
Collateral**

All residential Mortgage Loans are secured by either owner-occupied residential, or non-commercial investment properties.

For successful applications, the maximum allowable LVR must be less than or equal to 95% for purchases and construction lending. For equity releases the maximum allowable LVR is 90%, however restrictions may apply. It is noted that the Fund does not include loans with an original LVR of more than 95%.

The maximum LVR for external refinances is 95%. For certain security property types this LVR must be lower than 95%. The determining factor is the assessed risk attached to the property to be secured (for example, a one bedroom apartment between 30 – 40 m<sup>2</sup> is allocated a maximum LVR of 50%). The LVR requirements adopted from time to time by ME are approved by the relevant mortgage insurer.

The property to be secured is required to be valued by an approved licensed valuer, except in the circumstances described below under the heading "New Loans / New Customers".

The value of the property for the purposes of determining the LVR is either the:

- signed contract of sale (or relevant state contract);
- full valuation (new or existing);
- automated valuation model (**AVM**); or
- Desktop Valuations (**EVR**).

The value may include fixed chattels which are defined as carpets, blinds, curtains and light fittings.

*New Loans / New Customers*

- *Purchases*

A Valuation from a valuer of a property to be secured is not required when certain criteria apply. Such criteria include but are not limited to purchase loans in all states where the LVR is less than or equal to 80% and the total aggregated loan amount is less than or equal to A\$1,250,000. For any application where the LVR is greater than 80%, a full valuation is required.

In a purchase situation, the above exemptions will not apply (and a Valuation from a valuer must be obtained) if:

- the purchase is not conducted through a licensed real estate agent and is not at arm's length;
  - the contract of sale is greater than three months old;
  - the LVR is greater than 80% and for an existing security, where the existing valuation is greater than 90 days old; or
  - the security property is not located within policy specified locations (High Risk, High Density or not listed) in each state.
- *Refinances / Debt Consolidation / Any Other Purpose*

For new Loans involving new applicants and / or new securities for any other purpose than purchases, a valuation from a valuer is required in all cases where the LVR exceeds 80%.

### **Settlement process**

Once ME has approved an application and a formal loan offer has been accepted by an applicant, one of ME's residential credit areas arranges for documentation to be completed by a solicitor in the relevant state for all new Loans.

The solicitor prepares the loan security documentation and dispatches the documents to the applicant for execution. Upon return of the executed documents from the applicant, the solicitor certifies that the Mortgage Loan security documentation meets ME's security requirements, enabling ME to complete the funding arrangements for settlement.

Upon settlement, the Mortgage is registered and the documents stored by the Custodian. A condition of the Mortgage is that the mortgagor establish and maintain full replacement property insurance on the related property.

### **Collections Enforcement**

**and** A Mortgage Loan is considered to be delinquent when a payment, or portion of a payment, due on any regular instalment due date remains unpaid as of the close of business on that due date (or if the due date is not a Banking Day, on the Banking Day immediately following that due date). The determination as to whether a loan falls into this category is made pursuant to the internal policies of ME, as of the close of business on the due date (or if the due date is not a Banking Day, on the immediately following Banking Day). Grace periods and partial payments do not affect these determinations.

A borrower may make payments in excess of the regular repayments required under the Mortgage Loan agreement. The difference between the amount paid by the borrower and the minimum amount that the borrower is required to pay under the Mortgage Loan to date is referred to as the "loan prepayment". If a borrower fails to make a minimum payment by an instalment due date but has a loan prepayment that is equal to or greater than the amount due, an amount equal to the payment due will be deducted from the loan prepayment and applied to the mortgage loan as the payment due. If the borrower continues to not make payments, the loan prepayment will be reduced and applied as a payment due against the mortgage loan until the loan prepayment is insufficient to cover a due payment. When the loan prepayment is insufficient to cover any amount

due, the loan will be determined to be delinquent at the close of business on the due date.

From time to time, ME will modify a Mortgage Loan, recasting monthly payments for delinquent borrowers who have experienced financial difficulties. Generally, such borrowers make payments under the modified terms for a 6 month period, before the modifications become final. During this 6 month period, delinquencies are reported based on the Mortgage Loan's original payment terms. The 6 month period is designed to evaluate both a borrower's desire to remain in the mortgaged property and, in some cases, a borrower's capacity to pay a higher monthly payment obligation. The Mortgage Insurer has issued ME with a delegated hardship authority that allows ME to approve hardship arrangements for insured Mortgage Loans without the Mortgage Insurer's prior written approval. Under this arrangement the following criteria must be met:

- the current LVR of the Mortgage Loan cannot exceed a maximum of 95%, based on the valuation held on file;
- the loan facility must be more than 6 months old;
- current arrears must be less than 180 days;
- a maximum of 2 'non-consecutive' loan hardship repayment breaks over the life of the Mortgage Loan with a minimum period of 12 months between the breaks;
- the Mortgage Loan is for owner occupied or investment purposes; and
- the maximum assistance is for 180 days (6 months).

Any failure to meet any of the above criteria will require the Mortgage Insurer to approve such hardship applications.

Once the modifications become final, delinquencies are reported based on the modified terms. Generally, if a borrower fails to make payments during a trial period, the mortgage loan goes into normal collection processes, which may lead to foreclosure.

As the final stage of ME's collections and enforcement process in respect of a delinquent Mortgage Loan, ME forecloses on the mortgaged property and arranges for the property to be sold, with any costs associated with the sale of the mortgaged property capitalised to the Outstanding Principal Balance of the relevant Mortgage Loan. If the proceeds realised upon sale of the mortgaged property are less than the Outstanding Principal Balance (including capitalised costs) of the relevant Mortgage Loan, ME claims the shortfall from the relevant mortgage insurer (if any). Where the shortfall is fully recovered under the mortgage insurance policy, no loss is recorded with respect to the relevant Mortgage Loan.

If, however, ME's mortgage insurance claim is declined or reduced by the mortgage insurer such that the shortfall cannot be fully recovered under the relevant mortgage insurance policy, or there is no relevant mortgage insurance policy, ME will evaluate the cost of applying further internal or external resources towards collection of the shortfall amount. Where ME determines that further debt collection is unlikely or will prove to not be cost effective, ME will charge-off the shortfall in the final recovery in respect of the relevant Mortgage Loan. A charge-off in respect of a mortgage loan will be taken only when ME has determined that it has received all payments, cash recoveries and insurance proceeds that ME reasonably and in good faith expects to be finally recoverable with respect to the Mortgage Loan, and that, accordingly, there remains an uncollectible account. A Realised Loss in the amount of the charge-off will arise in respect of the mortgage loan and will be applied in accordance with the

priorities described under Section 9.6.

For a further discussion regarding delinquencies and losses, including the effect of prepayments or partial payments, see Sections 2.23 and 2.24.

## 15.2 Appointment and Obligations of the Approved Servicer under the Master Servicing Deed

The Trustee and the Manager have appointed the Approved Servicer to service, manage and administer the Purchased Loans on the terms set out in the Master Servicing Deed. The Approved Servicer in performing the duties and obligations under the Master Servicing Deed acts as an independent contractor and not as the agent, partner or employee of either the Trustee or the Manager, except in relation to the express delegation to the Approved Servicer of certain powers under the Mortgage Loans and associated documentation, as set out in the Master Servicing Deed.

The principal terms of the Approved Servicer's appointment as servicer (including the duties and obligations upon the Approved Servicer) under the Master Servicing Deed are as follows:

**Management and Servicing of Mortgages** The Approved Servicer is required to manage each Purchased Loan with the same degree of skill and care as would be used by a responsible and prudent mortgagee and in accordance with:

- the Master Servicing Deed; and
- the requirements of any Mortgage Insurance Policy (if any) and Mortgage referable to the Purchased Loan.

The Approved Servicer must comply with all reasonable directions of the Trustee and the Manager as to the performance of the Approved Servicer's obligations. In the absence of such directions, it must use its own judgment, skill and discretion in performance of its obligations.

**Delegation** The Approved Servicer is authorised to delegate its duties and obligations under the Master Servicing Deed to any agent, attorney or delegate. The Approved Servicer will remain liable to the Trustee for any acts or omissions of any person appointed as its attorney, agent or delegate. The Approved Servicer may appoint any solicitor, valuer, surveyor or other professional advisers and such person appointed will not be an attorney, agent or delegate for the purposes of the Master Servicing Deed.

**Records and other information** The Approved Servicer must keep accounting and other records which correctly record and explain the performance of its obligations and the financial position at any time in relation to each Purchased Loan.

The Approved Servicer must make available for inspection by the Trustee and the Manager all books and records maintained by the Approved Servicer for the purposes of the Master Servicing Deed.

The Approved Servicer must keep all relevant files relating to the Purchased Loans in a secure place and must maintain them in an adequate form which will enable the enforcement of each Purchased Loan and its related rights.

Any documents relating to the Purchased Loans held by the Custodian under the Master Custody Deed will be made available to the Approved Servicer to enable it to comply with its obligations under the Master Servicing Deed. *For more information on the Master Custody Deed see Section 16.6.*

**Payments into bank accounts** Subject to the terms of the Supplementary Bond Terms, the Approved Servicer must pay promptly into the Fund Bank Account all amounts received under or in connection with the Purchased Loans, all amounts received on redemption of any Purchased Loans and any amount received under any Mortgage Insurance Policy (if any) in respect of a Purchased

Loan.

The Approved Servicer must keep any Assets of the Fund separate from any other property belonging to or held by the Approved Servicer.

***Default procedures***

The Approved Servicer must promptly within 10 Banking Days of the end of each calendar month give notice to the Manager of any failure by a borrower to pay an amount in connection with a Purchased Loan and the occurrence of any other loan event of default.

The Approved Servicer must take such action following the occurrence of a loan event of default and enforce any power conferred on the relevant Approved Seller, the Trustee or the Approved Seller by any applicable law or documents relating to the Purchased Loan (including by taking legal proceedings) in such manner as it considers necessary to:

- remedy the loan event of default;
- recover the moneys secured by the security documents relating to that Purchased Loan;
- protect and preserve the rights of the relevant Approved Seller as mortgagee; and
- ensure that any losses suffered are able to be claimed under the relevant mortgage insurance policy, if the Purchased Loan is covered by a relevant mortgage insurance policy.

***Remuneration of the Approved Servicer***

Under the Master Servicing Deed, the Approved Servicer is entitled to be paid from the Fund such fee as is, or the method of calculation of which is, specified in the Supplementary Bond Terms. The fee payable to the Approved Servicer in respect of the Fund for each Calculation Period will be an amount calculated:

- on the aggregate Outstanding Principal Balance of the Purchased Loans on the first day of that Calculation Period;
- at a rate of 0.20% per annum;
- on the actual number of days in the Calculation Period divided by 365 days.

The fee will accrue from day to day and be payable in arrears on the Payment Date following the end of that Calculation Period in accordance with the Supplementary Bond Terms.

The Trustee will reimburse the Approved Servicer out of the Assets of the Fund for all out-of-pocket costs, expenses and charges reasonably and properly incurred by the Approved Servicer in connection with the performance of its duties under the Master Servicing Deed.

***Liability of the Approved Servicer***

The Approved Servicer will fully indemnify the Trustee and the Manager against all losses, liabilities, costs and expenses incurred by either of them as a result of any negligence, fraud or breach of the Master Servicing Deed by the Approved Servicer.

In addition the Approved Servicer will indemnify the Trustee and its officers against all penalty payments and costs incurred by the Trustee under the Code except where such liability arose as a result of the fraud, negligence or wilful default of the Trustee or the Manager or the Approved Servicer acting in accordance with any written direction or instruction of the Trustee or the Manager.

***Termination of the Approved Servicer – Servicer Termination Events***

The Manager may immediately by notice in writing to the Approved Servicer remove the Approved Servicer as servicer in respect of the Purchased Loans if any of the following events occurs (each being a **Servicer Termination Event**):

- (except on the written direction or instruction of the Trustee or the Manager), the Approved Servicer fails to remit, or pay, any amount due and required to be paid by it under any Transaction Document within 5 Banking Days of receipt of a notice to do so from the Trustee or the Manager;
- (except on the written direction or instruction of the Trustee or the Manager), the Approved Servicer fails to prepare and submit to the Trustee and/or the Manager in a timely fashion any information so required under the Master Servicing Deed or the Supplementary Bond Terms and such failure materially and adversely affects the amount and timing of any payment to be made to any Bondholder and has not been waived by the Manager or remedied within 10 Banking Days of notice being delivered to the Approved Servicer by the Manager;
- (except on the written direction or instruction of the Trustee or the Manager), the Approved Servicer breaches any of its obligations under the Master Servicing Deed or the Supplementary Bond Terms and such failure materially and adversely affects the amount and timing of any payment to be made to any Bondholder and has not been waived by the Manager or remedied within 20 Banking Days of notice being delivered to the Approved Servicer by the Manager;
- (except on the written direction or instruction of the Trustee or the Manager), any representation or warranty made by the Approved Servicer in the Transaction Document to which it is expressed to be a party proves to have been incorrect in any material respect and has not been waived by the Manager or remedied within 45 Banking Days of notice being delivered to the Approved Servicer by the Manager and such failure materially and adversely affects the amount and timing of any payment to be made to any Bondholder;
- certain insolvency events specified in the Master Trust Deed occur in relation to the Approved Servicer; or
- where the Approved Servicer is also an Approved Seller, a Title Perfection Event occurs in relation to the Approved Servicer,

**Retirement of the Approved Servicer** The Approved Servicer may retire as servicer by giving 90 days written notice to the Manager.

**Obligations of Approved Servicer on termination or retirements** Upon termination or retirement of the Approved Servicer:

- the Approved Servicer must immediately deliver to the Manager or as the Manager directs all books and records of any kind kept or brought into existence by the Approved Servicer under or for the purposes of the Master Servicing Deed; and
- the Manager must use all reasonable endeavours to appoint a substitute servicer in respect of the Pool of Approved Mortgage Loans.

### 15.3 Representations and Warranties regarding the Mortgage Loans

Pursuant to the Master Trust Deed, as amended by the Supplementary Bond Terms, the Principal Approved Seller will make various representations and warranties to the Trustee and the Manager as of the Issue Date, by reference to the facts and circumstances then existing, and on each date that a substitute Mortgage Loan is transferred to the Fund, with respect to the Purchased Loans, that:



- the Principal Approved Seller had legal title to each Purchased Loan and related rights and it or another Approved Seller had beneficial title to each such Purchased Loan and related rights at all times up until acceptance by the Trustee of the offer by the Principal Approved Seller to the Trustee contained in the Sale Notice;
- the Principal Approved Seller is entitled under each Purchased Loan and related security to assign its right, title and interest in and to each such Purchased Loan and related security;
- the Principal Approved Seller will be the owner of the legal title (subject to the Transaction Documents), and the Trustee will be the owner of the equitable title, to those Purchased Loans and related rights upon the procedures contained in the Master Trust Deed and the Sale Notice for the transfer of those Loans and related rights from the Principal Approved Seller or the other Approved Sellers to the Trustee being fully followed and completed;
- the Principal Approved Seller instructed a solicitor or lending officer in relation to each Purchased Loan and its related Mortgage prior to the time of settlement of each such Purchased Loan;
- before or at the time of settlement of each Purchased Loan, the solicitor instructed or lending officer in relation to each such Purchased Loan and related security gave a certificate which complied with the credit policies and procedures;
- each loan document relating to a Purchased Loan is and will at all times be, in all material respects, in the form required by the credit policies and procedures;
- the related property is insured in accordance with the requirements of the Purchased Loan and its related Mortgage;
- the related Mortgage in respect of 32.28% of the Purchased Loans by value is covered by a Mortgage Insurance Policy;
- the mortgagor is the beneficial owner of the related property and is or is entitled to be registered as the proprietor or is the legal owner of the related property;
- each loan document constitutes valid, binding and enforceable obligations of the Principal Approved Seller, the mortgagor and the other parties to it;
- each loan document has been, or will be, within any applicable statutory time limit, fully stamped in accordance with all applicable laws, and (if required or able to be registered) has been registered or is in registrable form, and there are no impediments to its registration or continued registration;
- the related Mortgage is or will be upon registration, a registered mortgage with first priority for all money stated to be secured by it;
- the mortgagor's application for loan was substantially in the form required by the credit policies and procedures, was fully investigated by the Principal Approved Seller in accordance with the credit policies and procedures, and the Principal Approved Seller is satisfied that all statements and information contained in it are correct in all material respects;
- in respect of each loan security entered into in any State or Territory of the Commonwealth of Australia:
  - the documentation of that loan security; and
  - the performance by the Principal Approved Seller of its obligations under the credit policies and procedures (including, without limitation, in relation to the entry into, variation, discharge, release, administration, servicing and enforcement of that loan security),

have complied in all material respects with all applicable requirements of the Code legislation in that State or Territory, except that non-compliance with the Code in any State or Territory of the Commonwealth of Australia will not be material where non-compliance:

- does not impair the collectability or enforceability of that loan security; and
- would not result in the imposition of any civil or criminal penalty in respect of that loan security;

- the Principal Approved Seller is not aware of any circumstances relating to its related Mortgage, the related property, the Mortgagor or any guarantor which could reasonably be expected to cause a prudent investor to:
  - regard the Mortgage as an unacceptable investment;
  - expect the mortgagor to default under the Mortgage; or
  - diminish the value of marketability of the related property from that stated in the valuation report obtained at the time the Purchased Loan and its related Mortgage were originated by the Principal Approved Seller;
- the credit policies and procedures have been fully complied with in relation to the Purchased Loan and its related loan security;
- to the best of the Principal Approved Seller's knowledge, all representations and warranties made by the mortgagor and any other obligor in the loan documents are true and correct at the time that they were given;
- the Principal Approved Seller is not actually aware of any material breach of a Mortgage Insurance Policy (if any) by the Principal Approved Seller which would allow the Mortgage Insurer under that Mortgage Insurance Policy to reduce or avoid a claim under the terms of that Mortgage Insurance Policy;
- the Purchased Loan is not in arrears, or if it is in arrears, it will not be more than 30 consecutive days in arrears as at the Issue Date;
- the related Mortgage and, if necessary any related security, have been stamped, or have been lodged for stamping accompanied by a bank cheque, for the full amount secured thereby;
- the related Mortgage has been duly registered by, or is in registrable form and will be lodged for registration forthwith upon its stamping with, the land titles office or registry in the State or Territory in which the related property is situated and, if necessary, any related security has been registered or is in registrable form and will be lodged for registration forthwith upon its stamping;
- the performance by the Principal Approved Seller of its obligations in respect of the Purchased Loan and loan security (including any variations, discharge, release administration, servicing and enforcement) up to and including the Issue Date complied in all material respects with all applicable laws including, where applicable, the Code where failure to do so would:
  - adversely affect the amounts recoverable from an obligor or the benefit of the security provided by the Mortgage or its coverage under the relevant Mortgage Insurance Policy (if any) or would allow the Mortgage Insurer under the relevant Mortgage Insurance Policy to reduce or avoid a claim under the terms of the Mortgage Insurance Policy (if any) or at law; or
  - result in any continuing liability under the Code;
- the Purchased Loan and loan security are denominated in and payable in Australian dollars;
- except where the Mortgage Insurer under the relevant Mortgage Insurance Policy (if any) otherwise agreed, the principal outstanding at the time the Mortgage was entered into did not exceed the maximum principal amount at that time which may be lent without the approval of the relevant Mortgage Insurer under the applicable Mortgage Insurance Policy;
- the Purchased Loan is repayable:
  - on fully amortising terms within 30 years of the date of the bond issue direction for the Fund; and
  - at least 18 months before the Final Maturity Date;
- subject to the terms of the relevant Mortgage Insurance Policy (if any), where a Purchased Loan and its related loan security is covered by a Mortgage Insurance Policy, it is covered for an amount not less than 100% of the amounts outstanding under the Purchased Loan and its

related loan security, which policy may also include, but only if applicable to that policy, timely payment cover in respect of all instalments payable under the Purchased Loan;

- each Purchased Loan contains provisions which do not allow any obligor to set off amounts which may be owing between the Principal Approved Seller and such obligor;
- the Purchased Loan has been or is fully drawn;
- the current ratio that the principal amount of the Purchased Loan bears to the value of the related property at the time the Purchased Loan was made was equal to or less than 95%;
- the Purchased Loan does not represent a direct or indirect obligation of an employee of the Principal Approved Seller who has influence in the setting of interest rates for housing loans by the Principal Approved Seller;
- the Purchased Loan is not secured by residential properties under construction; and
- all components of any Purchased Loan being a split loan will be acquired by the Trustee as trustee of the Fund pursuant to the Sale Notice.

### ***Breach of Representations and Warranties***

If, within 120 days after the Issue Date, an Approved Seller, the Trustee or the Manager becomes actually aware that any representation or warranty by the Principal Approved Seller with respect to a Purchased Loan is incorrect, it must notify the Principal Approved Seller, the Trustee or the Manager (as applicable) and each Rating Agency within five Banking Days of it becoming so aware (but in any event no later than 120 days after the Issue Date).

If, following the giving of notice as above and the Manager does not direct the Trustee to waive the breach or the Principal Approved Seller does not remedy the breach within five Banking Days of the Principal Approved Seller giving or receiving such notice, the Principal Approved Seller will be taken to have offered to repurchase the relevant Purchased Loan and the Trustee will be taken to have accepted that offer on the date which is no more than 10 Banking Days after the giving or receipt of notice by the Principal Approved Seller (the **Repurchase Date**). The amount paid by the Principal Approved Seller to the Trustee for the relevant Purchased Loans will be the aggregate of the unpaid principal amounts of such Purchased Loans and the unpaid amounts of all finance charges, interest payments and other amounts accrued on or payable under or in connection with those Purchased Loans or related rights on the Repurchase Date (such aggregate amount being the **Unpaid Balances**).

### ***Substitution of Mortgage Loans***

If, within 120 days after the execution of the bond issue confirmation certificate, the Manager becomes actually aware that any representation or warranty by the Principal Approved Seller as set out above is incorrect, the Manager may determine to suspend the obligations of the Trustee to treat so much of the Unpaid Balances as Principal Collections and to use such amount (the **Suspended Moneys**) to fund the purchase of substitute Mortgage Loans and related rights from one of the Approved Sellers.

The Manager may only determine to exclude Suspended Moneys from principal collections and direct the Trustee to purchase substitute Mortgage Loans from one of the Approved Sellers under the following conditions:

- the final payment date on each substitute Mortgage Loan is at least 18 months before the Final Maturity Date of the Bonds;
- the Manager has given the Rating Agencies prior notice of its intention to make a determination set out above;
- the Manager is of the reasonable opinion (following discussions between the Manager and each Rating Agency) that the purchase by the trustee of the substitute Mortgage Loans will not have an Adverse Rating Effect;
- the Trustee receives from the Manager a completed mortgage transfer proposal in relation to each substitute Mortgage Loan no later than two Banking Days prior to the date referred to in the mortgage transfer proposal for the purchase of the substitute Mortgage Loans (the **transfer date**);

- the Manager certifies to the Trustee that the proposed substitute Mortgage Loan is a Mortgage Loan for the purposes of the Supplementary Bond Terms relating to the Bonds, and satisfies these requirements in relation to the substitution of Mortgage Loan, as of the transfer date; and
- prior to or on the transfer date the Trustee obtains, or enters into agreements to obtain with effect from the transfer date, as trustee of the Fund, the benefit of the Enhancements and Interest Hedge (if any) referred to in the mortgage transfer proposal.

If the conditions described above are satisfied, a substitute Mortgage Loan will be acquired from one of the Approved Sellers and included in the Pool of Approved Mortgage Loans.

#### 15.4 Title Perfection Events

Under the Master Trust Deed, the Trustee (with the assistance of the Approved Servicer) and the Manager must take all reasonable steps to perfect the Trustee's title in and to the relevant Purchased Loans and related rights if any of the following events occurs (each being a **Title Perfection Event**):

- certain insolvency events specified in the Master Trust Deed occur in respect of the Principal Approved Seller;
- the Principal Approved Seller breaches any representation and warranty given by it in respect of the Fund and it fails or neglects after 10 Banking Days' notice to remedy the breach and such failure to remedy has a material adverse effect on the ability of the Principal Approved Seller to perform its obligations under the Transaction Documents to which it is expressed to be a party; or
- the Principal Approved Seller is also the Approved Servicer and a Servicer Termination Event occurs in respect of the Approved Servicer.

## 16 Summary of Transaction Documents

### 16.1 Transaction Documents

The **Transaction Documents** for the Fund (some of which are Programme wide) and relevant to the issue of the Bonds include:

- the Master Trust Deed (to the extent applicable to the Fund and as amended by the Supplementary Bond Terms Notice);
- the Master Servicing Deed;
- the Back Up Servicing Deed;
- the Master Custody Deed;
- the Notice of Creation;
- the Bonds;
- the Security Trust Deed;
- the Supplementary Bond Terms Notice;
- each Enhancement (including the Mortgage Insurance Policies) applicable in respect of the Fund;
- each Interest Hedge applicable in respect of the Fund;
- the Liquidity Facility Arrangement applicable in respect of the Fund;
- the Redraw Funding Facility Arrangement applicable in respect of the Fund; and
- the Payment Funding Facility Arrangement applicable in respect of the Fund.

Set out below is a summary of some of the provisions of some (but not all) of the Transaction Documents. As any summary is by its nature incomplete, readers must refer to the Transaction Documents themselves to obtain a full and proper understanding of their content and effect.

Please see Section 17 which sets out how to obtain a copy of the Transaction Documents.

### 16.2 The Master Trust Deed

<b>Parties</b>	The Master Trust Deed applicable to the Fund is made between Perpetual Limited, ME Portfolio Management Limited and ME.
<b>Funds</b>	The Master Trust Deed provides for the creation of an unlimited number of trust funds known under the Master Trust Deed as "Funds". Each fund created under the Master Trust Deed is a separate and distinct trust fund. The trust funds are collectively known as the Superannuation Members' Home Loans Trusts.
<b>Trustee</b>	Perpetual Limited has been appointed under the Master Trust Deed to act as trustee of each trust fund on its creation under the Master Trust Deed. Perpetual Limited is the Trustee of the Fund.
<b>Trustee's Duties</b>	The Master Trust Deed contains a number of covenants by the Trustee. These include that it will: <ul style="list-style-type: none"> <li>• act in the interests of the Unitholders and Bondholders of the Fund on, and subject to, the terms of the Master Trust Deed;</li> <li>• act honestly and in good faith in the performance of its duties and in the exercise of its discretions under the Master Trust Deed;</li> </ul>

- exercise such diligence and prudence as a prudent person of business would exercise in performing its express functions and in exercising its discretions under the Master Trust Deed, having regard to the interests of the Unitholders and the Bondholders of the Fund;
- use its best endeavours to carry on and conduct its business in so far as it relates to the Master Trust Deed in a proper and efficient manner;
- do everything which is necessary to ensure that it is able to exercise all its powers and remedies and perform its obligations under the Master Trust Deed and the other Transaction Documents in respect of the Fund;
- not engage in any business or activity in respect of the Fund, except as contemplated by the Transaction Documents in respect of the Fund;
- except as provided for in the Transaction Documents, not guarantee or be obligated for the debts of any other entity or person and not hold out its credit as being available to settle the obligations of any other entity or person;
- act upon all directions given to it by the Manager in accordance with the terms of the Master Trust Deed;
- keep or cause to be kept accounting records which provide a true and fair view of all sums of money received and expended by or on behalf of the Fund and of the Assets and liabilities of the Fund; and
- except as provided in the Master Trust Deed, ensure that no money or other Assets of the Fund are co-mingled with the money or other assets of another fund.

### **Trustee's Powers**

Subject to the provisions of the Master Trust Deed, the Trustee has all the rights, powers and discretions over and in respect of the Assets of the Fund as if it were the absolute and beneficial owner of those assets.

Some of these powers include that the Trustee can:

- enter into, purchase, acquire and dispose of Mortgage Loans;
- make, purchase, acquire or dispose of any other Authorised Investment for cash or upon terms;
- engage and incur reasonable expenses in relation to any professional or other advisers as may be necessary, usual or desirable for the purpose of enabling the Trustee to be fully and properly advised and informed in order that it can properly exercise its powers and obligations under the Master Trust Deed;
- borrow and raise moneys by the issue of Bonds as provided in the Master Trust Deed and to otherwise borrow, raise money or procure financial accommodation where the Trustee considers this to be in the interests of the Fund on terms and conditions determined by the Manager;
- enter into and perform its obligations under the Transaction Documents in respect of the Fund and give any representation, warranty or undertaking in any Transaction Document as the Manager thinks fit and that are acceptable to the Trustee (acting reasonably); and
- enter into a security trust deed for the purposes of securing the interests of the Bondholders and other creditors of the Fund.

<b>Trustee's Fees and Expenses</b>	<p>Under the Master Trust Deed, the Trustee is entitled to deduct from the Fund such fee as is, or the method of calculation of which is, agreed in writing from time to time between the Trustee and the Manager. The fee payable to the Trustee in respect of the Fund will be determined on or prior to the Issue Date.</p> <p>In addition, the Trustee is entitled to be reimbursed from the Fund for all other expenses incurred by it that relate to the Fund (including, where relevant, any GST).</p>
<b>Retirement, Removal and Replacement of the Trustee</b>	<p>The Trustee must retire as trustee of the Fund if and when directed to do so by the Manager. The Manager can only give such a direction if:</p> <ul style="list-style-type: none"> <li>• certain insolvency events specified in the Master Trust Deed occur in respect of the Trustee in its personal capacity;</li> <li>• the Trustee ceases to carry on business;</li> <li>• the Trustee breaches any obligation, duty or representation and warranty given by it in respect of the Fund and it fails or neglects after 10 days' notice from the Manager to remedy the breach;</li> <li>• effective control of the Trustee alters from that subsisting as at the date of the Master Trust Deed; or</li> <li>• the Trustee merges or consolidates with another entity without the resulting merged or consolidated entity assuming the Trustee's obligations under the Transaction Documents.</li> </ul> <p>The Manager can remove the Trustee if the Trustee does not retire or has not retired within 30 days of being requested by the Manager to retire. Pending the appointment of a new trustee, the Trustee must continue to act and perform its obligations under the Transaction Documents for the Fund.</p> <p>The Trustee may only voluntarily retire:</p> <ul style="list-style-type: none"> <li>• if the Trustee gives the Manager and each Rating Agency three months' (or such shorter period that the Manager and the Trustee may agree) written notice of its intention to retire; and</li> <li>• the Trustee selects as a new trustee a statutory trustee whose identity is acceptable to the Manager and whose appointment is made in writing on the same terms and conditions as contained in the then Transaction Documents for the Fund; and</li> <li>• where applicable, prior written notice of the appointment of the new trustee has been given by the Manager to each Rating Agency.</li> </ul>
<b>The Manager</b>	<p>ME Portfolio Management Limited has been appointed under the Master Trust Deed to act as manager of each Fund on its creation under the Master Trust Deed. ME Portfolio Management Limited is the Manager of the Fund.</p>
<b>The Manager's Powers</b>	<p>The Manager has full and complete powers of management of the Fund including, without limitation:</p> <ul style="list-style-type: none"> <li>• the administration and servicing of the Assets, borrowings and other liabilities of the Fund; and</li> <li>• the conduct of the day to day operation of the Fund.</li> </ul> <p>Under the terms of the Master Servicing Deed, certain of the functions of the Manager in respect of the administration and servicing of the Mortgage Loans have been outsourced to, and will be carried out by, the Approved Servicer. See Section 15.2 of this Information Memorandum.</p>
<b>The Manager's Duties</b>	<p>The Master Trust Deed contains a number of covenants given by the</p>

Manager. These include that it will:

- act in the interests of the Unitholders and Bondholders of the Fund on, and subject to, the terms of the Master Trust Deed;
- act honestly and in good faith in the performance of its duties and in the exercise of its discretions under the Master Trust Deed;
- exercise such diligence and prudence as a prudent man of business would exercise in performing its express functions and in exercising its discretions under the Master Trust Deed, having regard to the interests of the Unitholders and the Bondholders of the Fund;
- use its best endeavours to carry on and conduct its business in relation to the Master Trust Deed in a proper and efficient manner;
- do everything which is necessary to ensure that it is able to exercise all its powers and remedies and perform its obligations under the Master Trust Deed and the other Transaction Documents in respect of the Fund;
- not take or omit to take any action where it knows that to do so could have an Adverse Rating Effect;
- pay to the Trustee, within one Banking Day of receipt, all moneys coming into its hands belonging to the Fund or payable to the Fund;
- keep all Assets of the Fund which it may come to hold from time to time separate from any other property belonging to or entrusted to or held by the Manager for any other person;
- keep or cause to be kept accounting records which provide a true and fair view of all sums of money received and expended by or on behalf of the Fund and of the Assets and liabilities of the Fund; and
- monitor all Enhancements and Interest Hedges in respect of the Fund and properly perform the functions which are necessary for it to perform its obligations under those Enhancements and Interest Hedges.

**Retirement, Removal and Replacement of the Manager**

The Manager must retire as manager of the Fund if and when directed to do so by the Trustee. The Trustee can only give such a direction if:

- certain insolvency events specified in the Master Trust Deed occur in respect of the Manager;
- the Manager ceases to carry on business; or
- the Manager breaches any obligation, duty or representation and warranty given by it in respect of the Fund and it fails or neglects after 30 days' notice from the Trustee to remedy the breach.

The Trustee can remove the Manager if the Manager does not retire or has not retired within 30 days of being requested by the Trustee to retire. Pending the appointment of a new manager, the Trustee must act and perform the manager's obligations under the Transaction Documents for the Fund.

The Manager may only voluntarily retire:

- if the Manager gives the Trustee and each Rating Agency 3 months' written notice (or such shorter period as the Manager and the Trustee agree) of its intention to retire; and
- where:



- the Manager is entitled to select the new manager, the Manager selects as a new manager of the Fund a corporation acceptable to the Trustee and the Rating Agencies and whose appointment is made in writing on the same terms and conditions as contained in the then Transaction Documents for the Fund; or
- the Trustee is required to select the new manager, the Trustee has given to each Rating Agency at least five Banking Days' prior written notice (or such shorter period as each Rating Agency may agree) of the new manager proposed to be appointed by the Trustee and whose appointment is made in writing on the same terms and conditions as contained in the then Transaction Documents for the Fund; and
- where applicable, the appointment of the new manager will not have an Adverse Rating Effect.

### **The Manager's Fees and Expenses**

Under the Master Trust Deed, the Manager is entitled to be paid from the Fund such fee as is, or the method of calculation of which is, specified in the Supplementary Bond Terms. The fee payable to the Manager in respect of the Fund for each Calculation Period will be the amount calculated:

- on the aggregate Outstanding Principal Balance of the Purchased Loans on the first day of that Calculation Period;
- at the GST exclusive rate of 0.05% per annum (or as otherwise agreed by the Manager and the Trustee from time to time provided that the Manager has given each Rating Agency at least five Banking Days' prior written notice of such proposed other rate);
- on the actual number of days in the Calculation Period divided by 365 days.

The fee will accrue from day to day and be payable in arrears on the Payment Date following the end of that Calculation Period in accordance with the Supplementary Bond Terms.

### **Priorities**

The Master Trust Deed specifies a provisional series of priorities in relation to the application of income and capital of the Fund. These priorities are subject to and overridden by the order of application of payments:

- prior to the enforcement of the Security, as described in Sections 9.2 and 9.4 of this Information Memorandum; and
- on or after the enforcement of the Security, as described in Section 9.11 of this Information Memorandum.

### **Unitholders of a Fund**

The Master Trust Deed provides that a Unitholder in relation to a fund is each person registered as the holder of a Unit in that Fund.

The Unitholders in respect of the Fund are the persons set out in Section 10.1 of this Information Memorandum.

### **Limits of Liability**

The Trustee's liability on the Bonds is limited to the amount that it is entitled to recover through its right of indemnity from the Assets of the Fund and which are available in accordance with the Master Trust Deed and the other Transaction Documents to meet that liability.

In addition, provided that there has not been any fraud, negligence or wilful default on the part of the Trustee or the Manager (as applicable), the Trustee or the Manager (as applicable) will be relieved from any personal liability in respect of the performance of its rights, powers and duties under the Transaction Document for the Fund.

The Trustee is entitled to be indemnified out of the Fund against any liability arising out of any action or other proceeding under the Code. This right of indemnity is discussed further in Section 16.7.

Both the Trustee and the Manager are entitled to rely on the authenticity and correctness of documents and certificates given by them to each other or given to them by any other person, except where they have reason to believe that any such document or certificate is not authentic or correct.

The Trustee and the Manager are also entitled to rely and act upon advice or opinions provided by:

- each of them to the other;
- the Approved Servicer;
- any barrister, solicitor, banker, broker, valuer; and
- any other person believed by them in good faith to be expert in relation to the relevant matter.

#### **Rights Bondholders**

**of** Bondholders are only creditors of the Trustee to the extent of their Bonds. Bondholders do not have any interest or rights of ownership in the Fund or any of the Assets of the Fund.

Bondholders have no or limited rights and powers as set out in the Transaction Documents for the Fund. Some of these include that Bondholders have no right or power:

- to interfere with the conduct of the Trustee or the Manager in their respective roles in respect of the Fund; or
- to terminate the Fund; or
- to remove the Trustee or the Manager from their appointed roles in respect of the Fund.

#### **Meetings Bondholders**

**of** The following is a summary of the provisions in the Master Trust Deed relating to meetings of Bondholders.

***Bondholders should note that the provisions in the Master Trust Deed relating to meetings of Bondholders (including those summarised below) are subject to and may be overridden, suspended, amended, modified or deleted by the terms of the Security Trust Deed. The provisions of the Security Trust Deed relating to meetings of Voting Secured Creditors, who include the Bondholders, are set out in Section 16.3 of this Information Memorandum.***

- *Convening of Meetings*

The Manager or the Trustee (but not the Bondholders except as specified below) may at any time by notice convene a meeting of the Bondholders of the Fund to be held at such time and place as is specified in the notice.

A meeting of Bondholders must be convened by the Manager and the Trustee upon the occurrence of a Financial Default in relation to the Fund. If the Trustee or the Manager fails to convene a meeting within 21 days of such an occurrence, Bondholders holding or representing in the aggregate 25% of the Bonds issued and then outstanding may convene the meeting.

At least seven days' notice must be given to Bondholders of a meeting. The notice must specify the day, time and place of the meeting, the terms of the resolutions to be proposed, the details of a Financial Default (if any), the agenda, a statement to the effect that the person maintaining the Register in relation to the Bonds of

the Fund may not register any Bond transfer form in the period two Banking Days prior to the meeting, that the appointment of proxies must be lodged no later than 24 hours prior to the time fixed for the meeting and such additional information as the person giving the notice thinks fit. The accidental omission to give notice to, or the non-receipt of notice by, any person entitled to it does not invalidate the proceedings at any meeting. Bondholders holding 95% of the then outstanding Bonds of the Fund may consent to short notice of a meeting of Bondholders.

At least five days' notice must be given of any meeting adjourned through want of a quorum.

- *Quorum*

The quorum for a meeting of Bondholders is two or more persons present in person, being Bondholders or a Bondholder's representative appointed in accordance with the Master Trust Deed (a **representative**) holding or representing in aggregate not less than 50% of the Bonds issued in relation to the Fund and then outstanding.

A meeting will be adjourned from between seven and 42 days if the required quorum is not present within 15 minutes from the time appointed. At any adjourned meeting, two or more persons present in person being Bondholders or representatives holding or representing Bonds in aggregate not less than 25% of the Bonds issued in relation to the Fund and then outstanding will constitute a quorum.

- *Voting Procedure*

Questions submitted to any meeting will be decided in the first instance on a show of hands and, if demanded, by a poll.

Every person being a Bondholder or a representative present holding or representing then outstanding Bonds will have one vote on a show of hands and on a poll one vote for each Bond held by them.

The chairman will, in the case of an equality of votes, have a casting vote on a show of hands and on a poll.

- *Powers of Meetings of Bondholders*

The Master Trust Deed specifies the powers exercisable by the Bondholders. These powers can only be exercised by an Extraordinary Resolution passed by a duly convened meeting of Bondholders.

The Master Trust Deed also specifies the powers which are not exercisable by the Bondholders. These include, among other things, no power to:

- remove the Trustee or the Manager from its appointed role in respect of the Fund;
- alter the Authorised Investments of the Fund;
- alter the rights attaching to or relating to the Bonds (except in limited circumstances);
- alter the provisional priorities in relation to the application of income and capital of the Fund where those priorities have not been overridden by the other Transaction Documents for the Fund; or

- wind up or terminate the Fund, except following the occurrence of a Financial Default.
  - *Written Resolutions*  
A resolution (including an Extraordinary Resolution) of all the Bondholders of the Fund may be passed without any meeting or previous notice being required by an instrument or instruments in writing signed by all of the Bondholders of the Fund.
- Amendment of the Master Trust Deed** The Trustee with the written approval of the Manager can amend the Master Trust Deed in respect of the Fund where the amendment is:
- to correct a manifest error;
  - necessary to comply with any statutory or regulatory requirements;
  - in the reasonable opinion of the Trustee, appropriate or expedient as a result of any change in any statutory or regulatory requirement;
  - necessary to ensure that the Master Trust Deed can be registered or approved (if required) by any government agency; or
  - in the reasonable opinion of the Trustee, not or not likely to be prejudicial to the interests of Bondholders or the Unitholders of the Fund.
- Where such amendment is prejudicial or likely to be prejudicial to the interests of the Bondholders or the Unitholders of the Fund, the consent of the Bondholders or the prior written consent of the Unitholders (as applicable) is required.
- Audit** The Auditor of the Fund will be Deloitte Touche Tohmatsu. The reasonable remuneration and expenses of the Auditor will be borne by the Fund.
- The Auditor will audit the accounts prepared by the Manager in respect of the Fund.
- Termination and Winding Up of the Fund** Upon the termination of the Fund, the Trustee must wind it up and sell and realise its assets where practicable within 180 days. The Trustee must distribute all cash proceeds in accordance with the priorities set out in the Transaction Documents for the Fund. The Trustee and the Manager are entitled to the continued payment of their fees and can be reimbursed for all costs, charges and expenses incurred by them in the operation of the Fund, and are entitled to make provision for all taxes, levies, imposts, duties or other amounts collected or assessed by a government agency and any costs, charges, claims and demands incurred or made or apprehended to be incurred or made in connection with the winding up of the Fund.

### 16.3 The Security Trust Deed

- Parties** The Security Trust Deed was made between the Trustee, the Manager and the Security Trustee on 8 August 2018.
- Security** Under the Security Trust Deed, the Trustee grants a Security Interest in the Collateral. This security interest is a charge over all Collateral. If for any reason it is necessary to determine the nature of this charge, it is a floating charge over Revolving Assets (as defined in the Security Trust Deed) and a fixed charge over all other Collateral.
- The Security is intended to rank behind any Prior Interest in the Collateral only. **Prior Interest** being the lien over, and right of indemnification from,

the Collateral held by the Trustee under, and calculated in accordance with, the Master Trust Deed for paid but not reimbursed, or for unpaid, Expenses (other than the Secured Moneys) in relation to the Fund.

### **Secured Creditors**

The **Secured Creditors** are:

- the Trustee in relation to its rights under the Secured Documents;
- the Manager in relation to its rights under the under the Secured Documents;
- the Security Trustee in relation to its rights under the Security Trust Deed;
- the Approved Servicer;
- the Back Up Servicer;
- the Custodian;
- each Approved Seller in relation to any Accrued Interest Adjustment;
- ME in relation to any Loan Redraw Facility;
- each Class A Bondholder in relation to its rights under the Class A Bonds held by it;
- each Class AB Bondholder in relation to its rights under the Class AB Bonds held by it;
- each Class B Bondholder in relation to its rights under the Class B Bonds held by it;
- each Class C Bondholder in relation to its rights under the Class C Bonds held by it;
- each Class D Bondholder in relation to its rights under the Class D Bonds held by it;
- each Class E Bondholder in relation to its rights under the Class E Bonds held by it;
- each Enhancement Provider;
- each Interest Hedge Provider;
- each Liquidity Facility Provider;
- each Redraw Funding Facility Provider;
- each Payment Funding Facility Provider; and
- each other person who is expressed to be, or who is agreed to be, a Secured Creditor by the Manager, the Trustee and the Security Trustee for the purposes of the Fund.

### **Secured Moneys**

The Security secures the due and punctual performance, observance and fulfilment of the obligations of the Trustee under or in respect of the Secured Documents with respect to the payment or repayment of all moneys owing by the Trustee under the Secured Documents.

### **Secured Documents**

The Secured Documents are:

- the Security Trust Deed;
- the Master Trust Deed insofar as it relates to the Fund;
- the Master Servicing Deed insofar as it relates to the Fund;
- the Master Custody Deed insofar as it relates to the Fund;

- each Bond (including the terms and conditions set out in the Supplementary Bond Terms Notice);
- each Enhancement in respect of the Fund;
- each Interest Hedge in respect of the Fund;
- each Liquidity Facility in respect of the Fund;
- each Redraw Funding Facility in respect of the Fund;
- each Payment Funding Facility in respect of the Fund;
- the Supplementary Bond Terms Notice;
- any other document which is expressed to be, or which is agreed by the Manager and the Trustee to be, a “Secured Document” for the purposes of the Security Trust Deed; and
- any other document that is executed under or which is or is expressed to be incidental to, or collateral to, any other Secured Document.

### Events of Default

Each of the following is an event of default under the Security Trust Deed (**Event of Default**):

- the Trustee does not within five Banking Days of the due date and in the specified manner:
  - when there are Class A Bonds outstanding, pay in full any Secured Moneys required to be paid under Sections 9.2(a) to 9.2(e) of this Information Memorandum or any interest or principal in respect of the Class A Bonds;
  - when there are no Class A Bonds outstanding, pay in full any Secured Moneys required to be paid under Sections 9.2(a) to 9.2(e) of this Information Memorandum or any interest or principal in respect of the Class AB Bonds;
  - when there are no Class AB Bonds outstanding, pay in full any Secured Moneys required to be paid under Sections 9.2(a) to 9.2(e) of this Information Memorandum or any interest or principal in respect of the Class B Bonds;
  - when there are no Class B Bonds outstanding, pay in full any Secured Moneys required to be paid under Sections 9.2(a) to 9.2(e) of this Information Memorandum or any interest or principal in respect of the Class C Bonds;
  - when there are no Class C Bonds outstanding, pay in full any Secured Moneys required to be paid under Sections 9.2(a) to 9.2(e) of this Information Memorandum or any interest or principal in respect of the Class D Bonds;
  - when there are no Class D Bonds outstanding, pay in full any Secured Moneys required to be paid under Sections 9.2(a) to 9.2(e) of this Information Memorandum or any interest or principal in respect of the Class E Bonds; or
  - when there are no Class E Bonds outstanding, pay in full any Secured Moneys;
- the Trustee defaults in performing any other material obligation under a Secured Document (except, prior to the full repayment of the Bonds, for any such default under any Redraw Funding Facility Arrangement, any Payment Funding Facility Arrangement or any Liquidity Facility Arrangement) and such default has not been

remedied within 10 Banking Days of the Trustee receiving notice from the Security Trustee specifying the breach and requiring the same to be rectified and such default has or will have an adverse effect on the amount or timing of:

- any payment on the Class A Bonds;
  - to the extent none of the Class A Bonds remain outstanding, any payment on the Class AB Bonds;
  - to the extent none of the Class A Bonds or the Class AB Bonds remain outstanding, any payment on the Class B Bonds;
  - to the extent none of the Class A Bonds, the Class AB Bonds or the Class B Bonds remain outstanding, any payment on the Class C Bonds; or
  - to the extent none of the Class A Bonds, the Class AB Bonds, the Class B Bonds or Class C Bonds remain outstanding, any payment on the Class D Bonds;
- any representation, warranty or statement in relation to the Fund made, repeated or deemed to be made or repeated in the Security Trust Deed or in a Secured Document by the Trustee is proved to be untrue in any material respect when made, repeated or deemed to be made or repeated (except, prior to full repayment of the Bonds, in respect of any representation, warranty or statement made, repeated or deemed to be made or repeated under a Redraw Funding Facility Arrangement, Payment Funding Facility Arrangement or Liquidity Facility Arrangement) and such default has or will have an adverse effect on the amount or timing of:
    - any payment on the Class A Bonds;
    - to the extent none of the Class A Bonds remain outstanding, any payment on the Class AB Bonds;
    - to the extent none of the Class A Bonds or the Class AB Bonds remain outstanding, any payment on the Class B Bonds;
    - to the extent none of the Class A Bonds, the Class AB Bonds or the Class B Bonds remain outstanding, any payment on the Class C Bonds; or
    - to the extent none of the Class A Bonds, the Class AB Bonds, the Class B Bonds or Class C Bonds remain outstanding, any payment on the Class D Bonds;
- the Trustee breaches any material covenant or undertaking given at any time to the Security Trustee in relation to the Fund or fails to comply with any material condition imposed by the Security Trustee in relation to the Fund in agreeing to any matter (including any waiver) (except, prior to full repayment of the Bonds, in respect of any breach of any material undertaking or failure to comply with any material condition under a Redraw Funding Facility Arrangement, Payment Funding Facility Arrangement or Liquidity Facility Arrangement) and such default has or will have an adverse effect on the amount or timing of:
    - any payment on the Class A Bonds;
    - to the extent none of the Class A Bonds remain outstanding, any payment on the Class AB Bonds;

- to the extent none of the Class A Bonds or Class AB Bonds remain outstanding, any payment on the Class B Bonds;
- to the extent none of the Class A Bonds, the Class AB Bonds or the Class B Bonds remain outstanding, any payment on the Class C Bonds; or
- to the extent none of the Class A Bonds, the Class AB Bonds, the Class B Bonds or Class C Bonds remain outstanding, any payment on the Class D Bonds;
- certain events of insolvency occur in relation to the Trustee other than for the solvent reconstruction of the Trustee or the Fund with the prior written approval of the Manager and the Security Trustee and a successor Trustee satisfactory to the Voting Secured Creditors is not appointed within 60 days of the date of the Event of Insolvency in accordance with the Master Trust Deed;
- any Security Interest over any Collateral (other than the Security) becomes enforceable;
- the Security Trust Deed is, or is claimed by the Trustee or the Manager to be void, voidable or unenforceable in whole or in any material part;
- the Trustee or the Manager disaffirms, disclaims, repudiates or rejects the Security Trust Deed in whole or in any material part and such action has or will have an adverse effect on the amount or timing of:
  - any payment on the Class A Bonds;
  - to the extent none of the Class A Bonds remain outstanding, any payment on the Class AB Bonds;
  - to the extent none of the Class A Bonds or Class AB Bonds remain outstanding, any payment on the Class B Bonds;
  - to the extent none of the Class A Bonds, the Class AB Bonds or the Class B Bonds remain outstanding, any payment on the Class C Bonds; or
  - to the extent none of the Class A Bonds, the Class AB Bonds, the Class B Bonds or Class C Bonds remain outstanding, any payment on the Class D Bonds;
- without the prior written approval of the Security Trustee, there occurs any vesting or distribution of any Assets of the Fund other than in accordance with the Secured Documents; and
- there occurs any material breach of trust in relation to the Fund by the Trustee or the Trustee for any reason loses or ceases to be entitled to a material extent to its right of indemnity out of the Assets of the Fund.

**Enforcement**

If an Event of Default occurs, the Security Trustee may, and must if so directed by an Extraordinary Resolution of Voting Secured Creditors, declare the Security to be immediately enforceable and/or the Secured Money immediately due and payable on demand.

**Priority of Application of Secured Money on Enforcement**

All money received by the Security Trustee or a receiver under the Security is to be applied in accordance with Section 9.11.

**Security Trustee's**

Prior to the enforcement of the Security, the Security Trustee is entitled to



**Fees**

such fee as is agreed between the Security Trustee, the Trustee and the Manager from time to time.

Upon and from the Security becoming enforceable, the Security Trustee will be entitled to be paid a fee from the proceeds of the Collateral by way of remuneration for the Security Trustee's services under the Security Trust Deed of an amount equal to the reasonable time costs of the employees of the Security Trustee during that period for the time spent by those employees relating to the enforcement of the Security and any matters incidental to the enforcement of the Security, costed at the rate then usually charged by the Security Trustee to external parties for the services of those employees.

The Security Trustee's fees as described above will be payable in arrears for a given period on the same dates as the Trustee's fee in respect of the Fund.

**Protection of Security Trustee**

The Security Trust Deed contains a number of protections against and exemptions from liability in favour of the Security Trustee. These include that the Security Trustee is not responsible for:

- acting upon any direction or instruction purporting to have been given by the Secured Creditors passed at a meeting of the Secured Creditors;
- notifying the Secured Creditors of the happening of any Event of Default or of the occurrence or existence of any contravention or non-observance of any provision of the Security Trust Deed or the Master Trust Deed by any person other than itself;
- acting on the opinion or advice of experts or advisers may acting upon the opinion or advice of, or information obtained from, any barrister, solicitor, banker, accountant, broker, valuer or other person believed by it in good faith to be expert or properly informed in relation to the matters upon which they are consulted so long as the Security Trustee exercised good faith in respect of the appointment of that expert; or
- any loss incurred as a result of any fraud, neglect, default or breach of duty by any of its attorneys, agents or delegates provided that the Security Trustee exercised reasonable care in choosing each such person and such appointment was made in good faith (except where such attorney, agent or delegate is a related body corporate of the Security Trustee).

**Limitation of Liability of Security Trustee**

The Security Trustee will have no liability under or in connection with any Transaction Document other than to the extent to which the liability is able to be satisfied out of property from which the Security Trustee is actually indemnified. This limitation will not apply to a liability of the Security Trustee to the extent that it is not satisfied because there is a reduction in the extent of the Security Trustee's right of indemnification as a result of the Security Trustee's fraud, negligence or wilful default.

**Meetings of Voting Secured Creditors**

A meeting of Voting Secured Creditors may be convened:

- at any time by the Security Trustee or the Manager; and
- in certain specified circumstances:
  - by the Trustee; or
  - the Voting Secured Creditors who are then owed not less than 10% of Secured Money.

At least seven days' notice of meetings must be given to the Voting

### Secured Creditors.

For all resolutions (other than an Extraordinary Resolution) the quorum for a meeting is Voting Secured Creditors who are then owed in aggregate not less than 50% of the Secured Moneys. In the case of an Extraordinary Resolution, the quorum is Voting Secured Creditors who are then owed not less than 67% in aggregate of the Secured Moneys. A meeting at which a quorum is not present may be adjourned for another day falling in the period of not less than seven days nor more than 42 days after that meeting as designated by the chairman of the meeting. At an adjourned meeting, the quorum is Voting Secured Creditors who are then owed not less than 25% of the Secured Moneys for resolutions other than an Extraordinary Resolution. For an Extraordinary Resolution, the quorum is Voting Secured Creditors who are then owed not less than 50% of the Secured Money.

All matters (except those for which an Extraordinary Resolution is required) are to be decided by a simple majority. An Extraordinary Resolution must be passed by a 75% majority of the votes cast.

A meeting of Voting Secured Creditors has power, among other things, by Extraordinary Resolution to:

- direct the Security Trustee in the action to be taken following an Event of Default;
- sanction any action that the Security Trustee or a receiver proposes to take to enforce the Security;
- sanction variations, compromises or arrangements in respect of the rights of the Voting Secured Creditors against the Trustee or the Manager;
- give any authority, direction or guidance sought by the Security Trustee from the Voting Secured Creditors;
- appoint committees to represent the interests of the Voting Secured Creditors and to confer upon any such committee any power or discretion which the Voting Secured Creditors could themselves exercise by Extraordinary Resolution;
- approve the appointment of a new Security Trustee and to remove any current Security Trustee; and
- discharge or exonerate the Security Trustee from any liability under the Security Trust Deed.

However, a meeting of Voting Secured Creditors has no power, in relation to any Secured Creditor:

- to release any obligation to pay any amount of Secured Moneys owing to that Secured Creditor;
- to alter any date upon which any of those Secured Moneys is payable; or
- to alter the amount of payment of any part of those Secured Moneys.

With respect to enforcement of the Security under the Security Trust Deed, for so long as Secured Moneys owing to the Bondholders, the Liquidity Facility Providers and the Interest Hedge Providers represents 75% or more of all Secured Moneys outstanding, the **Voting Secured Creditors** will be:

- if any Class A Bond then remains outstanding, the Class A Bondholders, the Liquidity Facility Providers and the Interest

Hedge Providers;

- if no Class A Bond then remains outstanding but any Class AB Bond remains outstanding, the Class AB Bondholders, the Liquidity Facility Providers and the Interest Hedge Providers;
- if no Class AB Bond then remains outstanding but any Class B Bond remains outstanding, the Class B Bondholders, the Liquidity Facility Providers and the Interest Hedge Providers;
- if no Class B Bond then remains outstanding but any Class C Bond remains outstanding, the Class C Bondholders, the Liquidity Facility Providers and the Interest Hedge Providers;
- if no Class C Bond then remains outstanding but any Class D Bond remains outstanding, the Class D Bondholders, the Liquidity Facility Providers and the Interest Hedge Providers; or
- if no Class D Bond then remains outstanding but any Class E Bond remains outstanding, the Class E Bondholders, the Liquidity Facility Providers and the Interest Hedge Providers,

otherwise, the Secured Creditors.

#### 16.4 Master Servicing Deed

The operation of the Master Servicing Deed and its place in the SMHL Programme is described in greater detail in Section 15.2 of this Information Memorandum.

<b>Parties</b>	The Master Servicing Deed is made between Perpetual Limited, ME Portfolio Management Limited and ME.
<b>Approved Servicer</b>	ME has been appointed as the Approved Servicer.
<b>Services Provided</b>	Please see Section 15.2 of this Information Memorandum.
<b>Liability of the Approved Servicer</b>	Please see Section 15.2 of this Information Memorandum.
<b>Retirement and Removal of the Approved Servicer</b>	Please see Section 15.2 of this Information Memorandum.
<b>Approved Servicer's Fees</b>	Please see Section 15.2 of this Information Memorandum.

#### 16.5 Back Up Servicing Deed

The Back Up Servicing Deed allows the Manager to appoint the Back Up Servicer in the event that the Approved Servicer retires or is removed under the Master Servicing Deed.

<b>Parties</b>	The Back Up Servicing Deed is made between Perpetual Limited, ME Portfolio Management Limited, ME and Perpetual Corporate Trust Limited.
<b>Back Up Servicer</b>	Perpetual Corporate Trust Limited has been appointed as the Back Up Servicer. The Back Up Servicer has agreed to be bound by the Master Servicing Deed subject to certain alterations and modifications as specified in the Back Up Servicing Deed.
<b>Services Provided</b>	Under the Back Up Servicing Deed, the Back Up Servicer has agreed to be bound by and provide the same services as are provided by the Approved Seller under the Master Servicing Deed in respect of the Fund, but with alterations and modifications to it as specified in the Back Up

## Servicing Deed.

**Limits on Liability of the Back Up Servicer**

The Back Up Servicer will not be liable for:

- any defect in the title to any Asset of the Fund;
- acting in accordance with any request, direction or instruction given by the Approved Servicer or the Manager;
- any liability caused by the Back Up Servicer's reliance on any data or document supplied to it by the Trustee, the Custodian, the Approved Servicer or the Manager; and
- any inability to perform, or deficiency in performing the Back Up Servicer's duties and obligations as temporary servicer caused or contributed to directly and indirectly by:
  - the books and records and state of affairs of the Approved Servicer,
  - the Back Up Servicer being unable to obtain data, information and documents of the Trustee, the Custodian, the Approved Servicer or the Manager or obtain access to the data, systems, documentation or personnel which are reasonably necessary for the Back Up Servicer to perform those duties and obligations; or
  - the Approved Servicer's failure to comply with its obligations or the Manager's directions in respect of the provision of information and assistance to the Back Up Servicer.

On and from the date that the Back Up Servicer is required to perform the role of Servicer in accordance with the Master Servicing Deed, the Back Up Servicer will be entitled to the other protections afforded to the Approved Servicer under the Master Servicing Deed in respect of the Fund.

**Liability of the Back Up Servicer**

On and from the date that the Back Up Servicer is required to perform the role of Servicer in accordance with the Master Servicing Deed, the Back Up Servicer will be liable to the extent of the same terms and conditions as apply to the Approved Servicer under the Master Servicing Deed in respect of the Fund.

**Term**

The appointment of the Back Up Servicer will continue until the earlier of:

- the appointment of a substitute Servicer;
- termination of its appointment in accordance with the Master Servicing Deed and the Back Up Servicing Deed.

**Retirement and Removal of the Back Up Servicer**

The Back Up Servicer and the Manager may terminate the Back Up Servicing Deed by giving 90 days' written notice to each other party to the Back Up Servicing Deed provided that a replacement Back Up Servicer has been appointed and provided that at least five Banking Days' prior written notice of such change has been given to each Rating Agency.

**Back Up Servicer's Fees**

On and from the date that the Back Up Servicer is required to perform the role of Servicer in accordance with the Master Servicing Deed, the Back Up Servicer will be entitled to receive the fee payable to the Approved Servicer under the Master Servicing Deed in respect of the Fund.

## 16.6 The Master Custody Deed

<b>Parties</b>	The Master Custody Deed is made between Perpetual Limited, ME Portfolio Management Limited, ME, Perpetual Trustee Company Limited and Perpetual Corporate Trust Limited.
<b>Custodian</b>	Perpetual Corporate Trust Limited has been appointed as the Custodian.
<b>Services Provided</b>	<p>The Custodian has been appointed to receive and deal with certain documents provided to it by the Trustee, the Manager, an Approved Seller or the Approved Servicer (as the case may be) (which will include the loan agreement and mortgage for each Purchased Loan) on the terms of the Master Custody Deed and the policies and procedures of the Custodian relating to the receipt, holding, dealing and release of documents.</p> <p>In performing its duties, the Custodian must comply with all reasonable written directions and instructions given by the Trustee or the Manager and act in accordance with the Transaction Documents to which it is a party.</p>
<b>Custodian's Duties</b>	<p>In performing its obligations under the Master Custody Deed, the Custodian must, among other things:</p> <ul style="list-style-type: none"> <li>• act honestly and in good faith and show the degree of care and diligence which would reasonably be required of an appropriately qualified custodian;</li> <li>• hold, and account for, the documents held by it for the Trustee separate from any other documents, assets or property owned, held or administered by it in accordance with its usual practices and procedures;</li> <li>• not sell or otherwise dispose or part with possession of (except to the extent contemplated by the Master Custody Deed) or grant any security interest over, any of the documents held by it for the Trustee;</li> <li>• to the extent contemplated by the Master Custody Deed, keep all documents held by it for the Trustee in a fire safe, secure location at all times and to notify the Manager of that location; and</li> <li>• keep and maintain a register of all documents held by it for the Trustee and their location and to make the register available for inspection by the Trustee, the Manager, the Security Trustee, the Approved Servicer and any Approved Seller and any other person authorised in writing by any of them.</li> </ul> <p>From time to time, some of the documents held by the Custodian may also relate to other secured liabilities of an Approved Seller (such as a separate loan given by an Approved Seller secured against the same property as the Purchased Loan is secured against). To the extent that the documents held by the Custodian relate to these other secured liabilities of an Approved Seller, the Custodian will also, from time to time, on the instructions of the Approved Seller or the Trustee, make those documents available to the Approved Seller.</p>
<b>Liability of the Custodian</b>	The Custodian has agreed to indemnify the Trustee, the Manager and the Security Trustee from and against any expense, loss, damage or liability which the Trustee, the Manager or the Security Trustee (as applicable) may suffer or incur as a consequence of certain custody termination events or a failure by the Custodian to perform its duties under the Master Custody Deed.
<b>Limits on Liability of the Custodian</b>	The Master Custody Deed provides that the Custodian will not be responsible or liable to any person in certain circumstances, which include:

- anything done by it in good faith in reliance upon any document, form or list provided by or on behalf of the Trustee, the Security Trustee or the Manager (as applicable) except when it has actual knowledge that the document, form or list is not genuine;
- any failure to do anything because it is prevented or hindered from doing it by any applicable law;
- any loss, cost, liability or expense arising out of the exercise or non-exercise of a discretion by the Trustee, the Security Trustee, an Approved Seller, the Approved Servicer, the Back Up Servicer or the Manager (as applicable) or the act or omission of any of them except to the extent that it is caused by the Custodian's own fraud, negligence or breach of duty; or
- any loss, cost, liability or expense caused by its failure to check any information, document, form or list supplied or purported to be supplied to it by the Trustee, the Security Trustee, an Approved Seller, the Approved Servicer, the Back Up Servicer or the Manager (as applicable) except to the extent that it is caused by the Custodian's own fraud, negligence or breach of duty.

**Term**

In relation to the Fund, the period commencing on the date of creation of the Fund and ending on the earlier of:

- the date on which the Custodian resigns or is removed under the Master Custody Deed; and
- the date which is one month after the Bonds have been redeemed in full.

**Retirement, Removal and Replacement of the Custodian**

The Custodian may retire by giving not less than 90 days' prior written notice to the Trustee, the Manager, the Security Trustee and each Rating Agency. The retirement takes effect on the later to occur of:

- the date specified in the notice given by the Custodian; and
- the execution and delivery by a replacement custodian of a deed by which the replacement custodian agrees to be bound by the terms of the Master Custody Deed in respect of the Fund.

If a Custody Termination Event occurs and is subsisting, the Trustee may, with the consent of the Security Trustee, remove the Custodian by giving not less than 30 days' prior written notice to the Custodian. The removal takes effect on the later to occur of:

- the date specified in the notice given by the Trustee; and
- the execution and delivery by a replacement custodian of a deed by which the replacement custodian agrees to be bound by the terms of the Master Custody Deed in respect of the Fund.

A Custody Termination Event is the occurrence of any of the following:

- any failure by the Custodian to comply with any of its obligations under the Master Custody Deed which, if capable of remedy, has not been remedied within five Banking Days' notice having been given to the Custodian by the Trustee or the Manager;
- certain insolvency events specified in the Master Trust Deed occur in respect of the Custodian;
- any notice by the Trustee or Security Trustee to the Custodian that it believes that, in the interests of the Secured Creditors of the Fund, a transfer of the documents held by the Custodian is necessary; or

- any notice by the Security Trustee to the Custodian that it is enforcing the Security in respect of the Fund.

**The Custodian's Fees** The Custodian is entitled to a fee payable by the Trustee out of the Fund for performing its functions and duties under the Master Custody Deed in the amount set out in the Supplementary Bond Terms Notice for the Fund or as otherwise agreed in writing between the Custodian, the Manager and the Trustee.

The fee payable to the Custodian in respect of the Fund for each Calculation Period will be the amount agreed between the Custodian and the Manager prior to the Issue Date, such fee to be payable in arrears on each Payment Date following the end of the Calculation Period immediately preceding each such Payment Date in accordance with the Supplementary Bond Terms.

## 16.7 Trustee Indemnities In Relation to the Code

**Under the Master Trust Deed** The Master Trust Deed provides that the Trustee is entitled to be indemnified out of the Fund for certain payments it may be liable to make under the Code either personally or as trustee of the Fund in performing its duties and exercising its powers under the Master Trust Deed in relation to the Fund.

This right is expressed to apply notwithstanding:

- any alleged failure by the Trustee to exercise the degree of care, diligence and prudence required of the Trustee having regard to the powers, authorities and discretions conferred on the Trustee under the Master Trust Deed; or
- any other act or omission which may not otherwise entitle the Trustee to be so indemnified (including, without limitation, fraud, negligence or wilful default), where such conduct is not related to the particular liability under the Code.

The above provisions are expressed to override any other provision of the Master Trust Deed.

**Effect of indemnities** Federal reforms have been passed in relation to the Code and have commenced, which are discussed briefly in Section 2.15 of this Information Memorandum. These new requirements carry civil and criminal penalties. The indemnities available to the Trustee above may not extend to these new requirements. It is questionable whether an indemnity which purported to cover the new requirements would be effective in relation to criminal penalties.

## 16.8 The Mortgage Insurers and the Mortgage Insurance Policy

**Mortgage Insurers** The Mortgage Insurers are Housing Loans Insurance Corporation, Genworth Financial Mortgage Insurance Pty Limited and QBE.

### (a) *Housing Loans Insurance Corporation - Background*

References in this Information Memorandum to Housing Loans Insurance Corporation (**HLIC** or the **Statutory Authority**) are with respect to contracts of insurance to which HLIC was a party on or before 12 December 1997 and which contracts of insurance are now vested in the Commonwealth of Australia.

HLIC was a Commonwealth Government statutory authority established

under the Housing Loans Insurance Act 1965 (Cth). In December 1997, the Commonwealth Government:

- transferred to the Commonwealth Government, pursuant to the Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Act 1996 (Cth), the liabilities of the Statutory Authority in relation to contracts of insurance to which the Statutory Authority was a party immediately before that day;
- established a new corporation, Housing Loans Insurance Corporation Limited ABN 071 466 334, which has since changed its name to GE Mortgage Insurance Pty Ltd (**GEMI**), to manage these contracts of insurance on behalf of the Commonwealth of Australia; and
- sold that new corporation (including the assets and infrastructure of the Statutory Authority) to GE Capital Australia, which is a wholly owned subsidiary of General Electric Company (**GE**).

Housing Loans Insurance Corporation Pty Ltd changed its name to GE Mortgage Insurance Pty Ltd in February 2000. For further information in relation to GE Mortgage Insurance Pty Ltd see paragraph (b) of this Section 16.8 below.

All insurance policies taken out before 12 December 1997 are still being held and managed by the Commonwealth, however, the Commonwealth is no longer acting as an insurer and cannot create any further insurance policies.

**(b) Genworth Financial Group – Background**

Genworth Financial Mortgage Insurance Pty Limited ACN 106 974 305 (**Genworth**) is a proprietary company registered in Victoria and limited by shares. Genworth's principal activity is the provision of lenders mortgage insurance which it, and predecessor businesses, have provided in Australia since 1965.

Genworth's ultimate parent company is Genworth Mortgage Insurance Australia Limited ACN 154 890 730, which is a public company listed on the Australian Securities Exchange and registered in Victoria.

The Financial Strength Ratings for Genworth are A+ with a negative outlook by S&P as at 20 March 2017 and Baa1 by Moody's as at 13 September 2017.

The business address of Genworth is Level 26, 101 Miller Street, North Sydney, NSW, 2060, Australia.

**(c) QBE – Background**

QBE is an Australian public company registered in New South Wales and limited by shares. QBE's principal activity is lenders' mortgage insurance which it has provided in Australia since 1965.

QBE's parent is QBE Holdings (AAP) Pty Ltd, a subsidiary of the ultimate parent company, QBE Insurance Group Limited (**QBE Group**). QBE Group is an Australian based public company listed on the Australian Securities Exchange. QBE Group is recognised as Australia's largest international general insurance and reinsurance company with operations in more than 37 countries around the world, and is one of the top 20 global general insurers and reinsurers as measured by net earned premium.

QBE Group currently has an issuer credit rating by Standard & Poor's of A- (outlook stable).

QBE currently has an insurer financial strength rating by Standard & Poor's of A+ (outlook stable) and Fitch Ratings of A+ (outlook positive).



There is no assurance that the ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agencies, if, in their judgment, circumstances so warrant. The ratings reflect each respective rating agency's current assessments of the credit worthiness of QBE and its ability to pay claims on its policies of insurance. Each insurer financial strength rating of QBE should be evaluated independently. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency. Such ratings are subject to revision, qualification or withdrawal at any time by the applicable rating agency.

As of 31 December 2016, the audited financial statements of QBE had total assets of A\$1,905 million and shareholder's equity of A\$921 million.

The business address of QBE is Level 5, 2 Park Street, Sydney, New South Wales, Australia, 2000

<b>Mortgage Insurance Policy</b>	<b>Insurance</b>	<p>32.28% of the Purchased Loans held by the Fund are insured under one of the following master Mortgage Insurance Policies:</p> <ul style="list-style-type: none"> <li>• a master policy issued by Housing Loans Insurance Corporation dated 1 March 1995, as amended on 12 November 1997;</li> <li>• a master policy with Genworth Financial Mortgage Insurance Pty Limited ABN 60 106 974 305 dated 11 November 2008 or 1 January 2014; or</li> <li>• a master policy with QBE dated 7 July 2014.</li> </ul>
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<b>Shared Agreement</b>	<b>Loans</b>	<p>On 1 September 2016, ME entered into an Exclusivity Agreement with QBE whereby ME agreed to effect all LMI business on new ME funded loans with QBE for a 3 year period. Due to legal and operational complexities, it was agreed that ME could continue to insure with Genworth any (i) top ups and (ii) new cross collateralised loans where the underlying security was already mortgage insured by Genworth.</p>
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The parties agreed that they would work together with Genworth to resolve these legal and operational complexities by endeavouring to agree a form of agreement in relation to ME's consent and reporting obligations, as well as claims management processes for:

- top ups where the top up and existing loan are insured by different LMI providers; and
- cross-collateralised loans where the existing loan and subsequent loan(s) are insured by different LMI providers,

(each a "**Shared Loan**").

In May 2017 the parties agreed the "Shared Loans Agreement" to give effect to the above. The Shared Loans Agreement was implemented in November 2017.

**(i) Summary of Genworth Financial Mortgage Insurance Pty Limited Mortgage Insurance Policies**

The following summary outlines some of the terms and conditions forming part of the Mortgage Insurance Policies with Genworth Financial Mortgage Insurance Pty Limited ABN 60 106 974 305:

**Period of Cover**

The Trustee has the benefit of a master Mortgage Insurance Policy in respect of each Mortgage Loan insured under it from the Effective Date (as

defined in the relevant master Mortgage Insurance Policy) until the earliest of:

- the date the Mortgage Loan or the Mortgage securing the Mortgage Loan is assigned, transferred or mortgaged to a person other than to a person who is or becomes an insured under the individual policy;
- the date the Mortgage Loan is repaid;
- the date the Mortgage Loan ceases to be secured by the Mortgage (other than in the case where the Mortgage is discharged by the operation of a compulsory acquisition or sale by a government for public purposes);
- the expiry date as set out in the certificate of insurance or as extended with written approval of the Mortgage Insurer; or
- the date the individual policy is cancelled in accordance with the Master Mortgage Insurance Policy, the individual policy or the Insurance Contracts Act 1984.

### **Loss Coverage**

If a loss date occurs in respect of a Mortgage Loan insured under a master Mortgage Insurance Policy, the Mortgage Insurer will pay to the Trustee the loss in respect of a Mortgage Loan.

A **loss date** means:

- where following a default a mortgagee sells the property, the date on which the sale is completed;
- where following a default a mortgagee becomes the absolute owner by foreclosure the date on which that event occurs;
- where the mortgagor sells the property with the prior approval of the Trustee and the Mortgage Insurer, the date on which the sale is completed;
- where the property is compulsorily acquired or sold by a government and there is a default (or where the mortgage has been discharged by the operation of the compulsory acquisition or sale and there is a default in repayment of the Mortgage Loan which would have been a default but for discharge), the latter of the date of the completion of the acquisition or sale or the date 28 days after the date of the default; or
- where the Mortgage Insurer determines to purchase the mortgage the Mortgage Purchase Date.

A "default" in respect of an insured Mortgage Loan means any event which triggers the Trustee's power of sale in relation to the mortgaged property.

The loss payable by a Mortgage Insurer to the Trustee in respect of an insured loan is the amount outstanding, less the deductions and reductions referred to below, in relation to the Mortgage Loan, in each case calculated as of the loss date.

The amount outstanding under a Mortgage Loan is the aggregate of the loan account balance and the following (subject to relevant maximum amounts):

- reasonable premiums for insurance over the property;
- rates, taxes and other statutory charges in relation to the property;
- levies and other charges payable to a body corporate under a strata title system in relation to the property;

- reasonable legal costs, mercantile agent's fees and other collection costs necessarily incurred in enforcing or protecting rights under the Loan contract;
- costs of maintenance and protection of the property including costs for locksmiths, repairs, cleaning, maintenance and storage in respect of the property;
- sale costs in respect of the property including real estate agent fees and advertising costs;
- standard rate interest on the amount in respect of the shortfall claim from the loss date to the earlier of the date of payment of the shortfall claim or 30 days after the loss date;
- reasonable valuer's fees in respect of valuation of the property for the purpose of enforcement of the Mortgage;
- reasonable property presenter's fees in respect of presentation of the property for sale;
- reasonable display furniture fees as agreed;
- payment dishonour fees in respect of payments under the Loan contract;
- an amount to discharge an approved prior mortgage; and
- other amounts in relation to the property.

A Mortgage Insurer may make deductions including the following:

- the proceeds of the sale of the property;
- compensation received for any part of the property compulsorily acquired;
- where foreclosure occurs, the value of the interest in the property;
- any amount received in respect of any collateral security, any rents, profits or proceeds;
- any amounts received under any insurance policy not applied to restoration of the property;
- any other amount received relating to the Loan contract or any collateral security;
- the reduction in the value of the property due to physical damage (other than fair wear and tear) to, or contamination of, the property;
- the amount of any input tax credit in relation to any expenditure on any component of the amount outstanding;
- interest charged in advance for a period after the loss date;
- interest charged in excess of standard rate interest;
- rates, taxes and other statutory charges incurred before the commencement date;
- levies and other charges paid or payable to a body corporate under a strata title system incurred before the commencement date;
- fees or penalties including early repayment fees, funding break fees and deferred establishment fees charged except for loan establishment fees and monthly account keeping fees and payment dishonour fees paid;

- costs of repair of physical damage to the property other than fair wear and tear;
- costs of removal of any contaminant from the property and the cost of clean-up and restoration in respect of any contamination;
- where the Loan is a construction loan, amounts paid in addition to the Loan amount to complete any construction, alteration or renovation;
- other amounts exceeding the relevant amounts; and
- other interest charged in relation to certain amounts.

A Mortgage Insurer may be entitled to make reductions including the following:

- the amounts that represent the extent to which the Mortgage Insurer has been prejudiced as a result of:
  - misrepresentation or failure to comply with the duty of disclosure;
  - breach of any term of the policy;
  - the Loan contract or Mortgage or both being reopened under section 76 of the Code or being varied under section 78 of the Code or being varied, other than with approval;
  - failure to comply with any requirement of or direction by an approved external dispute resolution scheme; or
  - the borrower having a defence, a right of set-off or a counter claim in any proceedings taken; and
- where a valuer was negligent or in breach of a duty in respect of or in connection with an original valuation:
  - if at the time the valuer was not an approved valuer or if the Mortgage Insurer is not entitled to rely on the original valuation or both, the amount of the loss which resulted from the negligence or breach of duty of the valuer;
  - if at the time the valuer was an approved valuer and the Mortgage Insurer is entitled to rely on the original valuation, where the valuer's liability is reduced on account of negligence, the amount of the reduction of the valuer's liability on account of negligence.

A claim for loss in respect of a Mortgage Loan should be made within 30 days from the relevant loss date otherwise the liability in respect of the claim will be reduced by the amount of any prejudice suffered by the Mortgage Insurer by reason of the delay in making the claim.

### **Exclusions**

The following are not insured under a Mortgage Insurance Policy:

- any additional advance which is not approved;
- any amount paid to discharge a security which has priority over the Mortgage other than an approved prior mortgage;
- any civil or criminal penalty imposed under any legislation including the NCCPA; or
- any loss caused by, arising from or related to:
  - the Mortgage, the Loan contract, collateral security, or any

combination of them, not being enforceable to recover all or any part of the amount outstanding in respect of the Mortgage Loan;

- any war or war-like activity;
- the use, existence or escape of nuclear weapons material or ionizing radiation from or contamination by radioactivity from any nuclear fuel or nuclear waste or from the combustion of nuclear fuel;
- contamination of the property;
- terrorism or terrorist activities;
- riot or civil commotion;
- termites or other insects or vermin;
- physical damage other than fair wear and tear;
- the failure, malfunction or inadequacy of any computer hardware or software not belonging to the Mortgage Insurer; or
- any amount of GST, fine, penalty or charge for which the Trustee is or becomes liable because of a failure to disclose or a misstatement made by anyone in relation to the Trustee's entitlement to an input tax credit;
- if provided for in the particular policy, any loss caused by, arising from or relating to:
  - the Loan contract, collateral security or Mortgage failing to comply in all respects with any applicable laws and regulatory requirements;
  - the performance of obligations or exercise of rights, or both, by the Trustee or on the Trustee's behalf, in relation to the Loan contract, collateral security or Mortgage, or any combination of them, (including without limitation, the variation, discharge, release, administration, servicing, management or enforcement) in a manner which contravenes any applicable law or regulatory requirement.

**(ii) Summary of QBE Policy**

The following summary outlines some of the terms and conditions forming part of the Mortgage Insurance Policy with QBE:

***Period of Cover***

The Trustee has the benefit of the Mortgage Insurance Policy in respect of each Mortgage Loan insured under it from the Closing Date (as defined in the policy) until:

- the Mortgage Loan is repaid in full;
- the Mortgage Loan is discharged;
- the insurance ends on the expiry date of insurance — however, if before 14 days after the expiry date of insurance the insurer is given a notice of default, then the agreement will continue solely for the purpose of determining that claim;
- the Mortgage Insurer pays a claim;
- someone cancels the policy in accordance with the Insurance Contracts Act 1984; or

- either party cancels the policy in any way allowed under the Mortgage Insurance Policy.

### **Loss Coverage**

The loss is the amount owing to the lender less the amount recovered by the lender as defined below. The amount owing to the lender is the total of:

- balance of the Mortgage Loan at the settlement date;
- interest on the balance of the Mortgage Loan:
  - for any period up to the settlement date to a maximum of 18 months after the date of the first default that has not been corrected; and
  - from the settlement date to the date of claim to a maximum of 30 days;
- any GST the lender is liable to pay on the sale or transfer of the mortgaged property to a third party in or towards the satisfaction of any debt that the borrower owes to the lender under the Mortgage Loan but only if the lender has provided evidence to the Mortgage Insurer's satisfaction (acting reasonably) confirming that the lender was liable to pay that GST and any GST that the lender is liable to pay in respect of any costs, fees, disbursements or commissions specifically identified; and
- costs incurred on sale of the mortgaged property which include:
  - costs properly incurred for insurance premiums, rates, strata levies and land tax (calculated on a single holding basis) and other statutory charges on the mortgaged property;
  - reasonable and necessary legal fees and disbursements incurred in enforcing or protecting rights under the Mortgage Loan up to a maximum amount of \$25,000;
  - reasonable fees incurred relating to the sale of the mortgaged property – limited to agent's commission, advertising costs, valuation costs and property presenter's fees;
  - reasonable and necessary costs incurred in maintaining (but not restoring) the mortgaged property, however total costs in excess of \$5,000 can be included only the Mortgage Insurer's prior written consent to incur them; and
  - any amounts applied with the Mortgage Insurer's prior written consent to discharge a security interest having priority over the Mortgage Loan.

The amount owing does not include:

- interest charged in advance;
- default rate interest;
- higher rate interest payable because of failure to make prompt payment;
- fines, fees or charges debited to the loan including fees payable on any prepayment or any early termination repayment fees and any break funding costs;
- loss caused by, contributed to, arising out of, or connected with,

any act of terrorism or war;

- loss caused by, contributed to, arising out of, or connected with, any nuclear, biological or chemical contamination or weapons, waste or other material;
- loss arising from any funds advanced to a borrower who was not, at the time the proposal was submitted, a citizen, or permanent resident of, Australia or New Zealand — plus any interest, fees or charges on that loss;
- any loss referred excluded in the policy;
- any loss whether directly or indirectly caused by, contributed to, arising out of, or connected with, a fraudulent act, error, omission, or statement by any person other than the borrower;
- any loss to the extent it results from anyone not being able to enforce the Mortgage Loan, or any collateral security, to recover the whole of the loan —whether as a result of the operation of the NCCPA legislation, the Consumer Credit Code or the Code or otherwise;
- any legal fees or disbursements relating to any action or proceedings of any kind not expressly covered in the policy;
- costs of restoration following damage to or destruction of the mortgaged property;
- insurance premiums, rates, strata levies and land tax or other statutory charges which were due and payable prior to the date being the later of the initial loan advance or any further advance (as the case may be);
- costs of removal, clean up and restoration arising from contamination, pollution or infestation of the mortgaged property;
- additional funds advanced to the borrower without the Mortgage Insurer's written consent other than any loan redraws in accordance with the policy; and
- amounts paid in addition to the loan amount to complete improvements other than those costs contemplated by the policy; and
- cost overruns.

The amount recovered is the total of:

- the gross proceeds of sale of the mortgaged property; and
- the following if not already applied to the credit of the loan account:
  - compensation received for any part of the mortgaged property or any collateral security that has been resumed or compulsorily acquired;
  - all rents collected and other profits received relating to the mortgaged property or any collateral security;
  - any sums received under any insurance policy relating to the mortgaged property not applied to restoration of the mortgaged property following damage or destruction;
  - all amounts recovered from the exercise of the lender's rights relating to any collateral security;
  - any other amount received relating to the Mortgage Loan or any collateral security including any amounts received

from the borrower, any guarantor, or prior mortgagee; and

- any GST incurred in relation to the costs described in the policy to the extent that the lender is entitled to claim any input tax credit for that GST.

The Mortgage Insurance Policy covers loss resulting from:

- a court ordering postponement of enforcement proceedings under section 88 of the Consumer Credit Code or section 96 of the Code; or
- a change to the Mortgage Loan in a manner set out in section 66 of the Consumer Credit Code or section 72 of the Code;
- agreed to with the Mortgage Insurer's prior written consent; or
- ordered by a court under section 68 of the Consumer Credit Code or section 74 of the Code.

### **Exclusions**

The Mortgage Insurance does not apply to losses resulting from a court or other competent body making orders affecting lender's rights under the Mortgage Loan or collateral security, or imposing or requiring the lender to pay any fines or any civil or criminal penalties, including without limitation:

- any order or determination that a transaction that gave rise to the Mortgage Loan or collateral security or change thereto was unjust under section 70 of the Consumer Credit Code or section 76 of the Code or any other or judgement arising from such an order or determination under section 71 of the Consumer Credit Code of section 77 of the Code;
- any order annulling or reducing any unconscionable interest rate charge, fee or charge under section 72 of the Consumer Credit Code or section 78 of the Code;
- any order or determination reducing, discharging, releasing, postponing or otherwise varying a borrower, guarantor or security interest provider's liability to the lender or a term of the Mortgage Loan or any collateral security;
- any order that any or all terms of the Mortgage Loan or any collateral security is void or may not be enforced or injuncting or restraining the lender from engaging in conduct;
- any order that the lender pay or refund money or moneys worth, or return property, to a borrower, guarantor, security interest provider or any other person, whether or not by way of compensation; or
- any order that the lender pay the costs of any party to any proceedings.

### **Refusal or Reduction in claim**

Where the lender has made a claim and the loss has been increased due to the lender's consent, without Mortgage Insurer's written approval, to:

- the creation of any lease, license, easement, restriction or other notification affecting the mortgaged property; or
- an increase in or acceleration of the payment obligation of the borrower under any security interest having priority over the Mortgage Loan,

the Mortgage Insurer may reduce the amount payable by that increased loss.



Where the Mortgage Insurer pays any claim the amount of that payment will be less the amount of any GST input tax credit or reduced input tax credit which is or may be available by reason of any taxable supply made in connection with the exercise of rights under or in connection with the mortgaged property and in respect of which the payment is made. If the payment is not made in respect of any particular taxable supply, then the payment will be reduced by such amount as in the Mortgage Insurer's opinion reflects the input tax credit that would have been available if the payment had been applied in connection with the exercise of rights under or in connection with the mortgaged property or for the provision of any services in connection with such rights.

Where the loss has been increased due to:

- the making of a false or misleading statement, assurance or representation to the borrower or any guarantor or any security interest provider;
- the failure to take reasonable care and/or to take all reasonable precautions and steps to avoid a loss; or
- the failure to comply with prudent lending policies and provisions,

the Mortgage Insurer may in addition reduce the amount paid in the event of a claim by the increase in the loss.

## 16.9 Interest Hedges

Each Interest Hedge has or will have, as the case requires, provisions which will enable the Trustee or the provider of the relevant Interest Hedge to terminate the Interest Hedge. In addition, each Interest Hedge has or will have, as the case requires, provisions covering any downgrade of the rating of the provider of the relevant Interest Hedge by any Rating Agency.

## 16.10 The Management Support Deed

**Parties** The Management Support Deed is made between Perpetual Limited, ME Portfolio Management Limited and ME.

**Management Resources provided by ME** Under the Management Support Deed, ME agrees to provide, at its own cost, resources in the nature of computer systems, day to day funding requirements, expertise, office space, facilities and personnel, by such means or methods considered appropriate by ME, so as to enable the Manager to fully and properly perform its obligations under the Master Trust Deed and the other Transaction Documents for the Fund.

Any personnel provided under the Management Support Deed are subject to any direction given by the Manager from time to time. ME must ensure that all such personnel are fully aware of the Manager's obligations and the procedures to be carried out under the Master Trust Deed and the other Transaction Documents for the Fund.

### Reporting Requirements

ME must provide:

- each month (or such other period as agreed by the Manager and ME) a report as to ME's performance under the Management Support Deed and such other information as agreed from time to time between the Manager and ME; and
- such other information as is reasonably required by the Manager in relation to the performance of ME's functions under the

**Management Support Deed.**

<b>Remuneration</b>	The Manager must pay, out of its own funds, to ME such fees as are agreed between them from time to time not exceeding the amount of fees received by the Manager as the manager of the Fund after payment of all fees payable to the mortgage manager. A default by the Manager in the payment of these fees does not entitle ME to terminate the Management Support Deed or refuse to perform its obligations under it.
<b>Term</b>	<p>The Management Support Deed will continue indefinitely unless terminated by ME with the consent of the Trustee or on 21 days' notice to the Manager and the Trustee, given after:</p> <ul style="list-style-type: none"><li>• the retirement or removal of ME Portfolio Management Limited as the Manager under the Master Trust Deed; or</li><li>• the termination or winding up, or commencement of any process or proceeding for termination or winding up of the Fund under the Master Trust Deed or the Master Trust Deed itself.</li></ul>
<b>Termination of Management Support Deed</b>	<p>The Management Support Deed can be terminated by the Manager if:</p> <ul style="list-style-type: none"><li>• ME materially breaches its obligations under the Management Support Deed and does not rectify the breach within 21 days of receiving notice from the Manager to rectify the breach; and</li><li>• the Trustee consents to termination for that breach.</li></ul>
<b>Limited Liability of ME</b>	Under the terms of the Management Support Deed, ME does not guarantee to the Trustee, or any other person, any payment obligation of the Manager.

## 17 General Information

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- 17.1 It is expected that the admission of the Class A Bonds and the Class AB Bonds to the Official List of Euronext Dublin and the admission of the Class A Bonds and the Class AB Bonds to trading on the Main Securities Market will be granted on or around the Issue Date. The Class B Bonds, Class C Bonds, Class D Bonds and the Class E Bonds will not be listed.
- 17.2 The issue of the Bonds has been duly authorised by the Trustee.
- 17.3 As at the date of this Information Memorandum, the Trustee has not commenced operations and no financial accounts have been prepared in respect of the Fund. For the purpose of this paragraph:
- (a) the first financial accounts in relation to the financial year ended 30 June 2019 are expected to be ready on or about October 2019; and
  - (b) the auditors of the Fund will be Deloitte Touche Tohmatsu ABN 74 490 121 060 (a member of the Institute of Chartered Accountants in Australia and New Zealand), whose address is 550 Bourke Street, Melbourne Victoria 3000 or such other auditor appointed by the Trustee.
- For so long as any of the Class A Bonds and the Class AB Bonds are admitted to trading on the Main Securities Market, the most recently published audited annual accounts of the Trustee from time to time will be available at the specified office of the Manager as set out in the Directory.
- 17.4 Since the date of incorporation of the Fund, the Trustee has not entered into any contracts or arrangements not being in the ordinary course of business.
- 17.5 Since 5 July 2018 (being the date of incorporation of the Fund), there has been (a) no material adverse change in the financial position or prospects of the Trustee or the Fund and (b) no significant change in the financial or trading position of the Trustee or the Fund.
- 17.6 Neither the Trustee nor the Fund has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which it is aware), since 5 July 2018 (being the date of incorporation of the Fund) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Trustee or the Fund (as the case may be).
- 17.7 The Trustee has applied to Austraclear for approval for the Bonds to be traded on the Austraclear System. Such approval by Austraclear is not a recommendation or endorsement by Austraclear of the Bonds.
- 17.8 From the date of this Information Memorandum and for so long as the Class A Bonds and the Class AB Bonds are listed on the Main Securities Market, physical copies of the Transaction Documents may be inspected at the registered office of the Manager set out in the directory during usual business hours on any weekday (public holidays excepted).
- 17.9 The Manager on behalf of the Trustee will publish the monthly investor reports detailing, inter alia, certain aggregated loan data in relation to the Pool of Approved Mortgage Loans. Such investor reports will be published on the following website at <http://www.mebank.com.au/about-us/about-me/me-investor-reports/>. The website and the contents thereof do not form part of this Information Memorandum. Other than as outlined above, neither the Trustee nor the Manager intends to provide post-issuance transaction information regarding the Bonds or the Pool of Approved Mortgage Loans.
- 17.10 The Manager confirms that the Pool of Approved Mortgage Loans backing the issue of the Bonds have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Bonds. However, investors are advised that this confirmation is based on the information available to the Manager at the date of this Information Memorandum and may be affected by the future performance of such assets backing the issue of the Bonds. Consequently investors are advised to review carefully any disclosure in the Information Memorandum together with any amendments thereto.

- 17.11 Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent in connection with the Class A Bonds and the Class AB Bonds and is not itself seeking admission of the Class A Bonds and the Class AB Bonds to the Official List of Euronext Dublin or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

## 18 Glossary of Terms

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<b>1936 Act</b>	Has the meaning given in Section 13 of this Information Memorandum.
<b>Adverse Rating Effect</b>	At any time, in relation to the Fund, any actual or proposed downgrade or withdrawal of the rating of any Bonds on issue at that time of the Fund by a Rating Agency.
<b>AIFM Regulation</b>	Has the meaning given in Section 5.1 of this Information Memorandum.
<b>Approved Mortgage Loans</b>	Mortgage Loans which are fully amortising, principal and interest obligations of borrowers, each of which has been approved under the origination criteria noted in Sections 15.1 and 15.3 of this Information Memorandum.
<b>Approved Sellers</b>	Has the meaning given to it in Section 3 of this Information Memorandum under the heading "Approved Sellers".
<b>Approved Servicer</b>	ME.
<b>Arranger</b>	National Australia Bank Limited ABN 12 004 044 937.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Assets</b>	The assets forming part of the Fund.
<b>Auditor</b>	Deloitte Touche Tohmatsu ABN 74 490 121 060.
<b>Austraclear</b>	Austraclear Limited.
<b>Authorised Investments</b>	The investments specified in Section 11.19 of this Information Memorandum.
<b>Back Up Servicing Deed</b>	The deed dated 6 November 2008 and described in Section 16.5 of this Information Memorandum.
<b>Bank</b>	<ul style="list-style-type: none"> <li>a corporation authorised under the Banking Act 1959 (Cth) to carry on general banking business in Australia or a corporation formed or incorporated under an Act of the Parliament of a State or Territory of the Commonwealth and the Commonwealth of Australia to carry on the general business of banking; or</li> <li>where a Transaction Document requires money to be deposited by or on behalf of the Trustee outside Australia, a corporation that the Manager determines is authorised by the banking legislation of the relevant jurisdiction to carry on the general business of banking in that jurisdiction.</li> </ul>
<b>Banking Day</b>	A day, other than a Saturday, Sunday or public holiday in New South Wales or Victoria, on which Banks are open for business in Sydney and Melbourne.
<b>Benchmark Rate</b>	Has the meaning given in Section 7.5 of this Information Memorandum.
<b>Bonds</b>	The debt securities issued by the Trustee, as described in Sections 3 and 7 of this Information Memorandum.
<b>Bondholder</b>	A person appearing on the Register as a holder of Bonds.
<b>Calculation Period</b>	The period from the Cut Off Date on the first Cut-Off and subsequently, each period commencing immediately after one Cut-Off and ending at the next Cut-Off.  In relation to a Payment Date, means the period referred to above ending at the Cut-Off for that Payment Date.
<b>Call Option Date</b>	The first Payment Date when the aggregate Outstanding Principal Balance

	of all Bonds at that time is equal to or less than 10% of the Outstanding Principal Balance of all Bonds as at the Issue Date.
<b>Capital Requirements Regulation</b>	Has the meaning given in Section 5.1 of this Information Memorandum.
<b>Carry Over Charge Offs</b>	At any time, the aggregate of the Carry Over Class A Charge Offs, Carry Over Class AB Charge Offs, the Carry Over Class B Charge Offs, the Carry Over Class C Charge Offs, the Carry Over Class D Charge Offs, the Carry Over Class E Charge Offs and the Carry Over Redraw Charge Offs.
<b>Carry Over Class A Charge Offs</b>	At any Cut-Off, in relation to a Class A Bond, the aggregate of Class A Charge Offs in relation to that Class A Bond prior to that Cut-Off which have not been reimbursed as described in this Information Memorandum.
<b>Carry Over Class AB Charge Offs</b>	At any Cut-Off, in relation to a Class AB Bond, the aggregate of Class AB Charge Offs in relation to that Class AB Bond prior to that Cut-Off which have not been reimbursed as described in this Information Memorandum.
<b>Carry Over Class B Charge Offs</b>	At any Cut-Off, in relation to a Class B Bond, the aggregate of Class B Charge Offs in relation to that Class B Bond prior to that Cut-Off which have not been reimbursed as described in this Information Memorandum.
<b>Carry Over Class C Charge Offs</b>	At any Cut-Off in relation to a Class C Bond, the aggregate of Class C Charge Offs in relation to that Class C Bond prior to that Cut-Off which have not been reimbursed as described in this Information Memorandum.
<b>Carry Over Class D Charge Offs</b>	At any Cut-Off in relation to a Class D Bond, the aggregate of Class D Charge Offs in relation to that Class D Bond prior to that Cut-Off which have not been reimbursed as described in this Information Memorandum.
<b>Carry Over Class E Charge Offs</b>	At any Cut-Off in relation to a Class E Bond, the aggregate of Class E Charge Offs in relation to that Class E Bond prior to that Cut-Off which have not been reimbursed as described in this Information Memorandum.
<b>Carry Over Redraw Charge Offs</b>	At any Cut-Off, in relation to the Redraw Funding Facility Arrangement, the aggregate Redraw Charge Offs in relation to that Redraw Funding Facility Arrangement prior to that Cut-Off which have not been reimbursed as described in this Information Memorandum.
<b>Class A Bond</b>	A Bond issued as a Class A Bond by the Trustee and as described in Sections 3 and 7 of this Information Memorandum and having the characteristics of a Class A Bond.
<b>Class A Bondholder</b>	At any time in relation to a Class A Bond, the person who is registered as a holder of that Class A Bond.
<b>Class A Charge Offs</b>	In relation to a Class A Bond, the amount of any reduction in the Outstanding Principal Balance of that Class A Bond as described under Section 9.6 of this Information Memorandum.
<b>Class AB Bond</b>	A Bond issued as a Class AB Bond by the Trustee and as described in Sections 3 and 7 of this Information Memorandum and having the characteristics of a Class AB Bond.
<b>Class AB Bondholder</b>	At any time in relation to a Class AB Bond, the person who is registered as the holder of that Class AB Bond.
<b>Class AB Charge Offs</b>	In relation to a Class AB Bond, the amount of any reduction in the Outstanding Principal Balance of that Class AB Bond as described under Section 9.6 of this Information Memorandum.
<b>Class B Bond</b>	A Bond issued as a Class B Bond by the Trustee and as described in Sections 3 and 7 of this Information Memorandum and having the characteristics of a Class B Bond.
<b>Class B Bondholder</b>	At any time in relation to a Class B Bond, the person who is registered as the holder of that Class B Bond.

<b>Class B Charge Offs</b>	In relation to a Class B Bond, the amount of any reduction in the Outstanding Principal Balance of that Class B Bond as described under Section 9.6 of this Information Memorandum.
<b>Class C Bond</b>	A Bond issued as a Class C Bond by the Trustee and as described in Sections 3 and 7 of this Information Memorandum and having the characteristics of a Class C Bond.
<b>Class C Bondholder</b>	At any time in relation to a Class C Bond, the person who is registered as the holder of that Class C Bond.
<b>Class C Charge Offs</b>	In relation to a Class C Bond, the amount of any reduction in the Outstanding Principal Balance of that Class C Bond as described under Section 9.6 of this Information Memorandum.
<b>Class D Bond</b>	A Bond issued as a Class D Bond by the Trustee and as described in Sections 3 and 7 of this Information Memorandum and having the characteristics of a Class D Bond.
<b>Class D Bondholder</b>	At any time in relation to a Class D Bond, the person who is registered as the holder of that Class D Bond.
<b>Class D Charge Offs</b>	In relation to a Class D Bond, the amount of any reduction in the Outstanding Principal Balance of that Class D Bond as described under Section 9.6 of this Information Memorandum.
<b>Class E Bond</b>	A Bond issued as a Class E Bond by the Trustee and as described in Sections 3 and 7 of this Information Memorandum and having the characteristics of a Class E Bond.
<b>Class E Bondholder</b>	At any time in relation to a Class E Bond, the person who is registered as the holder of that Class E Bond.
<b>Class E Charge Offs</b>	In relation to a Class E Bond, the amount of any reduction in the Outstanding Principal Balance of that Class E Bond as described under Section 9.6 of this Information Memorandum.
<b>Code</b>	Has the meaning given to it in Section 2.15 of this Information Memorandum.
<b>Collateral</b>	All of the present and future property, rights, entitlements, benefits and money (of whatever kind and wherever situated) forming part of the Fund including, but not limited to, the property, rights, entitlements and benefits of the Trustee in the Assets of the Fund.
<b>Collateral Account</b>	Has the meaning given in any Liquidity Facility Arrangement.
<b>Collateral Amount</b>	Has the meaning given in Section 9.10 of this Information Memorandum.
<b>Collections</b>	<p>In relation to a Calculation Period, all moneys received by the Trustee in respect of the Fund during that Calculation Period, and all moneys received on the Payment Date for the Calculation Period from any Interest Hedge Provider under the relevant Interest Hedge in respect of that Calculation Period and that Payment Date, but excluding:</p> <ul style="list-style-type: none"><li>• receipts in respect of Authorised Investments comprised in the account established and maintained in respect of any Collateral Account;</li><li>• receipts which the Trustee is required to pay to the relevant Mortgage Insurer under a relevant Mortgage Insurance Policy;</li><li>• receipts under the Redraw Funding Facility Arrangement;</li><li>• receipts under or arising from any drawing under the Payment Funding Facility Arrangement;</li><li>• any amount of Swap Collateral or any interest accrued on the</li></ul>

		Swap Collateral which will be applied in accordance with the terms of the relevant Interest Hedge;
		<ul style="list-style-type: none"> <li>• subject to Section 15.3 of this Information Memorandum, Suspended Moneys; and</li> <li>• an amount equal to the aggregate initial face value of all Bonds issued in that Calculation Period.</li> </ul>
<b>Corporations Act</b>		Corporations Act 2001 (Cth).
<b>Coupon Amounts</b>		In relation to a Bond and an Interest Period, the amount of interest payable on that Bond for that Interest Period, calculated as referred to in Sections 3 and 7.3 of this Information Memorandum.
<b>Coupon Rate</b>		Has the meaning given in Section 7.4 of this Information Memorandum.
<b>CRA Regulation</b>		Has the meaning given in Section 1.13 of this Information Memorandum.
<b>Cut-Off</b>		For a Payment Date, 5.00 pm on the day which is seven Banking Days before that Payment Date.
<b>Cut Off Date</b>		The close of business on 22 June 2018.
<b>EEA Ledger</b>		Has the meaning given in Section 9.9 of this Information Memorandum.
<b>EEA Shortfall</b>		Has the meaning given in Section 9.9 of this Information Memorandum.
<b>Enhancement</b>		Has the meaning given in Section 11.22 of this Information Memorandum.
<b>Excess Revenue Reserve</b>		The reserve forming part of the Fund Bank Account that may be applied in accordance with Section 9.11.
<b>Excess Revenue Reserve Balance</b>		At any time: <ul style="list-style-type: none"> <li>(a) the aggregate of the amounts retained by the Trustee pursuant to Section 9.2(aa); less</li> <li>(b) the aggregate of any amounts applied in accordance with Section 9.11.</li> </ul>
<b>Excess Revenue Reserve Draw</b>	<b>Revenue Liquidity</b>	In relation to a Payment Date, an amount equal to the lesser of: <ul style="list-style-type: none"> <li>(a) the Liquidity Shortfall in relation to that Payment Date (or zero if there is no Liquidity Shortfall in relation to that Payment Date); and</li> <li>(b) the Excess Revenue Reserve Balance as at that Payment Date.</li> </ul>
<b>Expenses</b>		Expenses in relation to the Fund means all costs, charges, liabilities and expenses properly incurred by the Trustee or the Manager in the operation of the Fund pursuant to the Master Trust Deed including, without limiting the generality of the foregoing, the following to the extent to which they relate to the Fund: <ul style="list-style-type: none"> <li>• any amounts payable or incurred by the Trustee or the Manager under any Enhancement or Interest Hedge;</li> <li>• any amounts (other than fees) payable by the Trustee or the Manager to an Approved Servicer under the Master Servicing Deed;</li> <li>• any amounts payable under or incurred by the Trustee or the Manager under a Committed Bond Subscription Agreement (as defined in the Master Trust Deed) or the Security Trust Deed or otherwise in relation to the issue of a Bond;</li> <li>• any fees and other amounts payable to the Manager under the Master Trust Deed;</li> </ul>



- any fees and expenses charged from time to time by or in relation to a securities system to the Trustee's account;
- any costs of postage and printing of all cheques, accounts, statements, notices, Bond registration confirmations and other documents required to be posted to the Unitholders or Bondholders of the Fund under the Master Trust Deed;
- any costs of any valuation of the Fund or of any asset of the Fund;
- any expenses incurred in connection with the bank accounts of the Trustee in relation to the Fund and bank fees (including but not limited to account keeping fees) and other bank or government charges incurred in connection with the keeping of, or the transaction of business through, the internal accounts and bank accounts of the Trustee and their management;
- any fees, charges and amounts which are paid or payable to any person appointed or engaged by the Trustee or the Manager pursuant to the Master Trust Deed to the extent that the fees, charges and amounts would be payable or reimbursable to the Trustee or the Manager under any other provision of this definition or under any other provision of the Master Trust Deed if the services performed by the person so appointed or engaged had been carried out directly by the Trustee or the Manager and to the extent that those fees, charges and amounts are reasonable in amount and properly incurred;
- the amount of any indemnity from the Fund claimed by the Trustee or the Manager for legal costs in relation to enforcement proceedings;
- reasonable in amount and properly incurred legal costs and disbursements incurred by the Manager and the Trustee in relation to settling and executing any Transaction Document and any subsequent consent, agreement, approval, waiver or amendment thereto or in relation to any matter of concern to the Manager or the Trustee in relation to a Transaction Document or the Fund provided that the basis of incurring any such costs and disbursements by the Trustee has been approved in advance by the Manager;
- except where otherwise provided by the Master Trust Deed, any costs incurred by the Manager or the Trustee in, or in connection with, the retirement or removal of the Trustee or the Manager respectively under the Master Trust Deed and the appointment of any person in substitution to the extent that those costs are reasonable in amount and properly incurred;
- any fees and expenses under or in connection with any Transaction Document;
- any amount specified as an Expense for the purpose of the Master Trust Deed in any Transaction Document for a Fund; and
- any other costs, charges, expenses, fees, liabilities, taxes (including stamp duty payable on cheques), imposts and other outgoings properly incurred by the Trustee or the Manager in exercising their respective powers, duties and obligations under the Master Trust Deed or any other Transaction Document (other than the Bonds),

provided that:

- general overhead costs and expenses of the Trustee and the

	<p>Manager (including, without limitation, rents and any amounts payable by the Trustee or the Manager (as applicable) to its employees in connection with their employment) incurred directly or indirectly in connection with the business of the Trustee or the Manager (as applicable) or in the exercise of its rights, powers and discretions or the performance of its duties and obligations in relation to the Fund; and</p> <ul style="list-style-type: none"> <li>• any fees payable by the Manager under the Management Support Deed,</li> </ul> <p>shall not constitute Expenses.</p>
<b>Extraordinary Resolution</b>	A resolution described as such in Section 16.3 of this Information Memorandum under the heading "Meetings of Voting Secured Creditors".
<b>Final Maturity Date</b>	Has the meaning given in Section 7.8 of this Information Memorandum.
<b>Fixed Rate Loans</b>	Loans described in Section 10.2 of this Information Memorandum under the heading "Fixed Rate Loans".
<b>Fund</b>	SMHL Series Securitisation Fund 2018-2 established under the Master Trust Deed and Notice of Creation.
<b>Fund Bank Account</b>	Has the meaning given in Section 9.9 of this Information Memorandum.
<b>Genworth</b>	Genworth Financial Mortgage Insurance Pty Limited ABN 60 106 974 305.
<b>Income Unitholder</b>	Has the meaning given in Section 10.1 of this Information Memorandum.
<b>Interest Collections</b>	For a Calculation Period, all Collections for that Calculation Period other than Principal Collections.
<b>Interest Hedge</b>	Has the meaning given in Section 11.22 of this Information Memorandum.
<b>Interest Hedge Providers</b>	National Australia Bank Limited ABN 12 004 044 937; and Australia and New Zealand Banking Group Limited ABN 11 005 357 522.
<b>Interest Period</b>	Has the meaning given in Section 7.2 of this Information Memorandum.
<b>Invested Amount</b>	At any time in relation to a Bond, an amount equal to: <ul style="list-style-type: none"> <li>• the Original Principal Balance of the Bond; minus</li> <li>• all repayments of principal made in relation to the Bond.</li> </ul>
<b>Issue Date</b>	For any class of Bonds, the date on which the Bonds are issued or proposed to be issued (as the context requires).
<b>Joint Lead Managers</b>	Each of: <ul style="list-style-type: none"> <li>• Australia and New Zealand Banking Group Limited ABN 11 005 357 522;</li> <li>• Commonwealth Bank of Australia ABN 48 123 123 124;</li> <li>• Macquarie Bank Limited ABN 46 008 583 542; and</li> <li>• National Australia Bank Limited ABN 12 004 044 937.</li> </ul>
<b>Land</b>	<ul style="list-style-type: none"> <li>• Any estate or interest whether at law or in equity in freehold or leasehold land, including all improvements on such land; and</li> <li>• Any parcel and any lot, common property and land comprising a parcel within the meaning of the Strata Schemes (Freehold Development) Act 1973 (NSW) or the Community Land Development Act 1989 (NSW) or any equivalent legislation in any other Australian Jurisdiction.</li> </ul>
<b>Liquidity Draw</b>	Any advance made or to be made under the Liquidity Facility (other than a deposit to the Collateral Account in accordance with Section 9.10).

<b>Liquidity Facility</b>	Has the meaning given in Section 9.10 of this Information Memorandum.
<b>Liquidity Facility Arrangement</b>	Has the meaning given in Section 3 of this Information Memorandum.
<b>Liquidity Facility Provider</b>	The provider of the Liquidity Facility at any given time.
<b>Liquidity Shortfall</b>	For any Calculation Period, the amount (if any) by which the Required Payments for that Calculation Period exceed the Interest Collections for that Calculation Period.
<b>Loan</b>	A loan or other form of financial accommodation.
<b>Loan Redraw Facility</b>	Any facility under which a mortgagor may apply to redraw amounts under the Loan where the actual outstanding principal balance under the Purchased Loan is less than the scheduled principal balance of the Purchased Loan.
<b>LVR</b>	Has the meaning given in Section 11.4 of this Information Memorandum.
<b>Management Support Deed</b>	The deed dated 16 June 2000, as amended on 23 March 2004 and described in Section 16.10 of this Information Memorandum.
<b>Manager</b>	ME Portfolio Management Limited ABN 79 005 964 134.
<b>Margin</b>	In relation to a Class of Bonds: <ul style="list-style-type: none"> <li>• up to but excluding the Call Option Date, the margin determined in accordance with column 2 of the table in Section 7.6 of this Information Memorandum for that Class of Bonds; and</li> <li>• on and from the Call Option Date, the margin determined in accordance with column 3 of the table in Section 7.6 of this Information Memorandum for that Class of Bonds.</li> </ul>
<b>Master Custody Deed</b>	The deed dated 6 November 2008 and described in Section 16.6 of this Information Memorandum.
<b>Master Servicing Deed</b>	The deed dated 6 November 2008 and described in Section 16.4 of this Information Memorandum.
<b>Master Trust Deed</b>	The deed dated 4 July 1994 between the Trustee and the Manager establishing the Superannuation Members' Home Loans Trusts as attached to the supplemental deed dated 31 October 2008 between, among others, the Trustee and the Manager as amended by the supplemental deed dated 19 December 2008 and the Supplementary Bond Terms Notice.
<b>ME</b>	Members Equity Bank Limited ABN 56 070 887 679.
<b>Moody's</b>	Moody's Investors Service Pty Limited ABN 61 003 399 657.
<b>Mortgage</b>	A registered (or pending registration, registrable) mortgage over Land, situated in any Australian jurisdiction, granted to or transferred to the Trustee from an Approved Seller and securing the repayment of the principal amount of a Loan and all other moneys payable under the Loan and the mortgage.
<b>Mortgage Insurance Policies</b>	The policies described in Section 16.8 of this Information Memorandum.
<b>Mortgage Insurers</b>	Housing Loans Insurance Corporation, Genworth Financial Mortgage Insurance Pty Limited and QBE. <i>For further details see Section 16.8 in this Information Memorandum.</i>  <i>For further details see "Programme Participants" in Section 6 of this Information Memorandum.</i>
<b>Mortgage Loan</b>	A Loan secured by a Mortgage.

<b>NCCPA</b>	The National Consumer Credit Protection Act 2009 (Cth).
<b>Notice of Creation</b>	The notice of creation of a fund dated 5 July 2018 made between the Trustee and the Manager in relation to the Fund.
<b>Original LVR</b>	In relation to a Loan, means the Original Principal Balance of the Loan divided by the most recent market valuation held at the Cut-Off of the Land secured by the Mortgage securing that Loan.
<b>Original Principal Balance</b>	In relation to: <ul style="list-style-type: none"> <li>• a Bond, the initial face value of that Bond; and</li> <li>• a Loan, the original outstanding principal under the Loan.</li> </ul>
<b>Outstanding Cash Advance Deposit</b>	On a given date, the amount deposited to the New Collateral Account (as such term is defined in any Liquidity Facility Arrangement), together with all accrued but unpaid interest on such amount standing to the credit of the New Collateral Account payable to the Liquidity Facility Provider under that Liquidity Facility Arrangement.
<b>Outstanding Principal Balance</b>	At any time in relation to: <p>(a) a Bond an amount equal to:</p> <ul style="list-style-type: none"> <li>• the Original Principal Balance of the Bond; minus</li> <li>• all repayments of principal made in relation to that Bond; minus</li> <li>• the Carry Over Class A Charge Offs, the Carry Over Class AB Charge Offs, the Carry Over Class B Charge Offs, the Carry Over Class C Charge Offs, the Carry Over Class D Charge Offs, or the Carry Over Class E Charge Offs (if any and as the case requires) for the Bond; and</li> </ul> <p>(b) a Mortgage Loan, the then outstanding principal under the Mortgage Loan.</p>
<b>Payment Date</b>	Has the meaning given in Section 3 of this Information Memorandum.
<b>Payment Funding Facility Provider</b>	The person who provides a Payment Funding Facility Arrangement to the Trustee.
<b>Payment Funding Facility Arrangement</b>	Has the meaning given in Section 3 of this Information Memorandum.
<b>Payment Shortfall</b>	For any Payment Date and the Calculation Period ending on that Payment Date, is the amount (if any) by which the Liquidity Shortfall for that Calculation Period exceeds any Excess Revenue Reserve Liquidity Draw made or to be made for that Calculation Period pursuant to Section 9.11(b)(i).
<b>Perpetual Group</b>	Perpetual Limited and its related bodies corporate.
<b>Pool of Approved Mortgage Loans</b>	All Approved Mortgage Loans which comprise the Assets of the Fund as described in Section 11 of this Information Memorandum.
<b>PPS Act</b>	The Personal Property Securities Act 2009 (Cth).
<b>Pre COD A Margin</b>	In relation to a Class A Bond, the margin determined in accordance with column 2 of the table set out in Section 7.6 of this Information Memorandum for that Class A Bond.
<b>Pre COD AB Margin</b>	In relation to a Class AB Bond, the margin determined in accordance with

	column 2 of the table set out in Section 7.6 of this Information Memorandum for that Class AB Bond.
<b>Pre COD B Margin</b>	In relation to a Class B Bond, the margin determined in accordance with column 2 of the table set out in Section 7.6 of this Information Memorandum for that Class B Bond.
<b>Pre COD C Margin</b>	In relation to a Class C Bond, the margin determined in accordance with column 2 of the table set out in Section 7.6 of this Information Memorandum for that Class C Bond.
<b>Pre COD D Margin</b>	In relation to a Class D Bond, the margin determined in accordance with column 2 of the table set out in Section 7.6 of this Information Memorandum for that Class D Bond.
<b>Pre COD E Margin</b>	In relation to a Class E Bond, the margin determined in accordance with column 2 of the table set out in Section 7.6 of this Information Memorandum for that Class E Bond.
<b>Principal Approved Seller</b>	ME.
<b>Principal Collections</b>	<p>For a Calculation Period, an amount of the Collections for that Calculation Period equal to the aggregate Outstanding Principal Balance of the Purchased Loans as at the commencement of that Calculation Period, minus the aggregate Outstanding Principal Balance of the Purchased Loans as at the end of that Calculation Period minus any Realised Losses, plus in the case of the first Calculation Period only, an amount equal to:</p> <ul style="list-style-type: none"> <li>• the aggregate initial face value of the Class A Bonds, the Class AB Bonds, the Class B Bonds, the Class C Bonds, the Class D Bonds and the Class E Bonds; minus</li> <li>• the aggregate Outstanding Principal Balance of the Purchased Loans as at the Cut Off Date.</li> </ul> <p><i>For further details see Section 9.1 of this Information Memorandum.</i></p>
<b>Principal Draw</b>	In relation to a Payment Date, the amount that is made available for application on that Payment Date pursuant to Section 9.4(a).
<b>Prospectus Directive</b>	Directive 2003/71/EC (as amended, including by Directive 2010/73/EU).
<b>Purchased Loans</b>	At any time, Approved Mortgage Loans comprised in the Assets of the Fund at that time.
<b>QBE</b>	QBE Lenders' Mortgage Insurance Limited ABN 70 000 511 071
<b>Rating Agency or Rating Agencies</b>	S&P and/or Moody's, as the context requires.
<b>Rating Downgrade Event</b>	In relation to any Bonds which are rated by a Rating Agency, an event that results or would result in the downgrade, withdrawal of rating or qualification of those Bonds by that Rating Agency.
<b>Realised Loss</b>	<p>With respect to a Purchased Loan:</p> <ul style="list-style-type: none"> <li>• the Outstanding Principal Balance of such Purchased Loan; minus</li> <li>• the amount realised by the Trustee on enforcement of the Purchased Loan and the relevant Mortgage (to the extent such amount has not already been applied to reduce the Outstanding Principal Balance); minus</li> <li>• the amount received by the Trustee from the Principal Approved Seller in respect of a breach of a representation, warranty in respect of that loan or under an indemnity; minus</li> <li>• the total amount recovered and recoverable under the relevant</li> </ul>

	<p>Mortgage Insurance Policy in respect of that Loan (if any); plus</p> <ul style="list-style-type: none"> <li>• any damages or other amounts payable to the Trustee under or in respect of the Master Trust Deed, the Supplementary Bond Terms or the Master Servicing Deed relating to that Purchased Loan.</li> </ul>
<b>Realised Losses Excess</b>	Has the meaning given in Section 3 of this Information Memorandum.
<b>Realised Losses Excess Balance</b>	Has the meaning given in Section 3 of this Information Memorandum.
<b>Redraw Charge Off</b>	In relation to the Redraw Funding Facility Arrangement, the amount of reduction of the Redraw Principal Outstanding as described under Section 9.6 of this Information Memorandum.
<b>Redraw Funding Facility Arrangement</b>	Has the meaning given in Section 3 of this Information Memorandum.
<b>Redraw Principal Outstanding</b>	<p>At any time in respect of the Redraw Funding Facility Arrangement, an amount equal to:</p> <ul style="list-style-type: none"> <li>• all principal drawings under the Redraw Funding Facility Arrangement which have been used to fund a payment of principal under a loan redraw facility; minus</li> <li>• all repayments of principal in respect of such principal drawings; minus</li> <li>• the Carry Over Redraw Charge Offs for the Redraw Funding Facility Arrangement; plus</li> <li>• amounts applied or available to be applied as outlined in Section 9.4 of this Information Memorandum in repaying the Redraw Principal Outstanding under the Redraw Funding Facility Arrangement.</li> </ul>
<b>Register</b>	The register of Bondholders maintained by the Trustee and which is described in further detail in Section 7.12 of this Information Memorandum.
<b>Related Entities</b>	Has the meaning given to that term in the Corporations Act.
<b>Relevant Percentage</b>	For a Payment Date, the Australian corporate tax rate that is currently applicable to the Income Unitholder.
<b>Remaining Liquidity Shortfall</b>	<p>For any Payment Date and the Calculation Period ending on that Payment Date, the amount (if any) by which the Liquidity Shortfall for that Calculation Period exceeds the aggregate of:</p> <ul style="list-style-type: none"> <li>(a) any Principal Draw made or to be made for that Calculation Period; and</li> <li>(b) any Excess Revenue Reserve Liquidity Draw made or to be made for that Calculation Period.</li> </ul>
<b>Required Liquidity Limit</b>	Has the meaning given in Section 8.12 of this Information Memorandum.
<b>Required Payments</b>	<p>For a Calculation Period:</p> <ul style="list-style-type: none"> <li>(a) prior to the Call Option Date: <ul style="list-style-type: none"> <li>(i) if the Total Outstanding Principal Balance of the Class E Bonds is equal to or less than 95% of the Invested Amount of Class E Bonds, all amounts to be paid by the Trustee under Sections 9.2(a) to 9.2(o) on the Payment Date following that Calculation Period;</li> </ul> </li> </ul>

- (ii) if the Total Outstanding Principal Balance of the Class D Bonds is equal to or less than 95% of the Invested Amount of Class D Bonds, all amounts to be paid by the Trustee under Sections 9.2(a) to 9.2(m) on the Payment Date following that Calculation Period;
  - (iii) if the Total Outstanding Principal Balance of the Class C Bonds is equal to or less than 95% of the Invested Amount of Class C Bonds, all amounts to be paid by the Trustee under Sections 9.2(a) to 9.2(k) on the Payment Date following that Calculation Period;
  - (iv) if the Total Outstanding Principal Balance of the Class B Bonds is equal to or less than 95% of the Invested Amount of Class B Bonds, all amounts to be paid by the Trustee under Sections 9.2(a) to 9.2(i) on the Payment Date following that Calculation Period;
  - (v) if the Total Outstanding Principal Balance of the Class AB Bonds is equal to or less than 95% of the Invested Amount of Class AB Bonds, all amounts to be paid by the Trustee under Sections 9.2(a) to 9.2(g) on the Payment Date following the Calculation Period; and
  - (vi) at any other time prior to the Call Option Date, all amounts to be paid by the Trustee under Sections 9.2(a) to 9.2(q) on the Payment Date following that Calculation Period; and
- (b) including and following the Call Option Date:
- (i) if the Total Outstanding Principal Balance of the Class D Bonds is equal to or less than 95% of the Invested Amount of Class D Bonds, all amounts to be paid by the Trustee under Sections 9.2(a) to 9.2(m) on the Payment Date following that Calculation Period;
  - (ii) if the Total Outstanding Principal Balance of the Class C Bonds is equal to or less than 95% of the Invested Amount of Class C Bonds, all amounts to be paid by the Trustee under Sections 9.2(a) to 9.2(k) on the Payment Date following that Calculation Period;
  - (iii) if the Total Outstanding Principal Balance of the Class B Bonds is equal to or less than 95% of the Invested Amount of Class B Bonds, all amounts to be paid by the Trustee under Sections 9.2(a) to 9.2(i) on the Payment Date following that Calculation Period;
  - (iv) if the Total Outstanding Principal Balance of the Class AB Bonds is equal to or less than 95% of the Invested Amount of Class AB Bonds, all amounts to be paid by the Trustee under Sections 9.2(a) to 9.2(g) on the Payment Date following that Calculation Period; and
  - (v) at any other time including and following the Call Option Date, all amounts to be paid by the Trustee under Sections 9.2(a) to 9.2(o) on the Payment Date following that Calculation Period.

<b>Reserve Percentage</b>	One minus the Relevant Percentage.
<b>Residual Capital Unitholder</b>	Has the meaning given in Section 10.1 of this Information Memorandum.

<b>S&amp;P</b>	S&P Global Ratings Australia Pty Ltd ABN 62 007 324 852.
<b>SEC</b>	U.S. Securities and Exchange Commission of the United States.
<b>Secured Creditor</b>	Has the meaning given under the heading "Secured Creditors" in Section 16.3 of this Information Memorandum.
<b>Secured Documents</b>	Has the meaning given under the heading "Secured Documents" in Section 16.3 of this Information Memorandum.
<b>Secured Moneys</b>	Has the meaning given in Section 16.3 of this Information Memorandum.
<b>Security</b>	The security interests over the Collateral granted under the Security Trust Deed.
<b>Security Interest</b>	Means any mortgage, pledge, lien, charge (whether fixed or floating), encumbrance, financial lease, deferred purchase sale and repurchase, sale or leasehold, or any security interest or preferential interest or arrangement of any kind or any other right of, or arrangement with, any creditor to have or which has the commercial effect of having its claims satisfied in priority to other creditors with, or from the proceeds of, any asset. It also includes a "security interest" within the meaning of section 12 of the PPS Act, other than an interest in personal property that would not be a security interest but for section 12(3) of the PPS Act.
<b>Security Trust</b>	The trust created by the Security Trust Deed.
<b>Security Trust Deed</b>	The trust deed dated 8 August 2018 made between the Trustee, the Security Trustee and the Manager, as amended from time to time, in relation to the Fund.
<b>Security Trustee</b>	Perpetual Trustee Company Limited ABN 42 000 001 007 in its capacity as security trustee of the Security Trust.
<b>Servicer Termination Event</b>	Has the meaning given in Section 15.2 of this Information Memorandum.
<b>SMHL</b>	Superannuation Members' Home Loans.
<b>SMHL Programme</b>	The programme, established under the Master Trust Deed, for the origination, management and reliquefication of Mortgage Loans through the trust funds established from time to time under that Master Trust Deed and known as the Superannuation Members' Home Loans Programme.
<b>Step Down Payment Requirements</b>	Has the meaning given in Section 9.4 of this Information Memorandum.
<b>Superannuation Members' Home Loans Trusts</b>	The umbrella name for the various trust funds established, and to be established, from time to time under the Master Trust Deed.
<b>Supplementary Bond Terms</b>	The terms and conditions set out in the Supplementary Bond Terms Notice, as amended from time to time, to be given by the Manager to the Trustee in accordance with the Master Trust Deed in connection with the issue of the Bonds (as summarised in Sections 3 and 7 of this Information Memorandum).
<b>Supplementary Information Memorandum</b>	Any supplementary Information Memorandum issued by the Manager updating this Information Memorandum.
<b>Suspended Moneys</b>	Has the meaning given in Section 15.3 of this Information Memorandum.
<b>Swap Collateral</b>	In respect of any Interest Hedge, the amount of collateral, if any paid or transferred to the Trustee by the relevant Interest Hedge Provider in accordance with the terms of that Interest Hedge that had not previously been applied to satisfy the relevant Interest Hedge Provider's obligations under the Interest Hedge.



<b>Termination Date</b>	<p>The earliest of the following dates in relation to the Fund:</p> <ul style="list-style-type: none"><li>• the eightieth anniversary of the date of the Master Trust Deed;</li><li>• the date upon which the Fund terminates by operation of statute or by the application of general principles of law;</li><li>• the Banking Day immediately following the date upon which the Trustee pays in full all moneys due or which may become due, whether contingently or otherwise, to Bondholders in respect of such Bonds and the Trustee and the Manager agree that no further Bonds are proposed to be issued by the Trustee in relation to that Fund; or</li><li>• if prior thereto a Financial Default has occurred, the date appointed by the Bondholders in relation to the Fund as the Termination Date pursuant to the Master Trust Deed; and</li></ul>
<b>Threshold Rate</b>	<p>The interest rate described in Sections 3 and 8.13 of this Information Memorandum.</p>
<b>Title Perfection Event</b>	<p>Has the meaning given in Section 15.4 of this Information Memorandum.</p>
<b>Transaction Documents</b>	<p>The documents described in Section 16 of this Information Memorandum.</p>
<b>Trustee</b>	<p>Perpetual Limited ABN 86 000 431 827, in its capacity as trustee of the Trust (unless otherwise stated).</p>
<b>Unitholders</b>	<p>In relation to the Fund, has the meaning given in Section 10.1 of this Information Memorandum.</p>
<b>Valuation</b>	<p>In relation to a Mortgage, a valuation of the property which is the subject of that Mortgage, prepared by a valuer.</p>
<b>Voting Secured Creditors</b>	<p>Has the meaning given under the heading "Meeting of Voting Secured Creditors" in Section 16.3 of this Information Memorandum.</p>
<b>Warehouse Fund</b>	<p>The SMHL Series Private Placement Trust 2011-1.</p>

## 19 Directory

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### Trustee

Perpetual Limited (in its capacity as trustee of  
the SMHL Series Securitisation Fund 2018-2)  
Level 18, 123 Pitt Street  
Sydney New South Wales 2000

### Manager

ME Portfolio Management Limited  
Level 28, Melbourne Central Tower  
360 Elizabeth Street  
Melbourne Victoria 3000

### Security Trustee

Perpetual Trustee Company Limited  
Level 18, 123 Pitt Street  
Sydney New South Wales 2000

### Approved Servicer

Members Equity Bank Limited  
Level 28, Melbourne Central Tower  
360 Elizabeth Street  
Melbourne Victoria 3000

### Registrar

Perpetual Limited  
Level 18, 123 Pitt Street  
Sydney New South Wales 2000

### Auditor

Deloitte Touche Tohmatsu  
550 Bourke Street  
Melbourne Victoria 3000

### Arranger and Joint Lead Manager

National Australia Bank Limited  
Level 25, 255 George Street  
Sydney New South Wales 2000

### Joint Lead Managers

Australia and New Zealand Banking Group  
Limited  
Level 5, 242 Pitt Street  
Sydney, New South Wales 2000

Commonwealth Bank of Australia  
Ground Floor, 201 Sussex Street  
Sydney, New South Wales 2000

Macquarie Bank Limited  
50 Martin Place  
Level 1  
Sydney, New South Wales 2000

### Irish Listing Agent

Arthur Cox Listing Services  
Ten Earlsfort Terrace  
Dublin 2  
Ireland

### Legal Advisers to ME, the Manager and the Approved Servicer

Norton Rose Fulbright  
Level 15, RACV Tower  
485 Bourke Street  
Melbourne Victoria 3000

### Legal Advisers to the Trustee and Security Trustee

Norton Rose Fulbright  
Level 18, Grosvenor Place, 225 George Street  
Sydney NSW 2000