



# SMHL Series Securitisation Fund 2017-1

## PRICING TERM SHEET

### Australian RMBS – New Issue

A\$1,500m

|                                    |                                  |
|------------------------------------|----------------------------------|
| <b>Pricing Date</b><br>14 Sep 2017 | <b>Issue Date</b><br>21 Sep 2017 |
|------------------------------------|----------------------------------|

| Class | Issue Size<br>A\$(m)  | Expected Ratings<br>S&P / Moody's | Initial<br>Credit<br>Support | Interest Rate    | Expected <sup>1</sup><br>WAL | Expected <sup>1</sup> Payment<br>Window (months) | Legal Final<br>Maturity |
|-------|-----------------------|-----------------------------------|------------------------------|------------------|------------------------------|--|-------------------------|
| A     | 1,380.00 <sup>2</sup> | AAA(sf)/Aaa(sf)                   | 8.00%                        | 1m BBSW + 98bps  | 2.6 years                    | 1-88   | 32 years                |
| AB    | 56.25                 | AAA(sf)/NR                        | 4.25%                        | 1m BBSW + 155bps | 4.7 years                    | 26-88  | 32 years                |
| B     | 26.25                 | AA+(sf)/NR                        | 2.50%                        | 1m BBSW + 215bps | 4.7 years                    | 26-88  | 32 years                |
| C     | 21.00                 | A+(sf)/NR                         | 1.10%                        | 1m BBSW + 290bps | 4.7 years                    | 26-88  | 32 years                |
| D     | 7.50                  | BBB+(sf)/NR                       | 0.60%                        | 1m BBSW + 380bps | 4.7 years                    | 26-88  | 32 years                |
| E     | 9.00                  | NR/NR                             | -                            | 1m BBSW + 590bps | 4.7 years                    | 26-88  | 32 years                |

<sup>1</sup>The pay-down assumes a flat CPR of 24%, that the call is exercised at the earliest opportunity, all step-down conditions are met at the earliest opportunity and exercise of the Call Option when the mortgage balance reaches 10% of the amount outstanding at the Issue Date.

<sup>2</sup> Class A Bond rating is independent of LMI at issuance.

INVESTMENTS IN THE BONDS ARE NOT DEPOSITS OR OTHER LIABILITIES OF MEMBERS EQUITY BANK LIMITED ABN 56 070 887 679 ("ME") OR ANY ENTITY OF THE ME GROUP, OR OF THE JOINT LEAD MANAGERS OR OF ANY ENTITY OF A JOINT LEAD MANAGER GROUP AND ARE SUBJECT TO INVESTMENT RISK, INCLUDING POSSIBLE DELAYS IN REPAYMENT AND LOSS OF INCOME AND CAPITAL INVESTED. NEITHER ME NOR ANY OTHER MEMBER OF THE ME GROUP NOR THE JOINT LEAD MANAGERS NOR ANY ENTITY OF A JOINT LEAD MANAGER GROUP GUARANTEE ANY PARTICULAR RATE OF RETURN OR THE PERFORMANCE OF BONDS, NOR DO THEY GUARANTEE THE REPAYMENT OF CAPITAL FROM THE BONDS NOR THE PAYMENT OF INTEREST DUE ON THE BONDS. IN PARTICULAR, BUT WITHOUT LIMITATION, ME, ANY OTHER MEMBER OF THE ME GROUP OR THE JOINT LEAD MANAGERS OR ANY ENTITY OF A JOINT LEAD MANAGER GROUP DO NOT GUARANTEE THE PERFORMANCE OF THE ASSETS OF SMHL SERIES SECURITISATION FUND 2017-1.





The information contained in this document is preliminary and will be superseded by the final offering document relating to the bonds described in this document and the underlying transaction documents referred to in it. Any decision to invest in the bonds should be made after reviewing such final offering document and the underlying transaction documents referred to in it. Please also read the disclaimer at the end of this document.

| Transaction Parties   |   |
|---|---|
| <b>Issuer and Trustee</b>   | Perpetual Limited as trustee for SMHL Series Securitisation Fund 2017-1   |
| <b>Manager</b>  | ME Portfolio Management Limited (ABN 79 005 964 134) ("MEPM")   |
| <b>Security Trustee</b>   | Perpetual Trustee Company Limited (ABN 42 000 001 007) ("PTCL")   |
| <b>Servicer</b>   | Members Equity Bank Limited (ABN 56 070 887 679) ("ME")   |
| <b>Back Up Servicer</b>   | Perpetual Corporate Trust Limited (ABN 99 000 341 533) ("Perpetual")  |
| <b>Custodian</b>  | Perpetual   |
| <b>Arranger</b>   | National Australia Bank Limited (ABN 12 004 044 937) ("NAB")  |
| <b>Joint Lead Managers</b>  | Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZ")<br>Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162) ("DB")<br>NAB<br>Westpac Banking Corporation (ABN 33 007 457 141) ("WBC")  |
| <b>Interest Rate Swap Provider</b>  | NAB<br>ANZ  |
| <b>Redraw Facility, Liquidity Facility, and Payment Funding Facility Provider</b> | ME  |
| <b>Lenders Mortgage Insurers (LMI)</b>  | Genworth Financial Mortgage Insurance Pty Limited (ABN 60 106 974 305) ("Genworth") 43.80%; and<br>Commonwealth of Australia Housing Loans Insurance Corporation ("HLIC") 0.37%<br>QBE Lenders' Mortgage Insurance Ltd (ABN 70 000 511 071) ("QBE") 0.41% |
| <b>Rating Agencies</b>  | S&P Global Ratings Australia Pty Ltd ("S&P")<br>Moody's Investor Service Pty Ltd ("Moody's")  |
| <b>Fund Bank Account</b>  | ANZ   |

| Bonds & Structural Features   |   |
|-------------------------------|---|
| <b>Bonds</b>                  | The Trustee will issue amortising, limited recourse, pass through, floating rate debt instruments in registered form (the "Bonds"). The Bonds will be divided into 6 classes: Class A Bonds, Class AB Bonds, Class B Bonds, Class C Bonds, Class D Bonds, and Class E Bonds.  |
| <b>Underlying Assets</b>      | A prime pool of first charge residential mortgage loans denominated in Australian dollars originated by ME.   |
| <b>Liquidity support</b>      | If Required Payments exceed Collections for any Calculation Period ("Liquidity Shortfall"), liquidity support is available in the following order of priority:<br>1) draw on the Excess Revenue Reserve ("Excess Revenue Reserve Liquidity Draw"); then<br>2) Principal Draw; then<br>3) draw on the Liquidity Facility Arrangement ("Liquidity Draw"). |
| <b>Threshold Rate</b>         | The Manager will undertake that the interest rate charged on the Mortgage Loans will be maintained at a level which is sufficient to ensure that the Trustee will have sufficient available funds to enable it to comply with its obligations under the Transaction Documents.  |
| <b>Redraw Facility</b>        | Redraw Facility will be available to fund applications for redraw under Mortgage Loans as approved by the Manager.  |
| <b>Excess Revenue Reserve</b> | The Excess Revenue Reserve will be established on the Issue Date with a zero balance. If the Notes are not called on the earliest opportunity, the Manager will direct the Trustee to allocate excess available income into the Excess Revenue Reserve.   |



|                                       |   |
|---------------------------------------|---|
| <b>Principal Draw</b>                 | If on any Distribution Date after the application of an Excess Revenue Reserve Liquidity Draw, a Required Payment shortfall remains, the Trustee will draw from Principal Collections an amount to cover this shortfall ("Principal Draw").   |
| <b>Liquidity Facility Arrangement</b> | 1.0% of the aggregate Outstanding Principal Balance of the Approved Mortgage Loans at that time, subject to a floor of 0.10% of the aggregate Outstanding Principal Balance of the Approved Mortgage Loans as at the Issue Date.  |
| <b>Payment Funding Facility</b>       | The payment funding facility will be available for the purpose of: <ul style="list-style-type: none"> <li>a) Funding break cost payments under any future fixed-floating rate swap;</li> <li>b) Funding costs and expenses in connection with perfecting the Trustee's title in and to the mortgage loans; and</li> <li>c) Covering extraordinary expenses</li> </ul> <i>Payment Funding Facility: A\$150,000 on the Issue Date</i> |
| <b>Cut-off</b>                        | A day which is seven business days before the relevant payment date.  |

| <b>Terms</b>  |   |         |              |          |              |         |              |         |              |         |              |         |              |
|---|---|---------|--------------|----------|--------------|---------|--------------|---------|--------------|---------|--------------|---------|--------------|
| <b>Interest Period</b>  | Monthly   |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>Interest Reset Date</b>  | The first Business Day of each Interest Period  |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>Payment Date</b>   | 26 <sup>th</sup> day of each month  |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>First Payment Date</b>   | 26 <sup>th</sup> Oct 2017   |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>Margin</b>   | In respect of Class A and Class AB Bonds: <ul style="list-style-type: none"> <li>• up to but excluding the first Call Option date, the relevant Margin as determined on the Pricing Date; then</li> <li>• from and including the first Call Option date, the relevant Margin as determined on the Pricing Date plus 0.25%.</li> </ul> In respect of Class B Bonds, Class C Bonds, Class D Bonds and Class E Bonds, the relevant Margin as determined on the Pricing Date. |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>Call Option Date</b>   | Any 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>Legal Final Maturity</b>   | The Payment Date falling in April 2049  |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>Business Day</b>   | A day other than a Saturday, Sunday or public holiday, on which banks are open for business in Sydney and Melbourne.  |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>Day Count Basis</b>  | Actual/365.   |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>Issue Price</b>  | The Bonds will be issued at par.  |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>Minimum Denomination</b>   | All Bonds: A\$1,000, the Bonds will be issued in minimum parcels of A\$500,000.   |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>Listing</b>  | The manager intends to apply for listing of the Class A and the Class AB Bonds on the Irish Stock Exchange.   |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>Clearing System</b>  | Austraclear   |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>ISINs</b>  | <table border="0"> <tr> <td>Class A</td> <td>AU3FN0037677</td> </tr> <tr> <td>Class AB</td> <td>AU3FN0037693</td> </tr> <tr> <td>Class B</td> <td>AU3FN0037719</td> </tr> <tr> <td>Class C</td> <td>AU3FN0037743</td> </tr> <tr> <td>Class D</td> <td>AU3FN0037768</td> </tr> <tr> <td>Class E</td> <td>AU3FN0037784</td> </tr> </table>  | Class A | AU3FN0037677 | Class AB | AU3FN0037693 | Class B | AU3FN0037719 | Class C | AU3FN0037743 | Class D | AU3FN0037768 | Class E | AU3FN0037784 |
| Class A   | AU3FN0037677  |         |              |          |              |         |              |         |              |         |              |         |              |
| Class AB  | AU3FN0037693  |         |              |          |              |         |              |         |              |         |              |         |              |
| Class B   | AU3FN0037719  |         |              |          |              |         |              |         |              |         |              |         |              |
| Class C   | AU3FN0037743  |         |              |          |              |         |              |         |              |         |              |         |              |
| Class D   | AU3FN0037768  |         |              |          |              |         |              |         |              |         |              |         |              |
| Class E   | AU3FN0037784  |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>Repo Eligibility</b>   | Application will be made to the RBA for the Class A and Class AB Bonds to be confirmed as repo-eligible securities.   |         |              |          |              |         |              |         |              |         |              |         |              |
| <b>European Capital Requirement Regulation (CRR) – Risk Retention</b> | ME undertakes to retain, in respect of this transaction, on an ongoing basis a material net economic interest of not less than 5% in accordance with the provisions of Article 405 of the CRR.  |         |              |          |              |         |              |         |              |         |              |         |              |



|                                 |  |
|---------------------------------|--|
| <b>Governing Law</b>            | New South Wales.   |
| <b>Interest Withholding Tax</b> | All Bonds are intended to be issued to comply with the public offer test provisions under section 128F of the Income Tax Assessment Act 1936 (as amended). |

| <b>Payments</b>   |   |
|---|---|
| <b>Repayment of Principal (pre-enforcement)</b>               | <p>Initially and when the Step Down Payment Requirements are not satisfied, pass-through is paid sequentially in the following order of priority:</p> <ol style="list-style-type: none"> <li>1. To the Class A Bonds; then</li> <li>2. To the Class AB Bonds; then</li> <li>3. To the Class B Bonds; then</li> <li>4. To the Class C Bonds; then</li> <li>5. To the Class D Bonds; and then</li> <li>6. To the Class E Bonds</li> </ol> <p>If the Step Down Payment Requirements are met, principal is paid pro-rata across all tranches.</p>   |
| <b>Step Down Payment Requirements</b>                         | <ul style="list-style-type: none"> <li>• Class A Bonds subordination is at least double the initial Class A Bonds subordination;</li> <li>• The Payment Date is at least 2 years after the Issue Date;</li> <li>• The Payment Date is before the earliest Call Option Date;</li> <li>• Rolling 3-month average arrears greater than 60 days must not exceed 4%; and</li> <li>• There are no unreimbursed charge-offs.</li> </ul>  |
| <b>Distribution of Interest Collections (pre enforcement)</b> | <p>Total interest collections are applied in the following order of priority, towards:</p> <ol style="list-style-type: none"> <li>1. taxes and trust expenses</li> <li>2. pari passu, prior period due but unpaid amounts, of expenses for the Interest Rate Swap Provider, Liquidity Facility, Redraw Facility and Payment Funding Facility, of any principal outstanding to Payment Funding Facility, and of reimbursement of Liquidity Draws;</li> <li>3. pari passu, current period amounts due, of expenses for the Interest Rate Swap Provider, Liquidity Facility, Redraw Facility and Payment Funding Facility, and of any principal outstanding to Payment Funding Facility;</li> <li>4. prior period due but unpaid amounts of Class A Bond Coupon;</li> <li>5. current period Class A Bond Coupon;</li> <li>6. prior period due but unpaid amounts of Class AB Bond Coupon;</li> <li>7. current period Class AB Bond Coupon;</li> <li>8. prior period due but unpaid amounts of Class B Bond Coupon;</li> <li>9. current period Class B Bond Coupon;</li> <li>10. prior period due but unpaid amounts of Class C Bond Coupon;</li> <li>11. current period Class C Bond Coupon;</li> <li>12. prior period due but unpaid amounts of Class D Bond Coupon;</li> <li>13. current period Class D Bond Coupon;</li> <li>14. prior period due but unpaid amounts of Class E Bond Coupon;</li> <li>15. current period Class E Bond Coupon;</li> <li>16. reimbursement of Principal Draws;</li> <li>17. current period losses;</li> <li>18. reimbursement of carry-over charge-offs: first to Class A Bond, then to Class AB Bond, then to Class B Bond, then to Class C Bond, then to Class D Bond and then to Class E Bond,</li> <li>19. If the Payment Date falls on or after any Call Option Date and any Bonds are then outstanding to the Excess Revenue Reserve,</li> <li>20. other subordinated costs, including hedge costs;</li> <li>21. final balance is paid to Income Unitholder.</li> </ol> |



|   |  |
|---|--|
| <p><b>Required Payments</b></p>           | <p>Required Payments means on any Determination Date prior to the first Call Option Date :</p> <ul style="list-style-type: none"> <li>(a) if the Stated Amount of the Class E Bonds is equal to or less than 95% of the Invested Amount of the Class E Bonds all items listed under (1) to (13) of the Distribution of Interest Collections;</li> <li>(b) if the Stated Amount of the Class D Bonds is equal to or less than 95% of the Invested Amount of Class D Bonds, all items listed under (1) to (11) of the Distribution of Interest Collections;</li> <li>(c) if the Stated Amount of the Class C Bonds is equal to or less than 95% of the Invested Amount of Class C Bonds, all items listed under (1) to (9) of the Distribution of Interest Collections;</li> <li>(d) if the Stated Amount of the Class B Bonds is equal to or less than 95% of the Invested Amount of Class B Bonds, all items listed under (1) to (7) of the Distribution of Interest Collections;</li> <li>(e) if the Stated Amount of the Class AB Bonds is equal to or less than 95% of the Invested Amount of Class AB Bonds, all items listed under (1) to (5) of the Distribution of Interest Collections;</li> <li>(f) otherwise, the aggregate of payments listed under (1) to (15) of the Distribution of Interest Collections.</li> </ul> <p>Required Payments means on any Determination Date on or after the first Call Option Date:</p> <ul style="list-style-type: none"> <li>(a) if the Stated Amount of the Class D Bonds is equal to or less than 95% of the Invested Amount of Class D Bonds, all items listed in paragraphs (1) to (11) of the Distribution of Interest Collections;</li> <li>(b) if the Stated Amount of the Class C Bonds is equal to or less than 95% of the Invested Amount of Class C Bonds, all items listed in paragraphs (1) to (9) of the Distribution of Interest Collections;</li> <li>(c) if the Stated Amount of the Class B Bonds is equal to or less than 95% of the Invested Amount of Class B Bonds, all items listed in paragraphs (1) to (7) of the Distribution of Interest Collections;</li> <li>(c) if the Stated Amount of the Class AB Bonds is equal to or less than 95% of the Invested Amount of Class AB Bonds, all items listed in paragraphs (1) to (5) of the Distribution of Interest Collections;</li> <li>(d) otherwise, the aggregate of payments in paragraphs (1) to (13) of the Distribution of Interest Collections.</li> </ul> |
| <p><b>Payments (post-enforcement)</b></p> | <p>Collections will be allocated sequentially in order of seniority.</p>   |



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- (b) will or may receive fees, brokerage and commissions or other benefits, and act as principal with respect to any dealing with respect to any Notes,

(the **"Note Interests"**).

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