

IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the Information Memorandum, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Information Memorandum. In accessing the Information Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED IN THE INFORMATION MEMORANDUM IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. IN ORDER TO BE ELIGIBLE TO ACCESS THE INFORMATION MEMORANDUM OR MAKE AN INVESTMENT DECISION WITH RESPECT TO THE SECURITIES DESCRIBED THEREIN, YOU AND ANY ENTITY THAT YOU REPRESENT EITHER MUST BE OUTSIDE THE UNITED STATES AND NOT BE A "U.S. PERSON" WITHIN THE MEANING OF REGULATIONS OF THE SECURITIES ACT.

WITHIN THE UNITED KINGDOM, THE INFORMATION MEMORANDUM MAY NOT BE PASSED ON EXCEPT TO PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 OR OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). THE INFORMATION MEMORANDUM MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE INFORMATION MEMORANDUM RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

THE INFORMATION MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT 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.

Within Hong Kong, this Information Memorandum may not be issued or distributed other than to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended ("**SFO**") and any rules made under the SFO. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation, other offering material or other document relating to the securities described in this Information Memorandum which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made under the SFO.

Confirmation of your representation: The Information Memorandum is being sent at your request and by accepting the email and accessing the Information Memorandum, you shall be deemed to have represented to each of Australia and New Zealand Banking Group Limited, Westpac Banking Corporation and National Australia Bank Limited that you and any entity that you represent are outside the United States and not a U.S. person, and that you consent to delivery of the Information Memorandum by electronic transmission.

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 Trustee in such jurisdiction.

The 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 neither Australia and New Zealand Banking Group Limited, Westpac Banking Corporation nor National Australia Bank Limited nor any person who controls any of such managers nor any director, officer, employee nor agent 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 herewith and the hard copy version available to you on request from Australia and New Zealand Banking Group Limited, Westpac Banking Corporation or National Australia Bank Limited.

The Notes will be the obligations solely of the Perpetual Trustee Company Limited in its capacity as trustee of the Trust in respect of the Notes.

None of:

- (a) Heritage Bank Limited (in any capacity, including without limitation in its capacity as Originator, Manager, Servicer, Custodian, Interest Rate Swap Provider or Basis Swap Provider);
- (b) National Australia Bank Limited (in any capacity, including without limitation as Arranger, a Dealer, Joint Lead Manager, Standby Swap Provider or Liquidity Facility Provider);
- (c) Australia and New Zealand Banking Group Limited (in any capacity, including without limitation in its capacity as a Dealer or a Joint Lead Manager);
- (d) Westpac Banking Corporation (in any capacity, including without limitation in its capacity as a Dealer or Joint Lead Manager);
- (e) Perpetual Trustee Company Limited (in its personal capacity) or P.T. Limited (in its personal capacity or in its capacity as Security Trustee); or
- (f) a Related Entity of any of the entities listed above,

guarantees or is otherwise responsible for payment or repayment of any moneys owing to Noteholders, the principal of the Notes, the payment of interest in respect of any Notes or the performance of any obligations whatsoever by any other party.

The Notes do not represent deposits with, or any other liability of:

- (a) Heritage Bank Limited (in any capacity, including without limitation in its capacity as Originator, Manager, Servicer, Custodian, Interest Rate Swap Provider or Basis Swap Provider);
- (b) National Australia Bank Limited (in any capacity, including without limitation as Arranger, a Dealer, Joint Lead Manager, Standby Swap Provider or Liquidity Facility Provider);
- (c) Australia and New Zealand Banking Group Limited (in any capacity, including without limitation in its capacity as a Dealer or a Joint Lead Manager);
- (d) Westpac Banking Corporation (in any capacity, including without limitation in its capacity as a Dealer or a Joint Lead Manager);
- (e) Perpetual Trustee Company Limited (in its personal capacity) or P.T. Limited (in its personal capacity or in its capacity as Security Trustee); or
- (f) a Related Entity of any of the entities listed above.

The Notes do not represent deposits with any other person.

The holding of Notes is subject to investment risk, including possible delays in repayment and loss of income and principal invested. Investors should carefully consider the risk factors set out in section 6.



HBS Trust 2017-1

Information Memorandum

Definitions of defined terms used in this Information Memorandum are contained in the Glossary

<i>Class of Notes</i>	A1	A2	AB	B	C	D
Aggregate Initial Invested Amount	A\$690,000,000	A\$22,500,000	A\$19,125,000	A\$10,875,000	A\$6,000,000	A\$1,500,000
Issue Price	100%	100%	100%	100%	100%	100%
Final Maturity Date	20 July 2049	20 July 2049	20 July 2049	20 July 2049	20 July 2049	20 July 2049
Expected ratings:						
• S&P	AAA(sf)	AAA(sf)	AAA(sf)	AA(sf)	A+(sf)	Not rated
• Fitch	AAAsf	AAAsf	AAAsf	Not rated	Not rated	Not rated

Arranger

**National Australia Bank Limited
Joint Lead Managers**

Australia and New Zealand Banking Group Limited
National Australia Bank Limited
Westpac Banking Corporation

This Information Memorandum is dated 23 October 2017

Contents

Table of contents

	Important Notices	1
1	Transaction summary	10
	1.1 Overview	10
	1.2 Table summary of Notes.....	11
	1.3 Transaction Parties.....	13
	1.4 Important Dates and Periods	14
	1.5 Transaction Diagram	16
	1.6 Weighted Average Life of the Notes.....	17
2	Details of the Notes	17
	2.1 General Description	17
	2.2 Issue of the Notes.....	18
	2.3 Interest.....	20
	2.4 Principal Payments on the Notes.....	22
	2.5 Payments.....	22
	2.6 Clean Up Offer	22
	2.7 Final Redemption.....	22
	2.8 Final Maturity Date.....	22
	2.9 Register of Noteholders	23
	2.10 Registration Certificates.....	23
	2.11 Note Transfers	23
	2.12 Limits on the rights of Noteholders	24
	2.13 Notices to Noteholders	25
	2.14 Multiple Noteholders, Register paramount	25
	2.15 Ratings.....	25
	2.16 Further Information	25
3	Transaction Details	28
	3.1 Mortgage Loans.....	28
	3.2 Credit Support.....	29
	3.3 Liquidity Facility Agreement.....	30
	3.4 Extraordinary Expenses Amount	30
	3.5 Excess Income Reserve	30
	3.6 Interest Rate Swap	31
	3.7 Basis Swap	31
	3.8 Novation of Interest Rate Swap	31
	3.9 Threshold Rate	31
	3.10 Redraw Funding.....	32
	3.11 Security Trust Deed and General Security Agreement	32
4	Mortgage Origination and Underwriting	33
	4.1 Heritage Bank Limited	33
	4.2 Loan Origination.....	33
	4.3 Credit Department.....	34
	4.4 Housing Loan Products	35
	4.5 Redraws.....	36
	4.6 Further Advances.....	36
	4.7 Valuations	36
	4.8 Loan Repayments.....	37

Contents

4.9	Mortgage Insurance	37
4.10	General Property Insurance.....	38
4.11	Loan Management System.....	38
4.12	Disaster Recovery Plan/System Backup	38
5	Mortgage Loans	38
5.1	Origination and acquisition	38
5.2	Representations and Warranties and Eligibility Criteria	38
5.3	Servicing of Loans	41
5.4	Fixed Rate Loans.....	41
6	Risk Factors	41
6.1	Limited liability under the Notes.....	41
6.2	The Trust Assets are limited	42
6.3	Credit quality of Loans	42
6.4	Term Risks.....	42
6.5	Reinvestment risk on payments made during the Collection Period	43
6.6	Failure to pay by Obligor or Transaction Parties	43
6.7	Market Risks	44
6.8	Geographic concentration of the pool of Mortgage Loans	44
6.9	Servicer Risk.....	44
6.10	Manager Risk.....	45
6.11	Servicer's ability to change features of the Mortgage Loans may affect the payment on the Notes and Redraw Notes.....	45
6.12	Nature of Security	45
6.13	Enforcement of Security	45
6.14	Breach of representation warranty.....	46
6.15	No recourse to the Trustee if the Information Memorandum is inaccurate or misleading.....	46
6.16	Lenders Mortgage Insurance risk	46
6.17	The termination of Hedge Agreements.....	46
6.18	Ratings on the Notes	47
6.19	Equitable Assignment	47
6.20	Australian Taxation	47
6.21	Anti-Money Laundering and Counter-Terrorism Financing	47
6.22	National Consumer Credit Protection Act.....	48
6.23	Unfair Terms	49
6.24	European Union Capital Requirements Directive – Capital Requirements Regulation.....	49
6.25	FATCA	51
6.26	Implementation of and/or changes to the Basel Framework	52
6.27	The proposed financial transaction tax	53
6.28	Common Reporting Standard	54
6.29	Ipso facto moratorium	54
6.30	U.S. Risk Retention.....	55
7	Cashflow Allocation Methodology	57
7.1	General	57
7.2	Collections and Payment.....	57
7.3	Interest and other payments	57
7.4	Excess Available Income.....	59
7.5	Excess Distribution	61
7.6	Initial Principal Distributions.....	62
7.7	Principal Payments - sequential	62

Contents

7.8	Principal Payments - serial method where Step Down Payment Requirements are satisfied.....	63
7.9	Redraws.....	64
7.10	Determination Date - Gross Liquidity Shortfalls and Liquidity Shortfalls	65
7.11	Determination Date - calculations.....	66
7.12	Allocating Liquidation Loss	67
7.13	Insurance claims.....	67
7.14	Payments before Payment Date.....	67
7.15	Loan Offset Amount.....	68
7.16	Clean Up Offer	68
7.17	Extraordinary Expenses Reserve	70
7.18	Excess Income Reserve	71
8	Support Facilities	71
8.1	Definition.....	71
8.2	Mortgage insurance Policies.....	72
8.3	Interest Rate Swap	75
8.4	Basis Swap	77
8.5	Liquidity Facility Agreement.....	77
9	The Trust	78
9.1	The Trust.....	78
9.2	Role of the Trustee	84
9.3	The Servicer.....	92
9.4	The Custodian.....	99
9.5	Costs of winding up the Trust	101
9.6	Audit and Accounts.....	101
9.7	Income Tax	101
9.8	Amendments to the Master Trust Deed or the Series Notice.....	101
9.9	Meetings of Noteholders.....	102
10	The Security Structure	104
10.1	Security Trust Deed and General Security Agreement	104
10.2	Security Trustee.....	105
10.3	Events of Default.....	105
10.4	Enforcement.....	107
10.5	Priorities under the Security Trust Deed.....	110
10.6	Security Trustee fees and expenses	111
10.7	Retirement and removal	112
11	Regulatory Capital Requirements	112
11.1	General undertakings of the Originator	112
11.2	Caveat to prospective Noteholders.....	113
12	Australian Taxation	113
12.1	The Trustee and the Trust	113
12.2	Withholding Taxes on interest payments.....	114
12.3	Profit on sale of Notes	116
12.4	Australian goods and services tax (GST)	117
12.5	Application of the TOFA Rules	118
12.6	Other Tax Reform Proposals.....	118
12.7	Other Taxes	119
12.8	Consolidated Groups	119
12.9	Group tax liabilities.....	119
12.10	GST Group and indirect tax sharing agreement.....	120

Contents

13	Subscription and Sale	121
14	Transaction Documents	125
15	Glossary	126
	ANNEXURE 1	177
	Directory	181

Important Notices

Purpose

This Information Memorandum has been prepared solely in connection with the HBS Trust 2017-1 and the Trustee's issuance of residential mortgage-backed securities.

This Information Memorandum is not intended to provide the sole basis of any credit or other evaluation and it does not constitute a recommendation, offer or invitation to purchase Notes by any person.

Potential investors in the Notes should read this Information Memorandum and the Transaction Documents and, if required, seek advice from appropriately authorised and qualified advisers prior to making a decision whether or not to invest in the Notes.

This Information Memorandum contains only a summary of the terms and conditions of the Transaction Documents. If there is any inconsistency between this Information Memorandum and the Transaction Documents, the Transaction Documents should be regarded as containing the definitive information. With the approval of the Manager, a copy of the Transaction Documents may be inspected by potential investors or Noteholders at the office of the Manager or the Arranger on a confidential basis, by prior arrangement during normal business hours.

No guarantee

The Notes will be the obligations solely of the Perpetual Trustee Company Limited in its capacity as trustee of the Trust in respect of the Notes.

None of:

- (a) Heritage Bank Limited (in any capacity, including without limitation in its capacity as Originator, Manager, Servicer, Custodian, Interest Rate Swap Provider or Basis Swap Provider);
- (b) National Australia Bank Limited (in any capacity, including without limitation as Arranger, a Dealer, a Joint Lead Manager, Standby Swap Provider or Liquidity Facility Provider);
- (c) Australia and New Zealand Banking Group Limited (in any capacity, including without limitation in its capacity as a Dealer or a Joint Lead Manager);
- (d) Westpac Banking Corporation (in any capacity, including without limitation in its capacity as a Dealer or a Joint Lead Manager);
- (e) Perpetual Trustee Company Limited (in its personal capacity or as Warehouse Trustee) or P.T. Limited (in its personal capacity or in its capacity as Security Trustee); or
- (f) a Related Body Corporate, subsidiary, officer, agent or employee of any of the entities listed above,

guarantees or is otherwise responsible for payment or repayment of any moneys owing to Noteholders, the principal of the Notes, the payment of interest in respect of any Notes or the performance of any obligations whatsoever by any other party.

Notes are not deposits

The Notes do not represent deposits with, or any other liability of:

- (a) Heritage Bank Limited (in any capacity, including without limitation in its capacity as Originator, Manager, Servicer, Custodian, Interest Rate Swap Provider or Basis Swap Provider);

- (b) National Australia Bank Limited (in any capacity, including without limitation as Arranger, a Dealer, a Joint Lead Manager, Standby Swap Provider or Liquidity Facility Provider);
- (c) Australia and New Zealand Banking Group Limited (in any capacity, including without limitation in its capacity as a Dealer or a Joint Lead Manager);
- (d) Westpac Banking Corporation (in any capacity, including without limitation in its capacity as a Dealer or a Joint Lead Manager);
- (e) Perpetual Trustee Company Limited (in its personal capacity) or P.T. Limited (in its personal capacity or in its capacity as Security Trustee); or
- (f) a Related Body Corporate, subsidiary, officer, agent or employee of any of the entities listed above.

The Notes do not represent deposits with any other person.

Investment risk

The holding of Notes is subject to investment risk, including possible delays in repayment and loss of income and principal invested. Investors should carefully consider the risk factors set out in section 6.

Responsibility for information contained in the Information Memorandum

None of the Trustee, the Security Trustee, the Warehouse Trustee, the Swap Provider, the Standby Swap Provider, the Liquidity Facility Provider, the Arranger, the Dealers or the Joint Lead Managers, S&P or Fitch have authorised or caused the issue of this Information Memorandum.

The Trustee only accepts responsibility for the information relating to it contained in section 1.1. To the best of the knowledge and belief of the Trustee (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Security Trustee only accepts responsibility for the information relating to it contained in section 1.1. To the best of the knowledge and belief of the Security Trustee (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Manager accepts responsibility for the information contained in this Information Memorandum other than the information referred to in the preceding two paragraphs. To the best of the knowledge and belief of the Manager (and the Manager 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 authorised and caused the issue of this Information Memorandum and:

- (a) has separately verified the information contained in this Information Memorandum (other than the information referred to in the preceding two paragraphs) by making reasonable enquiries with respect to that information; and
- (b) in relation to the information referred to in the preceding two paragraphs, has relied upon information (including as described in the preceding two paragraphs (if any)) which has been provided to the Manager by the Trustee and the Security Trustee.

The information provided by the Trustee and the Security Trustee (as referred to in paragraph (b)) has been accurately reproduced in this Information Memorandum.

None of the Trustee, the Security Trustee, the Warehouse Trustee, the Swap Provider, the Standby Swap Provider, the Liquidity Facility Provider, the Arranger, the Dealers, the Joint Lead Managers, S&P or Fitch or their respective Related Entities, officers, agents or employees (each a **Relevant Person**) has authorised, caused the issue of, or has (and expressly disclaim) any responsibility for any information contained in this Information Memorandum and none of them has separately verified the information contained in this Information Memorandum except, in each case, with respect to the information for which they are expressed to be responsible in this Information Memorandum (if any).

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Relevant Persons as to the accuracy or completeness of any information contained in this Information Memorandum (except, in each case, as expressly stated in this Information Memorandum) or any other information supplied in connection with the Notes or their distribution.

Each person receiving this Information Memorandum acknowledges that such person has not relied on any Relevant Person, nor on any person affiliated with any of them, in connection with its investigation of the accuracy of such information or its investment decisions except, in each case, with respect to the information for which they are expressed to be responsible in this Information Memorandum (if any).

No person has been authorised to give any information or to make any representations other than as contained in this Information Memorandum and the documents referred to herein in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any Relevant Person.

Neither the delivery of this Information Memorandum nor any sale made in connection with it shall, under any circumstances, create any implication that there has been no change in the affairs of the Trust or the Trustee since the Preparation Date or the date upon which this document has been most recently amended or supplemented or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No Relevant Person undertakes and the Manager does not undertake to review the financial condition or affairs of the Trust during the life of the Notes or to advise any investor or potential investor in the Notes of any changes in, or matters arising or coming to their attention which may affect, anything referred to this Information Memorandum.

Disclosure

Each Relevant Person discloses that it, in addition to the arrangements and interests it will or may have with respect to the Manager, an Approved Seller, the Custodian, the Servicer and Perpetual Trustee Company Limited in its capacity as trustee of the Trust (together, the **Group**), as described in this Information Memorandum (the **Transaction Document Interests**) it, its Related Bodies Corporate, subsidiaries, officers, directors, agents and employees:

- (a) may from time to time, be a Noteholder or have other interests with respect to the Notes and Redraw Notes and they may also have interests relating to other arrangements with respect to a Noteholder or a Note or a Redraw Note; and
- (b) may receive fees, brokerage and commissions or other benefits, and act as principal with respect to any dealing with respect to any Notes or Redraw Notes,

(the **Note Interests**).

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

- (c) each Relevant Person and each of its Related Bodies Corporate, subsidiaries, officers, directors, agents and employees (each a **Relevant Entity**) will or may from time to time have the Transaction Document Interests and may from time

to time have the Note 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, both on the Relevant Entity's own account and/or for the account of other persons (the **Other Transaction Interests**); and

- (d) each Relevant Entity in the course of its business (whether with respect to the Transaction Document Interests, the Note Interests, the Other Transaction Interests or otherwise) may act independently of any other Relevant Entity; and
- (e) to the maximum extent permitted by applicable law, the duties of each of the Arranger, the Dealers, the Joint Lead Managers, the Swap Provider, the Liquidity Facility Provider and the Standby Swap Provider (the **Finance Parties**) and each of their Related Entities and employees in respect of the Notes and Redraw Notes are limited to the contractual obligations of the Finance Parties to the Manager and Perpetual Trustee Company Limited in its capacity as trustee of the Trust as set out in the relevant Transaction Documents and, in particular, no advisory or fiduciary duty is owed to any person; and
- (f) a Relevant Entity may have or come into possession of information not contained in this Information Memorandum regarding any member of the Group that may be relevant to any decision by a potential investor to acquire the Notes and Redraw Notes and which may or may not be publicly available to potential investors (**Relevant Information**); and
- (g) to the maximum extent permitted by applicable law, no Relevant Entity is under any obligation to disclose any Relevant Information to any potential investor and this Information Memorandum and any subsequent course of conduct by a Relevant Entity should not be construed as implying that the Relevant Entity is not in possession of such Relevant Information; and
- (h) 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 Note Interests or the Other Transaction Interests. For example, the exercise of rights against a member of the Group arising from the Transaction Document Interests (for example by a 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 Notes and Redraw Notes. In addition, the existence of the Transaction Document Interests or Other Transaction Interests may affect how a Relevant Entity as a Noteholder may seek to exercise any rights it may have as a Noteholder. These interests may conflict with the interests of the Group or a Noteholder and a Noteholder 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 Note Interests or the Other Transaction Interests and may otherwise continue to 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 Noteholders 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.

No financial product advice

Neither this Information Memorandum nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any Relevant Person that any recipient of this Information Memorandum, or of any other information supplied in connection with the Notes, should purchase any of the Notes. Each investor contemplating purchasing any of the Notes should make its own independent investigation of the Trustee, the Trust, the Trust Assets and the Notes and each investor

should seek its own tax, accounting and legal advice as to the consequence of investing in any of the Notes. No Relevant Person accepts any responsibility for, or makes any representation as to the tax consequences of investing in the Notes.

Date of this Information Memorandum

This Information Memorandum has been prepared based on information available and facts and circumstances known to the Manager as at its date of preparation (**Preparation Date**). Neither the delivery of this Information Memorandum, nor any offer or issue of Notes, implies or should be relied upon as a representation or warranty that:

- (a) there has been no change since the Preparation Date in the affairs or financial condition of the Trust or any party named in this Information Memorandum; or
- (b) the information contained in this Information Memorandum is accurate, timely and complete at any time after the Preparation Date.

None of the Manager, the Arranger, an Approved Seller, the Trustee, the Security Trustee, the Warehouse Trustee, the Dealers, the Servicer, or any Joint Lead Managers nor any other person undertakes to review the financial condition or affairs of the Trustee or the Trust at any time or to keep a recipient of this Information Memorandum or any Noteholder informed of changes in, or matters arising or coming to their attention which may affect, anything referred to in this Information Memorandum.

None of the Manager, the Arranger, the Approved Seller, the Trustee, the Security Trustee, the Warehouse Trustee, the Dealers, the Servicer, or the Joint Lead Managers nor any other person accepts any responsibility to Noteholders or prospective Noteholders to update or correct this Information Memorandum after the Preparation Date with regard to information or circumstances which come to its attention after the Preparation Date.

It should not be assumed that the information contained in this Information Memorandum is necessarily accurate or complete in the context of any offer to subscribe for or an invitation to subscribe for or buy any of the Notes at any time after the Preparation Date, even if this Information Memorandum is circulated in conjunction with the offer or invitation.

No disclosure under Corporations Act 2001

This Information Memorandum is not a **Product Disclosure Statement** or a **prospectus** for the purposes of the Corporations Act and is not required to be lodged with the Australian Securities and Investments Commission. Accordingly, a person may not (directly or indirectly) offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes, 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 (**Australia**), except if:

- (a) the amount payable by the transferee in relation to the relevant Notes 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 and directives.

Projections, Pro Forma Information and Forward Looking Statements

The information contained in this Information Memorandum may contain “forward-looking statements”. These may include, among other things, projections, forecasts, estimates of income, yield or return, future performance targets, expected payment dates, sample or pro forma portfolio structures or portfolio composition, scenario, analysis, specific

investment strategies and proposed or pro forma levels of diversification or sector investment. These forward-looking statements may be based upon certain assumptions. By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, are difficult to predict and are generally beyond the control of any particular persons. Actual events may differ from those assumed.

All forward-looking statements included are based on information available on the Preparation Date hereof and none of the Arranger, the Joint Lead Managers or their affiliates, nor any other person assumes any duty to update any forward-looking statement. Some important factors could cause actual results to differ materially from those in any forward-looking statements including the actual composition of the receivables, loss ratios and delinquency ratios.

Other risk factors will also be described in the Information Memorandum, see section 5 in this respect. Accordingly, there can be no assurance that any forward-looking statements will materialise or that actual returns or results will not be materially lower than those presented. Any historical information contained in this document is provided by way of illustration only, past performance is not a guide to future performance and actual performance may differ materially. Assumptions upon which financial illustrations are based may differ from actual circumstances.

Selling restrictions

The distribution of this Information Memorandum and the offering or sale of the Notes in certain jurisdictions may be restricted by law. The Relevant Persons and the Manager does not represent that this Information Memorandum may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available there under, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been or will be taken by any Relevant Person or the Manager that would permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Information Memorandum nor any information memorandum, private placement memorandum, prospectus, form of application, advertisement or other offering material may be issued or distributed or published in any country or jurisdiction, except in circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Information Memorandum comes are required by the Trustee and the Manager to inform themselves about and to observe any such restrictions. In particular, see section 13.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exemptions, the Notes may not be offered, sold to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act).

This Information Memorandum may only be communicated or caused to be communicated in the United Kingdom in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000, as amended (**FSMA**) does not apply to the Trustee.

Within Hong Kong, this Information Memorandum may not be issued or distributed other than to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended (the “**SFO**”) and any rules made under the SFO. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation, other offering material or other document relating to the securities described in this Information Memorandum which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to

persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made under the SFO.

The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). 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 Directive 2014/65/EU (**MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC, 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 (the **PRIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

Ratings

There are several references in this Information Memorandum to the credit rating of the Notes and parties. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by each Designated Rating Agency. The credit rating of the Notes addresses the likelihood of the timely payment of interest. The credit rating of the Notes does not address the expected rate of principal repayment other than the ultimate payment of principal no later than the Final Maturity Date. No Designated Rating Agency was involved in the preparation of this Information Memorandum.

Credit ratings in respect of the Notes are for distribution only to persons who are not “retail clients” within the meaning section 761G of the Corporations Act and are also sophisticated, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 of the Corporations Act and, in all cases, in such circumstances as may be permitted by applicable law in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive this Information Memorandum and anyone who receives this Information Memorandum must not distribute it to any person who is not entitled to receive it.

Neither of the Designated Rating Agencies is established in the European Union and neither of the Designated Rating Agencies 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 Standard & Poor’s Credit Market Services Europe Limited and Fitch Ratings Limited, respectively, pursuant to and in accordance with the CRA Regulation, subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Standard & Poor’s Credit Market Services Europe Limited and Fitch Ratings Limited are established in the European Union and registered under the CRA Regulation. References in this Information Memorandum to S&P and/or Fitch shall be construed accordingly. As such each of Standard & Poor’s Credit Market Services Europe Limited and Fitch Ratings Limited 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). The European Securities and Markets Authority has indicated that ratings issued in Australia which have been endorsed by Standard & Poor’s Credit Market Services Europe Limited and Fitch Ratings Limited may be used in the EU by the relevant market participants.

European Risk Retention Requirements

Article 405 of the Capital Requirements Regulation, Article 51 of the AIFMR and Article 254 of the Solvency II Delegated Regulation (which, in each case, does not take into account any national implementing measures) restrict certain European-Union regulated investors from investing in a securitisation unless the originator, sponsor or original lender

in respect of that securitisation has explicitly disclosed to the investor that it will retain, on an ongoing basis, a net economic interest of not less than 5 per cent in that securitisation in the manner contemplated by Article 405 of the Capital Requirements Regulation. Similar requirements apply under Articles 254 to 257 of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance.

In this respect, Heritage (in its capacity as originator of the mortgage loans to be securitised and included in the Trust) intends to retain a net economic interest in this transaction in accordance with the requirements of the relevant regulation. For further information please see section 6.24.

No Eurosystem Eligibility

As of the date of the Information Memorandum, the Notes are not recognised as eligible collateral (or recognised to fall into any specific category of eligible collateral) for the purpose of monetary policy and intra-day credit operations by the European Central Bank's liquidity scheme (**Eurosystem**) either upon issue or at any or all times while any Notes are outstanding, and there is no guarantee that any of the Notes will be so recognised at a future date. Eurosystem eligibility may affect the marketability of the Notes. Any potential investor in the Notes should make its own determinations and seek its own advice with respect to whether or not the Notes constitute Eurosystem eligible collateral.

U.S. Risk Retention

It is intended that the Notes will be issued under the safe harbor for certain foreign transactions pursuant to the risk retention rules set out in section 15G of the Securities Exchange Act of 1934 of the United States of America (as amended) (the **Exchange Act**) as added by section 941 of the Dodd-Frank Act (**U.S. Risk Retention Rules**) regarding non-U.S. transactions that meet certain requirements. Consequently, the Notes sold in this offering, until the date occurring 40 days after the completion of the distribution of the Notes, may not be purchased by or transferred to any person except for (a) persons that are not "U.S. persons" as defined in the U.S. Risk Retention Rules (**Risk Retention U.S. Persons**) or (b) persons that have obtained a waiver with respect to the U.S. Risk Retention Rules from the Manager (on behalf of the Trustee) (**U.S. Risk Retention Waiver**). Prospective investors should note that the definition of "U.S. person" in the U.S. Risk Retention Rules is substantially similar to, but not identical to, and in one respect is materially narrower than, the definition of "U.S. person" in Regulation S under the Securities Act of 1933 (**Regulation S**). In particular, a partnership, corporation, limited liability company or other organization or entity that is organized or incorporated under the laws of a non-U.S. jurisdiction will qualify as a "U.S. person" under Regulation S if (a) formed by a "U.S. person" (as defined in Regulation S) principally for the purpose of investing in unregistered securities and (b) owned exclusively by "accredited investors" as defined in Regulation D under the Securities Act who are not natural persons, estates or trusts. However, any such organization or entity organized or incorporated under the laws of a non-U.S. jurisdiction that is not so formed and owned will not qualify as a Risk Retention U.S. Person. Each purchaser or transferee of Notes, including beneficial interests therein, in the offering will be deemed to have made certain representations and agreements including, and in certain circumstances will be required to execute a written certification of representation letter under which it will represent and agree, that it (1) either (a) is not a Risk Retention U.S. Person or (b) has received a U.S. Risk Retention Waiver from the Manager (on behalf of the Trustee), (2) is acquiring such Note for its own account and not with a view to distribution of such Note, and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the safe harbor for certain non-U.S. transactions provided for by Section __.20 of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the requirements of the U.S. Risk Retention Rules described in section 6.30). See section 6.30 for further details.

1 Transaction summary

This section is only a brief summary of the Trust structure, the terms and conditions of the Notes and the transaction generally. It should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information which appears in other parts of this Information Memorandum and by the terms and conditions of the Transaction Documents.

1.1 Overview

Heritage Trusts

The Heritage Trusts securitisation program was established pursuant to the Master Trust Deed dated 21 June 2000 between SG Australia Transaction Management Pty Limited (ACN 003 799 077) (formerly known as SG Australia Asset Management Company Pty Ltd), HBS Custodian Pty Ltd (ABN 62 092 937 025) and Heritage Bank Limited (ABN 32 087 652 024) (formerly known as Heritage Building Society Limited) (**Heritage**) (as amended) for the purpose of investing in pools of income-producing loans and certain other assets.

The Master Trust Deed provides for the creation of an unlimited number of Heritage Trusts. Each Heritage Trust will be a separate and distinct trust and will be created subject to the Master Trust Deed and a series notice establishing specific provisions of, and appointment of parties in connection with, the relevant Heritage Trust and the instruments to be issued by that trust. Multiple classes of Notes may be issued by the Trustee in relation to each Heritage Trust that differ among themselves as to priority of repayment and credit.

HBS Trust 2017-1

The Trust was established on 31 August 2017. The detailed terms of the Trust and the Notes are as set out in the Series Notice.

The Trustee in its capacity as trustee of the Trust will issue the Notes to fund the purchase of a pool of residential mortgage loans from the Approved Sellers. There will be six classes of Notes offered as part of the offer described in this Information Memorandum:

- (a) Class A1 Notes;
- (b) Class A2 Notes;
- (c) Class AB Notes;
- (d) Class B Notes;
- (e) Class C Notes; and
- (f) Class D Notes.

No further notes will be issued or Mortgage Loans purchased after the Note Issue Date with the exception of Redraw Notes. Redraw Notes are not offered as part of the offer described in this Information Memorandum.

Redraw Notes may be issued from time to time, in accordance with the Series Notice, to fund applications for redraws under Mortgage Loans with redraw facilities.

The particulars of the Mortgage Loans will be specified in the Sale Notices from each of the Approved Sellers to the Trustee and the Manager.

The Trustee

Perpetual Trustee Company Limited was incorporated on 28 September 1886 as Perpetual Trustee Company (Limited) under the Companies Statute of New South Wales as a public company. The name was changed to Perpetual Trustee Company Limited on 14 December 1971 and the Trustee now operates as a limited liability public company under the Corporations Act. Perpetual Trustee Company Limited is registered in New South Wales and its registered office is at Level 18, 123 Pitt Street, Sydney, Australia.

Perpetual Trustee Company Limited has 50,000,000 ordinary shares issued with a paid amount of A\$1.00 per share and 4,000,000 A\$1.00 ordinary shares with a paid amount of A\$0.01 per share. Perpetual Trustee Company Limited is a wholly owned subsidiary of Perpetual Limited, a publicly listed company on the Australian Securities Exchange.

The principal activities of Perpetual Trustee Company Limited are the provision of trustee and other commercial services. Perpetual Trustee Company Limited is an authorised trustee corporation, and holds an Australian Financial Services Licence under Part 7.6 of the Corporations Act 2001 (Australian Financial Services Licence No. 236643). Perpetual Trustee Company Limited and its related companies provide a range of services including custodial and administrative arrangements to the funds management, superannuation, property, infrastructure and capital markets.

Perpetual Trustee Company Limited has acted as Trustee for all of the trusts established under Heritage Bank's Securitisation Trust Program since 2000.

The directors of Perpetual Trustee Company Limited are as follows:

Name	Business Address	Principal Activities
Andrew Baker	Level 18, 123 Pitt Street Sydney NSW 2000	Director
Christopher Green	Level 18, 123 Pitt Street Sydney NSW 2000	Director
Rebecca Nash	Level 18, 123 Pitt Street Sydney NSW 2000	Director
Andrew John Wallace	Level 18, 123 Pitt Street Sydney NSW 2000	Director

Security Trustee

The Security Trustee, P.T. Limited, is a wholly owned subsidiary of Perpetual Trustee Company Limited. P.T. Limited is a public company established under the laws of Australia. Perpetual Trustee Company Limited has appointed P.T. Limited to act as its authorised representative under its Australian Financial Services License (Authorised Representative Number 266797). The Security Trustee's registered office is Level 18, 123 Pitt Street, Sydney, Australia. The principal activities of P.T. Limited are the provision of trustee and other commercial services. P.T. Limited and its related companies provide a range of services including custodial and administrative arrangements to the funds management, superannuation, property, infrastructure and capital markets.

1.2 Table summary of Notes

This table provides a summary of certain principal terms of the Notes which are to be offered in connection with this Information Memorandum. This summary is qualified by the more detailed information contained elsewhere in this Information Memorandum and by the terms and conditions of the Transaction Documents.

The Notes

	Class A1 Notes	Class A2 Notes	Class AB Notes	Class B Notes	Class C Notes	Class D Notes
Denomination	A\$	A\$	A\$	A\$	A\$	A\$
Aggregate Initial Invested Amount	A\$690,000,000	A\$22,500,000	A\$19,125,000	A\$10,875,000	A\$6,000,000	A\$1,500,000
Initial Invested Amount per Note	A\$1,000	A\$1,000	A\$1,000	A\$1,000	A\$1,000	A\$1,000
Issue price	100%	100%	100%	100%	100%	100%
Coupon Frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Payment Dates	The 20th day of each month provided that the first Payment Date occurs in 20 November 2017	The 20th day of each month provided that the first Payment Date occurs in 20 November 2017	The 20th day of each month provided that the first Payment Date occurs in 20 November 2017	The 20th day of each month provided that the first Payment Date occurs in 20 November 2017	The 20th day of each month provided that the first Payment Date occurs in 20 November 2017	The 20th day of each month provided that the first Payment Date occurs in 20 November 2017
Business Day Convention	Following Business Day	Following Business Day	Following Business Day	Following Business Day	Following Business Day	Following Business Day
Interest Rate from the Note Issue Date to (but excluding) the Step-Up Margin Date	Bank Bill Rate (1 month) + Class Margin for Class A1 Notes	Bank Bill Rate (1 month) + Class Margin for Class A2 Notes	Bank Bill Rate (1 month) + Class Margin for Class AB Notes	Bank Bill Rate (1 month) + Class Margin for Class B Notes	Bank Bill Rate (1 month) + Class Margin for Class C Notes	Bank Bill Rate (1 month) + Class Margin for Class D Notes
Interest rate from (and including) the Step-Up Margin Date	Bank Bill Rate (1 month) and Class Margin for Class A1 Notes and Step-Up Margin	Bank Bill Rate (1 month) and Class Margin for Class A2 Notes and Step-Up Margin	Bank Bill Rate (1 month) + Class Margin for Class AB Notes and Step-Up Margin	Bank Bill Rate (1 month) + Class Margin for Class B Notes	Bank Bill Rate (1 month) + Class Margin for Class C Notes	Bank Bill Rate (1 month) + Class Margin for Class D Notes
Class Margin	1.07%	1.20%	1.60%	2.00%	2.85%	5.90%
Step-Up Margin	0.25%	0.25%	0.25%	N/A	N/A	N/A
Day count	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365
Expected ratings						
S&P	AAA(sf)	AAA(sf)	AAA(sf)	AA(sf)	A+(sf)	
Fitch	AAAsf	AAAsf	AAAsf			
Final Maturity Date	20 July 2049	20 July 2049	20 July 2049	20 July 2049	20 July 2049	20 July 2049
Selling Restrictions	See section 13	See section 13	See section 13	See section 13	See section 13	See section 13
Governing Law	New South Wales	New South Wales	New South Wales	New South Wales	New South Wales	New South Wales
Form of notes	Registered	Registered	Registered	Registered	Registered	Registered
Listing	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Clearance	Austraclear	Austraclear	Austraclear	Austraclear	Austraclear	Austraclear

	Class A1 Notes	Class A2 Notes	Class AB Notes	Class B Notes	Class C Notes	Class D Notes
ISIN	AU3FN0038394	AU3FN0038402	AU3FN0038410	AU3FN0038428	AU3FN0038436	AU3FN0038444
Common Code	169525579	169525587	169525595	169525609	169525617	169525625

1.3 Transaction Parties

The following persons are parties to the HBS Trust 2017-1 transaction (**Transaction Parties**):

Party	Particulars
Approved Sellers	<ol style="list-style-type: none"> 1 Heritage, 2 Perpetual Trustee Company Limited (ABN 42 000 001 007) in its capacity as trustee of the HBS Trust No. 2; and 3 Perpetual Trustee Company Limited (ABN 42 000 001 007) in its capacity as trustee of the HBS Trust No.4.
Arranger	National Australia Bank Limited ABN 12 004 044 937.
Basis Swap Provider	Heritage.
Custodian	Heritage.
Designated Rating Agencies	<ol style="list-style-type: none"> 1 S&P Global Ratings Australia Pty Ltd; and 2 Fitch Australia Pty Ltd.
Interest Rate Swap Provider	Heritage.
Joint Lead Managers	<ol style="list-style-type: none"> 1 National Australia Bank Limited; 2 Australia and New Zealand Banking Group Limited; and 3 Westpac Banking Corporation.
Standby Swap Provider	National Australia Bank Limited.
Swap Provider	The Interest Rate Swap Provider or the Basis Swap

Party	Particulars
	Provider, as applicable.
Liquidity Facility Provider	National Australia Bank Limited.
Manager	Heritage.
Mortgage Insurers	1 QBE Lenders Mortgage Insurance Limited; and 2 Genworth Financial Mortgage Insurance Pty Ltd.
Originator	Heritage.
Trustee	Perpetual Trustee Company Limited in its capacity as trustee of the HBS Trust 2017-1.
Security Trustee	P.T. Limited (ABN 67 004 454 666) in its capacity as trustee of the HBS Trust 2017-1 Security Trust.
Servicer	Heritage.

1.4 Important Dates and Periods

Cut-Off Date	11 October 2017.
Note Issue Date	1 In relation to the issue of Notes (other than Redraw Notes), 24 October 2017; and 2 in relation to the issue of any Redraw notes, the date of issue of those Redraw Notes.
Determination Date	In relation to a Collection Period, the date which is 3 Business Days before the Payment Date following the end of that Collection Period.
Collection Period	The first Collection Period will be the period commencing on (but excluding) the Cut-Off Date and ending on (and including) the last day of the calendar month in which the Cut-Off Date occurs.

Subsequent Collection Periods will be the period from (and including) the first day of the calendar month immediately preceding the calendar month in which the Payment Date occurs to (but excluding) the first day of the calendar month in which the Payment Date occurs.

The last Collection Period will be the period commencing on (but excluding) the last day of the previous Collection Period to (and including) the Termination Date.

Coupon Period

In relation to a Note, the first Coupon Period will be the period commencing on (and including) the Note Issue Date for that Note and ending on (but excluding) the first Payment Date for that Note.

Subsequent Coupon Periods will be each period commencing on (and including) a Payment Date and ending on (but excluding) the next Payment Date.

Payment Date

For all Notes the 20th day of each calendar month, subject to the Following Business Day Convention.

The first Payment Date for the Notes will be in November 2017.

The final Payment Date for each Note will be the earlier of the Final Maturity Date and the Payment Date on which that Note is redeemed in full.

If any payment is due under a Transaction Document on a day which is not a Business Day, the due date will be the following Business Day.

Clean Up Date

The first Payment Date on which the Clean Up Offer is able to be exercised, as described under section 7.16.

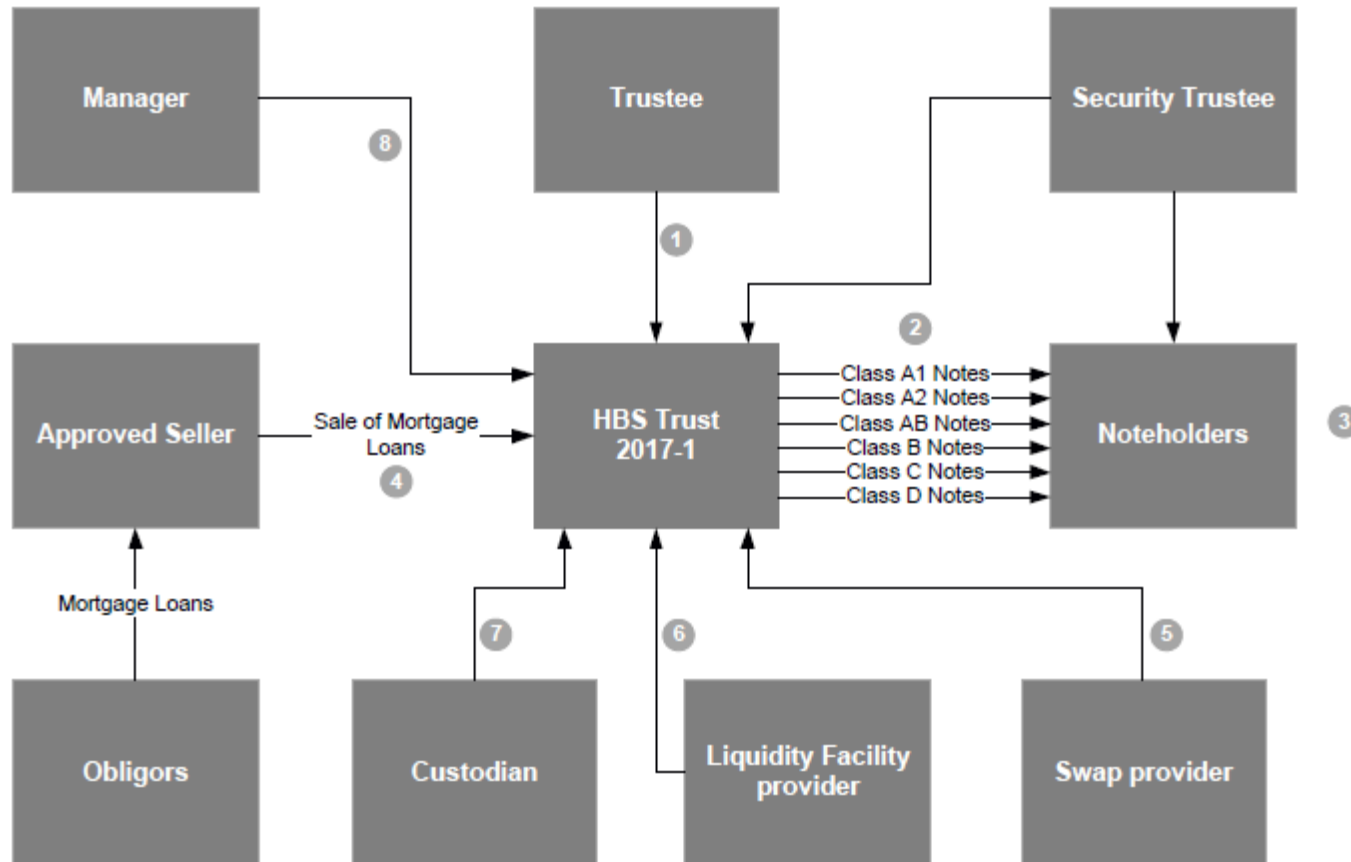
Step-Up Margin Date

the date upon which Heritage may direct the Trustee to accept a Clean Up Offer, as described under 7.16(a).

Final Maturity Date

The Payment Date in July 2049, or if that day is not a Business Day, the following Business Day.

1.5 Transaction Diagram



- | | | | |
|---|---------------------------------|---|------------------------------|
| 1 | Establishment of Trust | 5 | Hedging Agreements |
| 2 | Appointment of Security Trustee | 6 | Liquidity Facility Agreement |
| 3 | Issuance of Notes | 7 | Appointment of Custodian |
| 4 | Sale Notices | 8 | Appointment of Manager |

1.6 Weighted Average Life of the Notes

The weighted average life (**WAL**) of the Notes refers to the average amount of time that will elapse from the Note Issue Date until the Notes have been repaid in full.

The weighted average life of the Notes will be influenced by a number of factors including the rate of scheduled repayment of the Mortgage Loans, prevailing economic conditions and refinancing. The weighted average lives of the Notes cannot be predicted due to the uncertain nature of unscheduled principal repayments. However, given certain assumptions, the weighted average lives of the Notes can be estimated.

The following tables represent possible weighted average lives of the Notes and have been prepared on the following assumptions:

- (a) The Mortgage Loans are subject to constant rates of principal prepayment (**CPR**) as indicated in Table 1.
- (b) No arrears or Losses will occur.
- (c) No Mortgage Loans are sold by the Trustee.
- (d) The fixed rate Mortgage Loans and interest only Mortgage Loans in the pool will not have a significant effect on prepayment.
- (e) The portfolio of Mortgage Loans is acquired on the Closing Date.
- (f) Payments of principal in respect of the Notes will be made on each Payment Date commencing on the first Payment Date.
- (g) The Notes will be called on the earliest possible Payment Date under the Clean Up Offer.
- (h) The Step Down Payment Requirements have been satisfied.

The actual characteristics of the Mortgage Loans are likely to differ from the assumptions used in constructing this table, which is only hypothetical in nature and are provided only to give a general indication of how principal cashflows may behave under various CPR scenarios. For example, it is not expected that the Mortgage Loans will prepay at a constant rate until maturity, that all of the Mortgage Loans will prepay at the same rate or that there will be no arrears or Losses on the Mortgage Loans.

Any difference between such assumptions and the actual characteristics and performance of the Mortgage Loans will cause the weighted average lives of the Notes to differ from the corresponding information in the table for each indicated CPR. It should not be assumed that the CPR would always be at the levels as indicated in Table 1.

Table 1. (Modelled off collateral pool)

CPR	Class A1 WAL	Class A2 WAL	Class AB WAL	Class B WAL	Class C WAL	Class D WAL
15	4.5	4.5	8.8	8.8	8.8	8.8
21	3.3	3.3	6.5	6.5	6.5	6.5
30	2.3	2.3	4.5	4.5	4.5	4.5

2 Details of the Notes

2.1 General Description

This section is only a brief summary of the details of the Notes generally. It should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed

information which appears in other parts of this Information Memorandum and by the terms and conditions of the Transaction Documents.

The Notes are debt securities issued by the Trustee. They are characterised as secured, limited recourse, floating rate pass-through mortgage backed securities. They are issued with the benefit of, and subject to, the Master Trust Deed, the Series Notice and the Security Trust Deed.

In the event of an enforcement under the Security Trust Deed, the obligations of the Trustee are secured by way of a first ranking security interest granted to the Security Trustee over the Secured Property in favour of Noteholders and other creditors of the Trust. The Security Trust Deed is described in section 10, including priorities that will apply if the Security Trust Deed is enforced.

2.2 Issue of the Notes

Trustee of the Notes The Trustee

Classes of Notes The Notes are divided into the following classes:

- 1 Class A1 Notes;
- 2 Class A2 Notes;
- 3 Class AB Notes;
- 4 Class B Notes;
- 5 Class C Notes; and
- 6 Class D Notes.

In addition, Redraw Notes may be issued from time to time to fund applications for redraws under Mortgage Loans with redraw facilities as approved by the Servicer.

The Redraw Notes are not offered as part of the offer described in this Information Memorandum.

Initial Invested Amount The Class A1 Notes will have an initial Total Invested Amount of A\$690,000,000, each with an Initial Investment Amount of A\$1,000.

The Class A2 Notes will have an initial Total Invested Amount of A\$22,500,000, each with an Initial Investment Amount of A\$1,000.

The Class AB Notes will have an initial Total Invested Amount of A\$19,125,000, each with an Initial Investment Amount of A\$1,000.

The Class B Notes will have an initial Total Invested Amount of A\$10,875,000, each with an Initial Invested Amount of A\$1,000.

The Class C Notes will have an initial Total Invested Amount of A\$6,000,000, each with an Initial Invested Amount of A\$1,000.

The Class D Notes will have an initial Total Invested Amount of A\$1,500,000, each with an Initial Invested

Amount of A\$1,000.

Notes will initially be issued in minimum parcels of at least A\$500,000.

Issue Price

The Notes will be issued at par.

Rating

The Class A1 Notes are expected to be assigned, on issue, a long term rating of 'AAA(sf)' by S&P and a long term rating of 'AAAsf' by Fitch.

The Class A2 Notes are expected to be assigned, on issue, a long term rating of 'AAA(sf)' by S&P and a long term rating of 'AAAsf' by Fitch.

The Class AB Notes are expected to be assigned, on issue, a long term rating of AAA(sf) by S&P and a long term rating of 'AAAsf' by Fitch.

The Class B Notes are expected to be assigned, on issue, a long term rating of 'AA(sf)' by S&P and are not rated by Fitch.

The Class C Notes are expected to be assigned, on issue, a long term rating of 'A+(sf)' by S&P and are not rated by Fitch

The Class D Notes will be unrated.

The Redraw Notes will be unrated.

Calculation, Allocation and Application of Charge Offs

The Manager must, on each Determination Date, calculate for a Collection Period the amount of all Mortgage Shortfalls for that Collection Period (the **Loss**).

Excess Available Income will be applied towards Total Available Principal in payment of the Loss for that Collection Period in accordance with the order of priority as set out in section 7.4.

To the extent that the application of Excess Available Income for the preceding Collection Period is insufficient to cover the Loss for the preceding Collection Period, the shortfall will be the Charge-Off for that Determination Date and will, to the extent it is not reimbursed together with any additional Charge-Off on the next Determination Date, become the Carryover Charge-Off.

Excess Available Income will be applied towards Total Available Principal in payment of any Carryover Charge-Offs for that Collection Period in accordance with the order of priority as set out in section 7.4.

Austraclear

It is expected that the Notes will be eligible to be lodged into the Austraclear system by registering Austraclear as the holder of record. All payments in respect of Notes lodged into Austraclear will be made to Austraclear. All

notices in respect of Notes lodged into Austraclear will be sent to Austraclear.

2.3 Interest

Payment

Each Note bears interest on its Invested Amount, for so long as the Stated Amount of any Note is greater than zero. The Interest on each Note is payable monthly in arrears on its Payment Date to the person whose name is, on the Determination Date, entered in the Register as the holder of that Note.

Calculation

- (a) Interest payable on each Note in respect of each Coupon Period is calculated:
- (1) on a daily basis at the applicable Coupon Rate;
 - (2) on the Invested Amount of that Note as at the first day of that Coupon Period; and
 - (3) on the basis of the actual number of days in that Coupon Period and a year of 365 days,
- and shall accrue from day to day.
- (b) Importantly:
- (1) no interest will accrue on any Note for the period from and including the date on which the Stated Amount of that Note is reduced to zero; and
 - (2) no overdue or default interest will be payable on any interest which is not paid in full on the due date.

Coupon Period

The first Coupon Period in relation to the Notes commences on (and includes) the Note Issue Date and ends on (but excludes) the first Payment Date following that Note Issue Date.

Each succeeding Coupon Period, commences on (and includes) a Payment Date and ends on (but excludes) the next Payment Date.

Coupon Rate

The Coupon Rate, in relation to any Coupon Period of a Note or Redraw Note, as the case may be, is the sum of:

- (a) the One Month Bank Bill Rate on the Rate Reset Date for that Coupon Period; and
- (b) for the Class A1 Notes up to (but not including) the Step-Up Margin Date, the Margin for the Class A1 Notes;
- (c) for the Class A1 Notes from (and including) the Step-Up Margin Date, the aggregate of the Margin for the Class A1 Notes and the Step-Up Margin; and
- (d) for the Class A2 Notes up to (but not including) the Step-Up Margin Date, the Margin for the Class A2 Notes;
- (e) for the Class A2 Notes from (and including) the Step-Up Margin Date, the aggregate of the Margin for the Class A2 Notes and the Step-Up Margin;

- (f) for the Class AB Notes up to (but not including) the Step-Up Margin Date, the Margin for the Class AB Notes;
- (g) for the Class AB Notes from (and including) the Step-Up Margin Date, the aggregate of the Margin for the Class AB Notes and the Step-Up Margin;
- (h) for the Class B Notes, the Class C Notes and the Class D Notes, the Margin for that class of Notes; and
- (i) for the Redraw Notes, the Margin for the Redraw Notes.

Payment Dates

If sufficient Total Available Income is available, the Manager will instruct the Trustee to pay the interest for the Coupon Period on each Class A1 Note, Class A2 Note, Class AB Note, Class B Note, Class C Note, Class D Note and Redraw Note on each Payment Date in arrears in respect of the Coupon Period ending on that Payment Date.

Event of Default – failure to pay

The Grantor fails to pay:

- (a) where there are Class A1 Notes outstanding, any Coupon Entitlement in respect of the Class A1 Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
- (b) where there are Redraw Notes outstanding, any Coupon Entitlement in respect of the Redraw Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
- (c) where there are no Class A1 Notes or Redraw Notes outstanding, any Coupon Entitlement in respect of the Class A2 Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
- (d) where there are no Class A1 Notes, Redraw Notes or Class A2 Notes outstanding, any Coupon Entitlement in respect of the Class AB Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
- (e) where there are no Class A1 Notes, Redraw Notes, Class A2 Notes or Class AB Notes outstanding, any Coupon Entitlement in respect of the Class B Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
- (f) where there are no Class A1 Notes, Redraw Notes, Class A2 Notes, Class AB Notes or Class B Notes outstanding, any Coupon Entitlement in respect of the Class C Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
- (g) where there are no Class A1 Notes, Redraw Notes, Class A2 Notes, Class AB Notes, Class B Notes or Class C Notes outstanding, any Coupon Entitlement in respect of the Class D Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
- (h) where there are no Class A1 Notes, Redraw Notes, Class A2 Notes, Class AB Notes, Class B Notes, Class C Notes or Class D Notes outstanding, in full any Secured Moneys that are due and payable within 5 Business Days of the date on which such Secured Moneys were due to be paid, together with all interest accrued and payable on such Secured Moneys.

The events of default and the remedies available to Noteholders are detailed in section 10.

2.4 Principal Payments on the Notes

Payment

Payments of principal will be made to the person whose name is, on the Determination Date immediately preceding the Payment Date, entered in the Register as the holder.

Priority

Payments of principal to the Noteholders will follow a sequential method described in section 7.7 or (provided certain conditions are met) the serial method described in section 7.8. The sequential and serial principal repayment methods (and the conditions applicable for serial repayment) are detailed in sections 7.7 and 7.8.

Invested Amounts

No Noteholder will be entitled to receive aggregate principal on any Note or Redraw Note at any time in excess of the Invested Amount for that Note or Redraw Note at that time.

2.5 Payments

Any amounts payable to a Noteholder will be paid in Australian dollars. All payments in respect of Notes and Redraw Notes will be rounded down to the nearest cent.

2.6 Clean Up Offer

The Manager may direct the Trustee to offer, by written notice to Heritage, to extinguish in favour of Heritage all its rights, title and interest in and to the Purchased Mortgage Loans and related Mortgage Loan Rights.

Unless otherwise approved by APRA, the Manager may only direct the Trustee to make such an offer on a Payment Date when the aggregate Invested Amount of the Notes falls below 10% of the aggregate Initial Invested Amount of the Notes.

For a more detailed description see section 7.16.

2.7 Final Redemption

Each Note and Redraw Note shall be finally redeemed, and the obligations of the Trustee with respect to the payment of the Invested Amount of that Note or Redraw Note shall be finally discharged, on the first to occur of:

- (a) the date on which the Invested Amount of that Note or Redraw Note is reduced to zero;
- (b) the date on which the relevant Noteholder renounces in writing all of its rights to any amounts payable under or in respect of that Note or Redraw Note;
- (c) the date on which all amounts received with respect to the enforcement of the General Security Agreement and payable to the Noteholders are paid to the Noteholders; and
- (d) the Payment Date immediately following the date on which the Trustee completes a sale and realisation of all Assets of the Trust in accordance with the Master Trust Deed and this Series Notice.

2.8 Final Maturity Date

The Stated Amount of each Note and Redraw Note (if issued) is due to be repaid on or before the Final Maturity Date.

2.9 Register of Noteholders

The Trustee will maintain a register of each class of Notes and the Redraw Notes (if issued) at its offices in Sydney, or at another location as approved by the Manager. The Register will include the names and addresses of the Noteholders and the Invested Amount and Stated Amount of each Note and Redraw Note (if issued).

The Trustee shall recognise the Noteholder whose name appears in the Register as the absolute owner of the Notes and Redraw Notes (if issued) registered in its name on the Register without regard to any other record or instrument.

The Trustee may close the Register from time to time but it may not do so for more than an aggregate of 30 days in any calendar year.

On each Payment Date for any Note and Redraw Note (if issued), principal and interest will be paid to the Noteholder for that Note and Redraw Note (if issued) whose name appears in the Register on the relevant Payment Date.

The Register will be open for inspection by a Noteholder at no charge during normal business hours but only in respect of information relating to that Noteholder.

Following issuance, it is intended that the Notes and Redraw Notes (if issued) will be lodged with Austraclear.

2.10 Registration Certificates

Within 5 Business Days of:

- (a) the Note Issue Date; or
 - (b) the registration of a transferee as the Noteholder in relation to a Note,
- the Trustee shall send a Registration Certificate to the Noteholder of that Note.

If the transferor of a Note remains as the Noteholder of a Note, the Trustee shall send a further Registration Certificate to that transferor if requested by it.

No other certificates will be issued. Registration Certificates are not documents or evidence of title.

2.11 Note Transfers

A Noteholder is not entitled to transfer any of its Notes unless the amount payable on acceptance of the offer by the transferee is greater than or equal to 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 Notes or an associate (as defined in Division 2 of Part 1.2 of the Corporations Act 2001)) or the offer or invitation to the transferee by the Noteholder in relation to such Notes does not otherwise require disclosure under Part 6D.2 of the Corporations Act 2001.

Every transfer of Notes shall be effected by a transfer form in the prescribed form. The Trustee may refuse to register any transfer form if:

- (a) it is not duly completed, executed and stamped (if necessary);
- (b) contravenes or fails to comply with the terms of the Master Trust Deed; or
- (c) registration of the transfer form would result in a contravention of or failure to observe the provisions of a Law of a state or territory of the Commonwealth of Australia, or of the Commonwealth of Australia.

If the Trustee refuses to register a transfer form, it must as soon as practicable after such refusal, notify the relevant transferee/s and transferor/s of its decision to do so.

The Trustee is not bound to give any reason for any refusal to register a transfer form and any decision by it to do so shall be final, conclusive and binding.

A transfer form shall not take effect until registered by the Trustee and, until the transferee is entered into the relevant Register as the holder of the Notes which are the subject of the transfer form, the transferor shall remain the holder of those Notes.

When a transfer form is received by the Trustee during any period where the relevant Register is closed for any purpose, the Trustee shall not register the transfer form until the next Business Day on which that register is open.

2.12 Limits on the rights of Noteholders

No Noteholder or Unitholder shall be entitled to:

- (a) require the Trustee to owe to it, or act in a manner consistent with, any fiduciary obligation in any capacity;
- (b) an interest in any particular part of the Trust or Asset comprised in the Trust;
- (c) require the transfer to it of any Asset comprised in the Trust;
- (d) interfere with or question the exercise or non-exercise of the rights or powers of the Servicer, the Manager or the Trustee in their dealings with the Trust or any Asset;
- (e) exercise any rights, powers or privileges in respect of any Asset in the Trust;
- (f) attend meetings or take part in or consent to any action concerning any property or corporation in which the Trustee in its capacity as trustee of a Trust holds an interest;
- (g) except as provided for in the Master Trust Deed, seek to wind up or terminate the Trust;
- (h) seek to remove the Servicer, Manager, Trustee, Custodian or any Support Facility Provider;
- (i) interfere in any way with the Trust;
- (j) lodge or enter a caveat or similar instrument in relation to any asset register maintained by the Trustee under the Master Trust Deed or claim any estate or interest in any Land over which a Mortgage Loan Security or any Related Securities are held or to which any other Asset relates in respect of the Trust;
- (k) except where:
 - (1) the Unitholder is Heritage (and is communicating in some other capacity under the Transaction Documents); or
 - (2) the Trustee has otherwise consented, and subject to any provision of a Transaction Document which allows any such communication, negotiate or otherwise communicate in any way with any Mortgagor, or Obligor or other security provider in respect of any Mortgage Loan, Mortgage Loan Security or Related Security or with any person providing a Support Facility to the Trustee or any other person who is party to any Transaction Document (other than the Lead Manager);
- (l) take any proceedings of any nature whatsoever in any court or otherwise to obtain any remedy of any nature (including against the Trustee, the Manager, the Security Trustee or a Servicer or any former trustee, manager, security trustee or servicer or in respect of the Trust or any Trust Asset) provided that it shall be entitled to compel the Trustee, the Manager and any Servicer to comply with their respective duties and obligations under the Transaction Documents and, if the Noteholders are entitled to the benefit of any applicable Security Trust Deed, the Noteholders may compel the Security Trustee to comply with its duties and obligations under the Security Trust Deed; and

- (m) any recourse whatsoever to the Trustee in its personal capacity, except to the extent of any fraud, negligence or Default on the part of the Trustee.

2.13 Notices to Noteholders

A notice, request or other communication by the Trustee, the Manager or the Servicer to Noteholders shall be deemed to be duly given or made by:

- (a) an advertisement placed on a Business Day in the Australian Financial Review or other nationally distributed newspaper; or
- (b) mail, postage prepaid, to the address of the Noteholders as shown in the Register. Any notice so mailed shall be conclusively presumed to have been duly given whether or not the Noteholder actually receives the notice.

2.14 Multiple Noteholders, Register paramount

If there is more than one Noteholder of a Note, the address of only one Noteholder will be entered in the Register. If more than one address is notified to the Register, the Trustee will record the address of the Noteholder whose name first appears.

The Trustee shall recognise the Noteholder whose name appears in the Register as the absolute owner of the Notes registered in its name on the Register without regard to any other record or instrument (including any Registration Certificate or transfer form, whether or not marked).

No notice of any trust or other interest in any Note will be entered on the Register. The Trustee need not take notice of any other interest in, or claim to, a Note, except as ordered by a court of competent jurisdiction or required by law.

2.15 Ratings

The ratings of the Class A1 Notes, the Class A2 Notes, the Class AB Notes, the Class B Notes and the Class C Notes should be evaluated independently from similar ratings on other types of notes. The ratings of the Class A1 Notes, the Class A2 Notes, the Class AB Notes, the Class B Notes and the Class C Notes is not a recommendation to buy, sell or hold the Class A1 Notes, the Class A2 Notes, the Class AB Notes, the Class B Notes or the Class C Notes and may be subject to revision or withdrawal at any time by the assigning rating agency.

Ratings other than those assigned by S&P and Fitch have not been requested. There can be no assurance as to whether another rating agency will rate the Notes and if so, what ratings would be assigned to the Notes. Any such other ratings could be lower than those assigned by S&P and Fitch.

The ratings of the Class A1 Notes, the Class A2 Notes, the Class AB Notes, the Class B Notes and the Class C Notes do not address the expected rate of principal repayments (including prepayments) under the Mortgage Loans.

2.16 Further Information

Stamp duty

The Manager has received advice that neither the issue, nor the transfer, of the Notes will currently attract stamp duty in any jurisdiction of Australia.

Withholding Tax and Tax File Numbers

Interest withholding tax will be deducted from payments of interest or amounts in the nature of interest to any person who is a Non-Resident (unless derived by that Non-Resident in carrying on business in Australia at or through a permanent establishment in Australia) or who is a resident which derives the interest income outside Australia at or

through a permanent establishment outside Australia unless the Notes are offered, and interest is paid from time to time, in a manner which satisfies the exemption from interest withholding tax contained in section 128F of the Income Tax Assessment Act 1936 (Cth) or the Noteholder is a bank or financial institution that is resident in the United States, the United Kingdom or certain other countries and able to obtain an exemption from Australian interest withholding tax under the applicable double tax treaty.

The Trustee proposes to issue the Notes in a manner which will satisfy the section 128F exemption. However, where the requirements for the application of the exemption are otherwise satisfied, the exemption will not apply and interest withholding tax will be deducted in respect of payments of interest or amounts in the nature of interest paid to any payee whom the Trustee knows or has reasonable grounds to suspect is an Offshore Associate of the Trustee.

Subject to certain statutory exceptions, tax will also be deducted from payments to Noteholders who do not provide the Trustee with a tax file number, an Australian Business Number or an appropriate exemption. The Trustee will have no obligation to pay additional amounts or otherwise indemnify any Noteholder for any such deduction or withholding by the Trustee, any paying agent or any other party. Further details are set out in section 11 of this Information Memorandum.

A summary of certain material tax issues is set out in section 11 of this Information Memorandum.

Noteholders and prospective Noteholders should obtain advice from their own tax advisors in relation to the tax implications of an investment in Notes. In particular, a Non-Resident who holds Notes may be subject to restrictions on transfer of Notes and other constraints, risks or liabilities. Non-residents into whose possession this Information Memorandum comes are required to inform themselves about, and observe, all such restrictions.

FATCA

The Trustee shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service (**FATCA Withholding**) as a result of a Noteholder, beneficial owner or an intermediary that is not an agent of the Trustee not being entitled to receive payments free of FATCA Withholding. The Trustee, in its absolute discretion, may request information from the Noteholder to be provided to the United States Internal Revenue Service (**IRS**) or any other relevant authority, to determine the applicability of any withholding under or in connection with FATCA and the Noteholder agrees (to the extent permitted by law) to the provision of such information to the IRS or other relevant authority. The Trustee will have no obligation to pay additional amounts or otherwise indemnify any Noteholder for any such FATCA Withholding deducted or withheld by the Trustee, any paying agent or any other party.

Sale and Subscription of Notes

Under the Dealer Agreement, each of the Joint Lead Managers and Dealers has represented, warranted and agreed that it will observe all applicable laws and regulations in any jurisdiction in which it offers, sells or delivers the Notes, and it will not directly or indirectly offer, sell, resell, re-offer or deliver Notes or distribute this Information Memorandum or other offer material in any country or jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations. Section 13 provides more information on the Sale and Subscription of Notes.

Each Dealer has acknowledged that no Information Memorandum or other offer material in relation to any Notes has been lodged with the Australian Securities and Investments Commission or the Australian Securities Exchange Limited.

Each of the Dealers has represented and agreed that it will not:

- (a) (directly or indirectly) offer any Notes for issue or sale, invite applications for the issue of Notes, invite applications for offers to purchase Notes or sell any Notes in the Commonwealth of Australia, its territories or possessions; or
- (b) distribute any draft, or definitive Information Memorandum or any offer material relating to any Notes, in the Commonwealth of Australia, its territories or possessions:
 - (1) unless the amount payable on acceptance of the offer by each offeree or invitee for the Notes is a minimum amount of A\$500,000 (disregarding amounts, if any, lent by the Trustee or other person offering the Notes or an associate (as defined in Division 2 of Part 1.2 of the Corporations Act 2001) of either of them); or
 - (2) unless 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 2001 and the regulations made under the Corporation Act 2001,
 and unless it complies with all applicable laws and regulations in relation to the offer, invitation or distribution.

Each of the Dealers has undertaken:

- (a) to offer the Notes for sale within 30 days of the Dealer Agreement, to:
 - (1) at least 10 persons each of whom:
 - (A) was carrying on a business of providing finance, or investing or dealing in securities, in the course of operating in financial markets; and
 - (B) was not known, or suspected, by it to be an associate of any other person covered by this sub-paragraph 1; or
 - (2) to at least 100 persons whom it would be reasonable to regard as either:
 - (A) having acquired instruments similar to the Notes in the past; or
 - (B) likely to be interested in acquiring such instruments; or
 - (3) as a result of negotiations being initiated publicly in electronic form, or in another form, that is used by financial markets for dealing in instruments similar to the Notes; and
- (b) that it will not offer or sell any Notes to any person whom if, at the time of such offer or sale, employees and officers of the Dealer directly involved in the offer or sale knows or has reasonable grounds to suspect is an Offshore Associate of the Trustee.

For the purposes of paragraphs 1 and 2 immediately above, 'associate' has the meaning given in section 128F(9) of the Income Tax Assessment Act 1936 (Cth).

Governing Law

The issue of the Notes and the terms on which each Note is issued will be governed by the laws in force in the state of New South Wales.

Tax

Details of Australian taxation are set out in section 11 of this Information Memorandum.

RBA repo eligibility

The Manager has undertaken to the Joint Lead Managers to make an application to the Reserve Bank of Australia (**RBA**) for the purposes of ensuring that the Class A1 Notes, the Class A2 Notes and the Class AB Notes are accepted as "eligible securities" which

may be lodged as collateral in relation to a repurchase agreement entered into with the RBA.

The criteria for repo eligibility published by the RBA require, amongst other things, that certain information be provided by the Manager to the RBA at the time of seeking repo-eligibility and during the term of the Class A1 Notes, the Class A2 Notes or Class AB Notes in order for the Class A1 Notes, Class A2 Notes or Class AB Notes to be (and to continue to be) repo eligible. No assurance can be given that the application by the Manager (if any) for the Class A1 Notes, the Class A2 Notes or Class AB Notes to be repo eligible will be successful, or that the relevant Notes will continue to be repo eligible at all times even if they are eligible at the time of their initial issue. For example, subsequent changes by the RBA to its criteria could affect whether the Class A1 Notes, the Class A2 Notes or Class AB Notes continue to be repo-eligible.

If the Class A1 Notes, the Class A2 Notes or Class AB Notes are repo-eligible at any time, Noteholders should be aware that relevant disclosures may be made by the Manager to investors and potential investors in the Class A1 Notes, the Class A2 Notes or Class AB Notes from time to time in such form as determined by the Manager as it sees fit (including for the purpose of complying with the RBA's criteria).

3 Transaction Details

3.1 Mortgage Loans

Acquisition of the Mortgage Loans

On the Closing Date, the proceeds of the issue of the Notes will be applied by the Trustee towards paying to the Approved Sellers the purchase price for the Mortgage Loans.

The Mortgage Loans purchased by the Trust from the Approved Sellers will be specified in the Sale Notices from the Approved Sellers and Heritage to the Trustee. The Purchase Price will equal the aggregate Unpaid Balance of the Mortgage Loans on the Cut-Off Date plus any accrued and unpaid interest.

It is a condition precedent that each Purchased Mortgage Loan satisfies the Eligibility Criteria as set out in section 5.2. Each Purchased Mortgage Loans may be of a type and have the features as described in section 4.4.

Included in Annexure 1 are statistics and information regarding the composition of the Mortgage Loans that will be acquired by the Trustee on the Note Issue Date. The Manager must provide to the Security Trustee and each Designated Rating Agency, the Manager's Report within 5 Business Days of a request.

Assignment of the Mortgage Loans

On the Note Issue Date, the beneficial interest in the Mortgage Loan Rights consisting of the Mortgage Loans and Mortgage Loan Securities, will be offered for equitable assignment to the Trustee, pursuant to the Sale Notices issued by each Approved Seller. The Mortgage Loan Rights offered for sale by each Approved Seller have been previously equitably assigned to each Approved Seller by Heritage. In the case where the relevant Approved Seller is the Trustee acting in the case of a trust other than the Trust such sales may be effected by way of a change of the trust on which the Trustee holds the relevant Mortgage Loan Rights.

After the payment of the Purchase Price the Trustee will be entitled to receive Collections on the Mortgage Loans in its capacity as trustee of the Trust.

Servicing

Heritage has been appointed as the Servicer under the terms of the Master Trust Deed.

Custody

Heritage has been appointed as Custodian, and will maintain custody of the documents relating to the Mortgage Loans and Mortgage Loan Securities under the terms of the Custodian Agreement.

3.2 Credit Support

Prior to enforcement of any Security, payment distributions to Noteholders are regulated by the detailed provisions and adjustments referred to under section 7 (*Cashflow Allocation Methodology*). In the event of an enforcement of Security, under the Security Trust Deed the priorities of distribution of the proceeds from enforcement support the following levels of credit support for Noteholders. See section 10 (*The Security Structure*) generally and section 10.5 (*Priorities under the Security Trust Deed*) for further detail in this connection.

- (a) Class A1 Noteholders have the benefit of 6 levels of credit support:
 - (1) the Mortgage Insurance Policy in respect of each Purchased Mortgage Loan;
 - (2) the subordination of any payments of interest and principal in respect of the Class A2 Notes;
 - (3) the subordination of any payments of interest and principal in respect of the Class AB Notes;
 - (4) the subordination of any payments of interest and principal in respect of the Class B Notes;
 - (5) the subordination of any payments of interest and principal in respect of the Class C Notes; and
 - (6) the subordination of any payments of interest and principal in respect of the Class D Notes.
- (b) Class A2 Noteholders have the benefit of 5 levels of credit support:
 - (1) the Mortgage Insurance Policy in respect of each Purchased Mortgage Loan;
 - (2) the subordination of any payments of interest and principal in respect of the Class AB Notes;
 - (3) the subordination of any payments of interest and principal in respect of the Class B Notes;
 - (4) the subordination of any payments of interest and principal in respect of the Class C Notes; and
 - (5) the subordination of any payments of interest and principal in respect of the Class D Notes.
- (c) Class AB Noteholders have the benefit of 4 levels of credit support:
 - (1) the Mortgage Insurance Policy in respect of each Purchased Mortgage Loan;
 - (2) the subordination of any payments of interest and principal in respect of the Class B Notes;
 - (3) the subordination of any payments of interest and principal in respect of the Class C Notes; and
 - (4) the subordination of any payments of interest and principal in respect of the Class D Notes.
- (d) Class B Noteholders have the benefit of 3 levels of credit support:

- (1) the Mortgage Insurance Policy in respect of each Purchased Mortgage Loan;
 - (2) the subordination of any payments of interest and principal in respect of the Class C Notes; and
 - (3) the subordination of any payments of interest and principal in respect of the Class D Notes.
- (e) Class C Noteholders have the benefit of 2 levels of credit support:
- (1) the Mortgage Insurance Policy in respect of each Purchased Mortgage Loan; and
 - (2) the subordination of any payments of interest and principal in respect of the Class D Notes.
- (f) Class D Noteholders have the benefit of 1 level of credit support, the Mortgage Insurance Policy in respect of each Purchased Mortgage Loan.

3.3 Liquidity Facility Agreement

The Trustee has, at the direction of the Manager, entered into a Liquidity Facility Agreement under which National Australia Bank Limited (as Liquidity Facility Provider) will, in the event that a Liquidity Shortfall occurs in relation to a Collection Period, upon request by the Manager, make available funds to cover that Liquidity Shortfall in accordance with the Liquidity Facility Agreement. This process is outlined below and described in more detail in section 8.5.

If the Manager determines on any Determination Date that there is a Liquidity Shortfall for the relevant Collection Period ending immediately prior to the Determination Date and the Liquidity Shortfall exceeds the Principal Draw (if any), the Manager must on behalf of the Trustee request a Liquidity Draw (subject to the Available Liquidity Amount (as defined in the Liquidity Facility Agreement)) which is equal to the amount by which the relevant Liquidity Shortfall exceeds the relevant Principal Draw (if any).

Other than during a Liquidity Collateralisation Period, the Manager must on behalf of the Trustee request that the proceeds of such Liquidity Draw be credited to the Collection Account by no later than 11.00am (Sydney time) on the Payment Date on which that Liquidity Draw is to be made.

During a Liquidity Collateralisation Period the Manager must direct the Trustee to arrange to transfer the proceeds of such Liquidity Draw into the Collection Account by no later than 11.00 am (Sydney time) on the Business Day next succeeding the Determination Date.

3.4 Extraordinary Expenses Amount

For the purposes of funding extraordinary expenses of the Trustee from time to time, an extraordinary expenses reserve in an amount of \$150,000 (**EEA Amount**) will be established on a ledger of the Collection Account (**EEA Ledger**) on or before the Note Issue Date. The initial deposit of the EEA Amount on to the EEA Ledger will be paid by Heritage. The EEA Amount is required to be maintained to the extent funds are available from Excess Available Income.

For more details on the EEA Amount, its maintenance and operation see sections 7.4 and 7.17.

3.5 Excess Income Reserve

For the purposes of funding certain Required Payments, an excess income reserve (**Excess Income Reserve**) will be established on a ledger of the Collection Account (**EIR**)

Ledger), to the extent funds are available from Excess Available Income up to the Excess Income Reserve Target Balance.

For more details on the EIR Ledger, the Excess Income Reserve, its maintenance and operation see sections 7.4 and 7.18.

3.6 Interest Rate Swap

For the purposes of hedging the interest rate risk between the fixed rate payments received by the Trustee on those Mortgage Loans which are subject to a fixed rate of interest and the floating rate obligations of the Trustee (for example, interest on the Notes), the Trustee will enter into an Interest Rate Swap with Heritage under the Interest Rate Swap Agreement.

A Mortgage Loan may not bear a fixed rate of interest for more than 5 years.

For more details on Interest Rate Swap see section 8.3.

3.7 Basis Swap

For the purposes of hedging the interest rate risk between the variable rate payments received by the Trustee on those Mortgage Loans which are subject to a variable rate of interest and the floating rate obligations of the Trustee (for example, interest on the Notes), the Trustee will enter into a Basis Swap with Heritage under the Basis Swap Agreement.

If the Basis Swap is terminated at the election of the Trustee (acting on the direction of the Manager), the Weighted Average Note Interest Rate (as defined in the confirmation) payable on the Purchased Mortgage Loans (after taking into account Fixed Rate Loans) must not be less than the Threshold Rate, the calculation of which is described under section 3.9.

For more details on the Basis Swap see section 8.4.

3.8 Novation of Interest Rate Swap

Under the Interest Rate Swap Agreement, the parties agree that upon the occurrence of a payment event of default in connection with Heritage, the rights and obligations of Heritage, as Interest Rate Swap Provider, in respect of the Interest Rate Swap will be novated to National Australia Bank Limited. For more details on the novation of the Interest Rate Swap see section 8.3.

3.9 Threshold Rate

- (a) On each Determination Date the Manager must calculate the Threshold Rate, to be calculated as on any Determination Date, as the aggregate of:
 - (1) the minimum weighted average rate of interest that must be set on all Purchased Mortgage Loans where permitted under the relevant Mortgage Loan Agreement which will be sufficient (assuming that all relevant parties comply with their obligations at all times under the Transaction Documents, the Purchased Mortgage Loans and the related Mortgage Loan Rights), when aggregated with the income produced by the rate of interest on all other Purchased Mortgage Loans and Authorised Investments (after deduction of any Loan Offset Amount), to ensure that the Trustee will have available to it sufficient Collections to enable it to comply with its obligations under the Transaction Documents relating to the Trust for the next Coupon Period as they fall due including payment of the Coupon Entitlement for all classes of Notes and the repayment of any Liquidity Draws and

Principal Draws by the Final Maturity Date of all Notes and Redraw Notes; and

- (2) 0.25%.
- (b) Subject to paragraph 3.9(c), on each Payment Date, the Manager must direct the Servicer to, and the Servicer on being so directed shall, reset on that Payment Date the interest rate payable on some or all Purchased Mortgage Loans so that the weighted average of the interest rates payable on all Purchased Mortgage Loans (after taking into account any Fixed Rate Loans) is a rate not less than the Threshold Rate and the Servicer must promptly notify the relevant Obligor of the change in accordance with the Mortgage Loan Agreements.
- (c) The Manager need not comply with paragraph 3.9(b) if:
 - (1) the Basis Swap has been entered into and has not been terminated; and
 - (2) the Basis Swap Provider under the Basis Swap has complied with and is complying with its obligations under the Basis Swap.

The Manager may direct the Trustee to terminate the Basis Swap, and the Trustee on being so directed shall terminate the Basis Swap, as described under section 3.7.

3.10 Redraw Funding

- (a) The Servicer may, subject to the Series Notice, from time to time use Available Principal held by it to fund a Redraw requested by a principal Obligor and approved by the Servicer.
- (b) The Servicer must provide the Manager and the Trustee with details of the aggregate amount of all Redraws for that Collection Period and any other information the Manager or the Trustee may reasonably request from time to time in respect of that Redraw and the Purchased Mortgage Loan referable to it.
- (c) If the Servicer does not, or will not on the date of any proposed Redraw, have sufficient Available Principal to make that Redraw, the Servicer must notify Heritage (if Heritage is not the Servicer) of that fact, and Heritage may fund the Redraw itself. The Trustee and the Manager irrevocably authorise Heritage to deduct from the Total Available Principal it subsequently receives the total amount of all Redraws provided by Heritage in relation to Purchase Mortgaged Loans, to the extent that Heritage has not previously been reimbursed in relation to any such Redraws, and if the Servicer is of the reasonable opinion that on the relevant Determination Date for the relevant Collection Period there will, following that deduction, be sufficient Available Principal to meet all Principal Draws required to be made on the relevant Payment Date.
- (d) If, despite the preceding paragraphs of this paragraph 3.10, the Manager determines on any Determination Date that there is a Redraw Shortfall, then the Manager may (in its discretion) direct the Trustee to issue Redraw Notes to Australian resident investors and use the proceeds to meet such shortfall.

3.11 Security Trust Deed and General Security Agreement

The Trustee has, pursuant to the General Security Agreement, granted a first ranking charge to the Security Trustee in its capacity as trustee of the Security Trust under the Security Trust Deed, over the Secured Property for the benefit of Noteholders and certain other creditors of the Trust.

For more details on the security arrangements see section 10.

4 Mortgage Origination and Underwriting

4.1 Heritage Bank Limited

Heritage is a public company incorporated under the Corporations Act 2001 in Australia limited by shares and guarantees that operates as a mutual organisation. At present Heritage does not have any issued shares. It is an authorised deposit-taking institution licensed under the Australian Banking Act and is regulated by the Australian Prudential Regulation Authority (“APRA”). Heritage’s principal activity is the provision of financial products and services to customers. Heritage holds an Australian Financial Services Licence and an Australian Credit Licence (AFSL No. 240 984).

It was formed in 1981 by the merger of Toowoomba Permanent Building Society (est. 1875) and the Darling Downs Building Society (est. 1897). Heritage officially changed its name to Heritage Bank Limited on 1 December 2011 and is the largest mutual bank in Australia (based on total consolidated assets). Heritage’s senior debt ratings, Baa1/P2 stable from Moody’s and BBB+/F-2 stable from Fitch were affirmed respectively, in June 2017 and November 2016.

Heritage’s head office is situated in Toowoomba, Queensland. Heritage provides retail banking services throughout Queensland via a network of 60 branches and 3 computer linked mini-branches.

Heritage primarily offers standard residential mortgage lending which comprises approximately 80% of the total consolidated assets. Heritage has won numerous industry and product awards from Money Magazine, Australian Banking and Finance Magazine, Your Mortgage Magazine and Personal Investor Magazine. Heritage was named Regional Bank of the Year in the AFR Smart Investor Blue Ribbon Awards for 2016. In 2017 Canstar endorsed Heritage with 5-Star Ratings for five of its lending products.

Heritage offers a variety of retail lending products such as credit cards, personal loans, insurance, foreign exchange, agribusiness and commercial mortgage lending. Other retail financial services products offered include savings and cheque accounts, term deposits and at call accounts. Heritage provides internet banking capabilities as well as phone banking and is an issuer of pre-paid cards within Australia.

As at 30 June 2017 Heritage had total consolidated assets of A\$9.379 billion and recorded a before tax profit for the financial year of A\$56.31 million, which represented a 10.20% increase over the twelve months to June 2016.

4.2 Loan Origination

Heritage loans are originated through the branch network in South East Queensland and the mortgage broker network nationally. Heritage employs a dedicated broker sales team to liaise with a panel of mortgage broking organisations. All loans originated through the branch and broker networks are approved in accordance with Heritage’s loan approval criteria. Of these approximately 16% go through the automatic approval process with the remainder approved by Heritage’s loan assessment officers.

When entering into agreements with broker groups, Heritage performs due diligence including obtaining resumes of principals, performing background checks and verifying accreditations. Each broker has access to an online broker manual and is provided with training to understand Heritage’s policies and procedures. The manuals and training are reviewed to remain National Credit Code compliant and to comply with Heritage’s internal policies. Heritage has Business to Business interfaces with certain mortgage brokers however no broker has a direct link to Heritage’s computer systems.

The existing branch network provides approximately 50% of new loan accounts. All branches and mini-branches are electronically connected to Heritage’s computer network either directly or via a hub link.

4.3 Credit Department

Heritage's credit department performs all aspects of the loan maintenance process as the loan originator including approving the application (for loans other than those automatically approved), funding the loan, storing security documents and asset management.

Heritage's lending policies, quality assurance framework, automated application controls and arrears management procedures all ensure the portfolio is prudently managed and the arrears performance of Heritage originated loans have been consistently lower than Prime SPIN for the past decade.

The functions performed by the credit department can be divided into four main areas including loan assessment, settlements, document custody and arrears management.

Loan Assessment

To evaluate a loan application Heritage uses a loan approval model for customers with total borrowings not more than A\$500,000 with an LVR 80% or below where the applicant is not self-employed, has no ongoing arrears history and has a satisfactory credit score. If the application does not satisfy these criteria it is forwarded to a loan assessment officer for assessment. Heritage has clearly defined loan approval criteria incorporating numerous checks to verify information provided by the borrower, for example employment verification. Heritage uses a net serviceability ratio when assessing a loan application encompassing stress testing of the borrower's repayment ability.

Heritage employs loan assessment officers in Queensland to examine loan applications.

Settlements

Heritage uses an automated documentation system known internally as 'Lending Connect', to streamline the residential mortgage loan documentation and settlement process.

Lending Connect is effectively paper-less - all documents relating to a loan account are stored electronically using imaging technology. The documentation is indexed to the relevant account by a barcode scanning system. As the file progresses through the credit process it moves to different queues within Lending Connect. All credit department staff have access to the Lending Connect system and are able to review a file at any time.

The in-house mortgage documentation section of the credit department prepares the majority of mortgages for Queensland, New South Wales, Victoria, Australian Capital Territory and South Australian Properties. Mortgage arrangements may be outsourced and completed by panel solicitors for complex loan arrangements, e.g. companies, trusts and loans with security in more than one state.

Solicitors or an agent who operate in the relevant area may settle loans.

Document Custody

The document custody section of the credit department is responsible to ensure that all security documents are received following settlement. All files are stored electronically and in hardcopy in a fireproof strongroom.

A bar code scanning system is in place to track the movement of files and packets in and out of the strongroom.

The security packets are randomly audited by Heritage's internal audit department. New loans are audited yearly and existing loans every two years. In addition, annual audits are performed by Heritage's external auditors in accordance with the Custodian Agreement.

Credit Control

The collections department has approximately sixteen staff managing collections and arrears of Heritage's housing loan portfolio.

Where a total monthly repayment by a borrower is less than the scheduled monthly amount, and the borrower does not have payments in advance, the loan is effectively in arrears. The system will record one day arrears immediately following the scheduled monthly repayment due date. The arrears amount is equal to the shortfall between the scheduled monthly repayment amount and the actual total payment made. The system will progressively add a day for each 24 hours the arrears balance remains outstanding. Where a borrower subsequently makes a repayment it will be credited to the repayment amount that has been outstanding for the longest time.

On the day a borrower's account goes into arrears the system automatically produces a letter informing the borrower that the scheduled monthly repayment has not been met and unless they rectify the situation they will incur a default fee. Collections department receives an electronic list daily with all loans where 'days in arrears' are greater than seven days. Borrowers will be contacted via a phone call by collections staff to determine the reason the account has gone into arrears and monitor the borrower's efforts to correct the situation.

If the arrears position has not been amended at the next repayment due date a second letter will be produced by the system. The letter advises the borrower that while the arrears remains further action may be taken by Heritage. If the borrower does not address the arrears the file is passed to Heritage's legal advisors. The arrears position for each account is recalculated by the system daily.

Heritage's collections department utilises an up-to-date debt management system to enhance the functionality of the arrears management process. The collections manager sets parameters for the system to prioritise the accounts on a daily basis and then brings those requiring action to the attention of the staff. It also enables staff to monitor the adherence by borrowers to specific repayment obligations that may have been negotiated. The system issues default notices and assists with the management of any subsequent legal action.

4.4 Housing Loan Products

Heritage's standard housing loans are available for owner occupied or investment purposes. The borrower may choose a variable rate or fixed rate for terms of one, two, three or five years. Heritage also allows the loans to be split between fixed rate and variable rate. Repayments of interest and principal are required to be made monthly. The member may make additional repayments at any time for either variable or fixed rate loans. When the interest rate on a loan account is changed, the system recalculates the repayment schedule and the borrower is informed by letter. Where a borrower has made significant advance repayments they may request a capitalisation of their advanced payments and a recalculation of their repayment schedule.

Another loan type offered by Heritage is an interest only loan for residential investments (maximum term of five years). The borrower may choose a variable rate or fixed rate for one, two, three or five years. Subject to qualifications, where the loan was originally fixed for a set term (below the maximum five years), and an interest only period is still available, the loan will convert to a variable rate interest only loan. At the conclusion of the initial interest only period, the loan converts to a standard variable loan.

Heritage has an offset account where interest earned on an access account is offset against the interest payment on the housing loan. This is available to select products and may be either a full or partial offset arrangement.

Listed below are the key features of each of Heritage's main home loan products which are currently available to borrowers:

	Standard Variable	Fixed Interest Rate	Discount Variable	Home Advantage Package	Living Equity
Maximum LVR	Owner occupied: 95% Investment: 80%	Owner occupied: 95% Investment: 80%	Owner occupied: 95% Investment: 80%	Owner occupied: 95% Investment: 80%	Owner occupied: 85% Investment: 80%
Establishment fee	Yes	Yes	Yes	No	Yes
Monthly administration fee	Yes	Yes	No	Yes	Yes
100%Offset or Partial Offset available	100%	Partial offset	No	100% offset Variable rate Partial offset Fixed rate	No
Redraw facility available	Yes	Yes	Yes	Yes	No
Make additional or lump sum repayments	Yes	Yes	Yes	Yes	Yes
Split loans available	Yes	Yes	Yes	Yes	Yes

4.5 Redraws

Borrowers are entitled to request redraws against payments in advance (made previously) up to the scheduled balance. Prior to approving a redraw Heritage staff review the repayment and arrears history of the account.

4.6 Further Advances

Further advances are also available upon application. Heritage will assess each further advance application in accordance with existing credit approval criteria on a case-by-case basis.

If Heritage approves a Further Advance and that Further Advance would result in the Unpaid Balance of that Purchased Mortgage Loan exceeding the Scheduled Balance, Heritage will extinguish the interest of the Trustee in the Purchased Mortgage Loan and the related Mortgage Loan Rights by paying the Unpaid Balance of that Purchased Mortgage Loan.

4.7 Valuations

Heritage generally requires all mortgage loan securities to be valued by a registered valuer who is a member of Heritage's panel of valuation firms. There are exceptions to this where Heritage may rely on a 'Sales Contract', 'Valuer General's Certificate' or 'Desktop Assessment'. If the following conditions are met, then Heritage does not require full valuations to be carried out where:

- the property is purchased using a standard Real Estate Institute of Queensland (or equivalent) contract;

- it is not a refinance loan or family transaction; where a gift is not part of the 20% equity;
- the loan to purchase price is 80% or less;
- it is not a loan for development or building purposes;
- the loan is not for a new, previously unoccupied residential property;
- it is located within an area where Heritage will lend up to 95% LVR;
- the member's total borrowings exposure on the security/securities does not exceed A\$500,000.00;
- the security is not part of a family guarantee application; and
- the security is not located on Heritage's flood prone or hot spot registers.

Where a valuation is requested, the valuers are required to be members of the Australian Property Institute.

4.8 Loan Repayments

Posting and reconciliation of deposits is computer driven. Each month a minimum monthly payment is required. Payments may be made at any time before the due date, which are not uniform for the portfolio. Once the payment is made, the system is updated immediately to reflect the new loan balance. If a borrower chooses to make a formal capital reduction, the system calculates a new payment schedule. A capital reduction cannot be redrawn.

If a borrower has advance payments there is no need for that borrower to make the minimum monthly repayment as long as the balance in advance exceeds the minimum payment requirement. The exception to this is the Living Equity account that requires a monthly payment to cover the interest charged in the previous month. Statements for borrowers are system generated and issued at least semi-annually at the end of December and June. Living Equity accounts require monthly statements to be issued.

Interest accrues daily and, with the exception of Living Equity accounts, is charged to the borrowers account on the last day of every month. Interest on Living Equity accounts is charged monthly on the anniversary date. Interest is calculated by the system and checked by Heritage's Internal Audit department on a sample basis as part of the review of mortgage lending.

Where the borrower has a fixed rate loan and the borrower wishes to break the fixed term to convert to a variable rate the borrower may be required to pay a break fee.

Borrowers may make repayments via:

- periodic payments from a designated Heritage savings account;
- over the counter in any branch or mini-branch;
- Heritage's phone banking service;
- Heritage's internet banking service;
- the direct entry system;
- B-Pay; or
- Bank@Post (via any Australia Post Office).

4.9 Mortgage Insurance

Heritage has lenders mortgage insurance master agreements with QBE Lenders Mortgage Insurance Limited ("QBE LMI") and Genworth Financial Mortgage Insurance Pty Ltd. The majority of the Purchased Mortgage Loans are insured by QBE LMI.

Applications that comply with strict, predetermined criteria are automatically approved using a standard QBE LMI credit-scoring model. Applications outside the criteria are referred to a QBE LMI underwriter for further assessment.

4.10 General Property Insurance

Heritage requires that general property insurance cover be taken out by the borrower prior to the funding of the loan. The borrower undertakes to maintain general property insurance cover at all times for the term of the loan. Heritage has in place a 'blanket cover' policy that covers Heritage in the event of loss due to a borrower not renewing a policy.

The borrowers are noted as the insured on the policy and Heritage is noted as mortgagee.

4.11 Loan Management System

Heritage's loan management system provides the core functionality for originating and servicing loans, and maintains all loan data during a loan's entire lifecycle.

The system uses workflow processes to manage the tasking sequence, authorisation levels, and service standards to be followed during the loan application and settlement processes. It also incorporates credit scoring, automated title search functionality, document production, automated credit checks and loan tracking.

Heritage also receives loan applications electronically from mortgage originators via a LIXI-compliant gateway.

4.12 Disaster Recovery Plan/System Backup

System backups occur on a daily basis and are retained for a minimum period of 7 days. A backup of critical loan data also occurs monthly and at the end of the financial year. Monthly backups are retained for a minimum of 12 months and end of financial year backups are retained for a minimum of 7 years. These backups are held offsite.

A disaster recovery site is located at a managed data centre in Springfield Queensland. The disaster recovery site is a controlled computer environment in which the disaster recovery computers for Heritage's major production systems are located. Real time data replication occurs between both primary and disaster recovery facilities.

5 Mortgage Loans

5.1 Origination and acquisition

Heritage is responsible for all aspects of origination relating to review and approval of the Mortgage Loans, criteria compliance of the Mortgage Loans, arrangement of security property valuation (where applicable), arrangement of lender's mortgage insurance and the provision of instructions to enable Heritage's lawyers or staff to settle mortgage transactions.

5.2 Representations and Warranties and Eligibility Criteria

Heritage will make certain representations and warranties in the Sale Notices and in the Series Notice. These representations and warranties include that each Mortgage Loan specified in the Series Notice has the following eligibility characteristics (the "**Eligibility Criteria**") as at the Cut-Off Date:

- (a) the Mortgage Loan is a prime loan;
- (b) the Mortgage Loan is denominated and only payable in Australian dollars;
- (c) the Mortgage Loan is covered by a primary Mortgage Insurance Policy for the scheduled term of the Mortgage Loan written by a Mortgage Insurer;
- (d) at the time it was entered into, the Mortgaged Property was insured under an Insurance Policy and, as at the Cut-Off Date, such Mortgaged Property is so covered;
- (e) the scheduled limit as at the Cut-Off Date of all Mortgage Loans of an Obligor does not exceed A\$1,000,000;
- (f) the original term of the Mortgage Loan (plus any extensions to the Mortgage Loan) does not exceed 30 years from the commencement of the first full instalment period for that Mortgage Loan;
- (g) the LVR of the Mortgage Loan does not exceed 95.0%;
- (h) the Mortgage Loan requires monthly or fortnightly principal and interest payments sufficient to pay interest and fully amortise the principal over the term of the Mortgage Loan after an interest only period of not more than 5 years;
- (i) the Mortgage Loan is not in arrears in respect of any payment by more than 30 days as at the Cut-Off Date;
- (j) the income of the Obligor(s) in respect of the Mortgage Loan is fully verified by the Servicer of the Mortgage Loan in accordance with the policies and procedures of the Servicer;
- (k) the Mortgage Loan is not classified as a Low Doc Loan;
- (l) the Mortgage Loan has been fully drawn prior to the Cut-Off Date;
- (m) the Mortgage Loan is secured by residential property (either owner occupied or investment);
- (n) the Mortgage Loan Principal of the Mortgage Loan as at the Cut-Off Date corresponds to the amount shown for the Mortgage Loan on the detailed list provided by the Servicer to the Trustee prior to the relevant Closing Date;
- (o) as at the Cut-Off Date, the Mortgage Property had erected on it a residential dwelling;
- (p) the Obligor is not as at the Cut-Off Date, an employee of Heritage or any Related Body Corporate unless no concessional rate of interest applies;
- (q) the terms of the Mortgage Loan (and the relevant Mortgage Loan Security and Related Security (if any)) have not been altered or waived except in writing and as part of the Relevant Documents for that Mortgage Loan;
- (r) if the Mortgage Loan is a Fixed Rate Loan, it does not have a fixed interest rate period of more than 5 years;
- (s) the Mortgage Loan matures at least 18 months before the Final Maturity Date;
- (t) each Obligor is either an Australian resident or an Australian citizen; and
- (u) each Mortgaged Property is located in either Queensland, New South Wales, Australian Capital Territory, Victoria, South Australia, Western Australia, Northern Territory or Tasmania.

In addition to representations and warranties made as to the Eligibility Criteria, Heritage also makes in the Series Notice a number of further representations and warranties to the Trustee in respect of the Mortgage Loans and the Mortgage Loan Securities as at the Closing Date including, but without limitation, the following:

- (a) **(assignability)** all consents required in relation to the assignment of the Mortgage Loans specified in the Sale Notice and the related Mortgage Loan Rights have been obtained. Those Mortgage Loans and Mortgage Loan Rights are assignable;
- (b) **(quality of title)** it is the sole legal owner of the Mortgage Loans specified in the Sale Notice and the related Mortgage Loan Rights. Those Mortgage Loans and the related Mortgage Loan Rights, together with its interest under the Relevant Documents, are owned by it free and clear of any Security Interest (other than any Security Interest arising solely as the result of any action taken by the Warehouse Trustee in connection with a Warehouse Trust or any Security Interest arising solely as a result of any action taken by the Trustee in connection with the Trust). It is the sole holder of equitable title in the Mortgage Loan Rights specified in the relevant Sale Notice applicable to it and after the Closing Date, provided the Trustee accepts each Sale Notice in accordance with its terms, the Trustee will be the sole holder of equitable title in the Mortgage Loan Rights specified in each Sale Notice;
- (c) **(eligible receivable)** as at the relevant the Cut-Off Date, each Mortgage Loan which is specified in a Sale Notice is an Eligible Receivable;
- (d) **(Mortgage Loans and Mortgage Loan Securities)** each Mortgage Loan and Mortgage Loan Security which is specified in a Sale Notice and each Related Security has been duly stamped and is legally valid, binding and enforceable against the relevant Obligor(s) in all material respects except to the extent that it is affected by laws relating to creditors rights generally, or doctrines of equity;
- (e) **(set off)** once equitably assigned to the Trustee, no Mortgage Loan which is specified in the Sale Notice or the related Mortgage Loan Right will be subject to any right of rescission, set off, counterclaim or similar defence other than to the extent permitted by law;
- (f) **(ownership)** in relation to each Mortgage Loan Security which is specified in the Sale Notice, the relevant Obligor(s) is or are the sole legal owner of the relevant Mortgaged Property and registered as the sole proprietor(s) of the relevant Mortgaged Property;
- (g) **(Mortgage Insurance Policy)** As at the relevant Cut-Off Date, each Mortgage Loan which is specified in a Sale Notice is the subject of a Mortgage Insurance Policy from a Mortgage Insurer for the scheduled term of that Mortgage Loan for the amount of that Mortgage Loan. The sale of each such Mortgage Loan to the Trustee is not contrary to the relevant Mortgage Insurance Policy. Heritage has not done or omitted to do anything and nothing has otherwise occurred which might prejudicially affect or limit its rights or the rights of the Trustee under or in respect of a Mortgage Insurance Policy (including the payment of any premiums due under that Mortgage Insurance Policy) to the extent that those rights relate to that Mortgage Loan or the related Mortgage Loan Rights. On transfer to the Trustee of equitable title to a Purchased Mortgage Loan:
 - (1) the Trustee will have the benefit of the relevant Mortgage Insurance Policy for that Mortgage Loan; and
 - (2) Heritage will procure that the Trustee receives evidence of the relevant Mortgage Insurer's acknowledgement of the transfer; and
 - (3) Heritage has not been advised by the relevant Mortgage Insurer of any breach of the Mortgage Insurance Policy;
- (h) **(selection process)** there is no fraud, dishonesty, material misrepresentation or negligence on the part of Heritage in connection with the selection and offer to the Trustee of any Mortgage Loans or related Mortgage Loan Securities which are specified in each Sale Notice.

5.3 Servicing of Loans

The Servicer is contractually obliged to administer the Mortgage Loans in accordance with the terms of the Master Trust Deed. For a more detailed description see section 9.3.

Under the Master Trust Deed, the ongoing servicing of Mortgage Loans will be performed by the Servicer.

5.4 Fixed Rate Loans

The:

- (a) Servicer may only fix the interest rate payable on a Purchased Mortgage Loan for a period of up to 5 years if it has received prior written confirmation from the Manager that any applicable limit in respect of Purchased Mortgage Loans that may be fixed rate loans in terms of the Interest Rate Swap is complied with (or otherwise any consents necessary under the terms of the Interest Rate Swap have been obtained) in respect of that interest rate; or
- (b) Manager may only direct the Trustee to purchase a Mortgage Loan which has a fixed interest rate period; or
- (c) Manager may only direct the Trustee to sell a Purchased Mortgage Loan which has a variable rate of interest,

if the aggregate Mortgage Loan Principal of all Fixed Rate Loans (including the Purchased Mortgage Loans the subject of this section) comprises less than 40% of the aggregate Mortgage Loan Principal of all Purchased Mortgage Loans, unless the Manager has provided a Ratings Notification in relation to the fixing of interest, acquisition or sale (as the case may be).

6 Risk Factors

The purchase and holding of Notes is not free from risk. This section 6 outlines some potential issues which may impact upon the ability of the Trustee to pay interest and repay Principal Payments when due in respect of Notes.

However, as an outline, this discussion is not intended to be an exhaustive analysis of risk factors. Prospective investors for Notes should make their own independent evaluations and obtain independent advice as to whether to subscribe for Notes. There can be no assurance that the structural protection available to Noteholders will be sufficient to ensure that a payment or distribution of a payment is made on a full or timely basis.

This section 6 should also be read in conjunction with the other sections of this Information Memorandum.

6.1 Limited liability under the Notes

The Trustee will issue the Notes in its capacity as trustee of the Trust and in respect of the Trust Assets. The Notes are debt obligations of the Trustee. They are issued with the benefit of, and subject to the Master Trust Deed, the Series Notice, the Security Trust Deed and the General Security Agreement. However, a Noteholder's recourse against the Trustee with respect to the Notes is limited to the amount by which the Trustee is indemnified from the Trust Assets.

The Trustee's liability in respect of the Notes is limited to the Trust Assets available in accordance with the terms of the Master Trust Deed, the Series Notice and the Security Trust Deed to meet its obligations in relation to the Notes and, except in certain limited

circumstances, as a result of the fraud, negligence or Default of the Trustee (see section 9.2(h)), no rights may be enforced against the Trustee by any person and no proceedings may be brought against the Trustee except to the extent of the Trustee's right of indemnity and reimbursement out of the Trust Assets. Except in those limited circumstances, the assets of the Trustee in its personal capacity are not available to meet payments in respect of the Notes and the Trustee will not be personally liable.

6.2 The Trust Assets are limited

The Trust Assets will consist primarily of the Mortgage Loans and other Authorised Investments. Payments of interest or principal on the Notes, and the Redraw Notes will be made only if the Trust Assets are sufficient. If the Trust Assets are not sufficient to make payments of interest or principal in respect of the Notes or Redraw Notes in accordance with the Cashflow Allocation Methodology, then payments to Noteholders will be reduced or not made.

6.3 Credit quality of Loans

The Trustee's obligation to pay interest and to repay principal in respect of the Notes or Redraw Notes is limited by reference to, among other things, receipts from:

- (a) the Mortgage Loans (e.g. from regular payment of instalments, from repayments and from enforcement of defaulted Mortgage Loans);
- (b) any Mortgage Insurance Policy;
- (c) any Interest Rate Swap and Basis Swap; and
- (d) the payment of damages by the Approved Seller, Heritage, the Manager or the Servicer for breaches of specified obligations in the Transaction Documents.

Accordingly, the performance of the Mortgage Loans, the enforcement of a Mortgage Loan, the price at which the property is sold and the length of time taken to complete that sale, the performance of the relevant counterparty under the Mortgage Insurance Policy and any Interest Rate Swap or Basis Swap, and the performance by Heritage of any obligation to pay damages, will have a key impact on such payments in terms of both the timeliness of payments to Noteholders and the amount of such payments.

There are numerous factors which could affect the performance of the Mortgage Loans, including economic, social, environmental, legal and other matters. Prospective investors should make their own assessment of the likely performance of the Mortgage Loans having regard to the information in this Information Memorandum.

If the Servicer is required to take enforcement action consequent upon the default of any Mortgage Loan, then many factors may affect the amount realised on the sale of the relevant Mortgaged Property and the time taken to complete such a sale. Any shortfall in amount or delay in timing may affect the ability of the Trustee to make payments in respect of the Notes or Redraw Notes or the timing of such payments. To mitigate this risk, the Mortgaged Loans will be insured by a Mortgage Insurance Policy.

6.4 Term Risks

Whilst the Trustee is obliged to pay the Invested Amount of the Notes and Redraw Notes on the Final Maturity Date, principal will be passed through to Noteholders on each Payment Date from distributions of Total Available Principal in the form of Principal Payments.

There is no guarantee as to the rate at which principal will be passed through to Noteholders or whether or not the Invested Amount in full will be repaid. Accordingly, the actual date by which the Notes and Redraw Notes may be repaid cannot be precisely determined.

The amount and rate at which the Mortgage Loans may repay or prepay principal is influenced by a range of economic, social and other factors including:

- (a) the level of interest rates applicable to the Mortgage Loans relative to prevailing interest rates in the market;
- (b) the delinquency rate of Obligor under the Mortgage Loans;
- (c) demographic and social factors such as unemployment, death, divorce and changes in employment of Obligor;
- (d) the rate at which Obligor change their Mortgaged Properties or refinance with other credit providers;
- (e) the degree of seasoning of the Mortgage Loans;
- (f) whether or not the Clean Up Offer is exercised; and
- (g) the rate at which an Obligor or Heritage consents to further advances.

The Noteholders may receive repayments of principal on the Notes and Redraw Notes earlier or later than would otherwise have been the case or may not receive repayments of principal at all.

Other factors which could result in early repayment of principal to Noteholders include:

- (a) application of Excess Available Income to Total Available Principal for any Loss;
- (b) the funding of Redraws or financing in respect of them;
- (c) repurchase by Heritage of Mortgage Loans as a result of the Clean-Up Offer as referred to in sections 1.4 and 7.16; and
- (d) receipt of proceeds of enforcement of the Security Trust Deed prior to the Final Maturity Date of the Notes or Redraw Notes.

6.5 Reinvestment risk on payments made during the Collection Period

If a prepayment is received on a Mortgage Loan during a Collection Period then interest at the then Mortgage Loan rate will cease to accrue on that part of the Mortgage Loan prepaid from the date of the prepayment. The amount prepaid will be deposited into the Collection Account or invested in Authorised Investments and may earn interest at a rate less than the then rate otherwise payable on the Mortgage Loans.

Interest will, however, continue to be payable in respect of the Invested Amount of the Notes or Redraw Notes until the next Payment Date. Accordingly, this may affect the ability of the Trustee to pay interest in full on the Notes or Redraw Notes.

6.6 Failure to pay by Obligor or Transaction Parties

The Trustee's ability to pay interest and to repay principal in respect of the Notes and Redraw Notes is limited to the Total Available Income and Total Available Principal which is available for that purpose.

Accordingly:

- (a) the failure by Obligor to make payments on the Mortgage Loans when due; and/or
 - (b) the failure in performance of relevant counterparties under any Support Facility,
- may result in the Trustee having insufficient funds available to it to make full payments of interest and principal to the Noteholders.

6.7 Market Risks

There is no assurance that a secondary market in the Notes will provide liquidity of investment or will continue for the life of the Notes or whether the price of the Notes will be affected by matters which are unrelated to the credit quality of the Notes.

No assurance can be given that it will be possible to effect a sale of the Notes, nor can any assurance be given that if a sale were to take place it would not be at a discount to the acquisition price or the face value of Notes.

In addition, potential investors in the Notes need to take into consideration reported global credit market conditions, where there is an uncertain level of liquidity in the secondary market for instruments similar to the Notes.

6.8 Geographic concentration of the pool of Mortgage Loans

Annexure 1 contains details of the geographic concentration of the Mortgage Loans that may be acquired by the Trustee.

To the extent that any such region experiences weaker economic conditions in the future, there is a likelihood of Obligors with Mortgage Loans in that region missing scheduled instalments or defaulting on those Mortgage Loans. In such circumstances, the values of Mortgaged Properties in that region may also fall, leading to the possibility of a Loss in the event of enforcement.

Over recent years certain regions of Australia, in particular Queensland, New South Wales and Victoria, have been affected by severe climatic and weather conditions. Significant personal, property and infrastructure damage resulted. To the extent that any region in which there is a geographic concentration of Mortgage Loans experiences severe adverse natural conditions in the future the likelihood that payments under Mortgage Loans in such affected regions may be disrupted.

None of the Trustee, the Security Trustee, the Manager, the Custodian or the Servicer can quantify whether there has been a decline, for any reason whatsoever, in the value of Mortgaged Properties since the settlement of the Mortgage Loans or the extent to which there may be a decline in the value of Mortgaged Properties in the future, for any reason whatsoever.

6.9 Servicer Risk

The Servicer will make certain representations and warranties to the Trustee in relation to itself and its servicing functions. The Trustee has not investigated or made any enquiries regarding the accuracy of those representations and warranties. There is no guarantee that the Servicer will have the financial capability to meet a claim for any damages with respect to any breach of such representations and warranties if required to do so.

The Servicer under the terms of the Master Trust Deed has been appointed as the Servicer of the Mortgage Loans. A failure by the Servicer to properly perform its servicing obligations may have an impact on the timing of funds received by the Trustee in respect of the Mortgage Loans.

In this regard the Master Trust Deed defines certain Servicer Transfer Events (detailed further in section 9.3(g)). The Master Trust Deed provides that following a Servicer Transfer Event the Trustee must at the direction of the Manager by notice terminate the arrangements made under Part J of the Master Trust Deed in respect of that Trust with immediate effect. Following such action the Trustee shall act as Servicer, unless and until another Servicer has been appointed to act as Servicer under the Master Trust Deed.

However, there is no guarantee that a replacement Servicer will be found who would be willing to service the Mortgage Loans on the terms of the Master Trust Deed or that it will be able to service the Mortgage Loans with the same level of skill and competence as the initial Servicer or for the same fees.

6.10 Manager Risk

The appointment of the Manager may be terminated in certain circumstances. If the appointment of the Manager is terminated, a substitute will need to be found to perform the relevant role for the Trust.

There is no guarantee that such a substitute will be found or that the substitute will be able to perform its duties with the same level of skill and competence as any previous Manager.

6.11 Servicer's ability to change features of the Mortgage Loans may affect the payment on the Notes and Redraw Notes

The Servicer may initiate certain changes to the Mortgage Loans. Most usually, the Servicer will change the interest rate applying to a Mortgage Loan. In addition, subject to certain conditions, the Servicer may from time to time offer additional features and/or products to Obligor with respect to the Mortgage Loans.

As a result of such changes, the characteristics of the Mortgage Loans may differ from the characteristics of the Mortgage Loans at any other time. If the Servicer elects to change certain features of the Mortgage Loans, this could result in different rates of principal repayment on the Notes and Redraw Notes than initially anticipated.

6.12 Nature of Security

Under the Security Trust Deed and General Security Agreement, the Trustee grants a first ranking charge over all the Secured Property in favour of the Security Trustee to secure the payment of moneys owing to the Secured Creditors.

To the extent the Secured Property is not personal property (as defined in the PPS Act) and the charge fails to take effect as a fixed charge in relation to any asset or property forming part of the Charged Property then it takes effect as a floating charge in relation to the asset which automatically and immediately crystallises and becomes fixed if a Control Event (as defined in the General Security Agreement) occurs in relation to that asset or property.

6.13 Enforcement of Security

On the occurrence of an Event of Default, the Security Trustee will be entitled to enforce the Security and apply the Secured Property which is charged in favour of the Security Trustee for the benefit of Secured Creditors of the Trust (which term includes the Noteholders) in accordance with the terms of the Security Trust Deed. The Security Trustee may incur costs in enforcing the Security Trust Deed, with respect to which the Security Trustee will be entitled to indemnification. Any such indemnification will reduce the amounts available to pay interest on and repay principal of the Notes and Redraw Notes.

The rights of the Secured Creditors as beneficiaries under the Security Trust are restricted. For a more detailed description see section 10.4.

If the Security Trust Deed becomes enforceable and some or all of the Mortgage Loans are sold, there is no guarantee that the Security Trustee would be able to sell the Mortgage Loans for their then Unpaid Balance. This may adversely impact the Trustee's ability to repay all amounts outstanding in relation to the Notes and Redraw Notes.

Neither the Security Trustee nor the Trustee will have any liability to the Secured Creditors in respect of any such deficiency (except in the limited circumstances described in the Security Trust Deed).

6.14 Breach of representation warranty

Heritage will make certain representations and warranties to the Trustee in relation to the Mortgage Loans to be assigned to the Trustee (see section 5.2). The Trustee has not investigated or made any enquiries regarding the accuracy of the representations and warranties.

6.15 No recourse to the Trustee if the Information Memorandum is inaccurate or misleading

Except in respect of certain limited information, the Manager takes responsibility for the Information Memorandum, not the Trustee. As a result, in the event that a person suffers loss due to any information contained in the Information Memorandum being inaccurate or misleading, or omitting a material matter or thing, that person will not have recourse to the Trustee or the Trust Assets.

6.16 Lenders Mortgage Insurance risk

The ability of the Mortgage Insurers to pay claims is dependent on the financial status, condition and credit-worthiness of those Mortgage Insurers at the time the claim was made. In addition, the liability of the Mortgage Insurers are governed by the terms of the relevant Mortgage Insurance Policies, which contain certain exclusions that may allow the Mortgage Insurers to reduce a claim or terminate its cover in respect of a Mortgage Loan in certain circumstances. Any such reduction or termination may affect the ability of the Trustee to pay principal and interest on the Notes and Redraw Notes. The exclusions and conditions differ between the Mortgage Insurance Policies.

The rating of the Notes may be adversely affected in the event that a Mortgage Insurer is downgraded by either Designated Rating Agency.

There is no guarantee that a Mortgage Insurer will promptly make payment under any Mortgage Insurance Policy or that the Mortgage Insurer will have the necessary financial capacity to make any such payment at the relevant time.

Substantial delays could be encountered in connection with the enforcement of a Mortgage Loan or Mortgage and result in shortfalls in distributions to Noteholders to the extent not covered by a Mortgage Insurance Policy or if the relevant Mortgage Insurer fails to perform its obligations. Further, enforcement expenses such as legal fees, real estate taxes and maintenance and preservation expenses (to the extent not covered by a Mortgage Insurance Policy) will reduce the net amounts recoverable by the Trustee from an enforced Mortgage Loan or Mortgage.

In the event that any of the Mortgaged Properties fail to provide adequate security for the relevant Mortgage Loan, Noteholders could experience a loss to the extent the loss was not covered by a Mortgage Insurance Policy or if the relevant Mortgage Insurer failed to perform its obligations under the relevant Mortgage Insurance Policy.

6.17 The termination of Hedge Agreements

The Trustee will exchange the interest payments from any Mortgage Loan bearing interest at a fixed rate or on a variable rate basis for floating rate payments based on the Bank Bill Rate.

If a relevant Hedge Agreement is terminated or if the Swap Provider (which may include the Standby Swap Provider following novation to it of the Interest Rate Swap under the Interest Rate Swap Agreement) fails to perform its obligations, Noteholders will be exposed to the risk that the floating rate of interest payable with respect to the Notes may be greater than the amount of the fixed rate or variable rate on the Mortgage Loans bearing interest at that time.

In addition, if the Basis Swap or the Interest Rate Swap terminates before its scheduled termination date, a termination payment by either the Trustee or the relevant Swap Provider may be payable. A termination payment, particularly with respect to the Interest Rate Swap, could be substantial.

6.18 Ratings on the Notes

The credit ratings of the Notes should be evaluated independently from similar ratings on other types of notes or securities. A credit rating by a Designated 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 the relevant Designated Rating Agency.

A revision, suspension, qualification or withdrawal of the credit rating of the Notes may adversely affect the price of the Notes. In addition, the credit ratings of the Notes do not address the expected timing of principal repayments under the Notes, only the likelihood that principal will be received no later than the Final Maturity Date of that Note. No Designated Rating Agency has been involved in the preparation of this Information Memorandum.

6.19 Equitable Assignment

Unless and until a Title Perfection Event occurs, Heritage will hold legal title to the Mortgage Loans, and the Trustee will hold an equitable interest in the Mortgage Loans. Notice of the equitable assignment will not be given to the borrowers prior to a Title Perfection Event.

Accordingly:

- (a) the interest of the Trustee in the Mortgage Loans could be postponed to another equitable interest or legal interests in the Mortgage Loans that are created by Heritage or arise by operation of law; and
- (b) the Obligors can repay the Mortgage Loans by making payment to Heritage.

6.20 Australian Taxation

A summary of certain material tax issues is set out in section 12.

6.21 Anti-Money Laundering and Counter-Terrorism Financing

An entity has obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (the "**AML Act**"), where it provides a designated service which includes:

- (a) 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;
- (b) making loans to a borrower or allowing a transaction to occur in respect of that loan in certain circumstances;
- (c) providing a custodial or depository service;
- (d) issuing or selling a security in certain circumstances; and
- (e) exchanging one currency for another in certain circumstances.

These obligations will include undertaking to customers due diligence before a designated service is provided.

The obligations placed upon an entity can affect the services of an entity or the funds it provides and ultimately may result in a delay or decrease in the amounts an investor receives.

6.22 National Consumer Credit Protection Act

A significant percentage of the Mortgage Loans are regulated by Consumer Credit Legislation. Under that legislation, an Obligor may have a right to apply to a court to:

- (a) vary the terms of their Mortgage Loan on the grounds of hardship or that it is an unjust contract;
- (b) reduce or cancel any:
 - (1) change in the interest rate;
 - (2) establishment fee;
 - (3) early termination fee; or
 - (4) fee or charge for prepayment of any amount,payable on the Mortgage Loan which is unconscionable;
- (c) if a credit activity has been engaged in without a licence and no relevant exemption applies, issue an order it considers appropriate to compensate for loss and to prevent loss. This could include an order declaring a contract, or part of a contract, to be void, varying the contract, refusing to enforce, ordering a refund of money or return of property, payment for loss or damage or being ordered to supply specified services;
- (d) have certain provisions of the Mortgage Loan or relevant Mortgage which are in breach of the legislation declared unenforceable; or
- (e) obtain restitution or compensation, in relation to breaches of the National Credit Code.

Any such order may affect the timing or amount of interest or principal repayments under the relevant Mortgage Loan (which might in turn affect the timing or amount of interest payments or principal payments under the Notes and Redraw Notes).

As a condition of the Servicer holding an Australian credit licence and the Trustee being able to perform its role, the Servicer and the Trustee must also allow each Debtor to have access to an external dispute resolution scheme, which currently has power to resolve disputes where the amount in dispute is \$500,000 or less.

There is no ability to appeal from an adverse determination by the external dispute resolution scheme which is accepted by an Obligor, including, on the basis of bias, manifest error or want of jurisdiction.

Any order made under any of the above consumer credit laws may affect the timing or amount of principal repayments under the relevant Mortgage Loans which may in turn affect the timing or amount of interest and principal payments under the Notes and Redraw Notes.

In addition, if a Title Perfection Event occurs, the Trustee will be subject to the penalties and compensation provisions under the National Credit Code. To the extent that the Trustee is unable to claim damages from the Servicer where the Trustee suffers a loss in connection with a breach of the National Credit Code, the Assets of the Trust will be applied to indemnify the Trustee in priority to any payments in respect of the Notes.

The National Credit Code also has significant consequences for a wide range of participants in the credit industry, including credit providers, finance brokers and other intermediaries. In particular, the National Credit Code:

- (a) introduced a national licensing regime, which requires credit providers and certain other intermediaries to apply to the Australian Securities and

Investments Commission for an Australian Credit Licence (**ACL**) (all persons engaging in credit activities will need to be licensed from 1 July 2011);

- (b) imposes responsible lending requirements on ACL holders and others designed to protect consumers from being offered loans that are unsuitable for them or that they cannot afford; and
- (c) imposes new disclosure obligations on ACL holders and others.

6.23 Unfair Terms

Additional consumer protections took effect from 1 July 2010 through the Trade Practices Amendment (Australian Consumer Law) Act (No. 1) 2010 (**TPA Act**). The TPA Act introduced an unfair contract terms regime through amendments to the Australian Securities and Investment Commission Act 2001 (Cth) and the Australian Consumer Law in Schedule 2 of the Australian Competition and Consumer Act 2010 (Cth) (as the Trade Practices Act 1974 (Cth) was subsequently renamed). Under the regime a term of a standard-form consumer contract will be unfair, and therefore void, if it causes a significant imbalance in the parties' rights and obligations under the contract, is not reasonably necessary to protect the supplier's legitimate interests and it would cause detriment to a party if applied or relied on. This regime has since been extended to standard-form small-business contracts with effect from 12 November 2016.

The regime will only apply to Mortgage Loans that are consumer contracts entered into before 1 July 2010 or small-business contracts entered into before 12 November 2016 if they are varied on or after the relevant commencement date, and then only in relation to the term as varied in relation to conduct that occurs after the variation.

6.24 European Union Capital Requirements Directive – Capital Requirements Regulation

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, UCITS funds and institutions for occupational retirement provision. Articles 404 to 410 of the Capital Requirements Regulation (the **CRR**), Article 17 of the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) as supplemented by Articles 50 to 56 of Commission Delegated Regulation (EU) No 231/2013 (the **AIFMR**) and Article 135(2) of the EU Solvency II Directive 2009/138/EC as supplemented by Articles 254 to 257 of the Commission Delegated Regulation (EU) 2015/35 (the **Solvency II Delegated Regulation**) (together, the **Articles**) apply where certain European Union-regulated investors become exposed to the credit risk of a securitisation position (such as the Notes) and impose certain restrictions and requirements on such investors.

Amongst other things, such requirements restrict a relevant investor from investing in securitisation transactions unless: (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its note 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 5 (five) per cent in respect of certain specified credit risk tranches or asset exposures.

Failure to comply with one or more of the restrictions or requirements set out in the Articles may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal regulatory capital charge on the Notes acquired by the relevant investor. Therefore, investors which are EU-regulated should make themselves aware of the requirements of the Articles (and any implementing rules in their local jurisdiction), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes.

Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory capital charges or being required to take corrective action for non-compliance with the Articles (and any implementing rules in their local jurisdiction) should seek guidance from their regulator.

Heritage will retain, on an ongoing basis, a material net economic interest of at least 5% in the nominal value of the securitised exposures as at the Closing Date. Heritage undertakes to retain such material net economic interest by holding a randomly selected pool of housing loans (which otherwise would have been included in the loan pool in respect of the Trust) with a total nominal value equal to at least 5% of the nominal value of the Mortgage Loans (calculated as at the Closing Date) at all times and shall further undertake not to reduce its credit exposure to such retained amount through any form of credit risk mitigation or sale of the retained amount (unless otherwise permitted by the Articles).

Heritage will confirm its ongoing retention of the net economic interest described above in the monthly investor reports and any change to the manner in which such interest is held will be notified to Noteholders. Such retention by Heritage will be subject to any requirement of law and Heritage will not be in breach of its risk retention undertaking where it cannot comply due to events, actions or circumstances beyond Heritage's control.

Each prospective investor that is required to comply with the Articles (as implemented in each relevant jurisdiction) 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 the Articles and none of Heritage, National Australia Bank Limited, Australia and New Zealand Banking Group Limited, Westpac Banking Corporation, the Trustee, the Security Trustee or the Manager makes any representation that the information described above or in this Information Memorandum generally is sufficient in all circumstances for such purposes. In addition, each prospective Noteholder should ensure that they comply with the implementing provisions in respect of the Articles in their relevant jurisdiction. Investors in the Notes are responsible for analysing their own regulatory position and none of Heritage, Australia and New Zealand Banking Group Limited, National Australia Bank Limited, Westpac Banking Corporation, the Trustee or the Security Trustee makes any representation to any prospective Noteholders regarding the regulatory capital treatment of their investment (or the liquidity of such investment as a result thereof) now or at any time in the future.

It should also be noted that on 30 September 2015, the European Commission published a proposal for a new regulation aiming to create a harmonised securitisation framework within the European Union (the **Securitisation Regulation**). It is proposed that the Securitisation Regulation, once finalised and adopted, will replace the Articles discussed above with a single regime applicable to all investors as well as management companies and funds regulated under the UCITS Directive 2009/65/EC and institutions for occupational retirement provision falling within the scope of Directive (EU) 2016/2341. On 30 May 2017, political agreement was reached on the Securitisation Regulation. The proposed Securitisation Regulation is currently in draft form, undergoing a technical process to finalise the text, and remains subject to adoption by the European Parliament and the Council of the European Union. Investors should be aware that there are material differences between the current rules and those set out in the draft Securitisation Regulation. The draft proposals indicate that securitisations established prior to the proposed application date of 1 January 2019 and that do not involve the issuance of securities (or otherwise involve the creation of a new securitisation position) on or after that date will remain subject to the current risk retention and due diligence requirements. However, it is not clear in what form the legislative proposals (and any corresponding technical standards) will be adopted. The compliance position under any revised requirements of transactions entered into prior to adoption, and of activities undertaken by a party (including an investor) in respect of such transactions, is uncertain. Prospective investors are themselves responsible for monitoring and assessing changes to these rules. See section 6.26 for further details.

The EU risk retention and due diligence requirements described above and any other changes to the regulation or regulatory treatment of the Notes 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 Notes in the secondary market. Such requirements may also change over time, such that there can be no assurance that investors' holdings of Notes will be, or will remain, compliant with relevant requirements or changes thereto.

6.25 FATCA

The Foreign Account Tax Compliance Act (the **FATCA**) was enacted by the United States Congress in March 2010 as part of its efforts to improve compliance with their tax laws. The FATCA is aimed at detecting US taxpayers who use accounts with offshore (non-US) financial institutions to conceal income and assets from the US Internal Revenue Service (**IRS**). The relevant provisions are contained in the US Internal Revenue Code 1986 and are supplemented by extensive US Treasury Regulations that were issued on 17 January 2013 (and have been subject to subsequent amendment).

FATCA focuses on reporting by:

- (a) US taxpayers about certain foreign financial accounts and offshore assets; and
- (b) foreign (non-US) financial institutions about financial accounts held by US taxpayers or foreign entities in which US taxpayers hold a substantial ownership interest (**US Persons**).

The objective of the FATCA is the reporting of foreign (non-US) financial assets; withholding at 30 per cent is the cost of not reporting. This means FATCA imposes certain due diligence and reporting obligations on foreign (non-US) financial institutions. To avoid being withheld upon, a foreign financial institution may generally register with the IRS, obtain a Global Intermediary Identification Number (**GIIN**), and report certain information on US accounts to the IRS. However, where a jurisdiction enters into an Intergovernmental Agreement (a **FATCA Agreement**) with the US to implement FATCA, the reporting and other compliance burdens on the financial institutions in that jurisdiction may be simplified.

On 28 April 2014 the Treasurer, on behalf of the Australian Government, and the US Ambassador to Australia, on behalf of the US Government, signed a FATCA Agreement. Under the FATCA Agreement between Australia and the United States:

- (a) Reporting Australian Financial Institutions (**Reporting AFIs**) will report to the Commissioner of Taxation and that information will be made available to the IRS;
- (b) certain Australian institutions and accounts will be exempt from FATCA (e.g. superannuation funds);
- (c) Reporting AFIs, that is, Australian Financial Institutions that are not exempt, will need to:
 - (1) register with the IRS and obtain a GIIN; and
 - (2) undertake due diligence procedures on accounts existing on 1 July 2014 as well as accounts opened after that date, identify where those accounts are held by US Persons and report certain information on those accounts to the Commissioner of Taxation each year; and
- (d) there will be no withholding on the US source income of Reporting AFIs, unless there is significant non-compliance by a Reporting AFI with its FATCA Agreement obligations, and after following the procedures set out in the FATCA Agreement, the Reporting AFI is treated by the IRS as a non-participating financial institution. Significant non-compliance includes the following:
 - (1) ongoing failure to lodge a report or repeated late lodgement;

- (2) failure to register;
- (3) ongoing or repeated failure to supply accurate information or establish appropriate governance or due diligence processes; and
- (4) intentional or negligent provision of incorrect information or omission of required information.

Note that significant numbers of minor errors or repeated instances of the same minor errors may amount to significant non-compliance.

To implement the FATCA Agreement between Australia and the United States, Australian domestic legislation in the form of Tax Laws Amendment (Implementation of the FATCA Agreement) Act 2014 (Cth), which received Royal Assent on 30 June 2014, introduces new Division 396 to Schedule 1 to the Taxation Administration Act 1953 (Cth). Those amendments require Reporting AFIs to collect and retain information about their customers, conduct ongoing due diligence and provide that information to the Commissioner of Taxation, who will, in turn, provide that information to the IRS. For the 2015 and 2016 calendar years, Reporting AFIs must also give the Commissioner of Taxation information about payments made to "Nonparticipating Financial Institutions."

It is expected that the Trust will be classified as a Financial Institution under FATCA and the terms of the FATCA Agreement will apply to it accordingly.

If the Trustee or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of the Notes, Noteholders and beneficial owners of the Notes will not be entitled to receive any gross up or additional amounts to compensate them for such withholding.

If any other jurisdiction introduces legislation which has or may have a similar effect as FATCA such that the Trustee or any other person is required by that legislation to withhold amounts from any payments made in respect of any Notes, the Noteholders and beneficial owners of the Notes will not be entitled to receive any gross up or other additional amounts to compensate them for such withholding.

Future guidance, as updated from time to time, issued by the ATO or the IRS may affect the application of FATCA to the Notes.

6.26 Implementation of and/or changes to the Basel Framework

The Basel Committee on Banking Supervision (the **Basel Committee**) approved significant changes to the Basel II regulatory capital and liquidity framework (such changes being commonly referred to as **Basel III**) in 2011 to 2014. 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 to establish certain liquidity ratios (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 with a phased approach ending with full implementation by 1 January 2019 and the Net Stable Funding Ratio from January 2018, whilst member states should already have started implementing the new Liquidity Coverage Ratio (with provision for phased implementation, meaning that the measures will not apply in full until January 2019). Implementation of Basel III requires national legislation and therefore the final rules and the timetable for its implementation in each jurisdiction may be subject to some level of national variation.

The Liquidity Coverage Ratio applies to EU regulated credit institutions from 1 October 2015 (with a progressive rate of application intended by the European Commission to reach 100% of the ratio from 1 January 2018) and the European Commission intends for the Net Stable Funding Ratio to become a binding minimum standard to apply in full from two years after the date of entry into force of the proposed regulation amending the CRR. The proposed regulation amending the CRR was published by the European Commission on 23 November 2016 as part of the "CRD 5" package. The proposed amending

regulation contains a new Title IV of Part six of the CRR covering the Net Stable Funding Ratio. The CRD 5 package is still subject to negotiation at EU level .

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 15%. In July 2016 the Basel Committee published an updated standard for the regulatory capital treatment of securitisation exposures that includes reducing the risk weight floor from 15% to 10% for senior exposures which comply with the "simple, transparent and comparable" securitisation criteria outlined by the Basel Committee.

In the EU, proposed amendments to the current legislation are being finalised which include provisions intended to implement the revised securitisation framework developed by the Basel Committee (with adjustments). The draft Securitisation Regulation includes criteria for a new class of "simple, transparent and standardised" (**STS**) securitisations which would be subject to preferential capital treatment under the CRR. Investors should be aware that the EU proposals diverge in some significant respects from the Basel Committee's framework. However, it is not clear whether, and in what form, the legislative proposals (and any corresponding technical standards) will be adopted by the European Parliament and the Council of the European Union. Investors should consult their own advisers as to EU regulatory capital requirements in respect of the Notes.

In Australia, APRA has implemented prudential standards, practice guides and reporting requirements to give effect to these reforms. APRA released a final draft of the new Australian Prudential Standard 120 (**APS 120**) in November 2016 and a final version of the new Australian Prudential Practice Guide 120 (APG 120) in April 2017 that will apply to securitisation transactions with effect from 1 January 2018. These releases represent the culmination of a number of years of consultation in relation to the proposed new rules and the implementation date is in line with the determination by the Basel Committee on when the Basel III securitisation framework should come into effect.

The changes approved by the Basel Committee and the revised APS 120 and APG 120 may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework or APS 120 and, as a result, they may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences for and effect on them of any changes to the Basel framework or APS 120 and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

6.27 The proposed financial transaction tax

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common financial transaction tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and the FTT could, if introduced, apply to certain dealings in financial instruments (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person

established in a participating Member State, or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the proposed FTT remains subject to negotiation between participating Member States. Additional EU member states may decide to participate. It may therefore be altered prior to any implementation, the timing of which remains unclear.

Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

6.28 Common Reporting Standard

The Common Reporting Standard (**CRS**) is the single global standard for the collection, reporting and exchange of financial account information on non-residents.

Under the CRS, a Reporting Financial Institution applies the CRS due diligence rules to identify eligible accounts held by residents of other jurisdictions and then reports required information to their local tax authority. This information is then sent to the non-residents' tax authority.

The CRS, developed at the Organisation for Economic Cooperation and Development (**OECD**) under a mandate from the G20, was endorsed by G20 Finance Ministers in February 2014, and has been approved by the OECD Council.

In September of 2014, the Australian Government announced that the CRS would be implemented in Australia from 1 July 2017, and the first exchange of information would take place in 2018. The obligation on relevant Australian entities to comply with the CRS is now contained in new Subdivision 396-C of the Taxation Administration Act 1953 (Cth).

In a media release dated 2 June 2015, the Australian Government also announced that Australia will sign the Multilateral Competent Authority Agreement that enables CRS information to be exchanged between countries' tax authorities.

It is expected that the Trust will be a "Reporting Financial Institution" within the meaning of the CRS and will need to comply with the relevant reporting requirements from 1 July 2017.

To assist financial institutions with implementing the CRS, the ATO has developed guidance material that will be updated as the ATO receives and responds to further questions from industry. The guidance was last updated on 2 September 2016.

6.29 Ipso facto moratorium

On 18 September 2017, the Treasury Laws Amendment (2017 Enterprise Incentives No. 2) Act 2017 which reforms Australian insolvency laws received Royal Assent. The reforms include the introduction of a regime in respect of so-called "ipso facto" clauses. Under the legislation, a right under a contract, agreement or arrangement (which would include termination, amendment or payment acceleration) by reason of the appointment of a voluntary administrator, managing controller over all or substantially all of a company's property or where a company is undertaking a scheme of arrangement for the purpose of avoiding being wound up in insolvency would not be enforceable for a period of time.

In the context of securitisations, the stay regime potentially affects (a) the subordination of payments due to a swap provider under a securitisation cashflow waterfall (so-called "flip" clauses); and (b) terminating the appointment of a service provider.

However, the stay regime only relates to a limited range of insolvency events, and in particular does not apply where the company has failed to meet its payment or other obligations under the contract or where a receiver has been appointed. Further, the reforms only apply to rights under a contract, agreement or arrangement entered into after 1 July 2018. The Transaction Documents will all be entered into before that date. Also, the Government has released a list of contract types proposed to be excluded from

the proposed stay provisions, which include "arrangements entered into under an ISDA Master Agreement", "rated securitisations ... that include "flip clauses"" and "securitisation arrangements involving special purpose vehicles". Until formal regulations are released the exact scope of the exclusions and the extent to which securitisation transactions might be impacted are unclear.

6.30 U.S. Risk Retention

The U.S. Risk Retention Rules came into effect on 24 December 2016 with respect to transactions such as this offering and generally require the "securitizer" of a "securitization transaction" to retain at least 5 per cent. of the "credit risk" of "securitized assets", as such terms are defined for purposes of the U.S. Risk Retention Rules, and generally prohibit a securitizer from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitizer is required to retain. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

Heritage does not intend to or undertake to retain at least 5 per cent. of the credit risk of the Mortgage Loan Rights for the purposes of the U.S. Risk Retention Rules.

It is intended that Heritage will rely on an exemption provided for in the U.S. Risk Retention Rules regarding non-U.S. transactions. Such non-U.S. transactions must meet certain requirements, including that (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the securities are issued) of all classes of securities issued in the securitization transaction are sold or transferred to U.S. persons (in each case, as defined in the U.S. Risk Retention Rules) or for the account or benefit of U.S. persons (as defined in the U.S. Risk Retention Rules and referred to in this Information Memorandum as **Risk Retention U.S. Persons**); (3) neither the sponsor nor the issuer of the securitization transaction is organised under U.S. law or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25 per cent. of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or issuer organised or located in the United States.

The Notes may not be purchased by or transferred to U.S. persons unless such limitation is waived by the Manager (on behalf of the Trustee) (such waiver, the "**U.S. Risk Retention Waiver**"). The Manager (on behalf of the Trustee) will not provide a U.S. Risk Retention Waiver to any investor in the Notes if such investor's purchase would result in more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the securities are issued) (as determined by fair value under US GAAP) of all the Classes of Notes issued in the securitization transaction, transferred to or held by Risk Retention U.S. Persons on the Note Issue Date for the Notes or during the 40 days after the completion of the distribution of the Notes. Prospective investors should note that the definition of U.S. person in the U.S. Risk Retention Rules is substantially similar to, but not identical to, and in one respect is materially narrower than, the definition of U.S. person under Regulation S. In particular, a partnership, corporation, limited liability company or other organization or entity that is organized or incorporated under the laws of a non-U.S. jurisdiction will qualify as a "U.S. person" under Regulation S if (a) formed by a "U.S. person" (as defined in Regulation S) principally for the purpose of investing in unregistered securities and (b) owned exclusively by "accredited investors" as defined in Regulation D under the Securities Act who are not natural persons, estates or trusts. However, any such organization or entity organized or incorporated under the laws of a non-U.S. jurisdiction that is not so formed and owned will not qualify as a Risk Retention U.S. Person.

The Notes may not be purchased by, and will not be sold to any person except for (a) persons that are not Risk Retention U.S. Persons or (b) persons that have obtained a U.S. Risk Retention Waiver from the Manager (on behalf of the Trustee). Each holder of a Note or a beneficial interest therein acquired in the initial syndication of the Notes, by its acquisition of a Note or a beneficial interest in a Note, will be deemed to represent to the Trustee, Heritage, the Manager, the Arranger and the Joint Lead Managers that it (1)

either (a) is not a Risk Retention U.S. Person or (b) has received a U.S. Risk Retention Waiver from the Manager (on behalf of the Trustee), (2) is acquiring such Note for its own account and not with a view to distribution of such Note, and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the safe harbor for certain non-U.S. transactions exemption provided for by Section __.20 of the U.S. Risk Retention Rules described above. Neither the Manager nor the Trustee is obliged to provide any waiver in respect of the U.S. Risk Retention Rules.

The Manager, Heritage, the Trustee, the Arranger and the Joint Lead Managers have agreed that none of the Manager, Heritage, the Trustee, the Arranger or the Joint Lead Managers or any person who controls any of them or any director, officer, employee, agent or affiliate of the Manager, Heritage, the Trustee, the Arranger or the Joint Lead Managers shall have any responsibility for determining the proper characterisation of potential investors for such restriction or for determining the availability of the safe harbor for certain non-U.S. transactions provided for by Section __.20 of the U.S. Risk Retention Rules, and none of the Manager, Heritage, the Trustee, the Arranger or the Joint Lead Managers or any person who controls any of them or any director, officer, employee, agent or affiliate of any of the Manager, Heritage, the Trustee, the Arranger or the Joint Lead Managers accepts any liability or responsibility whatsoever for any such determination, it being understood by the Manager, Heritage, the Trustee, the Arranger and the Joint Lead Managers that the characterisation of potential investors for such restriction or for determining the availability of the safe harbor for certain non-U.S. transactions provided for by Section __.20 of the U.S. Risk Retention Rules shall be made on the basis of certain representations that are made or otherwise deemed to be made by each prospective investor.

There can be no assurance that the safe harbor for certain non-U.S. transactions provided for by Section __.20 of the U.S. Risk Retention Rules regarding non-U.S. transactions will be available. In particular, the Manager (on behalf of the Trustee) may not be successful in limiting investment by Risk Retention U.S. Persons may not be limited to no more than 10 per cent. This may result from misidentification of Risk Retention U.S. Person investors as non-Risk Retention U.S. Person investors, or may result from market movements or other matters that affect the calculation of the 10 per cent. value on the Closing Date.

Failure on the part of Heritage or the Manager (on behalf of the Trustee) to comply with the U.S. Risk Retention Rules (regardless of the reason for such failure to comply) could give rise to regulatory action against Heritage or the Manager (on behalf of the Trustee) which may adversely affect the Notes. Furthermore, the impact of the U.S. Risk Retention Rules on the securitisation market or the mortgage loan securitisation market generally is uncertain, and a failure by Heritage or the Manager (on behalf of the Trustee) to comply with the U.S. Risk Retention Rules could negatively affect the market value and secondary market liquidity of the Notes.

In addition, after the Closing Date, the U.S. Risk Retention Rules may have adverse effects on the Heritage, the Trustee and/or the holders of the Notes. Unless the safe harbor for certain non-U.S. transactions provided for in Section __.20 of the U.S. Risk Retention Rules or another exemption is available, the U.S. Risk Retention Rules would apply to a refinancing of the Notes or in connection with material amendments to the terms of the Notes.

In addition, the U.S. Securities and Exchange Commission (the **SEC**) has indicated in contexts separate from the U.S. Risk Retention Rules that an "offer" and "sale" of securities may arise when amendments to securities are so material as to require holders to make a new "investment decision" with respect to such securities. Thus, if the SEC were to take a similar position with respect to the U.S. Risk Retention Rules, they could apply to future material amendments to the terms of the Notes, to the extent such amendments require investors to make a new investment decision with

respect to the Notes. As noted above, Heritage does not intend to or undertake to retain at least 5 per cent. of the credit risk of the Purchased Loans for the purposes of compliance with the U.S. Risk Retention Rules, in reliance upon the safe harbor for certain non-U.S. transactions provided for by Section __.20 of the U.S. Risk Retention Rules. However, there can be no assurance that the safe harbor or any other exemption from the U.S. Risk Retention Rules will be available in connection with any such additional issuance, refinancing or amendment occurring after the Note Issue Date. As a result, the U.S. Risk Retention Rules may adversely affect Heritage or the Trustee (and the performance, market value or liquidity of the Notes) if the Trustee is unable to undertake any such additional issuance, refinancing or amendment. Furthermore, no assurance can be given as to whether the U.S. Risk Retention Rules would have any future material adverse effect on the business, financial condition or prospects of Heritage or the Trustee or on the market value or liquidity of the Notes.

7 Cashflow Allocation Methodology

7.1 General

This section 7 describes the methodology for the calculation of the amounts to be paid by the Trustee on each Payment Date to, among others, the Noteholders.

The Series Notice provides for Collections to be allocated and paid on each Payment Date, in accordance with a set order of priorities, to satisfy the Trustee's obligations in relation to the Trust. Those priorities are detailed in this section 7.

7.2 Collections and Payment

The Trustee will open an account with an Approved Bank (the "**Collection Account**"). The Collection Account will be maintained in accordance with the Master Trust Deed.

Collections will be received during each Collection Period. Primarily, Collections are derived from interest and principal for each Purchased Mortgage Loan and include Finance Charge Collections.

The Servicer must deposit into the Collection Account all Collections (excluding Available Principal used to make redraws, as further described in section 7.14) received for a calendar month by no later than 4:00pm (Sydney time) on the second Business Day after (and not including) the day on which Collections were received by the Servicer.

The Manager must direct the Trustee to apply amounts credited to the Collection Account in making payments in discharge of the Trustee's obligations and make any applications and reinstatements required or contemplated, in each case, under and in accordance with the Series Notice.

On each Determination Date, the Manager will calculate or otherwise ascertain the Collections received for the Collection Period, expenses that have accrued during that Collection Period and other calculations necessary to make allocations and distributions as described in the Series Notice (including the relevant interest payable to Noteholders for the relevant Coupon Period).

7.3 Interest and other payments

- (a) Subject to section 7.3(b), on each Payment Date, and based on the calculations, instructions and directions provided to it by the Manager on the Determination Date immediately preceding that Payment Date, the Trustee must pay or cause to be paid out of Total Available Income in relation to the Collection Period ending immediately before that Payment Date, the following amounts in the following order of priority:

- (1) first, Taxes payable in relation to the Trust for that Collection Period;
- (2) next, the Trustee's Fee for that Collection Period;
- (3) next, the Security Trustee's Fee for that Collection Period;
- (4) next, Trust Expenses which have been incurred during that Collection Period and which have not previously been paid or reimbursed under an application of this section 7.3;
- (5) next, the Servicer's Fee for that Collection Period;
- (6) next, the Custodian Fee for that Collection Period;
- (7) next, the Manager's Fee for that Collection Period;
- (8) next, pari passu and rateably:
 - (A) in payment of all amounts due and payable by the Trustee to the Interest Rate Swap Provider in respect of the Interest Rate Swap (including any termination payments where the Interest Rate Swap Provider is not the defaulting party or the sole affected party and any Break Payments received by the Trustee during that Collection Period but excluding any termination payments where the Interest Rate Swap Provider is the defaulting party or the sole affected party) and any amounts due and payable by the Trustee to the Standby Swap Provider in accordance with the Interest Rate Swap; and
 - (B) in payment of all amounts due and payable by the Trustee to the Basis Swap Provider in respect of the Basis Swap (including any termination payments where the Basis Swap Provider is not the defaulting party or the sole affected party but excluding any termination payments where the Basis Swap Provider is the defaulting party or the sole affected party);
- (9) next, all interest and fees payable by the Trustee under the Liquidity Facility Agreement to the Liquidity Facility Provider (and not including any amounts referred to in section 7.4(a)(8)(A));
- (10) next, any repayment of a Liquidity Draw made on or prior to the immediately preceding Payment Date ;
- (11) next, pari passu and rateably, as between themselves:
 - (A) the Class A1 Noteholders of the Coupon Entitlement on the Class A1 Notes for the Coupon Period ending on that Payment Date;
 - (B) the Redraw Noteholders of the Coupon Entitlement on the Redraw Notes for the Coupon Period ending on that Payment Date;
- (12) next, pari passu and rateably amongst the Class A1 Noteholders and Redraw Noteholders of any outstanding Coupon Entitlement on the Class A1 Notes and Redraw Notes for a prior Payment Date to the extent not previously paid under section 7.3(a)(11);
- (13) next, pari passu and rateably amongst the Class A2 Noteholders, the Coupon Entitlement for the Class A2 Notes for the Coupon Period ending on that Payment Date;
- (14) next, pari passu and rateably amongst the Class A2 Noteholders of any outstanding Coupon Entitlement on the Class A2 Notes for a prior

- Payment Date to the extent not previously paid under section 7.3(a)(13); and
- (15) next, pari passu and rateably amongst the Class AB Noteholders, the Coupon Entitlement for the Class AB Notes for the Coupon Period ending on that Payment Date;
 - (16) next, pari passu and rateably amongst the Class AB Noteholders of any outstanding Coupon Entitlement on the Class AB Notes for a prior Payment Date to the extent not previously paid under section 7.3(a)(15);
 - (17) next, pari passu and rateably, amongst the Class B Noteholders of the Coupon Entitlement on the Class B Notes for the Coupon Period ending on that Payment Date;
 - (18) next, pari passu and rateably amongst the Class B Noteholders of any outstanding Coupon Entitlement on the Class B Notes for a prior Payment Date to the extent not previously paid under section 7.3(a)(17);
 - (19) next, pari passu and rateably amongst the Class C Noteholders, the Coupon Entitlement for the Class C Notes for the Coupon Period ending on that Payment Date;
 - (20) next, pari passu and rateably amongst the Class C Noteholders of any outstanding Coupon Entitlement on the Class C Notes for a prior Payment Date to the extent not previously paid under section 7.3(a)(19);
 - (21) next, pari passu and rateably amongst the Class D Noteholders, the Coupon Entitlement for the Class D Notes for the Coupon Period ending on that Payment Date; and
 - (22) next, pari passu and rateably amongst the Class D Noteholders of any outstanding Coupon Entitlement on the Class D Notes for a prior Payment Date to the extent not previously paid under section 7.3(a)(21).
- (b) The Trustee shall only make a payment under any of sections 7.3(a)(1) to 7.3(a)(22) inclusive to the extent that any Total Available Income remains from which to make the payment after amounts with priority to that payment have been distributed.
 - (c) Prior to any allocation or a payment described under any of sections 7.3(a)(1) to 7.3(a)(22) inclusive, on each Payment Date and upon the Manager's direction the Trustee must first apply the Total Available Income to pay each Approved Seller the Accrued Interest Adjustment (if any) in respect of the Purchased Mortgage Loans acquired from that Approved Seller.
 - (d) Sections 7.3(a) and 7.4(a) only apply prior to the occurrence of an Event of Default and enforcement of the Security.

7.4 Excess Available Income

- (a) On each Payment Date, the Trustee must (based on the calculations, instructions and directions provided to it by the Manager) apply any Excess Available Income for the immediately preceding Collection Period in the following order of priority:
 - (1) next, towards Total Available Principal in repayment of any Principal Draws which are outstanding from any preceding Payment Date;
 - (2) next, towards Total Available Principal in payment of any Loss for that Collection Period;

- (3) next, towards Total Available Principal in payment of any Carryover Charge Offs for that Collection Period;
- (4) next, if the Excess Income Reserve Trapping Conditions are satisfied on the Determination Date immediately preceding the Payment Date, to the Excess Income Reserve until the balance of the Excess Income Reserve equals the Excess Income Reserve Target Balance;
- (5) next, towards payment of any EEA Shortfall Amount in accordance with the Series Notice;
- (6) next, pari passu and rateably:
 - (A) in payment of any termination payments due and payable by the Trustee to the Interest Rate Swap Provider in respect of the Interest Rate Swap where the Interest Rate Swap Provider is the defaulting party or the sole affected party plus any Break Payments due and payable to the Interest Rate Swap Provider to the extent not paid under section 7.3(a)(8)(A); and
 - (B) in payment of any termination payments due and payable by the trustee to the Basis Swap Provider in respect of the Basis Swap where the Basis Swap Provider is the defaulting party or the sole affected party;
- (7) next, towards payment of any other amounts (not otherwise paid under section 7.3) which are due and payable under the Liquidity Facility Agreement; and
- (8) next, pari passu and rateably:
 - (A) any amounts payable to the Liquidity Facility Provider as a result of a Changed Costs Event pursuant to section 11 of the Liquidity Facility Agreement; and
 - (B) any liabilities owing under any indemnity granted to the Dealers under the Dealer Agreement.
- (b) The Trustee shall make a payment under section 7.4(a)(1) to 7.4(a)(8) inclusive to the extent that any Excess Available Income remains from which to make the payment after amounts with priority to that payment have been distributed.
- (c) If there are any Charge Offs for any Collection Period calculated on the Determination Date for that Collection Period, after the application of any Excess Available Income in accordance with section 7.4(a)(2), the Trustee must (based on the calculations, instructions and directions provided to it by the Manager), on and with effect from the Payment Date after the end of that Collection Period:
 - (1) first, reduce the Class D Stated Amounts by the amount of those Charge Offs until the Class D Stated Amounts have been reduced to zero;
 - (2) then, reduce the Class C Stated Amounts by the amount of those Charge Offs until the Class C Stated Amounts have been reduced to zero;
 - (3) then, reduce the Class B Stated Amounts by the amount of those Charge Offs until the Class B Stated Amounts have been reduced to zero;
 - (4) then, reduce the Class AB Stated Amounts by the amount of those Charge Offs until the Class AB Stated Amounts have been reduced to zero;

- (5) then, reduce the Class A2 Stated Amounts by the amount of those Charge Offs until the Class A2 Stated Amounts have been reduced to zero; and
- (6) then, reduce, pari passu and rateably, the Class A1 Stated Amounts and the Redraw Note Stated Amounts by the amount of those Charge Offs until the Class A1 Stated Amounts and the Redraw Note Stated Amounts have been reduced to zero,

in each case pari passu and rateably amongst the Notes of such class.

- (d) The Trustee must (based on the calculations, instructions and directions provided to it by the Manager), on and with effect from the Payment Date after the end of a Collection Period to the extent of the Total Available Principal available under section 7.4(a)(3):
 - (1) first, pari passu and rateably (based on the aggregate Class A1 Stated Amounts and the Redraw Note Stated Amounts as at the immediately preceding Determination Date):
 - (A) increase the Class A1 Stated Amounts to the extent of any Carryover Charge Offs in relation to the Class A1 Notes;
 - (B) increase the Redraw Note Stated Amounts to the extent of any Carryover Charge Offs in relation to the Redraw Notes;
 - (2) next, pari passu and rateably (based on the aggregate Class A2 Stated Amounts as at the immediately preceding Determination Date) increase the Class A2 Stated Amounts to the extent of any Carryover Charge Offs in relation to Class A2 Notes;
 - (3) next, pari passu and rateably (based on the aggregate Class AB Stated Amounts as at the immediately preceding Determination Date) increase the Class AB Stated Amounts to the extent of any Carryover Charge Offs in relation to Class AB Notes;
 - (4) next, pari passu and rateably (based on the aggregate Class B Stated Amounts as at the immediately preceding Determination Date) increase the Class B Stated Amounts to the extent of any Carryover Charge Offs in relation to Class B Notes;
 - (5) next, pari passu and rateably (based on the aggregate Class C Stated Amounts as at the immediately preceding Determination Date) increase the Class C Stated Amounts to the extent of any Carryover Charge Offs in relation to Class C Notes; and
 - (6) next, pari passu and rateably (based on the aggregate Class D Stated Amounts as at the immediately preceding Determination Date) increase the Class D Stated Amounts to the extent of any Carryover Charge Offs in relation to Class D Notes.

7.5 Excess Distribution

- (a) Subject to section 7.5(b), on each Payment Date, the Trustee must at the written direction of the Manager, pay any Excess Distribution for the immediately preceding Collection Period to the holder of the Residual Income Unit.
- (b) The Trustee may not, and the Manager must not direct the Trustee to, recover any Excess Distribution from the holder of the Residual Income Unit once they are paid to the holder of the Residual Income Unit.

7.6 Initial Principal Distributions

- (a) Subject to section 7.6(b), on each Payment Date, and based on the calculations, instructions and directions provided to it by the Manager on the Determination Date immediately preceding that Payment Date, the Trustee must distribute or cause to be distributed out of Total Available Principal in relation to the Collection Period ending immediately before that Payment Date, the following amounts in the following order of priority:
- (1) first, to repay Heritage any Redraw made by it during or prior to that Collection Period which is outstanding;
 - (2) next, to fund any Principal Draws calculated as described in section 7.10(d) for the Payment Date; and
 - (3) next, pari passu and rateably toward the Redraw Noteholders of the Redraw Notes in accordance with section 7.6(c) until the outstanding principal of the Redraw Notes is reduced to zero.
- (b) The Trustee shall only make a payment under any of sections 7.6(a)(1) to 7.6(a)(3) inclusive to the extent that any Total Available Principal remains from which to make the payment after amounts with priority to that payment have been distributed.
- (c) The amount available for distribution under section 7.6(a)(3) is to be distributed amongst the Redraw Notes as a repayment of principal on the Redraw Notes in the following order:
- (1) first, pari passu and rateably amongst those Redraw Notes with the earliest issue date until the Redraw Note Stated Amount of those Redraw Notes is reduced to zero;
 - (2) next, pari passu and rateably amongst those Redraw Notes with the next earliest issue date (if any) until the Redraw Note Stated Amount of those Redraw Notes is reduced to zero; and
 - (3) next, pari passu and rateably amongst each subsequent group of Redraw Notes (if any) with the same issue date until the Redraw Note Stated Amount of those Redraw Notes is reduced to zero on the basis that a Redraw Note will not be entitled to any payment in respect of principal under this section 7.6(c) until the aggregate Stated Amount of all Redraw Notes with an earlier issue date than that Redraw Note has been reduced to zero.

7.7 Principal Payments - sequential

- (a) Subject to section 7.7(b), on any Determination Date on which the Step Down Payment Requirements are not satisfied the Trustee must, based on the directions given to it by the Manager, on the Payment Date following that Determination Date, pay out of the Total Available Principal for the Collection Period ending immediately before that Payment Date the following amounts in the following order of priority:
- (1) first, all the Initial Principal Distributions for the Collection Period preceding that Payment Date;
 - (2) next, pari passu and rateably:
 - (A) an amount equal to the Class A1 Stated Amount to be applied amongst the Class A1 Noteholders as Class A1 Principal Payments, until the Class A1 Stated Amounts have been reduced to zero;

- (B) an amount equal to the Class A2 Stated Amount to be applied amongst the Class A2 Noteholders as Class A2 Principal Payments, until the Class A2 Stated Amounts have been reduced to zero;
 - (3) next, an amount equal to the Class AB Stated Amounts pari passu and rateably amongst the Class AB Noteholders as Class AB Principal Payments, until the Class AB Stated Amounts have been reduced to zero;
 - (4) next, an amount equal to the Class B Stated Amounts pari passu and rateably amongst the Class B Noteholders as Class B Principal Payments, until the Class B Stated Amounts have been reduced to zero;
 - (5) next, an amount equal to the Class C Stated Amounts pari passu and rateably amongst the Class C Noteholders as Class C Principal Payments, until the Class C Stated Amounts have been reduced to zero; and
 - (6) next, and an amount equal to the Class D Stated Amounts pari passu and rateably amongst the Class D Noteholders as Class D Principal Payments, until the Class D Stated Amounts have been reduced to zero.
- (b) The Trustee shall only make a payment under any of sections 7.7(a)(1) to 7.7(a)(6) inclusive to the extent that any Total Available Principal remains from which to make the payment after amounts with priority to that payment have been distributed.

7.8 Principal Payments - serial method where Step Down Payment Requirements are satisfied

- (a) If on any Determination Date where:
- (1) the immediately following Payment Date will occur on or after the date which is 24 months after the Closing Date; and
 - (2) the Average Arrears Percentage on that Determination Date does not exceed 2%; and
 - (3) the Carryover Charge Offs in respect of any Notes on that Determination Date do not exceed zero; and
 - (4) the Total Invested Amount (excluding the Invested Amount of the Redraw Notes) on that Determination Date as a percentage of the aggregate of the Total Initial Invested Amount of the Notes is greater than or equal to 10%; and
 - (5) the Class A1 Subordination is at least 16.0%; and
 - (6) the Class A2 Subordination is at least 10.0%;
- then the Trustee must (subject to section 7.8(b)), based on the directions given to it by the Manager, on the Payment Date following that Determination Date, pay out of the Total Available Principal for the Collection Period ending immediately before that Payment Date the following amounts in the following order of priority:
- (7) first, all the Initial Principal Distributions for the Collection Period preceding that Payment Date; and
 - (8) next, pari passu and rateably amongst:

- (A) the Class A1 Noteholders, an amount equal to the Class A1 Stated Amounts amongst the Class A1 Noteholders as Class A1 Principal Payments;
- (B) the Class A2 Noteholders, an amount equal to the Class A2 Stated Amounts amongst the Class A2 Noteholders as Class A2 Principal Payments;
- (C) the Class AB Noteholders, an amount equal to the Class AB Stated Amounts amongst the Class AB Noteholders as Class AB Principal Payments;
- (D) the Class B Noteholders, an amount equal to the Class B Stated Amounts amongst the Class B Noteholders as Class B Principal Payments;
- (E) the Class C Noteholders, an amount equal to the Class C Stated Amounts amongst the Class C Noteholders as Class C Principal Payments; and
- (F) the Class D Noteholders, an amount equal to the Class D Stated Amounts amongst the Class D Noteholders as Class D Principal Payments,

until the respective Stated Amounts have been reduced to zero.

- (b) The Trustee shall only make a payment under sections 7.8(a)(7) and 7.8(a)(8) to the extent that any Total Available Principal remains from which to make the payment after amounts with priority to that payment have been distributed.

7.9 Redraws

- (a) The Servicer may, subject to this section 7.9, from time to time use Available Principal held by it to fund a Redraw requested by a Borrower and approved by the Servicer.
- (b) The Servicer must provide the details set out in section 7.9(c) in respect of each Purchased Mortgage Loan in respect of which a Redraw is made during any Collection Period to the Manager and the Trustee at the same time as the Manager provides information in relation to calculations it is required to make on each Determination Date.
- (c) The Servicer must provide the Manager and the Trustee with details of the aggregate amount of all Redraws for that Collection Period and any other information the Manager or the Trustee may reasonably request from time to time in respect of that Redraw and the Purchased Mortgage Loan referable to it.
- (d) If the Servicer holds insufficient Available Principal to fund any requested Redraw it will give the Trustee and the Manager notice of that request including the information set out in section 7.9(c).
- (e) Subject to section 7.9(i), if the Servicer does not, or will not on the date of any proposed Redraw under section 7.9(a), have sufficient Available Principal to make that Redraw, the Servicer must notify Heritage (if Heritage is not the Servicer) of that fact, and Heritage may fund the Redraw itself, if the Servicer is of the reasonable opinion that on that Determination Date for that Collection Period there will, following that deduction, be sufficient Available Principal to meet all Principal Draws required to be made under section 7.6(a)(2) on the relevant Payment Date. The Trustee and the Manager irrevocably authorise Heritage to deduct from the Total Available Principal it subsequently receives the total amount of all Redraws provided by Heritage in relation to Purchase Mortgaged Loans, to the extent that Heritage has not previously been reimbursed in relation to any such Redraws, and if the Servicer is of the reasonable opinion that on the relevant Determination Date for the relevant

Collection Period there will, following that deduction, be sufficient Available Principal to meet all Principal Draws required to be made on the relevant Payment Date.

- (f) If, despite the preceding paragraphs of this section 7.9, the Manager determines on any Determination Date that there is a Redraw Shortfall, then the Manager may (in its discretion) direct the Trustee to issue Redraw Notes to Australian resident investors and use the proceeds to meet such shortfall. The Margin and Initial Invested Amount for the Redraw Notes will be set by the Manager in good faith on or before the relevant issue date and notified in writing to the Trustee.
- (g) The proceeds of issue of any Redraw Notes must be deposited into the Collection Account and remitted to Heritage to reimburse it for the relevant Redraws.
- (h) Without limiting sections 7.9(a) to 7.9(g), it shall not be an Event of Default under the Security Trust Deed if Heritage is not reimbursed for Redraws in relation to Purchased Mortgage Loans funded by Heritage. This section 7.9(h) does not limit Heritage's rights under the Security Trust Deed in respect of those Redraws.
- (i) Notwithstanding any other paragraph in this section 7.9, the Servicer may not use any Available Principal under section 7.9(a) in relation to, and is not entitled to be reimbursed for, any Redraw made to a primary Obligor to the extent that the primary Obligor was not entitled under the terms of the receivable to all or any part of that Redraw and the Servicer must notify the Manager and the Trustee that an amount has been improperly redrawn as soon as reasonably practicable and in any event by 5:00pm (Sydney time) on the date 7 days following the Determination Date immediately following the date of that Redraw and must reimburse the Trustee for any amount improperly redrawn by 5:00pm (Sydney time) on the date 7 days following the Determination Date immediately following the date of that Redraw.

7.10 Determination Date - Gross Liquidity Shortfalls and Liquidity Shortfalls

- (a) If the Manager determines on any Determination Date that there is a Gross Liquidity Shortfall for the relevant Collection Period, the Manager must direct the Trustee to withdraw from the Excess Income Reserve an amount equal to the Excess Income Reserve Draw to meet the Gross Liquidity Shortfall.
- (b) If the Manager determines on any Determination Date that there is a Liquidity Shortfall for the relevant Collection Period, the Manager must direct the Trustee to apply from the Total Available Principal, to the extent available for such a purpose under the Series Notice (as an Initial Principal Distribution), an amount (the "**Principal Draw**") equal to the Liquidity Shortfall.
- (c) If the Manager determines on any Determination Date that the Principal Draw is less than the Liquidity Shortfall for the relevant Collection Period, the Manager must on behalf of the Trustee on that date request, to the extent available, a Liquidity Draw under the Liquidity Facility Agreement equal to the difference between the Principal Draw and the Liquidity Shortfall.
- (d) The Manager must on behalf of the Trustee request that the proceeds of that Liquidity Draw be deposited or transferred into the Collection Account by no later than 11:00am (Sydney time) on the Business Day next succeeding the Determination Date (in case of a drawing under the Liquidity Facility Agreement). The Manager must deal with the amount so deposited in accordance with the Series Notice.

7.11 Determination Date - calculations

- (a) On each Determination Date, the Manager will, in respect of the current Collection Period calculate or otherwise ascertain:
- (1) any Accrued Interest Adjustment;
 - (2) the Available Income;
 - (3) the Available Principal;
 - (4) all Carryover Charge Offs (if any);
 - (5) all Charge Offs (if any);
 - (6) the Class AB Percentage;
 - (7) the Class B Percentage;
 - (8) the Class C Percentage;
 - (9) the Class D Percentage;
 - (10) the Class A Subordination;
 - (11) the Coupon Rate and interest payable to the Noteholders;
 - (12) the Excess Available Income (if any);
 - (13) the Excess Distribution (if any);
 - (14) the Finance Charge Collections;
 - (15) the Finance Charge Loss;
 - (16) the Liquidation Loss (if any);
 - (17) the Liquidity Draw (if any) for that Collection Period, together with all Liquidity Draws made before the start of that Collection Period and not repaid;
 - (18) the Gross Liquidity Shortfall (if any);
 - (19) the Liquidity Shortfall (if any);
 - (20) the Loss (if any);
 - (21) the Monthly Arrears Percentage;
 - (22) each Net Swap Settlement;
 - (23) the Principal Draw (if any) for that Collection Period, together with all Principal Draws made before the start of that Collection Period and not repaid;
 - (24) the Principal Loss;
 - (25) the Principal Payments payable to the Noteholders;
 - (26) the Purchase Price adjustment calculated under the Sale Notice;
 - (27) the aggregate of all Redraws made during that Collection Period;
 - (28) the Redraw Shortfall;
 - (29) the Required Payments;
 - (30) the Threshold Rate;
 - (31) the Total Available Income;
 - (32) the Total Available Principal;
 - (33) the Trust Expenses;

- (34) the balance of the Excess Income Reserve;
 - (35) the Excess Income Reserve Draw; and
 - (36) all other calculations necessary to make allocations and distributions under the Series Notice.
- (b) The Manager must:
- (1) notify the Trustee of each of the amounts calculated by it in section 7.11(a) by 11:00am (Sydney time) on each Determination Date; and
 - (2) instruct the Trustee in writing as to the payments to be made by the Trustee on the relevant Payment Date.
- (c) In the absence of manifest error, the Trustee is entitled to rely conclusively on (and will rely on) the Manager's calculations and notifications and is not required to (and it will not) investigate the accuracy of them.

7.12 Allocating Liquidation Loss

On each Determination Date, the Manager must determine, in relation to the aggregate of all Liquidation Losses arising during that Collection Period:

- (a) the amount of those Liquidation Losses attributable to interest, fees and expenses in relation to the relevant Purchased Mortgaged Loans ("**Finance Charge Loss**"); and
- (b) the amount of those Liquidation Losses attributable to principal in relation to the relevant Purchased Mortgage Loans ("**Principal Loss**"),

on the basis that all Liquidation Proceeds actually received by or on behalf of the Trustee in relation to Purchased Mortgaged Loans are applied first against interest, fees and other Enforcement Expenses relating to those Purchased Mortgage Loans, and then against the Mortgage Loan Principal and Property Restoration Expenses relating to those Purchased Mortgage Loans.

7.13 Insurance claims

- (a) If, on any Determination Date, the Manager determines that there is a Liquidation Loss in relation to a Purchased Mortgage Loan for the immediately preceding Collection Period, the Manager shall direct the Servicer (if the Servicer has not already done so), promptly, and in any event so that the claim is made within the time limit specified in the relevant Mortgage Insurance Policy for that Purchased Mortgage Loan without the amount of the claim becoming liable to be reduced by reason of delay, to make a claim under the relevant Mortgage Insurance Policy.
- (b) Upon receipt of any amount under or in respect of a Mortgage Insurance Policy in payment of a claim referred to above, the Manager must determine which part of the amount is attributable to interest, fees and other amounts in the nature of income, and which part of that amount is attributable to principal.

7.14 Payments before Payment Date

- (a) In connection with a Collection Period, and the Determination Date for that Collection Period, Heritage must deposit, into the Collection Account all Collections (excluding Available Principal that may be used under section 7.9(a), which Heritage is irrevocably authorised to deduct from any Collections to be deposited under this paragraph (but only if Heritage is of the reasonable opinion that on that Determination there will, following that deduction, be

sufficient Available Principal to meet all Principal Draws required to be made under section 7.6(a)(2) on the relevant Payment Date)) received during that Collection Period, by no later than 4.00pm (Sydney time) on the second Business Day after (and not including) the day on which the Collections were received by Heritage.

- (b) The Manager must direct the Trustee in writing to:
 - (1) apply amounts credited to the Collection Account in making payments in discharge of the Trustee's obligations under the Series Notice; and
 - (2) make the applications and reinstatements required or contemplated by the Series Notice,in each case, under and in accordance with the Series Notice.
- (c) Heritage must pay interest on all Collections received from the date of their receipt by Heritage up to the date Heritage deposits those Collections into the Collection Account. The rate of interest payable by Heritage in respect of those Collections will be the greater of 0 and 1.5% below the One Month Bank Bill Rate on the Payment Date falling in the Collection Period to which those Collections relate.

7.15 Loan Offset Amount

- (a) Subject to section 7.15(c), Heritage shall calculate on a daily basis the Loan Offset Amount (**Daily Loan Offset Amount**) for each day during the Collection Period and pay that amount to the Trustee.
- (b) Heritage must pay the amount of each Daily Loan Offset Amount calculated under section 7.15(a) by no later than 4:00pm (Sydney time) on the second Business Day following (and not including) the day for which the Daily Loan Offset Amount was calculated.
- (c) Heritage shall not be required to make any payment under section 7.15(a) following the occurrence of a Title Perfection Event when the Trustee's legal title to the Purchased Mortgage Loans and the related Mortgage Loan Rights are perfected.
- (d) Following the occurrence of a Title Perfection Event when the Trustee's legal title to the Purchased Mortgage Loans and the related Mortgage Loan Rights are perfected, Heritage must ensure that the relevant Loan Offset Deposit Accounts are cancelled or withdrawn.

7.16 Clean Up Offer

- (a) Subject to section 7.16(c), the Manager may direct the Trustee to offer (by written notice to Heritage) to extinguish in favour of Heritage all its right, title and interest in and to the Purchased Mortgage Loans and related Mortgage Loan Rights (the "**Clean Up Offer**") on any Payment Date when the aggregate Invested Amount of the Notes falls below 10% of the aggregate Initial Invested Amount of the Notes.
- (b) Notwithstanding section 7.16(a), but subject to 7.16(c), the Manager may direct the Trustee to make a Clean Up Offer even though the aggregate Invested Amount of the Notes is more than 10% of the aggregate Initial Invested Amount of the Notes (excluding Redraw Notes) if Heritage has previously notified the Manager that APRA has granted its approval in writing to Heritage to exercise its rights to extinguish the Trustee's right, title and interest in and to the Purchased Mortgage Loans and related Mortgage Loan Rights under this section 7.16.

- (c) If any Notes (excluding Redraw Notes) are outstanding, the Manager may not give a direction under the preceding two paragraphs of this section 7.16 unless:
- (1) the amount paid by Heritage to the Trustee for the Trustee's right, title and interest in and to the Purchased Mortgage Loans and related Mortgage Loan Rights pursuant to the Clean Up Offer will be sufficient to redeem those Notes (excluding Redraw Notes) in full in accordance with the paragraphs 7.16(d) to 7.16(j) (unless otherwise approved by an Extraordinary Resolution of the Noteholders); and
 - (2) the Manager has given written notice to all Noteholders of its intention to give such a direction, specifying the Payment Date which will be specified in that direction as the date upon which the Clean Up Offer may be accepted by Heritage, which must be not more than 35 days and not less than 20 days after the date upon which the notice to Noteholders is given. The notice is irrevocable.
- (d) The Trustee must redeem all the Class A1 Notes by paying to the Class A1 Noteholders the sum of:
- (1) the Invested Amount of those Class A1 Notes; and
 - (2) any accrued and unpaid interest on those Class A1 Notes,
- or such lesser amount as agreed by the relevant Class A1 Noteholders by way of Extraordinary Resolution.
- (e) The Trustee must redeem all the Class A2 Notes by paying to the Class A2 Noteholders the sum of:
- (1) the Invested Amount of those Class A2 Notes; and
 - (2) any accrued and unpaid interest on those Class A2 Notes,
- or such lesser amount as agreed by the relevant Class A2 Noteholder by way of Extraordinary Resolution.
- (f) The Trustee must redeem all the Class AB Notes by paying to the Class AB Noteholders the sum of:
- (1) the Invested Amount of those Class AB Notes; and
 - (2) any accrued and unpaid interest on those Class AB Notes,
- or such lesser amount as agreed by the relevant Class AB Noteholders by way of Extraordinary Resolution.
- (g) The Trustee must redeem all the Class B Notes by paying to the Class B Noteholders the sum of:
- (1) the Invested Amount of those Class B Notes; and
 - (2) any accrued and unpaid interest on those Class B Notes,
- or such lesser amount as agreed by the relevant Class B Noteholders by way of Extraordinary Resolution.
- (h) The Trustee must redeem all the Class C Notes by paying to the Class C Noteholders the sum of:
- (1) the Invested Amount of those Class C Notes; and
 - (2) any accrued and unpaid interest on those Class C Notes,
- or such lesser amount as agreed by the relevant Class C Noteholders by way of Extraordinary Resolution.
- (i) The Trustee must redeem all the Class D Notes by paying to the Class D Noteholders the sum of:

- (1) the Invested Amount of those Class D Notes; and
 - (2) any accrued and unpaid interest on those Class D Notes,
- or such lesser amount as agreed by the relevant Class D Noteholder by way of Extraordinary Resolution.
- (j) The Trustee must redeem all the Redraw Notes by paying to the Redraw Noteholders the sum of:
 - (1) the Invested Amount of those Redraw Notes; and
 - (2) any accrued and unpaid interest on the Redraw Notes,
 or such lesser amount as agreed by the relevant Redraw Noteholder by way of Extraordinary Resolution.
 - (k) Heritage may accept the Clean Up Offer from the Trustee by paying to the Trustee on a Payment Date the amount determined by the Manager:
 - (1) in the case of performing Purchased Mortgage Loans, the Unpaid Balance of the relevant Purchased Mortgage Loans; and
 - (2) in the case of non-performing Purchased Mortgage Loans, their Fair Market Value, as at the last day of the immediately preceding Collection Period of the Purchased Mortgage Loans.

In each case, the Servicer, in consultation with the Trustee, is to determine whether a Purchased Mortgage Loan is performing or non-performing.

7.17 Extraordinary Expenses Reserve

- (a) On or before the Note Issue Date, the Manager must ensure that an amount equal to \$150,000 (**EEA Amount**) has been deposited to the Collection Account and credited to a ledger of the Collection Account designated as the "HBS 2017-1 Extraordinary Expenses Ledger" (**EEA Ledger**) in the accounting records maintained by it pursuant to the Master Trust Deed for this purpose.
- (b) The Trustee must, and the Manager must direct the Trustee to, withdraw from the Collection Account, and debit such withdrawal against the EEA Ledger in the Collection Account from time to time funds up to a maximum of the amount standing to the credit of the EEA Ledger at that time to meet any extraordinary expenses of the Trustee in respect of the Trust at that time payable (as certified in writing by the Manager to the Trustee) being any expense, cost, charge or other amount in relation to the Trust determined from time to time by the Manager to be an extraordinary expense not incurred in the ordinary course of business of the Trust.
- (c) If at any time the amount standing to the credit of the EEA Ledger is or will be less than the EEA Amount (the **EEA Shortfall**), the Manager must ensure that, to the extent funds are available in accordance with section 7.4(a), an amount equal to the EEA Shortfall will be credited to the EEA Ledger on the following Payment Date.
- (d) Interest shall accrue for the benefit of Heritage, in accordance with the applicable interest rate and provisions for the Collection Account, on the amount of any amount that remains credited to the EEA Ledger.
- (e) For the avoidance of doubt, this section 7.17 is in addition to and in no way limits the Trustee's or the Security Trustee's right to be indemnified for or paid its fees, costs, charges, liabilities and expenses (however so described) in accordance with the priority specified in the Security Trust Deed and any other relevant provision of a Transaction Document.

- (f) Any credit balance on the EEA Ledger, and any accrued and unpaid interest amount, shall be paid to Heritage on the Final Maturity Date or on any earlier date on which the Notes are redeemed in full as described in section 2.7.

7.18 Excess Income Reserve

- (a) On or before the Note Issue Date, the Manager must ensure that a ledger of the Collection Account is established and designated as the 'HBS 2017-1 Excess Income Reserve Ledger' (**EIR Ledger**), for the purpose of recording all increases and decreases in the amounts (**Excess Income Reserve**) required to be held in it under this section.
- (b) The Excess Income Reserve will be:
- (1) increased by any deposit to the EIR Ledger made under section 7.4(a)(4); and
 - (2) decreased by any withdrawal from the EIR Ledger under any of the provisions of section 7.18(c).
- (c) The Manager must direct the Trustee to withdraw amounts from the Excess Income Reserve only in the following circumstances:
- (1) to be applied as part of Total Available Income for use as an Excess Income Reserve Draw to meet a Gross Liquidity Shortfall as described in section 7.10(a);
 - (2) to the extent the balance of the Excess Income Reserve exceeds the Excess Income Reserve Target Balance on a Payment Date (after application in accordance with paragraph (1) above on that Payment Date), the amount of the excess to be applied as Total Available Income on that Payment Date; and
 - (3) the amount then standing to the credit of the Excess Income Reserve, to be applied as part of Total Available Income on the Payment Date occurring on the earlier of:
 - (A) the Final Maturity Date; and
 - (B) the date on which the Invested Amount of the Class D Notes has been reduced to zero,

and amounts may not otherwise be applied by the Trustee (except in respect of any transfer from the Collection Account to a new Collection Account in accordance with the Master Trust Deed or to another bank account held with an Approved Bank as directed by the Manager).

8 Support Facilities

8.1 Definition

“**Support Facility**” in relation to the Trust means:

- (a) any Mortgage Insurance Policy;
 - (b) any Hedge Agreement; or
 - (c) the Liquidity Facility Agreement,
- entered into by the Trustee as trustee for the Trust.

8.2 Mortgage insurance Policies

General

Each Mortgage Loan is insured by a Mortgage Insurer under a Mortgage Insurance Policy.

This section contains a summary of some of the provisions of the Mortgage Insurance Policies.

The Approved Sellers have assigned to the Trustee (the “**Insured**”) the benefit of each Mortgage Insurance Policy in respect of the Purchased Mortgage Loans.

Period of Cover

The period of insurance cover differs between Mortgage Insurance Policies depending on the Mortgage Insurer. In general, however, each Mortgage Insurance Policy in respect of a Mortgage Loan terminates on the earliest of the following:

- (a) transfer of the Mortgage Insurance Policy to a person other than a person who is or becomes an Insured;
- (b) repayment in full of the relevant Mortgage Loan or discharge of the relevant Mortgage;
- (c) if the Mortgage Loan ceases to be secured by the relevant Mortgage (other than in limited circumstances);
- (d) the expiry date of the Mortgage Insurance Policy, however if within 14 days after the expiry date of the Mortgage Insurance Policy notice is given of default under the Mortgage Loan, the Mortgage Insurance Policy will continue solely for the purposes of a claim on that default;
- (e) the date of payment of a claim for loss under the Mortgage Insurance Policy; or
- (f) cancellation of the Mortgage Insurance Policy in accordance with the Insurance Contracts Act 1984 or the terms of the relevant Mortgage Insurance Policy.

Cover for Losses

Subject to the exclusions outlined below, the Mortgage Insurers must pay the Insured’s loss in respect of a Mortgage Loan. Depending on the Mortgage Insurer, the loss is generally calculated as being the aggregate of the following amounts owed to the Insured:

- (a) the balance of the loan account at the settlement date;
- (b) interest on the balance of the loan account up to the relevant settlement date or from the settlement date to the date of claim (limited, in some cases, to relevant maximum periods); and
- (c) costs incurred on sale of the Mortgaged Property which generally include:
 - (1) costs properly incurred for insurance premiums, rates, land tax (calculated on a single holding basis) and other statutory charges on the Mortgaged Property up to a limit;
 - (2) reasonable and necessary legal fees and disbursements incurred in enforcing or protecting rights under the Mortgage Loan up to a limit;
 - (3) reasonable and necessary costs incurred in maintaining (but not restoring) the Mortgaged Property up to a limit;
 - (4) sales agent’s commission, advertising costs, valuation costs and other reasonable costs relating to the sale of the Mortgaged Property;

- (5) any amounts applied with the prior written consent of the Mortgage Insurer to discharge a security interest having priority over the Mortgaged Loan; and
- (6) any GST incurred on the sale or transfer of the Mortgaged Property to a third party in or towards the satisfaction of any debt owed by the Mortgagor under the loan account, and any GST properly incurred in respect of any of the costs, fees, disbursements or commissions specifically identified under paragraphs (1) to (5) above,

less the following deductions:

- (d) the gross proceeds of sale of the Mortgaged Property; and
- (e) the following amounts to the extent they have not already been applied to the credit of the loan account:
 - (1) compensation received for any part of the Mortgaged Property or any collateral security that has been resumed or compulsorily acquired;
 - (2) all rents collected and other profits received relating to the Mortgaged Property or any collateral security;
 - (3) any sums received under any insurance policy relating to the Mortgaged Property not applied to restoration of the Mortgaged Property following damage or destruction;
 - (4) all amounts recovered from exercising rights relating to any collateral security;
 - (5) any other amount received relating to the Mortgage Loan or any collateral security including any amounts received from the Mortgagor, any guarantor or prior mortgagee; and
 - (6) any amount incurred by the Insured in respect of GST relating to the Mortgaged Property or any collateral security to the extent for which the Insured is entitled to claim an input tax credit.

In general, amounts owed to the Insured for the purposes of paragraphs (a) to (d) of the above calculations do not include the following amounts:

- (a) interest charged in advance;
- (b) default rate interest;
- (c) any higher interest rate payable because of failure to make prompt payment;
- (d) fines, fees or charges debited to the loan account;
- (e) early repayment fees;
- (f) break funding costs;
- (g) cost of restoration following damage to or destruction of the Mortgaged Property;
- (h) costs of removal, clean up and restoration arising from contamination, pollution or infestation of the Mortgaged Property;
- (i) additional funds advanced to the Mortgagor without the Mortgage Insurer's written consent;
- (j) amounts paid by the Insured in addition to the Mortgage Loan to complete improvements;
- (k) cost overruns;
- (l) any civil or criminal penalties imposed on the Insured under legislation including the Consumer Credit Legislation or loss arising from not being able to enforce the Mortgage as a result of the operation of Consumer Credit Legislation;

- (m) loss caused by acts of terrorism, civil unrest or war;
- (n) loss caused by a fraudulent act, error, omission or statement by the Insured or any other person; and
- (o) the amount of the Insured's loss (including all legal costs and disbursements) attributable to any breach or non compliance of the Managed Investments Act 1998 (Cth) (the "**MIA Act**") and or an MIA Scheme (as defined in the MIA Act) however arising in relation to the Mortgaged Property.

Reduction in Claim Amount

Depending on the Mortgage Insurer, the amount of a claim under a Mortgage Insurance Policy may be reduced by the amount by which the loss is increased due to:

- (a) the Insured making a false or misleading statement, assurance or representation to the Mortgagor or any guarantor;
- (b) the Insured failing to take reasonable care or reasonable action to avoid a loss;
- (c) the Insured failing to comply with prudent lending policies and procedures or applicable law;
- (d) any breach or non compliance of the MIA Act and/or an MIA Scheme however arising in relation to the Mortgaged Property; or
- (e) the Insured consenting to, without the written approval of the Mortgage Insurer:
 - (1) the creation of any lease, licence, easement, restriction or other notification affecting the Mortgaged Property; or
 - (2) an increase in or acceleration of the payment obligation of the Mortgagor under any security interest having priority over the Mortgage Loan.

National Consumer Credit Protection Act (NCCP Act) Implications

If the NCCP Act applies to a Mortgage Loan Agreement then Heritage is insured for a loss resulting from:

- (a) a credit tribunal or court ordering postponement of enforcement proceedings under section 88 of the NCCP Act; or
- (b) a change to the Mortgage Loan Agreement in a manner set out in section 66 of the NCCP Act:
 - (1) which is agreed to by Heritage with the Mortgage Insurer's prior written consent; or
 - (2) ordered by a credit tribunal or court under section 68 of the NCCP Act.

The Mortgage Insurer generally will not pay for a loss resulting from a credit tribunal or court:

- (a) which reopens an unconscionable Mortgage Loan Agreement or Mortgage Loan Security under section 70 of the NCCP Act; or
- (b) annuls or reduces any unconscionable interest rate change, fee or charge under section 72 of the NCCP Act.

Submission for Payment of Claims

While the submission requirements for payments of claims differ between each Mortgage Insurer, the Insured must generally submit a claim for losses providing all documents and information reasonably required by the Mortgage Insurer within 30 days of:

- (a) settlement of the sale of the corresponding Mortgaged Property; or
- (b) notification by the Mortgage Insurer to submit a claim for loss.

8.3 Interest Rate Swap

The Trustee will enter into an interest rate swap with the Interest Rate Swap Provider under the Interest Rate Swap Agreement to hedge the interest rate risk for any fixed rate Mortgage Loans in the Trust.

Standby Swap Provider's Commitment

Under the Interest Rate Swap Agreement, if at any time Heritage does not have the ratings from a Designated Rating Agency designated in the Interest Rate Swap Agreement (**Prescribed Ratings**) and Heritage fails to make when due any payment required to be made to the Trustee under the Interest Rate Swap, then upon being notified of this, the Standby Swap Provider will pay to the Trustee the amount then owing. Heritage must reimburse the Standby Swap Provider for the amount paid and if Heritage defaults in its reimbursement obligations or the obligations it has to the Standby Swap Provider to post collateral with the Standby Swap Provider under the terms of the Interest Rate Swap Agreement, the rights and obligations of Heritage as Interest Rate Swap Provider will automatically and without notice be novated to the Standby Swap Provider (**Swap Novation**).

The standby swap arrangement described above and the obligations of the Standby Swap Provider in respect of the standby swap arrangement will cease upon the earlier of:

- (a) the date of the Swap Novation;
- (b) the date on which all Notes rated by a Designated Rating Agency have been redeemed in full;
- (c) the date upon which Heritage is assigned the Prescribed Ratings by each Designated Rating Agency;
- (d) the date on which the Interest Rate Swap is terminated in accordance with its terms; and
- (e) the date the Clean-Up Offer is exercised.

Interest Rate Swap Provider's Downgrade

If the standby swap arrangement described above ceases to apply and Heritage is the Interest Rate Swap Provider and, as a result of the withdrawal or downgrade of the Heritage's credit rating by any Designated Rating Agency, Heritage does not have the Prescribed Ratings, Heritage may be required to, at its cost, take certain action within certain timeframes specified in the Interest Rate Swap Agreement.

This action may include one or more of the following:

- (a) lodging collateral as determined under the Interest Rate Swap Agreement;
- (b) entering into an agreement novating the Interest Rate Swap to a replacement counterparty which holds the relevant ratings;
- (c) procuring another person which holds the relevant ratings to unconditionally and irrevocably guarantee the obligations of Heritage under the Interest Rate Swap; or
- (d) entering into other arrangements in respect of which the Manager has issued a Ratings Notification.

If Heritage lodges collateral with the Trustee, any interest or income on that cash collateral will be paid to Heritage, provided that any such interest or income will only be payable to the extent that any payment will not reduce the balance of the collateral to less than the amount required to be maintained.

The Trustee may only be required to make withdrawals of the collateral lodged in accordance with paragraph (a) above if directed to do so by the Manager for certain purposes prescribed in the Interest Rate Swap Agreement.

The complete obligations of Heritage following the downgrade of its credit rating where these provisions are applicable to Heritage are set out in the Interest Rate Swap Agreement.

Standby Swap Provider's Downgrade

If, as a result of the withdrawal or downgrade of the Standby Swap Provider's credit rating by any Designated Rating Agency, the Standby Swap Provider does not have the Prescribed Ratings, the Standby Swap Provider may be required to, at its cost, take certain action within certain timeframes specified in the Interest Rate Swap Agreement.

This action may include one or more of the following:

- (a) lodging collateral as determined under the Interest Rate Swap;
- (b) entering into an agreement novating the Interest Rate Swap to a replacement counterparty which holds the relevant ratings;
- (c) procuring another person which holds relevant ratings to unconditionally and irrevocably guarantee the obligations of the Standby Swap Provider under the Interest Rate Swap; or
- (d) entering into other arrangements in respect of which the Manager has issued a Ratings Notification.

If the Standby Swap Provider lodges collateral with the Trustee, any interest or income on that cash collateral will be paid to the Standby Swap Provider, provided that any such interest or income will only be payable to the extent that any payment will not reduce the balance of the collateral to less than the amount required to be maintained.

The Trustee may only be required to make withdrawals of the collateral lodged in accordance with paragraph (a) above if directed to do so by the Manager for certain purposes prescribed in the Interest Rate Swap Agreement.

The complete obligations of the Standby Swap Provider following the downgrade of its credit rating where these obligations are applicable to the Standby Swap Provider are set out in the Interest Rate Swap Agreement.

Termination

A party to the Interest Rate Swap may have the right to terminate the Interest Rate Swap if (among other things):

- (a) the other party fails to make a payment under the Interest Rate Swap within 5 Business Days after notice of failure given to it;
- (b) an Insolvency Event occurs in relation to the other party (although the occurrence of an Insolvency Event with respect to the Trustee will not lead to termination in certain circumstances);
- (c) in the case of the Trustee, the Interest Rate Swap Provider merges with, or otherwise transfers all or substantially all of its assets to, another entity and the new entity does not assume all of that other party's obligations under the Interest Rate Swap or the creditworthiness of the new entity is materially weaker;
- (d) due to a change in or a change in interpretation of law, it becomes illegal for the other party to make or receive payments, perform its obligations under any credit support document or comply with any other material provision of the Interest Rate Swap;
- (e) an Event of Default occurs under the Security Trust Deed which has not been corrected or waived and the Security Trustee has exercised its rights to enforce the security; and
- (f) in the case of the Trustee, the Interest Rate Swap Provider or the Standby Swap Provider fails to take the action required of it under the terms of the

Interest Rate Swap described above in circumstances where it ceases to have the Prescribed Ratings.

8.4 Basis Swap

For the purposes of hedging the interest rate risk between the variable rate payments received by the Trustee on those Mortgage Loans which are subject to a variable rate of interest and the floating rate obligations of the Trustee (for example, interest on the Notes), the Trustee will enter into a Basis Swap with Heritage under the Basis Master Agreement.

If the Basis Swap is terminated or the Basis Swap Provider has not or is not complying with its obligations under the Basis Swap the Manager must direct the Servicer to, and the Servicer must, reset the interest rate payable on some or all of the Purchased Mortgage Loans so that the weighted average interest rate payable on all the Purchased Mortgage Loans (after taking into account Fixed Rate Loans) is not be less than the Threshold Rate.

Similar termination events described in section 8.3 in respect of the Interest Rate Swap under the heading "Termination" (other than in paragraph (f) of that section) apply in relation to the Basis Swap and the Basis Swap Provider.

8.5 Liquidity Facility Agreement

- (a) If on any Determination Date the Manager determines that:
- (1) there is a Liquidity Shortfall in relation to the Collection Period ending immediately prior to the Determination Date; and
 - (2) the Liquidity Shortfall exceeds the Principal Draw (if any),
- the Manager must on behalf of the Trustee request a Liquidity Draw from the Liquidity Facility Provider under the Liquidity Facility Agreement.
- (b) The amount of such Liquidity Draw requested must be the lesser of:
- (1) the amount by which the relevant Liquidity Shortfall exceeds the relevant Principal Draw (if any); and
 - (2) subject to section 8.5(c), the Available Liquidity Amount (as defined in the Liquidity Facility Agreement) at that time.
- (c) The Trustee irrevocably authorises the Liquidity Facility Provider to apply on any drawdown date the amount of any outstanding Liquidity Draws under the Liquidity Facility Agreement due to be repaid to the Liquidity Facility Provider on that drawdown date against the amount of the Liquidity Draw which is due to be advanced on that drawdown date.
- (d) If at any time the Liquidity Facility Provider does not have at least the Required Liquidity Rating from each Designated Rating Agency the Liquidity Facility Provider must within 14 calendar days or such longer period as notified to the Manager (provided that a Ratings Notification has been given in respect of such longer period):
- (1) procure a replacement liquidity facility provider with the Required Liquidity Rating;
 - (2) deposit into the Collateral Account (as defined in the Liquidity Facility Agreement) an amount equal to the Available Liquidity Amount (**Collateral Advance**) (as defined in the Liquidity Facility Agreement) at that time (but for the avoidance of doubt, such deposit shall not be considered as a Liquidity Draw for the purposes of the Liquidity Facility Agreement); or

- (3) take such other steps as the Liquidity Facility Provider may identify provided that the Liquidity Facility Provider has notified the Manager of such steps and the Manager has provided a Ratings Notification in relation to such steps.

The Trustee shall have no recourse to the Liquidity Facility Provider in relation to the Liquidity Facility Agreement beyond its terms, and the Liquidity Facility Provider's obligations are separate from, and independent to, any obligations the Liquidity Facility Provider may have to the Trustee for any other reason (including under any other Transaction Document).

9 The Trust

9.1 The Trust

(a) **Creation of the Trust**

The Trust is established by the Notice of Creation of Trust entered into under the Master Trust Deed. The specific terms of the Trust are governed by the Series Notice. The Trust Assets are not available to meet the liabilities of any other trust formed under the Master Trust Deed. The assets of any other trust formed under the Master Trust Deed are not available to meet the liabilities of the Trust.

(b) **Trustee**

Perpetual Trustee Company Limited is appointed as trustee of the Trust on the terms set out in the Master Trust Deed, the Notice of Creation of Trust and the Series Notice. The role of the Trustee is described in section 9.2.

(c) **Role of the Manager**

(1) **General**

The Manager is appointed as manager of the Trust on the terms set out in the Master Trust Deed, Notice of Creation of Trust and the Series Notice.

(2) **Powers**

Subject to the Transaction Documents, the Manager shall carry out and perform the duties and obligations on its part contained in the Master Trust Deed and the Series Notice and shall have full and complete powers of management of the Trust, including the conduct of the day to day operation of the Trust and the administration and servicing of the Assets (which are not serviced by the Servicer), Borrowings and other liabilities of the Trust (including concluding the commercial terms of the Borrowings and the Hedge Agreements to be entered into by the Trustee).

The Manager has the following additional express powers which may be exercised only in accordance with the relevant Transaction Documents:

- (A) to negotiate with any Joint Lead Manager in relation to the issue of relevant Notes;
- (B) to invite bids from any Joint Lead Manager for relevant Notes on behalf of the Trustee; and
- (C) to accept any such bid on behalf of the Trustee.

The Manager shall, in respect of the Trust, act in the interests of the Beneficiaries and the Noteholders in relation to the Trust on, and subject to, the terms and conditions of the Master Trust Deed. In the event of any conflict of interests, the interests of the Noteholders will prevail.

The Manager shall take such action as is consistent with its powers under the Master Trust Deed to assist the Trustee to perform its obligations under the Master Trust Deed.

(3) **Delegation**

The Manager may in carrying out and performing its duties and obligations contained in the Master Trust Deed:

- (A) **(delegate to employees)** delegate to any of the Manager's officers and employees any act, matters and things (whether or not requiring or involving the Manager's judgement or discretion);
- (B) **(appoint attorneys and agents)** appoint any person to be its attorney, agent, delegate or sub-contractor for such purposes and with such powers, authorities and discretions (not exceeding those vested in the Manager) as the Manager thinks fit but which are not a material part of the Manager's duties or obligations in relation to the Trust including:
 - (i) power for the attorney, agent, delegate or sub-contractor to sub delegate any such powers, authorities or discretions;
 - (ii) power to authorise the issue in the name of the Manager of documents bearing facsimile signatures of the Manager or of the attorney, agent, delegate or sub-contractor (either with or without proper manuscript signatures of its officers); and
 - (iii) such provisions for the protection and convenience of those dealing with any such attorney, agent, delegate, sub-contractor or sub-delegate as they may think fit; and
- (C) **(remove agents and delegates)** supersede or suspend any such agent, delegate, sub-contractor or sub-delegate for such cause or reason as the Manager may in its sole discretion think sufficient with or without assigning any cause or reason and either absolutely or for such time as it may think proper,

but despite any delegation or appointment, the Manager shall remain liable for the acts or omissions of any such officer, employee, attorney, delegate, agent, sub-delegate, sub-contractor or sub-agent and shall be solely responsible for the fees and expenses of such officer, employee, attorney, agent, delegate, sub-delegate, sub-contractor or sub-agent.

(4) **Manager's fee and expenses**

The Manager is entitled to a fee in consideration of performing its functions and duties under the Master Trust Deed in relation to the Trust.

The Manager shall be indemnified out of the Trust in respect of any cost or expense properly incurred by it in its capacity as Manager of the Trust.

(5) **Removal of the Manager**

The Manager shall retire from the management of the Trust if and when directed to do so by the Trustee in writing.

A direction may only be given on the occurrence of one or more of the following events (each, a “**Manager’s Default**”):

- (A) **(Collections and distributions)** The Manager fails to allocate any amounts received in respect of the Trust to the Collection Account or fails to make or instruct the Trustee to make any payment required from it within the time period specified in a Transaction Document, and that failure is not remedied within 2 Business Days of receipt from the Trustee of notice of that failure.
- (B) **(Insolvency Event)** An Insolvency Event has occurred and is continuing in relation to the Manager.
- (C) **(Breach by the Manager)**
 - (i) The Manager breaches any obligation or duty imposed on the Manager under the Master Trust Deed, any other Transaction Document or any other deed, agreement or arrangement entered into by the Manager under the Master Trust Deed in relation to the Trust;
 - (ii) the Manager fails after 21 Business Days' notice from the Trustee (which notice specifies the breach with reasonable particularity and requires rectification) to remedy that breach, if capable of remedy, or pay compensation to the Trustee for its loss from such breach,

except, in each case, where the Manager has relied on information provided, or other action taken, by a Servicer or has not received information from the Servicer which the Manager requires to comply with the obligation or duty and the Servicer's action or inaction as the case may be, is not due to the Manager's fraud, negligence or wilful default.

- (D) **(Misrepresentation)** A representation, warranty or statement by or on behalf of the Manager in a Transaction Document or a document provided under or in connection with a Transaction Document, is not true in a material respect or is misleading or deceptive when repeated and, if capable of remedy, is not remedied to the Trustee's reasonable satisfaction within 60 Business Days after notice from the Trustee, acting on appropriate expert advice, where (as determined by the Trustee) it has a Material Adverse Effect.

If the Manager fails to retire within 20 Business Days of the Trustee in writing so directing the Manager to retire, the Trustee may by deed poll executed by the Trustee remove the Manager from the management of the Trust.

On such retirement or removal of the Manager, the Trustee shall be entitled to appoint some other corporation to be the Manager of the Trust provided that:

- (A) each Designated Rating Agency confirms in writing that the appointment of the successor Manager will not give rise to a Rating Downgrade Event; and

- (B) in the reasonable opinion of the Trustee the appointment of that successor Manager will not materially prejudice the interests of any Noteholders.

Until that appointment is complete the Trustee must, subject to the Master Trust Deed and to any approval required by law, act as Manager and will be entitled to the Manager's fee for the period it acts as Manager.

(6) **Voluntary Retirement of the Manager**

The Manager may, in respect of the Trust, retire on giving to the Trustee (with a copy to each Designated Rating Agency) not less than 90 days' notice in writing (or such other period as the Manager and the Trustee may agree) of its intention to do so.

The Manager's retirement will be effective on the earlier of:

- (A) the expiration of the 90 day notice period referred to in the foregoing paragraph; and
- (B) the date the Manager procures that another person assumes all of its obligations under the Transaction Documents for the Trust.

If, on the date 30 days before the expiration of the period of notice specified in the relevant notice of retirement given by the Manager to the Trustee, no successor has been appointed, the Trustee must appoint a successor and the retirement of the Manager will be effective only if:

- (A) the Manager has provided a Ratings Notification in relation to the appointment;
- (B) the appointment will not materially prejudice the interests of any Noteholders; and
- (C) the successor executes a deed under which it becomes bound to all the covenants on the part of the Manager under the Transaction Documents from the date of execution of the new deed.

If the Trustee is unable to appoint a successor the Trustee must, subject to the Master Trust Deed and to any approval required by law, act as Manager and will be entitled to the Manager's fee for the period it acts as Manager.

(7) **Limitation on Manager's Liability**

The principal limits on the Manager's liability are set out in the Master Trust Deed. These include the following limits.

- (A) The Manager shall be indemnified out of the Trust in respect of any liability properly incurred by it in its capacity as Manager of the Trust.
- (B) The Manager may rely on and act on the opinion or statement or certificate or advice of or information obtained from the Servicer, barristers or solicitors (whether instructed by the Trustee or the Manager), bankers, accountants, brokers, valuers and other persons believed by it in good faith to be expert or properly informed in relation to the matters on which they are consulted and the Manager shall not be liable for anything done or suffered by it in good faith in reliance on such opinion, statement, certificate, advice or information except to the extent of losses, costs, claims or damages

caused or contributed to by its breach of its obligations under any Transaction Document.

- (C) The Manager shall not be responsible for any act, omission, misconduct, mistake, oversight, error of judgement, forgetfulness or want of prudence on the part of any Relevant Party or agent appointed by the Trustee or the Manager or on whom the Manager is entitled to rely under the Master Trust Deed (other than a Related Body Corporate), attorney, banker, receiver, receiver and manager, barrister, solicitor, agent or other person acting as agent or adviser to the Trustee or the Manager except to the extent of losses, costs, claims or damages caused or contributed to by its breach of its obligations under any Transaction Document.

(d) **Beneficiary**

The beneficial interest in the Trust will be constituted by the issue of:

- (1) ten residual capital units (the “**Residual Capital Units**”); and
- (2) a single residual income unit (the “**Residual Income Unit**”).

The holders of the Residual Capital Units and the Residual Income Unit (each, a **Unit**) hold the beneficial interest in the Trust in accordance with the Master Trust Deed and the Series Notice.

The beneficial interest held by the holder of the Residual Income Unit is limited to the Trust and each Trust Asset (other than any Asset of the Trust held on trust for the holders of the Residual Capital Units).

The holder of each Residual Capital Unit has no right to receive distributions in respect of the Trust in its capacity as holder of a Residual Capital Unit, other than the right to receive the amount of A\$10 per Residual Capital Unit on the termination of the Trust.

Subject to the terms of the Master Trust Deed, the holder of the Residual Income Unit has no right to receive distributions in respect of the Trust other than the right to receive on the termination of the Trust the entire beneficial interest of the Trust, subject to the rights of the holders of the Residual Capital Units.

The Units may not be redeemed at any other time or in any other way and the Residual Income Unit is not transferable. No other Units may be issued.

(e) **Duration of the Trust**

The Trust shall continue until, and shall terminate on the later of:

- (1) the Termination Date for the Trust;
- (2) the date on which the provisions in section 9.1(f) have been satisfied; and
- (3) the date on which the Trustee ceases to hold any Trust Back Assets in relation to the Trust.

(f) **Termination and winding up of the Trust**

- (1) Subject to the terms of the Master Trust Deed and the Transaction Documents, immediately following the Termination Date of the Trust the Trustee in consultation with the Manager or a Beneficiary, to the extent either has title to the Trust Assets following that Termination Date, must:

- (A) sell and realise the Trust Assets (having obtained appropriate expert advice prior to the sale of any Mortgage Loan or Mortgage Loan Security); and

- (B) so far as reasonably practicable and reasonably commercially viable, and subject to this section, complete the sale within 180 days after the Termination Date for the Trust.
- (2) Where the Approved Seller has a first right of refusal in relation to those Mortgage Loans or Mortgage Loan Securities under the terms of the Master Trust Deed, the Trustee or a Beneficiary (as the case may be) must comply with those terms.
- (3) During the 180 day period after the Termination Date of the Trust, the Trustee or a Beneficiary (as the case may be) must not (subject to section 9.1(f)(4)) and the Manager must not direct it to, sell any Mortgage Loans and the related Mortgage Loan Rights for an amount less than:
 - (A) in the case of performing Mortgage Loans, their Unpaid Balance; or
 - (B) in the case of non-performing Mortgage Loans, their Fair Market Value.
- (4) The Trustee or a Beneficiary (as the case may be) may not, and the Manager must not direct it to, at any time sell any performing Mortgage Loan for less than its Fair Market Value without the consent of, if any Notes or Redraw Notes have been issued, an Extraordinary Resolution of the relevant Noteholders and any other person as specified in the Series Notice. Any purported sale without that approval will be ineffective.
- (5) The Trustee or a Beneficiary (as the case may be) must not, and the Manager must not direct it to, sell any performing Mortgage Loan and the related Mortgage Loan Rights for less than the Unpaid Balance of the performing Mortgage Loan without the consent of:
 - (A) if the Invested Amount of each Note and Redraw Note is greater than zero, and if any Notes and Redraw Notes have been issued, an Extraordinary Resolution of the relevant Noteholders; or
 - (B) if the Invested Amount of each Note and Redraw Note is zero, the relevant Beneficiary,and, any other person as specified in the Series Notice.
- (6) The provisions of the Master Trust Deed will continue to apply to the Trust for the period between the Termination Date of the Trust and the date on which the Trust Assets have been realised and distributed, notwithstanding the occurrence of the Termination Date.
- (7) Subject to the Security Trust Deed, the Manager must direct the Trustee or a Beneficiary (as the case may be) to, and the Trustee or a Beneficiary (as the case may be) must, pay or provide for all Taxes, Expenses, claims and demands due or incurred, or which the Trustee or a Beneficiary (as the case may be) believes should be provided for, in connection with or arising out of the administration or winding up of the Trust, including the fees of any consultants or advisers employed in connection with the administration or winding up of the Trust.
- (8) The Manager shall direct the Trustee or a Beneficiary (as the case may be) to distribute the proceeds of realisation of the Trust Assets (after deducting the amounts paid or provided for under section 9.1(f)(7)) in accordance with the cashflow allocation methodology set out in the Series Notice and in accordance with any directions given to

it by the Manager. The Trustee or a Beneficiary (as the case may be) shall comply with that direction.

- (9) If all Notes and Redraw Notes relating to the Trust have been fully and finally redeemed and the Creditors paid in full, the Trustee must at the direction of the Manager distribute all or part of the Assets to the relevant Beneficiary (without recourse to the Trustee or the Beneficiary (as the case may be) and without any representation or warranty by the Trustee or a Beneficiary (as the case may be)).
- (10) The Servicer is to determine, in consultation with the Trustee or a Beneficiary (as the case may be) (acting on appropriate expert advice), whether a Mortgage Loan is performing or non-performing for the purposes of this section 9.1(f).

9.2 Role of the Trustee

(a) Powers

Subject to the Master Trust Deed, the Transaction Documents, and any rights and powers of the Trustee arising under any law (which are hereby expressed to apply to the Trustee) the Trustee has all the rights, powers and discretions over and in respect of the Trust Assets which it could exercise if it were the absolute and beneficial owner of those Assets provided that it will take no action without a direction from the Manager, or omit to take any action without a direction from the Manager, that could reasonably be expected to give rise to a Rating Downgrade Event. These powers include but are not limited to the ability to invest in Authorised Investments (including the Mortgage Loans and Mortgage Loan Securities), to issue the Notes and Redraw Notes and to enter into Support Facilities on such terms and conditions as the Manager thinks fit and that are acceptable to the Trustee acting reasonably.

Full details of the Trustee's powers are outlined in the Master Trust Deed.

(b) Duties

The Trustee is required to act continuously as trustee of the Trust until the Trust is terminated as provided by the Master Trust Deed or the Trustee has retired or been removed from office in the manner detailed below.

The Trustee is required:

- (1) to act honestly and in good faith and comply with all relevant material laws in the performance of its duties and in the exercise of its discretions under the Master Trust Deed;
- (2) to 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 Beneficiaries, the Noteholders and the other Creditors in accordance with its obligations under the relevant Transaction Documents;
- (3) to 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;
- (4) to keep the Trust separate from other trusts which are constituted under the Master Trust Deed and from all other assets of Perpetual Trustee Company Limited in any capacity other than as Trustee and account for Assets and liabilities of the Trust separately from those of other trusts and all other assets and liabilities of Perpetual Trustee Company Limited in any capacity other than as Trustee and maintain

any books, Accounts, and financial statements of the Trust accordingly;

- (5) to do everything and take all such actions which are necessary (including obtaining all appropriate Authorisations which relate to it and taking all actions necessary to assist the Manager to obtain all other appropriate Authorisations) to ensure that it is able to exercise all its powers and remedies and perform all its obligations under the Master Trust Deed, the Transaction Documents and all other deeds, agreements and other arrangements entered into by the Trustee under the Master Trust Deed;
- (6) to not engage in any business or activity in respect of the Trust except as contemplated or required by the Transaction Documents in respect of the Trust;
- (7) except as contemplated or required by the Transaction Documents, maintain an independent and arm's length relationship with its Related Bodies Corporate in relation to dealings affecting the Trust;
- (8) except as contemplated or required by the Transaction Documents in respect of the Trust, not, in respect of the Trust, guarantee or become obligated for the debts of any other entity or hold out its credit as being available to settle the obligations of others other than the Notes, Redraw Notes or the Support Facilities;
- (9) except in accordance with the Transaction Documents, to:
 - (A) not determine the Trust;
 - (B) ensure that there is no resettlement, setting aside or transfer of any Trust Asset;
 - (C) ensure that there is no merger of the Trust with any other person or entity,until all Borrowings have been repaid in full;
- (10) not to terminate a Transaction Document to which it is a party except in accordance with the relevant Transaction Documents; and
- (11) not to act or hold itself out as acting in another capacity when it performs its duties as Trustee.

The Trustee also has the duty to maintain a Register of Noteholders of the Registered Notes.

(c) **Trustee's liability**

Each Noteholder acknowledges that the Trustee is not under any obligation to:

- (1) make any enquiries in respect of Mortgage Loans and related Mortgage Loan Rights and any other Assets which a prudent purchaser of such assets would be expected to make;
- (2) conduct any investigation to determine if the representations and warranties given by the Approved Seller in relation to the Mortgage Loans, Mortgage Loan Securities and Related Securities are incorrect; or
- (3) to test the truth of those representations and warranties,

and is entitled to conclusively accept and rely entirely on the Mortgage Loans satisfying the Eligibility Criteria and on the accuracy of the representations and warranties made by a Servicer or the Approved Seller, unless the Trustee has actual notice of any event to the contrary.

Whenever any certificate, notice, proposal, direction, instruction, document or other communication is to be given to the Trustee, the Trustee may assume:

- (1) the authenticity and validity of any signature in any such document and that such document has been duly authorised; and
- (2) the accuracy or any information contained in any such documents,

in either case unless the officers of the Trustee responsible for the administration of the Trust are actually aware to the contrary.

The Trustee shall not be responsible for any loss arising from any forgery or lack of authenticity or any act, neglect, mistake or discrepancy of the Approved Seller or any Relevant Party or any officer, employee, agent or delegate of the Approved Seller or the Relevant Party in preparing any such document or in compiling, verifying or calculating any matter or information contained in any such document, if the officers of the Trustee responsible for the administration of the Trust are not actually aware of such forgery, lack of authenticity or validity, act, neglect, mistake or discrepancy.

In the absence of fraud, negligence or Default, the Trustee is not personally liable for any losses, costs, liabilities or claims arising from the failure to pay moneys on the due date for payment to any Noteholder or any other person or for any loss howsoever caused in respect of the Trust or to any Noteholder or other person.

In the absence of fraud, negligence or Default, the Trustee is not personally liable:

- (1) for any losses, costs, liabilities or expenses arising out of the exercise or non exercise of its discretions (or by the Manager of its discretions);
- (2) for any losses, costs, damages or expenses caused by its acting on any instructions or direction given to it by:
 - (A) any Relevant Party under the Master Trust Deed, any other Transaction Document or any other document;
 - (B) by any person under a Support Facility, Mortgage Loan or Mortgage Loan Security; or
 - (C) an Obligor;
- (3) for any Manager's Default, Servicer Transfer Event or Title Perfection Event;
- (4) for any act, omission or default of the Servicer in relation to its servicing duties or its obligations under the Master Trust Deed;
- (5) for any act, omission or default of the Custodian in relation to its custodial duties or its obligations under the Master Trust Deed;
- (6) for the failure of a person to carry out an agreement with the Trustee in connection with the Trust; or
- (7) for any losses, costs, liabilities or expenses caused by the Trustee's failure to check any calculation, information, document, form or list supplied or purported to be supplied to it by the Manager, Approved Seller or Servicer.

The Master Trust Deed also contains other provisions which regulate the Trustee's liability.

(d) **Delegation**

In exercising its powers and performing its obligations and duties under the Master Trust Deed, the Trustee may, with the approval of the Manager (not to be unreasonably withheld) and subject always to the covenants on the part of

the Trustee contained in the Master Trust Deed, in writing appoint one or more corporations each being:

- (1) the Manager;
- (2) a corporation which is a Related Body Corporate of the Trustee which is a trustee company or trustee corporation for the purposes of any State or Territory legislation governing the operation of trustee companies;
- (3) in relation to the Registered Notes, Austraclear (in respect of which the Trustee is not liable for such appointment or Austraclear's acts or omissions);

as its delegate (or, where two or more such corporations are appointed as its delegate, jointly and severally) to undertake, perform or discharge any or all of the duties, powers, discretions or other functions of the Trustee under the Master Trust Deed or otherwise in relation to the Trust except unless expressly specified in the Series Notice any duties, powers, discretions or other functions in connection with:

- (1) the receipt or payment of money by the Trustee; or
- (2) the exercise of any right of enforcement in relation to the Master Trust Deed or any other Transaction Document.

The Trustee and/or the corporation (as the case may be) may by the terms of any such appointment insert such provisions for the protection and convenience of those dealing with any such corporation as the Trustee and/or the corporation thinks fit. The Trustee shall despite any such appointment remain liable for any act or omission of any such corporation as if any such act or omission were an act or omission of the Trustee, except in the appointment of Austraclear where the Trustee is not liable for the acts or omission of Austraclear.

The Trustee shall be responsible for payment of the fees and expenses of any corporation so appointed.

The Trustee may in carrying out and performing its duties and obligations contained in the Master Trust Deed appoint any person to be its attorney, agent or delegate for such purposes and with such powers, authorities and discretions (not exceeding those vested in the Trustee) as the Trustee thinks fit including:

- (1) power for the attorney or agent to delegate or sub-delegate any such powers, authorities or discretions;
- (2) power to authorise the issue in the name of the Trustee of documents bearing facsimile signatures of the Trustee or of the attorney or agent (either with or without proper manuscript signatures of their officers); and
- (3) such provisions for the protection and convenience of those dealing with any such attorney, agent, delegate or sub-delegate as they may think fit,

but except as provided for in any Transaction Document excluding the obligation to receive or make payments.

The Trustee is not liable or responsible for the acts or omissions of any agent or delegate except where:

- (1) the Trustee did not appoint the agent or delegate in good faith and using reasonable care;
- (2) the Trustee expressly instructs the agent to do (or omit to do) the relevant act; or

(3) the Trustee is aware of the default of the agent or delegate and does not take the action available to it under the relevant Transaction Document to remedy the agent's or delegate's act or omission.

(e) **Trustee's fees and expenses**

The Trustee is entitled to a fee in consideration of performing its functions and duties under the Master Trust Deed in relation to the Trust.

The Trustee shall pay, or be indemnified, from the Trust all Expenses that relate to the Trust properly incurred by the Trustee, in accordance with the Series Notice.

(f) **Removal of the Trustee**

The Trustee shall retire as trustee of the Trust if and when directed to do so by the Manager in writing (which direction must be copied to the Servicer and each Designated Rating Agency).

A direction may only be given on the occurrence of one or more of the following events (each a **Trustee's Default**):

- (1) **(Insolvency Event)** an Insolvency Event has occurred and is continuing in relation to Perpetual Trustee Company Limited in its personal capacity;
- (2) **(Rating downgrade)** any action is taken in relation to Perpetual Trustee Company Limited in its personal capacity which may give rise to a Rating Downgrade Event;
- (3) **(Breach by the Trustee)** the Trustee, or any employee or officer of the Trustee, breaches any obligation or duty imposed on the Trustee under the Master Trust Deed or any other Transaction Document in relation to the Trust where the Manager reasonably believes it may have a Material Adverse Effect and the Trustee fails or neglects after 20 Business Days' notice from the Manager, if capable of remedy, to remedy that breach unless each Designated Rating Agency confirms in writing that the breach will not give rise to a Rating Downgrade Event;
- (4) **(Merger or consolidation)** the Trustee merges or consolidates with another entity unless:
 - (A) the Manager consents to the merger or consolidation (which consent shall not be unreasonably withheld); or
 - (B) within 5 Business Days of the merger or consolidation, the Manager has received written confirmation from each Designated Rating Agency that the merger or consolidation will not give rise to a Rating Downgrade Event; or
- (5) **(Other trust)** any of the above occurs in relation to any other trust constituted under the Master Trust Deed.

If a direction is given on the occurrence of an event above in section 9.2(f)(4) that direction must specify a date for the Trustee to retire which is no less than 6 months from the date of that direction, provided that the Manager may at its discretion direct that the Trustee be paid the equivalent amount of the Trustee's fee in lieu of this notice period.

Within 20 Business Days of the Manager so directing the Trustee to retire in writing, the Manager shall have the right to and shall by deed poll executed by the Manager remove the Trustee from its office as trustee of the Trust.

On such retirement or removal of the Trustee, the Manager shall be entitled to appoint in writing some other trustee company to be the Trustee of the Trust provided that:

- (1) each Designated Rating Agency confirms in writing that the appointment of that successor Trustee will not give rise to a Rating Downgrade Event; and
- (2) in the reasonable opinion of the Manager the appointment of that successor Trustee will not materially prejudice the interests of any Noteholders.

(g) **Voluntary Retirement of the Trustee**

The Trustee may retire on giving to the Manager (with a copy to each Designated Rating Agency) not less than 3 months' notice in writing (or such other period as the Manager and the Trustee may agree) of its intention to do so.

The Trustee must not so retire unless:

- (1) it procures that, before the date on which that termination becomes effective, another person assumes all of the obligations of the Trustee under the Transaction Documents as its successor, and executes such documents as the Manager reasonably requires to become bound by the Transaction Documents, with effect from that date, as if it had originally been a party to the Transaction Documents as the Trustee;
- (2) the Manager issues a Rating Notification in respect of the appointment of the successor trustee;
- (3) the appointment of the successor trustee will not materially prejudice the interests of any Noteholders; and
- (4) in the case of the appointment of a successor trustee referred to in paragraph (1) above, the appointment is approved by the Manager.

(h) **Limitation on Trustee's liability**

- (1) Liability limited to right of indemnity
 - (A) The Transaction Documents apply to the Trustee only in its capacity as trustee of the Trust and in no other capacity. Subject to section 9.2(h)(1)(C) below, a liability arising under or in connection with the Transaction Documents or the Trust is limited to and can be enforced against the Trustee only to the extent to which it can be satisfied out of the Trust Assets which are available to satisfy the right of the Trustee to be exonerated or indemnified for the liability. This limitation of the Trustee's liability applies despite any other provision of the Transaction Documents and extends to all liabilities and obligations of the Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to the Master Trust Deed, the Series Notice or the Trust.
 - (B) Subject to section 9.2(h)(1)(C) below, no person (including any Relevant Party) may take action against the Trustee in any capacity other than as trustee of the Trust or seek the appointment of a receiver (except under the Security Trust Deed), or a liquidator, an administrator or any similar person to the Trustee or prove in any liquidation, administration or arrangement of or affecting the Trustee.
 - (C) The provisions of this section 9.2(h)(1) shall not apply to any obligation or liability of the Trustee to the extent that it is not satisfied because under a Transaction Document or by operation of law there is a reduction in the extent of the

Trustee's indemnification or exoneration out of the Trust Assets as a result of the Trustee's fraud, negligence or Default.

- (D) It is acknowledged that the Relevant Parties, the Manager and the Servicer are responsible under the Transaction Documents for performing a variety of obligations relating to the Trust. No act or omission of the Trustee (including any related failure to satisfy its obligations or breach of representation or warranty under the Master Trust Deed or the Series Notice) will be considered fraud, negligence or Default of the Trustee for the purpose of section 9.2(h)(1)(C) above to the extent to which the act or omission was caused or contributed to by any failure by any Relevant Party to fulfil its obligations relating to the Trust or by any other act or omission of a Relevant Party.
 - (E) No attorney, agent, delegate, receiver or receiver and manager appointed in accordance with the Master Trust Deed or the Series Notice has authority to act on behalf of the Trustee in a way which exposes the Trustee to any personal liability and no act or omission of any such person will be considered fraud, negligence or Default of the Trustee for the purpose of section 9.2(h)(1)(C) above.
 - (F) Nothing in this section 9.2(h)(1) limits the obligations expressly imposed on the Trustee under the Transaction Documents.
- (2) Right of indemnity - general
- (A) Subject to the Master Trust Deed and without prejudice to the right of indemnity given by law to the Trustee, the Trustee will be indemnified out of the Trust Assets against all losses and liabilities properly incurred by the Trustee in performing any of its duties or exercising any of its powers under the Master Trust Deed in relation to the Trust.
 - (B) Subject to section 9.2(h)(2)(C) and without limiting the generality of section 9.2(h)(2)(A), the Trustee's right to be indemnified in accordance with section 9.2(h)(2)(A), and to effect full recovery out of the Trust Assets, will apply in relation to any liabilities to Creditors of the Trust notwithstanding any failure by the Trustee to exercise a 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 entitle the Trustee to be so indemnified and/or effect such recovery (including fraud, negligence or Default).
 - (C) Subject to section 9.2(h)(2)(D), if the Trustee fails to exercise the degree of care and diligence required of a trustee having regard to the powers, authorities and discretions conferred on the Trustee by the Master Trust Deed or if any other act or omission occurs which would (but for section 9.2(h)(2)(B) above) prevent the Trustee from being indemnified in accordance with section 9.2(h)(2)(A), above or to effect full recovery out of the Trust (including fraud, negligence or Default):
 - (i) the Trustee may not receive or hold or otherwise have the benefit of the indemnity in section 9.2(h)(2)(A), otherwise than on behalf of and on trust for Creditors in relation to the Trust; and

- (ii) the Trustee may only be indemnified to the extent necessary to allow it to discharge its liability to Creditors in relation to the Trust.
 - (D) No restriction is imposed by sections 9.2(h)(2)(A) to 9.2(h)(2)(C) on the right of any Noteholder, a Beneficiary, the Manager or any other person to bring an action against the Trustee for loss or damage suffered by reason of the Trustee's failure to exercise the degree of care and diligence required of a trustee having regard to the powers, authorities and discretions conferred on the Trustee by the Master Trust Deed, including the Trustee's fraud, negligence or Default.
 - (E) Sections 9.2(h)(2)(A) to 9.2(h)(2)(C) do not confer on the Trustee a right to be indemnified out of the Trust Assets against any loss the Trustee suffers in consequence of an action brought against it by reason of the Trustee's breach of trust where the Trustee fails to show the degree of care and diligence required of a trustee having regard to the powers, authorities and discretions conferred on the Trustee by the Master Trust Deed, including the Trustee's fraud, negligence, or Default.
 - (F) Nothing in this section 9.2(h) limits the Trustee's duties and obligations under the Master Trust Deed or prevents or restricts any determination as to whether there has been, or limits the Trustee's personal liability under the Master Trust Deed for, fraud, negligence or Default on the part of the Trustee or its officers or employees.
- (i) Limitation on Warehouse Trustee's liability
 - (1) Liability of Warehouse Trustee limited to its right of indemnity
 - (A) The Series Notice applies to each Warehouse Trustee only in its capacity as trustee of each Warehouse Trust and in no other capacity. Subject to section 9.2(i)(1)(C), a liability arising under or in connection with this Series Notice, a Sale Notice, any other Transaction Document or each Warehouse Trust is limited to and can be enforced against the relevant Warehouse Trustee only to the extent to which it can be satisfied out of the assets of the relevant Warehouse Trust which are available to satisfy the right of the Warehouse Trustee to be exonerated or indemnified for the liability. This limitation of the Warehouse Trustee's liability applies despite any other provision of any Transaction Document and extends to all liabilities and obligations of the Warehouse Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to the Series Notice, a Sale Notice, any other Transaction Document or the relevant Warehouse Trust.
 - (B) Subject to section 9.2(i)(1)(C), no person may take action against the Warehouse Trustee in any capacity other than as trustee of the relevant Warehouse Trust or seek the appointment of a receiver (except under the relevant Warehouse Trust Security Trust Deed), or a liquidator, an administrator or any similar person to the Warehouse Trustee or prove in any liquidation, administration or arrangement of or affecting the Warehouse Trustee.
 - (C) The provisions of this section 9.2 shall not apply to any obligation or liability of the Warehouse Trustee to the extent that it is not satisfied because under a Transaction Document (as defined in the series notice for the relevant Warehouse Trust) or by operation of law there is a reduction in the extent of the Warehouse Trustee's

indemnification or exoneration out of the assets of the relevant Warehouse Trust as a result of the Warehouse Trustee's fraud, negligence, or wilful default.

- (D) It is acknowledged that the Relevant Parties are responsible under this Series Notice, the other Transaction Documents or the Transaction Documents (as defined in the Series Notice for the relevant Warehouse Trust) for performing a variety of obligations relating to the relevant Warehouse Trust or the Trust. No act or omission of the Warehouse Trustee (including any related failure to satisfy its obligations or breach of representation or warranty under this Series Notice) will be considered fraud, negligence or wilful default of the Warehouse Trustee for the purpose of section 9.2(i)(1)(C) to the extent to which the act or omission was caused or contributed to by any failure by any Relevant Party to fulfil its obligations relating to the relevant Warehouse Trust or the Trust or by any other act or omission of a Relevant Party.
- (E) No attorney, agent, delegate, receiver or receiver and manager appointed in accordance with the Transaction Documents or the Transaction Documents (as defined in the Series Notice for the relevant Warehouse Trust) has authority to act on behalf of the Warehouse Trustee in a way which exposes the Warehouse Trustee to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of the Warehouse Trustee for the purpose of section 9.2(i)(1)(C), provided (in the case of any person selected and appointed by the Warehouse Trustee) that the Warehouse Trustee has exercised reasonable care in the selection of such person except where the Warehouse Trustee expressly instructs the agent or delegate to do (or omit to do) the relevant act, if the Warehouse Trustee is aware of the default of the agent or delegate and does not take the action available to it under the Transaction Documents or the Transaction Documents (as defined in the Series Notice to the relevant Warehouse Trust) to address the act or omission or where the Transaction Documents or the Transaction Documents (as defined in the Series Notice for the relevant Warehouse Trust) expressly provide that the Warehouse Trustee is so liable.

9.3 The Servicer

(a) **Appointment as Servicer**

Under the Master Trust Deed, and by executing the Series Notice, Heritage shall be taken to have accepted its appointment as Servicer and agrees to perform the role of Servicer in relation to the Trust.

(b) **Duties and standard of care**

The Servicer shall service the Mortgage Loans:

- (1) in accordance with the Master Trust Deed;
- (2) in accordance with the applicable Guidelines as that is interpreted and applied by the Servicer in the ordinary course of its business; and
- (3) to the extent not covered by sections 9.3(b)(1) or 9.3(b)(2), by exercising the degree of diligence and care expected of an appropriately qualified Servicer of the relevant financial products.

(c) **Powers**

The Servicer has the express power to the extent such action will not cause a Material Adverse Effect:

- (1) to waive any fees and break costs which may be collected in the ordinary course of servicing the Mortgage Loans or arrange the rescheduling of interest due and unpaid following a default under any Mortgage Loans;
- (2) in its discretion, to waive any right in respect of any Mortgage Loans and Mortgage Loan Securities in the ordinary course of servicing the Mortgage Loans and Mortgage Loan Securities (including in accordance with its normal collection procedures); and
- (3) to grant an extension of maturity beyond 30 years from the date any Mortgage Loan that relates to a mortgage loan was made, when required to do so by Law or a Government Agency. The restriction on granting extensions that will not have a Material Adverse Effect shall not apply where the extension is required by Law or a Government Agency.

(d) **Delegation by the Servicer**

The Servicer is entitled to delegate its duties under the Master Trust Deed. The Servicer at all times remains liable for the acts or omissions of any delegate.

(e) **Servicer undertakings**

Under the Master Trust Deed, the Servicer undertakes to:

- (1) **(notice of default)** promptly give notice in writing to the Trustee and each Designated Rating Agency after it becomes aware of the occurrence of any Servicer Transfer Event, Title Perfection Event and material misrepresentations;
- (2) **(compliance with law)**
 - (A) maintain in effect all qualifications, consents, licenses, permits, approvals, exemptions, filings and registrations as may be required under any applicable law in order properly to service the Mortgage Loans and Mortgage Loan Rights and to perform or comply with its obligations under the Master Trust Deed;
 - (B) comply with all Laws in connection with servicing the Mortgage Loans and Mortgage Loan Rights where failure to do so would have a Material Adverse Effect;
 - (C) comply with the Consumer Credit Legislation in connection with servicing the Mortgage Loans and Mortgage Loan Rights so that the Trustee does not personally or in its capacity as trustee of the Trust become liable to pay any Penalty Payments;
- (3) **(Relevant Documents to Custodian)** unless the Servicer is required to hold a Relevant Document for the purpose of performing its duties as Servicer in relation to the related Mortgage Loan or otherwise comply with its obligations under the Transaction Documents, each Relevant Document shall be delivered promptly to the Custodian to be dealt with in accordance with the Custodian Agreement;
- (4) **(Collections)**
 - (A) in relation to Mortgage Loans of which the Servicer is the legal owner, collect all moneys due under those Mortgage Loans and the Mortgage Loan Rights; and

- (B) in relation to Mortgage Loans of which the Trustee is the legal owner, collect all moneys due under those Mortgage Loans and Mortgage Loan Rights, and pay them into the relevant Collection Account;
- (5) **(Material Default)** if a Material Default occurs in respect to a Mortgage Loan:
- (A) take such action in accordance with the Servicer's normal enforcement procedures to enforce the relevant Mortgage Loan and the Mortgage Loan Right to the extent that the Servicer determines that enforcement procedures should be taken; and
- (B) not knowingly take any action or fail to take action, if the action or failure will interfere with the enforcement procedures of any Mortgage Loan, Mortgage Loan Security or Related Security;
- (6) **(Mortgage Insurance Policies)**
- (A) act in accordance with the terms of any Mortgage Insurance Policies;
- (B) not do or omit to do anything which, or the omission of which, as the case may be, could be reasonably expected to prejudicially affect or limit its rights or the rights of the Trustee under or in respect of a Mortgage Insurance Policy to the extent those rights relate to a Mortgage Loan and the Mortgage Loan Rights;
- (C) promptly make a claim under any Mortgage Insurance Policy when it is required to do so in accordance with:
- the Guidelines;
 - the Transaction Documents; and
 - the terms of the Mortgage Insurance Policy;
- (D) promptly notify the Manager when circumstances arise that would entitle it to make a claim under a Mortgage Insurance Policy;
- (7) **(Mortgaged Property insurance)** use reasonable endeavours by reference to Australian market practice to ensure that a current policy of general insurance is maintained in respect of each Mortgaged Property;
- (8) **(no Security Interests)** not consent to the creation or existence of any Security Interest in favour of a third party in relation to any Mortgaged Property in connection with a Mortgage Loan and the Mortgage Loan Rights:
- (A) unless priority arrangements are entered into with that third party under which the third party acknowledges that the Mortgage Loan and Mortgage Loan Rights ranks ahead in priority to the third party Security Interest on enforcement for an amount not less than the Unpaid Balance of the Mortgage Loan plus such other amount as the Servicer determines in accordance with the Guidelines or its ordinary course of business; or
- (B) which would rank before or pari passu with the relevant Mortgage Loan and Mortgage Loan Rights;

- (9) **(release of debt or vary terms)** not, except as required by Law:
- (A) release an Obligor from any amount owing in respect of a Mortgage Loan, unless the Servicer pays out of its own funds an amount equal to such amount into the Collection Account prior to granting such waiver;
 - (B) otherwise discharge any Mortgage Loan or Mortgage Loan Right;
 - (C) vary any Mortgage Loan or Mortgage Loan Right if it would have a Material Adverse Effect; or
 - (D) enter into any agreement or arrangement which has the effect of altering the amount payable on the maturity date in respect of a Mortgage Loan or Mortgage Loan Right;
- (10) **(binding provisions and orders of a competent authority)** release any Mortgage Loan or Mortgage Loan Right, reduce the amount outstanding under or vary the terms of any Mortgage Loan or grant other relief to an Obligor, if required to do so by any Law or if ordered to do so by a court, tribunal, authority, ombudsman or other entity whose decisions are binding on the Servicer. If the order is due to the Servicer breaching any applicable Law then the Servicer must indemnify the Trustee for any loss the Trustee may suffer by reason of the order. The amount of the loss is to be determined by agreement with the Trustee or failing this, by the Servicer's external auditors;
- (11) **(other miscellaneous things)** attend to the stamping and registration of all Relevant Documents for the Trust (including documents which became Relevant Documents) following any amendment, consolidation or other action, and in the case of any registration of any Mortgage that registration must result in the Mortgage having the ranking referred to in the relevant eligibility criteria in the Series Notice. In relation to any Mortgage that is not registered at the relevant Closing Date, the Servicer shall ensure that it is lodged for registration not later than 120 days after that Closing Date;
- (12) **(setting the interest rate)**
- (A) the Servicer shall set the interest rate on the Mortgage Loans in accordance with the requirements of the Series Notice; and
 - (B) subject to the Series Notice, if the Trustee has perfected its title to the Mortgage Loans or Mortgage Loan Rights and the Trustee is entitled to vary the interest rate in accordance with the terms of the Mortgage Loans, the Servicer shall, in accordance with the terms of the Mortgage Loans, set and maintain the interest rate on the relevant Mortgage Loans at or above the relevant Threshold Rate as advised by the Manager in accordance with the Master Trust Deed and the Series Notice and promptly notify the relevant Obligors;
- (13) **(notification)** notify:
- (A) the Trustee and the Manager of any event which it reasonably believes is likely to have a Material Adverse Effect promptly after becoming aware of such event; and
 - (B) the Manager of anything else which the Manager reasonably requires regarding any proposed modification to any Mortgage Loan or Mortgage Loan Security and the Services;
- (14) **(provide information and access on request)** subject to the provisions of any Law, provide information reasonably requested by

the Trustee or the Manager, with respect to all matters relating to the Trust, the Trust Assets or the operations of the Servicer, and the Trustee or the Manager believes reasonably necessary for it to perform its obligations under the relevant Transaction Documents, and upon reasonable notice and at reasonable times permit the Trustee to inspect the Data Base in relation to the Trust;

- (15) **(comply with other obligations)** comply with all its obligations under any Transaction Document to which it is a party;
- (16) **(pay Taxes)** subject to receiving payment from, or being reimbursed by, the relevant Obligor or being indemnified by the Trustee, pay all Taxes that relate to the Services (other than any Tax on or referable to the income of the Trust or of the Servicer) or ensure those Taxes are paid or where such Taxes are incurred due to the default or breach of duty by the Servicer, pay those Taxes or ensure that those Taxes are paid;
- (17) **(not claim)** not claim any Security Interest over any Asset;
- (18) **(comply with Series Notice)** comply with any undertaking specified as an additional Servicer undertaking in the Series Notice, including, without limitation, providing the Manager with any information referred to in that Series Notice;
- (19) **(update Mortgage Loans Register)** update the Mortgage Loans Register and give a copy to the Manager and the Trustee:
 - (A) within 1 month of the Closing Date for the Trust;
 - (B) within 10 Business Days after the last Business Day of each calendar quarter during the Term; and
 - (C) within 5 Business Days of a written request by the Trustee;
- (20) **(switches)** notify the Manager immediately of each request by an Obligor to switch its Mortgage Loan to another product offered by the Approved Seller;
- (21) **(comply with Trust Back)** apply any moneys it receives in relation to any Other Secured Liability in accordance with the Trust Back in accordance with the directions of the Trustee;
- (22) **(consolidation & merger etc)** not consolidate or amalgamate with or merge with or into, or transfer all or substantially all of its assets to another entity unless:
 - (A) the resulting, surviving or transferee entity assumes all of the obligations of the Servicer under the Series Notice for the Trust and each other Transaction Document; and
 - (B) each Designated Rating Agency confirms in writing that such consolidation, amalgamation or merger will not give rise to a Rating Downgrade Event;
- (23) **(no set-off)** not do anything which would render any Mortgage Loan subject to any set-off counterclaim or similar defence; and
- (24) **(information to each Designated Rating Agency)** provide each Designated Rating Agency with complete, accurate and timely information on request from each Designated Rating Agency.

(f) **Servicer's fees and expenses**

The Servicer is entitled to a fee for providing its services under the Master Trust Deed in relation to the Trust.

Under the Master Trust Deed, the Trustee will reimburse the Servicer for all legal and selling expenses relating to the enforcement and recovery of the Mortgage Loans which the Servicer reasonably spends or incurs in relation to the enforcement or sale, provided that where the consent of an insurer under a Mortgage Insurance Policy is required in order for an expense to be reimbursable by that insurer, the Servicer will only be reimbursed where it has obtained that consent.

(g) **Servicer Transfer Event and Removal**

If a Servicer Transfer Event occurs in respect of the Trust, the Trustee must at the direction of the Manager by notice terminate the Servicer arrangements made under the Master Trust Deed in respect of the Trust with immediate effect.

A Servicer Transfer Event means the occurrence of any of the following:

- (1) an Insolvency Event occurs with respect to the Servicer;
- (2) the Servicer fails to pay any amount in accordance with any Transaction Document within 5 Business Days of receipt of a notice to do so from either the Trustee or the Manager;
- (3) the Servicer fails to comply with any of its other obligations under any Transaction Document and such action has had, or, if continuing will have, a Material Adverse Effect and the Servicer does not remedy that failure within 20 Business Days;
- (4) any representation, warranty or certification made by the Servicer is incorrect when made and is not waived by the Trustee or remedied to the Trustee's reasonable satisfaction within 60 Business Days after notice from the Trustee, and the Trustee determines that breach would have a Material Adverse Effect;
- (5) the Servicer fails to prepare and submit to the Manager in a timely fashion any information so required under the Transaction Documents and such failure will have a Material Adverse Effect and, if capable of remedy, is not remedied within 5 Business Days of notice delivered to the Servicer by the Trustee or the Manager;
- (6) any event has occurred which has a material adverse effect on the business of the Servicer and which has a Material Adverse Effect;
- (7) the Servicer breaches its obligations in relation to the amendments to, and provision of copies of, the Guidelines and each Designated Rating Agency has advised in writing that such breach gives rise to a Rating Downgrade Event; or
- (8) the Servicer fails to reset the variable rates on the Mortgage Loans as required under the Transaction Documents and such failure is not remedied within 5 Business Days (or such longer period as the Trustee may agree to) of notice delivered to the Servicer by the Trustee or the Manager.

Following such action:

- (1) If a Servicer Transfer Event occurs and is subsisting, the Servicer immediately must deliver all Relevant Documents which it has in its possession to the Trustee, or as it directs. If the Servicer has not done so within 10 Business Days (or such longer period as the Trustee in its reasonable discretion permits) the Trustee must enter any premises where the Relevant Documents are kept, take possession of and remove the Relevant Documents. The Servicer shall assist in doing so and will take or perform any acts which the Trustee reasonably directs it to do in relation to the Trustee taking possession

of and removing the Relevant Documents. If the Trustee does not have possession of all of the Relevant Documents within that period it may, to the extent that it has information available to it to do so, lodge caveats in relation to the Mortgage Loans and Mortgage Loan Rights for which it does not hold the Relevant Documents;

- (2) the Servicer must promptly transfer at its own cost to the Trustee or as the Trustee directs the relevant information in the Data Base held or maintained by the Servicer in relation to the Master Trust Deed, the Mortgage Loans or Mortgage Loan Rights; and
- (3) unless and until another Eligible Servicer has been appointed to be the Servicer, the Trustee shall act as Servicer.

No other person will be appointed to perform all or part of the obligations the Servicer has undertaken to perform in respect of the Trust or to service any of the Mortgage Loans which form part of the Trust Assets unless:

- (1) the Trustee has terminated the Servicer arrangements made under the Master Trust Deed in accordance with the relevant provisions of the Master Trust Deed described above; or
- (2) the Servicer has retired in accordance with the Master Trust Deed as described below; and

in all circumstances that person must be an Eligible Servicer or the Trustee.

The Servicer indemnifies the Trustee against all costs and expenses incurred as a result of a:

- (1) Servicer Transfer Event;
- (2) failure by the Servicer to perform its duties under the Master Trust Deed or any other Transaction Document;
- (3) any failure to comply with any Laws where the Trustee considers that failure will have a Material Adverse Effect; or
- (4) any error or omission in any instructions or information given by the Servicer to any other person where the Trustee considers that error or omission will have a Material Adverse Effect.

(h) **Retirement**

- (1) The Servicer shall not retire from its appointment under the Trust without first giving 90 days' notice to each Designated Rating Agency (if any), the Manager and the Trustee.
- (2) Upon removal or retirement of the Servicer, the Manager and the Trustee shall use all reasonable endeavours to procure the appointment of a successor Servicer which is an Eligible Servicer.
- (3) When a notice under section 9.3(h)(1) is given, the Trustee and the Manager shall be entitled to appoint some other corporation to be the Servicer of the Trust on any terms the Trustee sees fit (including the amount of Servicer's Fee that would be payable to the successor Servicer at market rates) provided that the terms of that appointment will not give rise to a Rating Downgrade Event and that corporation is an Eligible Servicer.
- (4) Notwithstanding that neither the Trustee nor the Manager may have appointed a successor Servicer, the retirement of the Servicer will take effect on and from the expiration of the period of notice specified in the notice given under the Master Trust Deed and on and from such date until such time as the Trustee appoints a successor Servicer under the Master Trust Deed, the Trustee shall act as Servicer in respect of the Trust in accordance with the Master Trust Deed.

9.4 The Custodian

(a) Appointment of Custodian

The Custodian is to receive and deal with the Relevant Documents solely on the terms of the Custodian Agreement, and if advised by the Security Trustee that it is enforcing the Security, the Security Trust Deed and the General Security Agreement.

(b) Duties and standard of care

The Custodian (in that capacity) holds the Relevant Documents as bailee only and not as trustee.

In performing its obligations and exercising its powers as custodian of the Relevant Documents, the Custodian undertakes:

- (1) to act honestly and in good faith and to show the degree of care and diligence which would reasonably be required of an appropriately qualified custodian;
- (2) to hold, and account for, the Relevant Documents separate from any other assets or property owned, held or administered by it;
- (3) not to sell or otherwise dispose or part with possession of (except to the extent contemplated by the Custodian Agreement), or grant any Security Interest over, any part of the Relevant Documents;
- (4) to keep and maintain a register of all Relevant Documents held by it together with all additions, substitutions or releases of Relevant Documents and the location of the Relevant Documents, and to make the register available for inspection by the Trustee, the Security Trustee, the Approved Seller, Heritage and any other person authorised in writing by the Trustee or the Security Trustee;
- (5) to receive and get in, hold, deal with and release the Relevant Documents in accordance with:
 - (A) the Custodian Procedures;
 - (B) subject to the Custodian Procedures, its obligation under the Custodian Agreement to comply with any instructions given to it by the Trustee, so as to permit the Servicer to comply with its obligations under the Master Trust Deed; and
 - (C) any instructions of:
 - (i) the Trustee (subject to paragraph (ii)); or
 - (ii) if advised by the Security Trustee in writing that the Security Trustee is enforcing the Security, the Security Trustee (instead of the Trustee);
- (6) to keep all Relevant Documents in a single fire safe, secure location approved by the Trustee, which approval shall not be unreasonably withheld or delayed;
- (7) to mark all Relevant Documents so as to distinguish them from any other documents kept at the location referred to in section 9.4(b)(6) and to keep the Relevant Documents separate from any other documents kept at that location;
- (8) to grant access to the location referred to in section 9.4(b)(6) only to representatives of the Trustee or the Security Trustee and those persons nominated in writing by the Custodian and approved by the Trustee, which approval shall not be unreasonably withheld or delayed;

- (9) to provide to the Trustee or the Security Trustee promptly upon request such information about the Relevant Documents as either may require to take any action in accordance with the Custodian Agreement.

(c) **Fees and expenses**

The Custodian is entitled to a fee for acting as Custodian.

The Custodian shall be responsible for all costs and expenses of the Custodian performing its obligations under the Custodian Agreement.

(d) **Limitation of Liability**

The Custodian indemnifies the Trustee from and against any expense, loss, damage or liability which the Trustee may suffer or incur as a consequence of a Custody Transfer Event or a failure by the Custodian to perform its duties under the Custodian Agreement.

The Custodian shall not be liable under that indemnity:

- (1) in connection with anything done by it in good faith in reliance upon any document, form or list provided by or on behalf of the Trustee except when it has actual knowledge, or ought reasonably know, that the document, form or list is not genuine; or
- (2) if it fails to do anything because it is prevented or hindered from doing it by any Law.

In addition the Custodian is not liable:

- (1) for any loss, cost, liability or expense arising out of the exercise or non exercise of a discretion by the Trustee or the act or omission of the Trustee except to the extent that it is caused by a breach by the Custodian of the Custodian Agreement, or the Custodian's own fraud, negligence or breach of duty;
- (2) for 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 except to the extent that the loss is caused by the Custodian's own fraud, negligence or breach of duty or breach of the Custodian Agreement; or
- (3) for any loss, cost, liability or expense arising out of or in connection with the performance of the Trust Assets.

(e) **Retirement and Removal**

The Custodian may retire as custodian under the Custodian Agreement by giving not less than 90 days prior notice to the Trustee, the Security Trustee and each Designated Rating Agency.

Following the occurrence of a Custody Transfer Event, the Trustee may, with the consent of the Security Trustee, remove the Custodian as custodian by giving not less than 30 days prior notice to the Custodian.

The Trustee, following receipt of a notice of retirement or removal shall as soon as reasonably practicable to do so, appoint a new custodian acceptable to Heritage and the Security Trustee.

A new custodian appointed shall accept its appointment by execution and delivery of a deed in which it undertakes to act as custodian under the Custodian Agreement from the date on which the previous Custodian's retirement or removal takes effect as if it were a party to the Custodian Agreement. It will then become the Custodian, as if it were a party to the Custodian Agreement, on the date on which the previous Custodian's retirement or removal so takes effect.

A retirement takes effect on the earlier to occur of:

- (1) the retirement date specified in the notice given by the Custodian; and
- (2) the execution and delivery by a replacement custodian of the deed referred to above.

A removal takes effect on the earlier to occur of:

- (1) the removal date specified in the notice given by the Trustee; and
- (2) the execution and delivery by a replacement custodian of the deed referred to above.

If a new custodian has not been appointed by the dates referred to in each paragraph (1) above, the Trustee shall perform the role of custodian on the same terms as the Custodian Agreement until the new custodian has been appointed.

9.5 Costs of winding up the Trust

During the winding up of the Trust:

- (a) the Trustee shall be entitled to the continued payment of the Trustee's fee;
- (b) the Manager shall be entitled to the continued payment of the Manager's fee; and
- (c) the Trustee or a Beneficiary (as the case may be) and the Manager shall be entitled to reimbursement for all Expenses incurred, made or apprehended in relation to the Trust (including for these purposes all Taxes, costs, charges, expenses, claims and demands incurred, made or apprehended in connection with the winding up of the Trust).

9.6 Audit and Accounts

The Auditor of the Trust shall be a person nominated by the Manager and agreed by the Trustee (being a firm of chartered accountants some of whose members are Registered Company Auditors as defined in the Corporations Act 2001). The Auditor must audit the annual accounts prepared by the Manager within three months of the end of each Financial Year in respect of the Trust and provide a written report detailing the results of the audit to the Trustee, the Security Trustee and each Designated Rating Agency.

A copy of the audited accounts of the Trust and any Auditor's report shall be available for inspection, but not copying, by the Noteholders in relation to the Trust at the offices of the Manager.

9.7 Income Tax

The income tax treatment to the Trust is described in section 11. The Manager shall, or shall require the Auditor to, prepare and lodge all necessary income tax returns and other statutory returns for the Trust. The Manager and the Trustee have received an opinion confirming the application of relevant taxation principles to the Trust.

9.8 Amendments to the Master Trust Deed or the Series Notice

The Trustee, the Manager and the Servicer may by way of supplemental deed alter, add to or modify the Master Trust Deed or the Series Notice so long as such alteration, addition or modification is:

- (a) to correct a manifest error or ambiguity or is of a formal, technical or administrative nature only;

- (b) necessary to comply with the provisions of any statute or regulation or with the requirements of any government agency;
- (c) appropriate or expedient as a consequence of an amendment to any statute or regulation or altered requirements of any government agency; or
- (d) in the reasonable opinion of the Trustee, the Manager and the Servicer desirable to enable the provisions of the Master Trust Deed to be more conveniently, advantageously, profitably or economically administered or is otherwise desirable for any reason.

Where in the opinion of the Trustee a proposed alteration, addition or modification to the Master Trust Deed is prejudicial or likely to be prejudicial to the interests of the Noteholders or a class of Noteholders or the Beneficiaries of the Trust, such alteration, addition or modification may only be effected by the Trustee with the prior consent of the Noteholders or a class of Noteholders (as the case may be) under an Extraordinary Resolution of the Noteholders or a class of Noteholders (as the case may be) or with the prior written consent of the Beneficiaries (as the case may be).

9.9 Meetings of Noteholders

Who can convene meetings

The Trustee or the Manager may at any time convene a meeting of the Noteholders of the Trust or class of Noteholders of the Trust.

Noteholders of the Trust or a class of Noteholders holding in aggregate not less than 5% of the Invested Amounts of all Notes and Redraw Notes issued by the Trust or in that class, may at any time convene a meeting of the Noteholders of the Trust or class, as the case may be.

Meetings by instantaneous communication technology

The Noteholders may meet together either in person or by the use of the following technology:

- (a) video;
- (b) telephone;
- (c) electronic mail;
- (d) any other form of instantaneous communication technology which permits each Noteholder to communicate with every other Noteholder; or
- (e) any combination of the technologies described in the above paragraphs.

Where the Noteholders are not all in attendance at one place and are holding a meeting using technology described in any of paragraphs (a) to (e) above and each Noteholder can communicate with the other Noteholders:

- (f) the participating Noteholders shall, for the purpose of the Master Trust Deed concerning meetings of the Noteholders, be taken to be assembled together at a meeting and to be present at that meeting; and
- (g) all proceedings of those Noteholders conducted in that manner shall be as valid and effective as if conducted at a meeting at which all of them were present.

Notice of meetings

At least 5 Business Days' notice (inclusive of the day on which the notice is given and of the day on which the meeting is held) must be given to the relevant Noteholders of a meeting unless 95% of the holders of the then outstanding Notes or Redraw Notes of the Trust or the class (as the case may be) agree on a shorter period of time.

The notice must specify the day, time and place of the proposed meeting, the agenda, the terms of any proposed resolution, that persons appointed to maintain the Register of Noteholders for the purpose of determining those entitled to attend may not register any transfer of a Note in the period of 2 Business Days prior to the meeting, that appointments 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.

Accidental omission to give notice or the non-receipt of notice by any Noteholder will not invalidate the proceedings at any meeting.

Quorum

At any meeting any two or more persons present in person being Noteholders holding, or Representatives holding or representing, in the aggregate not less than 67% of the Invested Amounts of all Notes and Redraw Notes issued in relation to the Trust or constituting the class (as the case may be) and then outstanding shall form a quorum for the transaction of business.

No business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

Voting Procedures

Every resolution submitted to a meeting will be decided in the first instance by show of hands and, in case of equality of votes, the chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he or she may be entitled as a Noteholder or as a Representative.

At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded, a declaration by the chairman that a resolution has been carried by a particular majority or lost or not carried by any particular majority is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

If at any meeting a poll is demanded by the chairman, the Trustee or the Manager or by one or more persons being Noteholders holding, or being Representatives holding or representing, in aggregate not less than 2% of the Notes and Redraw Notes issued by the Trust or constituting the class (as the case may be) and then outstanding, it shall be taken in such manner and (subject to this section) either at once or after such an adjournment as the chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded. The demand for a poll may be withdrawn.

Any poll demanded at any meeting on the election of a chairman or on any question of adjournment shall be taken at the meeting without adjournment.

At any meeting:

- (a) on a show of hands, every person present being a Noteholder holding, or being a Representative holding or representing, then outstanding Notes and Redraw Notes issued by the Trust shall have one vote; and
- (b) on a poll, every person present shall have one vote for each Note and Redraw Note issued by the Trust and then outstanding that he or she holds or in respect of which he or she is a Representative as stated in the Register at the date the notices are dispatched to Noteholders for the meeting.

Powers of a Meeting of Noteholders

The powers of a meeting of Noteholders exercisable by Extraordinary Resolution are specified in the Master Trust Deed (including to sanction action which the Trustee, Manager or Servicer propose to take to enforce the provisions of any Transaction

Document relating to the Trust, and (subject to the rights of the Support Facility Providers) to consent to the amendment of Transaction Documents proposed by the Trustee or the Manager).

A meeting of Noteholders does not have the power to:

- (a) remove the Servicer or the Manager from office;
- (b) interfere with the management of the Trust;
- (c) wind up or terminate the Trust;
- (d) alter the Authorised Investments of the Trust;
- (e) amend any Transaction Document (except to consent to amendments as described above); or
- (f) alter the Payment Dates, the Coupon, or other terms of the Series Notice (other than to sanction the exchange or substitution of Notes and Redraw Notes for, or the conversion of Notes into other obligations or securities).

Binding Resolutions

An Extraordinary Resolution passed at a meeting duly convened and held shall be binding on all the Noteholders of the Trust or of the class whether or not present at such meeting.

Written Resolutions

A resolution of the Noteholders of the Trust or any class (including an Extraordinary Resolution) may be passed, without any meeting or previous notice being required, by an instrument in writing which has in the case of a resolution (including an Extraordinary Resolution) of the Noteholders of the Trust or any class, been signed by all Noteholders of the Trust or the class (as the case may be) and any such instrument shall be effective when presented to the Trustee for entry into the records.

10 The Security Structure

10.1 Security Trust Deed and General Security Agreement

Under the General Security Agreement, the Trustee has granted a security interest, to be registered on the Personal Property Securities Register, over all the present and future Trust Assets and undertakings of the Trust in favour of the Security Trustee as trustee for the Secured Creditors under the Security Trust Deed.

The Secured Creditors (as defined in the Security Trust Deed) are:

- (a) the Security Trustee in relation to its rights under the Security Trust Deed (held in its own right or for the benefit of other Secured Creditors);
- (b) each Noteholder (in relation to its rights under the Notes and Redraw Notes held by it);
- (c) each Approved Seller (in relation to any relevant Accrued Interest Adjustment);
- (d) the Trustee (in relation to its rights as Trustee under the Transaction Documents);
- (e) the Manager (in relation to its rights as Manager under the Transaction Documents);
- (f) the Servicer (in relation to its rights as Servicer under the Transaction Documents);

- (g) the Custodian (in relation to its rights as Custodian under the Transaction Documents);
- (h) any Support Facility Provider (including the Liquidity Facility Provider) (in relation to its rights under each Support Facility (other than a Mortgage Insurance Policy) to which it is a party);
- (i) any swap provider (including any standby swap provider) under a Hedge Agreement (in relation to its rights under that Hedge Agreement); and
- (j) any Joint Lead Manager in relation to its rights under the Transaction Documents.

However, the security is subject to the Trustee's right of indemnity under the Master Trust Deed in respect of liabilities incurred from (and its security interests over) the Trust Assets in respect of the Expenses due to the Trustee in relation to the Trust.

10.2 Security Trustee

The Security Trustee is appointed to act as trustee on behalf of the Secured Creditors on the terms and conditions of the Security Trust Deed. It holds the benefit of the Security, the Secured Property and the benefit of each of the Transaction Documents to which it is a party on trust for each Secured Creditor in accordance with the terms and conditions of the Security Trust Deed.

The Security Trustee shall, as regards the exercise of all discretion vested in it by the Transaction Documents, except where expressly provided otherwise, have regard to the interest of the Secured Creditors.

If there is at any time, with respect to enforcement, a conflict between a duty owed by the Security Trustee to any Secured Creditor or class of Secured Creditors, and a duty owed by it to another Secured Creditor or class of Secured Creditors, the Security Trustee must give priority to the interests of the Voting Secured Creditors.

10.3 Events of Default

Each of the following is an Event of Default under the Security Trust Deed.

- (a) The Trustee fails to pay:
 - (1) where there are Class A1 Notes outstanding, any Coupon Entitlement in respect of the Class A1 Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
 - (2) where there are Redraw Notes outstanding, any Coupon Entitlement in respect of the Redraw Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
 - (3) where there are no Class A1 Notes or Redraw Notes outstanding, any Coupon Entitlement in respect of the Class A2 Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
 - (4) where there are no Class A1 Notes, Redraw Notes or Class A2 Notes outstanding, any Coupon Entitlement in respect of the Class AB Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or

- (5) where there are no Class A1 Notes, Redraw Notes, Class A2 Notes or Class AB Notes outstanding, any Coupon Entitlement in respect of the Class B Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
 - (6) where there are no Class A1 Notes, Redraw Notes, Class A2 Notes, Class AB Notes or Class B Notes outstanding, any Coupon Entitlement in respect of the Class C Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
 - (7) where there are no Class A1 Notes, Redraw Notes, Class A2 Notes, Class AB Notes, Class B Notes or Class C Notes outstanding, any Coupon Entitlement in respect of the Class D Notes within 5 Business Days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
 - (8) where there are no Class A1 Notes, Redraw Notes, Class A2 Notes, Class AB Notes, Class B Notes, Class C Notes or Class D Notes outstanding, in full any Secured Moneys that are due and payable within 5 Business Days of the date on which such Secured Moneys were due to be paid, together with all interest accrued and payable on such Secured Moneys.
- (b) The Trustee fails to perform any obligation or undertaking under the Security Trust Deed (other than an obligation referred to in section 10.3(a) above) under any other Transaction Document where such failure:
- (1) will have a Material Adverse Payment Effect; and
 - (2) is, in the opinion of the Security Trustee, capable of remedy (with that opinion having been approved in writing by an Extraordinary Resolution of Noteholders, in accordance with the Security Trust Deed) and it is not remedied within 20 Business Days after written notice (or such longer period as may be specified in the notice, that longer period (subject to the Security Trust Deed) having been approved in writing by the Noteholders) from the Security Trustee requiring the failure to be remedied.
- (c) An Insolvency Event occurs in relation to the Trustee:
- (1) in its capacity as trustee of the Trust; or
 - (2) in its personal capacity and a successor trustee of the Trust is not appointed in accordance with the Master Trust Deed within 90 days of the occurrence of the Insolvency Event.
- (d) The security is not or ceases to be a first ranking security over the Trust Assets, or any other obligation of the Trustee (other than mandatorily preferred by law) ranks ahead of or pari passu with any of the Secured Moneys.
- (e) Any Security Interest over the Trust Assets is enforced.
- (f) All or any part of any Transaction Document is terminated or is or becomes void, illegal, unenforceable or of limited force and effect, or a party becomes entitled to terminate, rescind or avoid all or part of any Transaction Document (except where that party waives such right) in such a manner that would have a Material Adverse Payment Effect.
- (g) Without prior consent of the Security Trustee and (subject to the Security Trust Deed) the Noteholders:

- (1) the Trust is wound up, the Trustee is required to wind up the Trust under the Master Trust Deed or applicable law, or winding up commences;
- (2) the Trust is held or is conceded by the Trustee not to have been constituted or to have been imperfectly constituted; or
- (3) unless another trustee is appointed to the Trust under the Transaction Documents, the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Transaction Documents.

10.4 Enforcement

- (a) Each of the Trustee and the Manager must promptly notify each other, each Secured Creditor and each Designated Rating Agency if it becomes aware of the occurrence of an Event of Default, Trustee's Default, Servicer Transfer Event, Custody Transfer Event (as defined in the Custodian Agreement), Title Perfection Event or Manager's Default including full details of those events.
- (b) At any time after an Event of Default occurs, in accordance with the Security Trust Deed, the Security Trustee may, and must if so directed by the Voting Secured Creditors by way of Extraordinary Resolution or if in the Security Trustee's opinion such action is necessary to protect the interests of the Secured Creditors, do one or more of the following:
 - (1) declare the Security immediately enforceable;
 - (2) declare the Secured Moneys immediately due and payable;
 - (3) require payment to it of all or any part of the Secured Moneys for the Trust;
 - (4) appoint a Receiver over the Trust Assets, or exercise the powers that a Receiver would otherwise have if appointed under the Security Trust Deed; or
 - (5) take any other action if so directed by an Extraordinary Resolution of the Voting Secured Creditors.

However, the Security Trustee may not take any action referred to in sections 10.4(b)(1) to 10.4(b)(4) above (inclusive) unless directed to do so by an Extraordinary Resolution of the Voting Secured Creditors.

Importantly, except as provided in the Security Trust Deed, the powers, rights and remedies conferred on the Security Trustee by the Security Trust Deed and Security are exercisable by the Security Trustee only, and no Secured Creditor is entitled without the written consent of the Security Trustee to exercise the same or any of them. Without limiting the generality of the foregoing, no Secured Creditor is entitled to enforce the Security or the provisions of the Security Trust Deed or to appoint or cause to be appointed a Receiver to any of the Secured Property or otherwise to exercise any power conferred by the terms of any applicable law on charges except as provided in the Security Trust Deed and the Security.

- (c) Except if the Noteholders are the only Voting Secured Creditors, where the consent of the Noteholders is required in certain circumstances under the Security Trust Deed in relation to a discretion or act of the Security Trustee (an **Act**):
 - (1) the Noteholders must:
 - (A) not unreasonably withhold that consent; and

- (B) respond promptly (and in any event within 5 Business Days of a relevant resolution being passed by the Voting Secured Creditors) to the Security Trustee indicating whether the consent is granted or not (and if it does not reply within that time its consent shall be taken to have been given); and
- (2) subject to section 10.4(c), if an Extraordinary Resolution of Voting Secured Creditors determines that the Act should or should not occur, that Extraordinary Resolution will override any determination by the Noteholders in relation to any such section.

Except for the Security Trustee's fraud, negligence or wilful default, the Security Trustee shall not be liable to any Secured Creditor for acting, or not acting, on the directions of the Noteholders, even if the Security Trustee is actually aware that the Noteholders have unreasonably withheld their consent in breach of section 10.4(c)(1)(A).

- (d) The obligation of the Security Trustee under section 10.4(b) is subject to:
 - (1) the Security Trust Deed; and
 - (2) the Security Trustee being adequately indemnified from the property held on trust under the terms of the Security Trust Deed or the Security Trustee receiving from the Voting Secured Creditors an indemnity in a form reasonably satisfactory to the Security Trustee (which may be by way of an Extraordinary Resolution of the Secured Creditor) against all actions, proceedings, claims and demands to which it may render itself liable, and all costs, charges, damages and expenses which it may incur, in giving effect to the Extraordinary Resolution of the Voting Secured Creditors.

The Security Trustee shall first claim on its indemnity from the property held on trust under the terms of the Security Trust Deed before it claims on any indemnity from the Voting Secured Creditors.

- (e) If the Security Trustee becomes bound to take steps and/or proceed under the Security Trust Deed and it fails to do so within a reasonable time and such failure is continuing, the Voting Secured Creditors may exercise such powers as they determine in accordance with the Series Notice and then only if and to the extent the Voting Secured Creditors are able to do so under the Transaction Documents.
- (f) Where a direction has been given to the Security Trustee to act and the Security Trustee does not act due to the Voting Secured Creditors refusing to grant the requested indemnity and put the Security Trustee in funds, then the Security Trustee will not be obliged to act in relation to that enforcement. In those circumstances, the Voting Secured Creditors may exercise such powers as they determine by an Extraordinary Resolution.
- (g) The Security Trustee and the Trustee may, following the giving of notice to each Designated Rating Agency and with the written approval of the Manager, by way of supplemental deed alter, add to or modify the Security Trust Deed or the General Security Agreement so long as such alteration, addition or modification is:
 - (1) in the opinion of the Security Trustee or the Manager necessary or desirable to correct a manifest error or ambiguity or is of a formal, technical or administrative nature only;
 - (2) in the opinion of the Security Trustee or the Manager necessary to comply with the provisions of any law or regulation or with the requirements of any Government Agency or any amendment or modification of any of them;

- (3) in the opinion of the Security Trustee appropriate or expedient as a consequence of an amendment to any law or regulation or altered requirements of any Government Agency (including, without limitation, an alteration, addition or modification which is in the opinion of the Security Trustee or the Manager appropriate or expedient as a consequence of the enactment of a law or regulation or an amendment to any law or regulation or ruling by the Commissioner or Deputy Commissioner of Taxation or any governmental announcement or statement, in any case which has or may have the effect of altering the manner or basis of taxation of trusts generally or of trusts similar to the Trust);
 - (4) in the opinion of the Security Trustee or the Manager, will enable the provisions of the Security Trust Deed or the General Security Agreement to be more conveniently, advantageously, profitably or economically administered and which is neither prejudicial nor likely to be prejudicial to the interests of the Secured Creditors as a whole or any class of Secured Creditors;
 - (5) in the opinion of the Security Trustee and in accordance with the Security Trust Deed or the General Security Agreement neither prejudicial nor likely to be prejudicial to the interests of the Secured Creditors as a whole or any class of Secured Creditors;
 - (6) in the opinion of the Security Trustee or of a barrister or solicitor instructed by the Security Trustee necessary or expedient to comply with or be consistent with the provisions of any statute, ordinance, regulation or by-law or with the requirement of any statutory authority; or
 - (7) in the opinion of the Security Trustee or the Manager otherwise desirable for any reason.
- (h) Where in the opinion of the Security Trustee a proposed alteration, addition or modification to the Security Trust Deed or the General Security Agreement, other than an alteration, addition or modification referred to above, is prejudicial or likely to be prejudicial to the interest of Secured Creditors as a whole or any class of Secured Creditors, the Security Trustee and the Trustee may make such alteration, addition or modification if sanctioned by an Extraordinary Resolution of the Voting Secured Creditors or that class of Secured Creditors (as the case may be).
 - (i) The Security Trustee may agree, on any terms and conditions as it may deem expedient, having first given notice to each Designated Rating Agency and obtained the prior written consent (subject to the Security Trust Deed) of the Noteholders (but without the consent of the other Secured Creditors) and without prejudice to its rights in respect of any subsequent breach, to any waiver or authorisation of any breach or proposed breach of any of the terms and conditions of the Transaction Documents or any of the provisions of the Security Trust Deed which is not, in the reasonable opinion of the Security Trustee, materially prejudicial to the interests of the Secured Creditors and may determine that any event that would otherwise be an Event of Default shall not be treated as an Event of Default for the purpose of the Security Trust Deed.
 - (j) No such waiver, authorisation or determination shall be made in contravention of any directions contained in an Extraordinary Resolution of the Voting Secured Creditors.
 - (k) No waiver, authorisation or determination may, once given, be overridden or withdrawn by an Extraordinary Resolution of Voting Secured Creditors but the Security Trustee may, subject to the Noteholders rights, with the prior written consent of the Noteholders, give a waiver, authorisation or determination on terms that allow it to be overridden or withdrawn.

- (l) Any such waiver, authorisation or determination shall, if the Security Trustee so requires, be notified to the Secured Creditors by the Manager as soon as practicable thereafter in accordance with the Security Trust Deed.

10.5 Priorities under the Security Trust Deed

The proceeds from the enforcement of the Security are to be applied (notwithstanding any order of payment in the Series Notice) in the following order of priority, subject to any other priority which may be required by statute or law:

- (a) first, to the extent required by law, to pay the holder of any prior ranking Security Interest over Trust Assets of which the Security Trustee has notice, the amount properly secured by the Security Interest;
- (b) second, to pay (pari passu and rateably):
 - (1) all costs, charges, expenses and disbursements properly incurred in the exercise of any power by the Security Trustee, a Receiver or an Attorney or other amounts (other than those referred to in section 10.1(f) payable to the Security Trustee under this deed;
 - (2) any fees due to the Security Trustee;
 - (3) any fees and unpaid Expenses due to the Trustee; and
 - (4) the Receiver's remuneration;
- (c) third, to pay (pari passu and rateably):
 - (1) all Secured Moneys owed by the Trustee as trustee of the Trust to the Interest Rate Swap Provider (including any termination payments where the Interest Rate Swap Provider is not the defaulting party or the sole affected party and including any Break Payments received by the Trustee during that Collection Period but excluding any termination payments where the Interest Rate Swap Provider is the defaulting party or the sole affected party) and any amounts due and payable by the Trustee to the Standby Swap Provider in accordance with the Interest Rate Swap; and
 - (2) all Secured Moneys owed by the Trustee as trustee of the Trust to the Basis Swap Provider (including any termination payments where the Basis Swap Provider is not the defaulting party or the sole affected party and including any Break Payments received by the Trustee during that Collection Period, but excluding any termination payments where the Basis Swap Provider is the defaulting party or the sole affected party);
- (d) fourth to pay (pari passu and rateably) all Secured Moneys owing to the Support Facility Providers (except in respect of any Enhancement or Origination Facility Agreement) including for the avoidance of doubt the Liquidity Facility Provider except in respect of any Secured Moneys paid in accordance with section 10.5(c) and section 10.5(p));
- (e) fifth, to pay any unpaid Accrued Interest Adjustment due to the relevant Approved Seller;
- (f) sixth, to pay (pari passu and rateably):
 - (1) all Secured Moneys owed by the Trustee as trustee of the Trust to the Class A1 Noteholders;
 - (2) all Secured Moneys owed by the Trustee as trustee of the Trust to the Redraw Noteholders;
- (g) seventh, to pay all Secured Moneys owed by the Trustee as trustee of the Trust to the Class A2 Noteholders;

- (h) eighth, to pay all Secured Moneys owed by the Trustee as trustee of the Trust to the Class AB Noteholders;
- (i) ninth, to pay all Secured Moneys owed by the Trustee as trustee of as trustee of the Trust to the Class B Noteholders;
- (j) tenth, to pay all Secured Moneys owed by the Trustee as trustee of as trustee of the Trust to the Class C Noteholders;
- (k) eleventh, to pay all Secured Moneys owed by the Trustee as trustee of as trustee of the Trust to the Class D Noteholders;
- (l) twelfth, to pay (pari passu and rateably):
 - (1) any amounts owed to the Manager in relation to its rights as Manager under the Transaction Documents;
 - (2) any amounts owed to the Servicer in relation to its rights as Servicer under the Transaction Documents;
 - (3) any amounts owed to the Custodian in relation to its rights as Custodian under the Transaction Documents; and
 - (4) any amounts owed to a Joint Lead Manager in relation to its rights as Joint Lead Manager under the Transaction Documents.
- (m) thirteenth, to pay the holder of any subsequent Security Interest over Trust Assets of which the Security Trustee has notice the amount properly secured by the Security Interest;
- (n) fourteenth, to pay any surplus to the Trustee to be distributed in accordance with the Master Trust Deed;
- (o) fifteenth, to pay (pari passu and rateably):
 - (1) any termination payments due and payable by the Trustee to the Interest Rate Swap Provider in respect of the Interest Rate Swap where the Interest Rate Swap Provider is the defaulting party or the sole affected party; and
 - (2) any termination payments due and payable by the Trustee to the Basis Swap Provider in respect of the Basis Swap where the Basis Swap Provider is the defaulting party or the sole affected party; and
- (p) sixteenth, pari passu and rateably, any amounts payable to the Liquidity Facility Provider as a result of a Changed Costs Event pursuant to the Liquidity Facility Agreement.

The surplus will not carry interest. If the Security Trustee, Receiver, Secured Creditor or Attorney pays the surplus to the credit of an account in the name of the Trustee with any bank carrying on business in Australia, the Security Trustee, Receiver, Secured Creditor or Attorney (as the case may be) will be under no further liability in respect of it.

10.6 Security Trustee fees and expenses

- (a) The Security Trustee shall be entitled to a fee from the proceeds of the Secured Property at the rate agreed in writing by the Security Trustee and the Manager from time to time and in relation to which the Manager has provided a Ratings Notification. This fee is payable in accordance with the Series Notice.
- (b) If the Security Trustee is required at any time to undertake duties which relate to the enforcement of the terms of any Transaction Document by the Security Trustee upon a default by any other party under the terms of that Transaction Document, the Security Trustee is entitled to such additional remuneration agreed in writing by the Security Trustee and the Manager from time to time both acting reasonably and in good faith.

The Trustee, on demand, shall indemnify each Secured Creditor (including the Security Trustee) and each receiver and attorney against any loss, cost, charge, liability or expense that Secured Creditor (or any officer or employee of that Secured Creditor) or any receiver or attorney may sustain or incur as a direct or indirect consequence of:

- (c) the occurrence of any Event of Default; or
- (d) any exercise or attempted exercise of any power or any failure to exercise any power,

other than to the extent such loss, cost, charge, liability or expense was caused or contributed to by the Secured Creditor's fraud, negligence or wilful default.

10.7 Retirement and removal

The Security Trustee may retire, subject to the Transaction Documents to which it is a party and the appointment of a successor Security Trustee as provided in the Security Trust Deed, at any time upon giving not less than 3 months' notice (or such shorter period as the parties may agree) in writing to the Trustee, the Manager and each Designated Rating Agency without assigning any reason. The retiring Security Trustee will be responsible for any costs incurred as a result of such voluntary retirement.

The Security Trustee may be removed with prior written notice to each Designated Rating Agency, subject to the Transaction Documents to which it is a party and the appointment of a successor Security Trustee as provided in the Security Trust Deed:

- (a) by the Manager if any of the following occurs in relation to the Security Trustee:
 - (1) an Insolvency Event occurring in relation to the Security Trustee in its personal capacity;
 - (2) the cessation by the Security Trustee of its business; or
 - (3) the Security Trustee fails to comply with any of its obligations under any Transaction Document and such action has had, or, if continued will have, a Material Adverse Effect, and, if capable of remedy, that failure is not remedied within 10 Business Days after the earlier of:
 - (A) the Security Trustee having become actually aware of that failure; and
 - (B) the Security Trustee having received written notice with respect thereto from the Manager; or
- (b) at any time by Extraordinary Resolution of the Voting Secured Creditors.

11 Regulatory Capital Requirements

11.1 General undertakings of the Originator

Under the Series Notice, Heritage undertakes that it will retain on the Note Issue Date, and maintain on an ongoing basis, a material net economic interest of at least 5 (five) per cent in the nominal value of the securitised exposure on the Closing Date in accordance with Article 405(1)(c) of the Capital Requirements Regulation, Article 51(1)(c) of the AIFMR and Article 254(2)(c) of the Solvency II Delegated Regulation (the Articles).

In particular, to retain such material net economic interest by holding a randomly selected pool of housing loans (which otherwise would have been included in the loan pool in respect of the Trust) with a total nominal value equal to at least 5% of the nominal value of the Mortgage Loans (calculated as at the Closing Date) at all times and shall further undertake not to reduce its credit exposure to such retained amount through any form of credit risk mitigation or sale of the retained amount (except to the extent permitted by the

Articles). Heritage's obligations under this section 11.1 are subject always to any requirement of law and Heritage will not be in breach of this section 11.1 if Heritage fails to so comply due to events, actions or circumstances beyond Heritage's control.

Heritage nor any other party makes any representation that any information provided by it at any time or in any report provided from time to time is sufficient in all circumstances for such purposes.

11.2 Caveat to prospective Noteholders

Each prospective investor that is required to comply with Articles 404 to 410 of the Capital Requirements Regulation, Articles 50 to 56 of the AIFMR and Articles 254 to 257 of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (together, the **Articles**) (as implemented in each jurisdiction) 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 the Articles and none of Heritage, National Australia Bank Limited, Australia and New Zealand Banking Group Limited, Westpac Banking Corporation, the Trustee, the Security Trustee or the Manager makes any representation that the information described above or in this Information Memorandum generally is sufficient in all circumstances for such purposes. In addition, each prospective Noteholder should ensure that they comply with the implementing provisions in respect of the Articles in their relevant jurisdiction. Investors in the Notes are responsible for analysing their own regulatory position and none of Heritage, Australia and New Zealand Banking Group Limited, National Australia Bank Limited, Westpac Banking Corporation, the Trustee or the Security Trustee makes any representation to any prospective Noteholders regarding the regulatory capital treatment of their investment (or the liquidity of such investment as a result thereof) now or at any time in the future.

For further information on the requirements referred to above and the corresponding risks (including the risks arising from the current absence of any corresponding final technical standards to assist with the interpretation of the requirements), please refer to the risk factor at section 6.24.

12 Australian Taxation

The following is a summary of the material Australian tax consequences under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, **Australian Tax Act**) of the purchase, ownership and disposition of the Notes (the **Offered Notes**) and certain other matters. This summary represents the basis of Australian law as in effect on the date of this Information Memorandum which is subject to change, possibly with retroactive effect, and should be treated with appropriate caution.

The following summary is not, and is not intended to be, exhaustive and does not deal with the position of all classes of Noteholders (including custodians or other third parties who hold Notes on behalf of any Noteholders).

Neither the Trustee nor the Manager accept any responsibility or make any representation as to the tax consequences of investing in the Notes.

12.1 The Trustee and the Trust

The net income of the Trust will be subject to Australian tax. The Trustee is entitled under current tax laws to deduct, against the Trust's assessable income, all expenses incurred by it in deriving that income (including interest paid or accrued on account of the Offered Notes). It is anticipated that there should not be any income of the Trust as at the end of

each of the Trust's tax years in respect of which the Trustee could be personally liable for income tax (but rather the net income of the Trust is intended to be allocated to, and taxed in the hands of, Heritage, as the Unitholder of the Residual Income Unit of the Trust.)

12.2 Withholding Taxes on interest payments

Interest withholding tax – general

It is anticipated that the only payments to be made by the Trustee in relation to the Offered Notes will constitute principal or interest for Australian tax purposes. Under existing Australian tax law:

- (a) Non-Resident holders of Notes or interests in any Notes (other than persons holding such securities or interests as part of a business carried on, at or through a permanent establishment in Australia); and
- (b) Australian resident holders of Notes or interests in any Notes holding such securities or interests as part of a business carried on, at or through a permanent establishment outside Australia,

are not subject to Australian income tax on payments of interest or amounts in the nature of interest, but potentially may be subject to Australian interest withholding tax. Interest withholding tax is currently levied at the rate of 10% on the gross amount of interest (as defined in section 128A(1AB) of the Australian Tax Act paid or credited by the borrower.

Interest includes amounts in the nature of interest, amounts paid in substitution for interest and amounts received in exchange for interest in connection with a 'washing arrangement'. A premium on redemption may be treated as an amount in the nature of interest for this purpose. A washing arrangement is an arrangement under which title to a security is transferred to a resident shortly before an interest payment is made and the sole or dominant purpose of the arrangement is to reduce the amount of withholding tax payable.

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 withholding tax but would be subject to Australian income tax.

Australian interest withholding tax – exemptions

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

These conditions are:

- (a) the Notes constitute debentures;
- (b) the Trustee is a company within the meaning of section 128F(9); and
- (c) the Notes, or a global bond or note or interests in such a global bond or note, are issued in a manner which satisfies the public offer test as prescribed under section 128F(3) and (4) of the Australian Tax Act.

The Trustee will seek to issue the Offered Notes and interests in any Offered Note in a way that will satisfy the public offer test and otherwise meet the requirements of section 128F.

The public offer test can be satisfied where the issue of the Offered Notes resulted from them being offered:

- (a) to at least 10 persons each of whom:
 - (1) was carrying on a business of providing finance, or investing or dealing in securities in the course of operating in financial markets; and

- (2) was not known, or suspected, by the Trustee to be an associate of any other persons to whom an offer is made.
- (b) to at least 100 persons whom it would be reasonable to regard as either:
- (1) having acquired instruments similar to the Notes in the past; or
 - (2) likely to be interested in acquiring such instruments; or
 - (3) as a result of negotiations being initiated publicly in electronic form, or in another form, that is used by financial markets for dealing in instruments similar to the Offered Notes; or
 - (4) to a dealer, manager or underwriter, in relation to the placement of debentures or debt interests who, under an agreement with the company, offered the debenture or debt interest for sale within 30 days in a way covered by (1) to (3) above.

The public offer test will not be satisfied in relation to the issue of an Offered Note if, at the time of issue, the Trustee knew or had reasonable grounds to suspect that the note was being, or would later be, acquired directly or indirectly by an Offshore Associate of the Trustee.

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 of the Trustee.

Exemptions under certain Double Tax Agreements

If, for any reason other than the holders holding the Offered Notes in connection with an Australian permanent establishment, the interest paid by the Trustee is not exempt from interest withholding tax under section 128F of the Australian Tax Act, the interest may nonetheless be exempt from withholding tax pursuant to a double tax agreement. The Australian Government has signed a new or amended double tax agreements (**New Treaties**) with a number of countries including the United States, the United Kingdom and France (**Specified Countries**). The New Treaties apply to interest derived by a resident of a Specified Country.

The New Treaties effectively prevent interest withholding tax applying to interest derived by:

- (a) the government of a Specified Country and certain governmental authorities and agencies in the Specified Country; and
- (b) certain:
 - (1) banks, which are resident in the Specified Country; and
 - (2) other financial institutions that substantially derive their profits by carrying on a business of raising and providing finance, which are resident in the Specified Country,

that are unrelated to, and dealing wholly independently with the relevant borrower by reducing the interest withholding tax rate to zero. Under the New Treaties, loans effectively funded with back-to-back loans and economically equivalent arrangements will not obtain the benefit of this reduction and the anti-avoidance provisions in the Australian Tax Act can also apply in some circumstances.

Tax File Number Withholding Tax

There is a requirement under the Australian Tax Act that an issuer of securities such as the Offered Notes withhold an amount on account of tax at the highest marginal rate of tax (currently 47%), expected to be increased to 47.5% from 1 July 2019, from payments of income on the securities in some circumstances. This requirement does not apply if the

investor in the securities has quoted or is taken to have quoted an Australian tax file number (**TFN**) to the issuer of the security.

In the case of a Non-Resident deriving interest income on the Offered Notes (other than at or through a permanent establishment in Australia), the Non-Resident will be taken to have quoted a TFN if:

- (a) section 128F of the Australian Tax Act applies to exempt the payment of interest from withholding tax; or
- (b) section 128F of the Australian Tax Act does not apply and the Trustee is required to withhold an amount of tax under the interest withholding tax provisions.

In the case of a Non-Resident deriving interest income on the Offered Notes at or through a permanent establishment in Australia, the requirement to withhold tax at the highest marginal rate of tax will apply unless the Non-Resident quotes a TFN or is able to rely on a relevant exemption from quoting a TFN.

12.3 Profit on sale of Notes

Income tax

Under existing Australian law, a Non-Resident holder of the Offered Notes who is entitled to the benefits of a double tax agreement between Australia and another country (**DTA**) will generally not be subject to Australian income tax (other than withholding tax in some circumstances if an exemption is not available) on 'business profits' derived from the sale or disposal of the Offered Notes unless the gain on the disposal of such notes is attributable to a permanent establishment of the Non-Resident holder in Australia.

To the extent that a Non-Resident holder of the Offered Notes derives income to which the 'business profits' article of a DTA does not apply, then that income will only be subject to tax in Australia if it has an Australian source, or if the gain on the disposal of such notes is attributable to a permanent establishment of the Non-Resident holder in Australia.

The source of any profit on the disposal of the Offered Notes will depend on the factual circumstances of the actual disposal. Where these notes are acquired and disposed of pursuant to contractual arrangements entered into and concluded outside Australia, and any payment is made outside Australia and the seller and the purchaser are Non-Residents of Australia and do not have a business carried on at or through a permanent establishment in Australia, the profit should not have an Australian source.

An Australian resident holder of the Offered Notes will generally be required to include any gain or loss on disposal of the Offered Notes in their taxable income. Special rules apply to the taxation of Australian residents who hold the Offered Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located.

Withholding tax

There are specific withholding tax rules that can apply in some circumstances to treat a portion of the sale price of notes as interest for withholding tax purposes.

These rules would apply to deem part of the sale proceeds to be interest if the Offered Notes are sold to an Australian resident in connection with a 'washing arrangement'. A washing arrangement is an arrangement under which title to a security is transferred to a resident shortly before an interest payment is made and the sole or dominant purpose of the arrangement is to reduce the amount of withholding tax payable. If the exemption from withholding tax under section 128F of the Australian Tax Act is available it is unlikely that a sale of an Offered Note by a Noteholder would be in connection with a washing arrangement.

12.4 Australian goods and services tax (GST)

General

If an entity, which for GST purposes includes a legal construct such as a trust, makes a taxable supply it will have to pay GST equal to (generally) one-eleventh of the consideration 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 the 'indirect tax zone' (i.e. broadly, Australia excluding external territories and certain offshore areas). Input taxed supplies include most financial supplies.

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 the indirect tax zone' 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 (known as an 'input tax credit' for the GST component of the cost of goods, services and other things acquired that relate to the making of 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, services and other things acquired that relate to the making of those supplies.

Application to Noteholders

On the basis of the current GST legislation, a disposal of an Offered Note or receipt of interest by a holder of such Offered Note should not give rise to a GST liability to the Noteholder.

Application to the Trustee

The issue of the Offered Notes, the issue of the other classes of notes and the provision of credit under the mortgages will not be taxable supplies by the Trust (which is treated as a separate entity for GST purposes). The issue of any Offered Notes in Australia will, in general, be an input taxed supply. The issue of the Offered Notes to Noteholders outside Australia may be a GST-free supply. In either case, the Trust should not incur a GST liability on these supplies.

Supplies made to the Trust 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 the economic cost of that GST from the Trust. Various fees paid by the Trust, including the Manager's Fee, the Trustee's Fee and the Security Trustee's Fee will be in consideration of a taxable supply and may be increased to take into account the supplier's GST liability.

GST may increase the cost of repairing or replacing damaged properties offered as security for the Mortgage Loans. However, it is a condition of the Mortgage Loans held by the Trust that the borrower must maintain general insurance cover for the term of the Mortgage Loan covering the full replacement value of the property.

In respect of certain specified costs and expenses, the Trust may be entitled to a partial credit (known as a 'reduced input tax 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 relate to making input taxed supplies. The Trust would be entitled to a full credit for the GST component of its costs and expenses to the extent those costs relate to making GST-free supplies. If the Trust is not entitled to a full credit for the GST component of its costs and expenses, the overall Trust expenses will increase, resulting in a decrease in the funds available to the Trust to pay Noteholders.

Supplies of other person's property made by the Trust to third parties in satisfaction of debts (e.g., if the Trustee of the Trust exercised its power of sale in respect of a property) are taxable supplies if, had the debtor made the supply, the supply would have been a taxable supply. The Trust will have to account for GST out of the sale proceeds. The Trust 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 there would be less remaining sale proceeds to cover the unpaid balance of the related Mortgage Loan.

In many circumstances, the supply of residential premises to be used predominantly for residential accommodation will not be a taxable supply and will not give rise to a GST liability to the Trust. 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 new residential premises (e.g., if the Trustee of the Trust is making the first supply of the premises, or the first supply after substantial renovation or demolition and replacement).

Any GST liability accruing to the Trust when enforcing the housing loans will decrease the funds available to the Trust to pay Noteholders to the extent not covered by the Mortgage Insurance Policies. 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 Mortgage Insurance Policy.

12.5 Application of the TOFA Rules

Division 230 of the *Income Tax Assessment Act 1997* deals with the taxation of financial arrangements (or **TOFA**). Where they apply, the TOFA rules act as a comprehensive code for the taxation of qualifying 'financial arrangements', overriding the application of other parts of the income tax law unless the TOFA rules specifically provide that rules outside of Division 230 are to apply. The TOFA rules contemplate a number of different methods for bringing to account gains and losses in relation to financial arrangements (including four elective methods) The TOFA rules apply on a mandatory basis for income years commencing on or after 1 July 2010 (with an optional earlier start date). The new regime will only apply to financial arrangements acquired on or after those dates, although taxpayers may be able to elect to include transactions undertaken before those dates.

In accordance with the explanatory memorandum accompanying the bill enacting the TOFA rules, the operation of the TOFA rules does not affect the scope of Australia's withholding tax provisions or the timing of imposition of any withholding tax. As such, the application of the TOFA rules should not affect the holders of Offered Notes that are:

- (a) Non-Residents of Australia and who do not hold their Offered Notes in the course of carrying on business at or through a permanent establishment in Australia; or
- (b) Residents of Australia who hold their Offered Notes in the course of carrying on business at or through a permanent establishment outside of Australia.

All other holders of Offered Notes should obtain their own tax advice application of the TOFA rules in respect of their Offered Notes, as the precise implication under the TOFA rules (if any) will depend on their facts and circumstances and in particular what elections they may have made.

12.6 Other Tax Reform Proposals

The taxation of managed investment trusts, and trusts generally, has been the subject of review by the government and various consultative bodies.

It is considered that these proposals should also not adversely affect the Trust.

12.7 Other Taxes

No stamp duty, issue, registration or similar taxes are payable in Australia in connection with the issue of the Offered Notes. Furthermore, a transfer of, or agreement to transfer, Offered Notes executed outside of Australia will not be subject to Australian stamp duty.

12.8 Consolidated Groups

It is in the interests of all parties, including the Trustee, the Noteholders and the Unitholder of the Residual Income Unit, that:

- (a) the Trustee always be in a position to pay any Tax liability when due;
 - (b) the payment of Tax by the Trustee must not affect the amount of principal or interest payable on the Notes or the timing of such payments; and
 - (c) the rating of the Notes that are rated be maintained,
- (the **Objective**).

12.9 Group tax liabilities

- (a) If the Trust becomes a member of a consolidated tax group and the head company of that consolidated tax group does not at that time, or at any subsequent time, provide evidence to the satisfaction of the Trustee (who may rely upon the advice of tax lawyers, amongst others) that the tax liabilities of the consolidated tax group are covered by a valid tax sharing agreement being one which is consistent with regulations made, or guidelines published by the Commissioner of Taxation, concerning the allocation of group tax liabilities of a consolidated tax group amongst members of that group or which is otherwise accepted by the Commissioner of Taxation as allocating the group tax liabilities of the consolidated tax group amongst the members of the group on a reasonable basis which is on terms that are acceptable to the Trustee, then without limiting the Manager's obligation or liabilities under this section:
 - (1) the Trustee and the Manager shall, as soon as is practicable, take steps to ensure that the Trust ceases to be a member of that consolidated tax group;
 - (2) the Manager shall promptly consult with the Trustee and the Joint Lead Managers to determine what changes, if any, are necessary to the cashflow methodology in section 7 to achieve the Objective and ensure such changes are the subject of a Ratings Notification; and
 - (3) within two months of such consultations commencing (or such longer time as the Trustee permits), the Manager shall use reasonable endeavours to provide a written recommendation to the Trustee and a draft deed amending the Series Notice that, if executed, will achieve the Objective; and
 - (4) upon the Trustee being notified that the draft deed amending the Series Notice will achieve the Objective (and in this regard the Trustee may rely, amongst others, upon advice of tax lawyers), and each of the other parties to the Series Notice being reasonably satisfied that they will not be adversely affected by the proposed amendments to the Series Notice, each party to the Series Notice shall execute that amendment deed.
- (b) The Manager shall procure that the head company of a consolidated tax group of which the Trust becomes a member will:

- (1) ensure that the group tax liabilities of that consolidated tax group are covered by a valid tax sharing agreement that apportions those tax liabilities to the Trustee on a basis acceptable to the Trustee (and the Trustee acknowledges that a nil allocation of group liabilities will be acceptable to it provided that the allocation is reasonable);
 - (2) provide evidence of such a tax sharing agreement being in place for the purposes of section 12.10:
 - (A) at the time the Trust becomes a member of the consolidated tax group; and
 - (B) on each occasion that there is any alteration, amendment or replacement of a tax sharing agreement covering the tax liabilities of the consolidated tax group; and
 - (3) permit the Trustee to provide a copy of the tax sharing agreement to the Commissioner of Taxation if the Commissioner of Taxation issues a notice under section 721-25(3) as its agent.
- (c) A Residual Capital Unit will, as at the Closing Date, be held by a party that is not a part of any tax consolidated group. In the future that Residual Capital Unit may be transferred so that the Trust becomes a member of a consolidated tax group and this section 12.9 applies.

12.10 GST Group and indirect tax sharing agreement

If the Trust becomes a member of a GST group under the GST Tax Act (**GST Group**), then whilst the Trust is a member of that GST Group, the Manager must procure that at all times the representative member of that GST Group:

- (a) will ensure that any amount payable under the indirect tax law by the representative member of the GST Group (within section 444-90(1) of Schedule 1 to the TA Act) (**Indirect Tax Liability**) is covered by a valid indirect tax sharing agreement for the purposes of section 444-90 of Schedule 1 to the TA Act that allocates those Indirect Tax Liabilities amongst the members of the GST Group on a reasonable basis which is on terms that are acceptable to the Trustee (and the Trustee acknowledges that a nil allocation of the Indirect Tax Liabilities to the Trust will be acceptable to it provided that the allocation is reasonable);
- (b) provides evidence of such an indirect tax sharing agreement being in place on each occasion that there is any alteration, amendment or replacement of an indirect tax sharing agreement covering the Indirect Tax Liabilities of the GST Group; and
- (c) permits the Trustee to provide a copy of the indirect tax sharing agreement to the Commissioner of Taxation if the Commissioner of Taxation issues a notice under the TA Act.

The Trustee will, at the direction of the Manager, enter into or accede to an indirect tax sharing agreement referred to in this section 12.10 and will perform all of the Trust's obligations under such indirect tax sharing agreement. The Trustee is not responsible for the terms of any such indirect tax sharing agreement nor will it be liable to any Noteholders for any loss, costs, liabilities or expenses incurred as a result of the Trustee entering into or performing its obligations under any such indirect tax sharing agreement or because of any unusual or unusually harsh or onerous provisions of any such indirect tax sharing agreement.

If upon request by the Manager the representative member of the GST Group does not provide evidence to the satisfaction of the Manager that the Indirect Tax Liabilities of the

GST Group are covered, or will be covered (within a reasonable period of time), by a valid indirect tax sharing agreement, which provides for an allocation of Indirect Tax Liabilities of the GST Group to the Trust that is acceptable to the Manager (acting reasonably) then the Manager shall, as soon as practicable, take steps to ensure that the Trust ceases to be a member of that GST Group.

As at the Closing Date the Trust will not be a member of a GST Group but an election may be made to group the Trust at a later date.

13 Subscription and Sale

Subscription

Pursuant to the Dealer Agreement, each Dealer has agreed with the Trustee and the Manager, subject to the satisfaction of certain conditions, that it will use reasonable endeavours to procure subscriptions for or bid for the Notes. The Manager has agreed to reimburse the Dealers for certain of their expenses in connection with the issue of those Notes.

The United States of America

Each Dealer acknowledges that the Notes have not been and will not be registered under the 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 (as such term is defined in Regulation S) except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

Without limiting the paragraph above, each Dealer has represented, warranted and agreed, and each further dealer appointed will be required to represent, warrant and agree, that it has not offered and sold and will not offer, sell or deliver the Notes in the United States or to, or for the account of, US persons (1) as part of their distribution at any time or (2) otherwise until 40 days after the completion of distribution of the Notes (as determined and notified to the Dealers by the Trustee following notification by each Dealer to the Trustee of completion of distribution of the Notes purchased by or through the Dealer) (the **Restricted Period**), except in accordance with Rule 903 of Regulation S under the Securities Act.

Each Dealer represents and agrees that neither such Dealer, its affiliates (if any) nor any person acting on behalf of the Dealer or its affiliates has engaged or will engage in any "directed selling efforts" (as that term is defined in Rule 902 under the Securities Act) with respect to the Notes, and each Dealer, its affiliates (if any) and any person acting on behalf of the Dealer or its affiliates has complied and will comply with the offering restrictions requirements of Regulation S.

Each Dealer agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the Restricted Period a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been registered under the United States Securities Act of 1933 as amended (the **Securities Act**) and may not be offered and 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) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes, as determined and certified by the Dealers, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S under the Securities Act."

Terms used in this sub-section have the meaning given to them by Regulation S.

The United Kingdom

Each Dealer has represented, warranted and agreed that, in relation to each class of Notes:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated, an 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 Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Notes has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission ("**ASIC**") or ASX Limited ("**ASX**"). Each Dealer has represented, warranted and agreed that:

- (a) no invitation or offer of the Notes has been or will be made by it for issue, sale or purchase in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) no information memorandum or any other offering material or advertisement relating to the Notes in Australia, may be distributed, published or received by it, unless:
 - (c) the minimum aggregate consideration payable by each offeree or invitee on acceptance of the offer is at least A\$500,000 (or its equivalent in an alternate currency) (disregarding moneys lent by the offeror or its associates) or more, or the offer otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;
 - (d) the offer, invitation or issue does not constitute an offer, invitation or issue to a "retail client" within the meaning of section 761G of the Corporations Act; and
 - (e) such action complies with all applicable laws, regulations and directives in Australia and does not require any document to be lodged with ASIC or the ASX.

Hong Kong

Each Dealer has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than:
 - (1) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong), as amended ("**SFO**") and any rules made under the SFO; or
 - (2) 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) as amended ("**CWMO**") or which do not constitute an offer to the public within the meaning of the CWMO); and
- (b) 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, whether in Hong Kong

or elsewhere, any advertisement, invitation, other offering material or other document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged that the Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore, as amended (“SFA”). Each Dealer has represented, warranted and agreed that this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes has not been and will not be circulated or distributed, nor have the Notes been nor will the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

- (a) to an institutional investor specified in Section 274 of the SFA;
- (b) to a relevant person pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

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

- (1) 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
- (2) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust 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 transferable within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person as 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;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Any person who may be in doubt as to the restrictions set out in the SFA or the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Notes or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own

enquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.

New Zealand

- (a) No action has been taken to permit the Notes to be directly or indirectly 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 (the **NZ FMCA**). In particular, no product disclosure statement under the NZ FMCA has been or will be prepared or lodged in New Zealand in relation to the Notes.
- (b) Accordingly, each Dealer has represented and agreed that it has not directly or indirectly offered, sold or delivered and will not directly or indirectly offer, sell or deliver any Notes in New Zealand and it will not distribute any offering memorandum or advertisement (as defined in the NZ FMCA) in relation to any offer of Notes, in New Zealand other than to "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the NZ FMCA, being a person who is:
 - (1) an "investment business";
 - (2) "large"; or
 - (3) a "government agency",in each case as defined in Schedule 1 to the NZ FMCA. For the avoidance of doubt, the Notes may not be directly or indirectly offered, sold, or delivered to, among others, any "eligible investors" (as defined in clause 41 of Schedule 1 to the NZ FMCA) or to any person who, under clause 3(2)(b) of Schedule 1 to the NZ FMCA, meets the investment activity criteria specified in clause 38 of that Schedule.
- (c) In addition, no person may distribute any offering material or advertisement (as defined in the NZ FMCA) in relation to any offer of Notes in New Zealand other than to such permitted persons as referred to in the paragraph above.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed and each further dealer appointed will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Information Memorandum to the public in that Relevant Member State other than:

- (a) any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Trustee for any such offer; or
- (c) which are authorised or regulated to operate in the time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Trustee or any dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the above, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to

be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State. The expression “**European Economic Area**” means the European Union. The expression “**Member State of the European Economic Area**” means any Member State of the European Union. The expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

General

Each Dealer has represented, warranted and agreed that:

- (a) it has not and will not, and will not authorise any other person to, directly or indirectly, offer, sell, resell, re-offer or deliver Notes or distribute this Information Memorandum or any circular, advertisement or other offering material in relation to the Notes (or take any action, or omit to take any action, that could result in it directly or indirectly, offering, selling, reselling, reoffering, delivering or distributing as aforesaid) in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief after making due and proper enquiries, result in compliance with all applicable laws and regulations thereof, and all offers and sales of Notes by it will be made on the same terms;
- (b) no action has been, or will be, taken by the Trustee or any of the Dealers to permit a public offering of the Notes in any country or jurisdiction where action for that purpose would be required. Accordingly, the Notes 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;
- (c) each Dealer will not cause any advertisement of the Notes to be published in any newspaper or periodical or posted in any public place and will not issue any circular relating to the Notes (other than this Information Memorandum in accordance with the Dealer Agreement and any other advertisement or circular relating to the Notes issued in accordance with clause the Dealer Agreement), except in any case in accordance with the terms of the Dealer Agreement and with the express written consent of the Manager; and
- (d) the Notes are only to be sold in a manner that does not constitute an offer to the public for the purposes of the Prospectus Directive.

14 Transaction Documents

The following documents are the Transaction Documents in relation to the Trust:

- (a) Trust Deed dated 21 June 2000 between SG Australia Transaction Management Pty Limited (formerly known as SG Australia Asset Management Company Pty Ltd) (ACN 003 799 077), HBS Custodian Pty Ltd (ABN 62 092 937 025) and Heritage Bank Limited (ABN 32 087 652 024) (as amended) (the “**Master Trust Deed**”).
- (b) Amendment Deed to Master Trust Deed between SGATM, the Trustee, Heritage and HBS Custodian Pty Ltd dated 12 September 2003 (the “**Amending Deed**”).

- (c) Notice of Creation of Trust dated 31 August 2017 issued under the Master Trust Deed in relation to the Trust (the “**Notice of Creation of Trust**”).
- (d) Security Trust Deed between the Trustee, the Manager and the Security Trustee dated 9 October 2017 (the “**Security Trust Deed**”).
- (e) General Security Agreement between the Trustee and the Security Trustee dated 9 October 2017 (the “**General Security Agreement**”).
- (f) Series Notice between the Trustee, the Manager, the Custodian, the Servicer, each Approved Seller, Heritage and the Security Trustee dated 20 October 2017 (the “**Series Notice**”).
- (g) Liquidity Facility Agreement between the Trustee, National Australia Bank Limited as the Liquidity Facility Provider, and the Manager dated 20 October 2017 (the “**Liquidity Facility Agreement**”).
- (h) Custodian Agreement between the Trustee, the Custodian, the Security Trustee and the Servicer dated 20 October 2017 (the “**Custodian Agreement**”).
- (i) ISDA Master Agreement, schedule and confirmation between Heritage (as Party A), the Trustee (as Party B) and the Manager 20 October 2017 in relation to the interest rate risk arising from a Floating Rate Loan (the “**Basis Swap**”).
- (j) ISDA Master Agreement, schedule, credit support annexes and confirmation between Heritage (as Party A before the Novation Date), the Trustee (as Party B), the Manager and National Australia Bank Limited (as Standby Swap Provider and Party A after the Swap Novation) dated 20 October 2017 (the “**Interest Rate Swap**”).
- (k) Dealer Agreement between the Arranger, the Joint Lead Managers, the Dealers, the Manager, the Trustee, the Security Trustee and Heritage) dated 20 October 2017 (the “**Dealer Agreement**”).
- (l) Each Note or document evidencing a Note.
- (m) Each of the Sale Notices from the Approved Sellers to the Trustee dated 20 October 2017 (“**Sale Notices**”).
- (n) A Note Issue Direction from the Manager to the Trustee to be dated 23 October 2017 (the “**Note Issue Direction**”).
- (o) Seller Powers of Attorney granted by Heritage in respect of New South Wales, Victoria, Queensland, South Australia, Australian Capital Territory and Northern Territory, each dated 12 July 2011, and in respect of Western Australia and Tasmania, each dated 21 June 2013.

Noteholders may inspect a copy of the Transaction Documents at the offices of the Trustee during normal business hours, but shall not be entitled to a copy of any of them.

15 Glossary

Term	Meaning
Accounts	accounts as defined in section 9 of the Corporations Act 2001.
Accrued Interest Adjustment	in relation to the Approved Seller and Purchased Mortgage Loans acquired by the Trustee from the Approved Seller, all

Term	Meaning
	interest and fees accrued on those Purchased Mortgage Loans up to (but excluding) the Closing Date.
Approved Bank	means any Bank for so long as it has: <ol style="list-style-type: none"> 1 a short term rating of A-2 by S&P or higher; and 2 a short term rating equal to or higher than F1 or a long term rating equal to or higher than of A by Fitch, or such lower credit rating which is given by a Designated Rating Agency and in relation to which the Manager has provided a Ratings Notification.
Approved External Dispute Resolution Scheme	an external dispute resolution scheme approved under and in accordance with section 11 of the NCCP Act and regulation 10(3) of the NCCP Regulations.
Approved Seller	has the meaning set out in section 1.3, except a reference to an Approved Seller for the purposes of certain provisions of the Master Trust Deed (more particularly set out in the Series Notice) is a reference to Heritage.
APRA	The Australian Regulation Prudential Authority.
Arranger	has the meaning set out in section 1.3.
Arrears	subsist in relation to a Mortgage Loan at any time if, at that time, the principal outstanding under that Mortgage Loan is greater than the scheduled principal balance for that Mortgage Loan.
Assets	in relation to the Trust means the assets forming the Trust from time to time, including the following to the extent to which they relate to the Trust, the Mortgage Loans and the Mortgage Loan Rights: <ol style="list-style-type: none"> 1 Authorised Investments; 2 amounts owing to the Trustee by debtors (excluding any bad or doubtful debts); 3 income accrued from Authorised Investments; 4 any prepayment of expenditure; 5 the interests of the Trustee in any Support Facility; 6 the benefit of all representations, warranties and

Term	Meaning
	<p>undertakings made by any party in favour of the Trustee under the Transaction Documents;</p> <p>7 the amount of any compensation found to be payable by the Trustee (in its personal capacity) (or admitted by the Trustee (in its personal capacity) to be payable) to restore the assets of that Trust because of the fraud, negligence or Default of the Trustee; and</p> <p>8 other property or asset as agreed in writing between the Manager and the Trustee.</p>
ATO	Australian Taxation Office.
Attorney	any attorney appointed under the Security Trust Deed or any Collateral Security.
Auditor	in relation to the Trust means initially Ernst & Young of 1 Eagle Street, Brisbane, Queensland, 4000, Australia or such other auditor appointed from time to time under the Master Trust Deed.
Austraclear	Austraclear Limited or Austraclear Services Limited (including, where applicable, the computer based system for holding Notes and recording and settling transactions in those Notes between the members of that system maintained by Austraclear Services Limited).
Australian Jurisdiction	a State or Territory of the Commonwealth of Australia and the Commonwealth of Australia.
Authorisation	<p>includes:</p> <p>1 any consent, authorisation, registration, filing, lodgement, agreement, notarisaton, certificate, permission, licence, approval, authority or exemption from, by or with a Government Agency; or</p> <p>2 in relation to anything which will be fully or partly prohibited or restricted by law if a Government Agency intervenes or acts in any way within a specific period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.</p>
Authorised Investments	in respect of a Trust means any investments which at their date of acquisition are of the following types:

Term**Meaning**

- 1 Mortgage Loans, Mortgage Loan Securities, Related Securities and Mortgage Loan Rights;
- 2 cash on hand;
- 3 bonds, debentures, stock, notes, treasury bills or other securities of any government of an Australian Jurisdiction;
- 4 debentures or stock of any public statutory body constituted under the law of any Australian Jurisdiction where the repayment of the principal secured and the interest payable thereon is guaranteed by the Australian Jurisdiction;
- 5 deposits with, or the acquisition of certificates of deposit (whether negotiable, convertible or otherwise), issued by, a bank;
- 6 bills of exchange accepted or endorsed by a bank which at the time of acquisition have a remaining term to maturity that does not go beyond the next Determination Date;
- 7 any other assets of a class of assets that are within the definition of a "pool of mortgages" in the stamp duty legislation of any Australian Jurisdiction,

but excluding any debt securities which constitute a securitisation exposure or a resecuritisation exposure (as defined in Prudential Standard APS120 issued by the Australian Prudential Regulation Authority, including any amendment or replacement of that Prudential Standard).

In paragraphs (1)-(7) inclusive of this definition, expressions shall be construed and, if necessary read down, so that the Notes in relation to any Trust constitute "mortgage-backed securities" for the purposes of the stamp duty legislation of any Australian Jurisdiction.

Each of the investments in paragraphs (1) to (7) must mature on or before the Determination Date immediately following the date the investment is made.

Each of the investments in paragraphs (3), (4), (5) and (6) of this definition must have:

- 1 in relation to Fitch Ratings, a credit rating of:
 - (a) A (long term) or F1 (short term) by Fitch Ratings, in relation to the Authorised Investments which have a maturity of up to 30 days; and
 - (b) AA- (long term) or F1+ (short term), in relation to all other Authorised Investments;
 - 2 in relation to S&P, a credit rating of:
 - (a) A-1 (short-term) by S&P, in relation to Authorised Investments which have a maturity of 60 days or less; and
 - (b) AA- (long-term) or A-1+ (short-term) by S&P, in relation to all other Authorised Investments,
-

Term	Meaning
	<p>or such lower credit rating which is given by a Designated Rating Agency in relation to which the Manager has provided a Ratings Notification.</p>
Available Income	<p>for a Collection Period, the amount equal to:</p> <ol style="list-style-type: none"> 1 the Collections for the Collection Period; plus 2 if the Net Swap Settlement for that Collection Period is payable to the Trustee, the Net Swap Settlement; plus 3 any Other Income for that Collection Period; minus 4 the Available Principal for that Collection Period.
Available Principal	<p>for a Collection Period, the amount equal to:</p> <ol style="list-style-type: none"> 1 the Collections for that Collection Period; less 2 the Finance Charge Collections for that Collection Period, <p>or, if the amount so calculated above is a negative number, zero.</p>
Average Arrears Percentage	<ol style="list-style-type: none"> 1 in respect of the first Determination Date, the Monthly Arrears Percentage at that date; 2 in respect of the second Determination Date, the sum of the Monthly Arrears Percentages for the current Collection Period and the immediately preceding Collection Period, divided by 2; and 3 in respect of the third Determination Date, the sum of the Monthly Arrears Percentages for the current Collection Period and the Monthly Arrears Percentages for each of the two preceding Collection Periods, divided by 3.
Bank	<p>an authorised deposit-taking institution (as defined in the <i>Banking Act 1959</i> (Cth)).</p>
Bank Bill Rate	<p>in relation to a period, the average mid rate for bank bills and certificates of deposit on a period equal to that period as displayed on the "BBSW" page of the Reuters Monitor System at such time as the rate is usually published on the first day of that period.</p> <p>However, if the average mid rate is not displayed within 15 minutes after that time on that day, or in respect of any date the Bank Bill Rate for that period cannot be determined in accordance with the foregoing procedures then the Bank Bill Rate for that period shall mean such rate as determined by the Manager in good faith and in a commercially reasonable</p>

Term	Meaning
	manner having regard to comparable indices then available.
Basis Master Agreement	the agreement referred to in section 8.4.
Basis Swap	has the meaning set out in section 14(i)
Basis Swap Provider	has the meaning set out in section 1.3.
Beneficiary	in relation to the Trust: <ol style="list-style-type: none"> 1 the holder of a Residual Capital Unit; or 2 each holder of a Residual Income Unit.
Borrowing	in relation to the Trust, any Financial Indebtedness of Perpetual Trustee Company Limited in its capacity as trustee of the Trust but does not include any Financial Indebtedness of Perpetual Trustee Company Limited in any other capacity or in respect of any other trust. Borrow has an equivalent meaning.
Break Payment	any amount owed by an Obligor under a Fixed Rate Loan and which amount is owed following payment by that Obligor of any principal before the due date for that principal, in accordance with the terms of the relevant Mortgage Loan Agreement (and includes an amount owed by a Mortgage Insurer with respect to the obligation of an Obligor to pay any such amount).
Business Day	any day, other than a Saturday, Sunday or public holiday in New South Wales, Victoria and Queensland on which Banks are open for business in Sydney, Brisbane and Melbourne.

Term	Meaning
Carryover Charge Off	<p>on any Determination Date:</p> <ol style="list-style-type: none"> 1 in relation to a Class A1 Note, the aggregate of Charge Offs in relation to that Class A1 Note prior to that Determination Date which have not been reinstated under section 7.4(d)(1)(A); 2 in relation to a Redraw Note, the aggregate of Charge Offs in relation to that Redraw Note prior to that Determination Date which have not been reinstated under section 7.4(d)(1)(B); 3 in relation to a Class A2 Note, the aggregate of Charge Offs in relation to that Class A2 Note prior to that Determination Date which have not been reinstated under section 7.4(d)(2); 4 in relation to a Class AB Note, the aggregate of the Charge Offs in relation to that Class AB Note prior to that Determination Date which have not been reinstated under section 7.4(d)(3); 5 in relation to a Class B Note, the aggregate of Charge Offs in relation to that Class B Note prior to that Determination Date which have not been reinstated under section 7.4(d)(4); 6 in relation to a Class C Note, the aggregate of Charge Offs in relation to that Class C Note prior to that Determination Date which have not been reinstated under section 7.4(d)(5); and 7 in relation to a Class D Note, the aggregate of the Charge Offs in relation to that Class D Note prior to that Determination Date which have not been reinstated under section 7.4(d)(6).
Cashflow Allocation Methodology	means the cashflow allocation methodology described in section 7.
Certificate of Title	in relation to a Mortgaged Property, the certificate of title (or, if one is not issued, the registration confirmation statement or similar document) (if any) to that Mortgaged Property issued under any relevant legislation (and, in the case of Land, issued under any Real Property Legislation).
Changed Costs Event	<p>means:</p> <ol style="list-style-type: none"> 1 the introduction or commencement after the date of the Liquidity Facility Agreement of, or any change in, or in the interpretation, application or administration of the compliance by, or a change in the method of compliance by, the Liquidity Facility Provider with any law or regulation; 2 the incurrence of any new Taxes (other than a Tax on the

Term	Meaning
	<p>overall net income of the Liquidity Facility Provider); or</p> <p>3 the imposition by any regulatory authority in respect of the Liquidity Facility Provider of any new, or change in the imposition of any (as at the date of the Liquidity Facility Agreement) reserve requirement, statutory reserve deposit, special deposit, capital adequacy ratio, equity ratio, liquidity ratio, liabilities ratio or other similar requirement (including any changes to or changes in the interpretation of, after the date of the Liquidity Facility Agreement, the new Prudential Standard 120 issued by the Australian Prudential Regulation Authority in the form as at the date of the Liquidity Facility Agreement, but not the mere application of that new Prudential Standard in the current form as of the date of the Liquidity Facility Agreement)),</p> <p>whether such event results in an increase or a decrease in the relevant amount or cost referred to in the Liquidity Facility Agreement.</p>
Charge-Off	<p>on any Determination Date, the amount equal to the amount by which:</p> <p>1 the Loss for the preceding Collection Period (if any); exceeds</p> <p>2 the amount (if any) of the Excess Available Income to be applied towards any Loss for the preceding Collection Period.</p>
Charged Property	<p>includes:</p> <p>1 all of present and future Trust Assets; and</p> <p>2 all associated rights and undertaking of the Trust (including any property and assets in which the Grantor has sufficient rights to be able to grant a Security Interest) but excluding the initial \$10.00 held by the Secured Party on the date of the creation of the Security Trust.</p>
Civil Penalty Payment	<p>3 the amount of any civil penalty which the Trustee is ordered to pay under Part 6 of the Consumer Credit Legislation;</p> <p>4 any other money ordered to be paid by the Trustee, or legal costs or other expenses payable or incurred by the Trustee related to such an order;</p> <p>5 any amount which the Trustee agrees to pay to an Obligor or other person in settlement of an application for an order under Part 6 of the Consumer Credit Legislation; and</p> <p>6 any legal costs or other costs and expenses payable or incurred by the Trustee in relation to that application.</p>

Term	Meaning
Class A Subordination	on a Determination Date, the aggregate of the Class AB Percentage, Class B Percentage, Class C Percentage and Class D Percentage.
Class A1 Note	a Note issued as a Class A1 Note by the Trustee with the characteristics of a Class A1 Note under this Series Notice.
Class A1 Noteholder	a Noteholder of a Class A1 Note.
Class A1 Principal Payment	each payment of principal to the Class A1 Noteholders in respect of Class A1 Notes.
Class A1 Stated Amount	on a Determination Date in relation to a Class A1 Note, an amount equal to: <ol style="list-style-type: none"> 1 the Invested Amount of that Class A1 Note on that Determination Date; less 2 the amount of Charge Offs to be applied to that Class A1 Note on the immediately following Payment Date; less 3 the amount of any Carryover Charge Offs in relation to that Class A1 Note; plus 4 the amount of any reimbursed Carryover Charge Offs in relation to that Class A1 Note to be reinstated on the immediately following Payment Date.
Class A2 Note	a Note issued as a Class A2 Note by the Trustee with the characteristics of a Class A2 Note under this Series Notice.
Class A2 Noteholder	a Noteholder of a Class A2 Note.
Class A2 Principal Payment	each payment of principal to the Class A2 Noteholders in respect of Class A2 Notes.
Class A2 Stated Amount	on a Determination Date in relation to a Class A2 Note, an amount equal to: <ol style="list-style-type: none"> 1 the Invested Amount of that Class A2 Note on that Determination Date; less 2 the amount of Charge Offs to be applied to that Class A2 Note on the immediately following Payment Date; less 3 the amount of any Carryover Charge Offs in relation to that

Term	Meaning
	Class A2 Note; plus the amount of any Carryover Charge Offs in relation to that Class A2 Note to be reinstated on the immediately following Payment Date.
Class AB Note	a Note issued as a Class AB Note by the Trustee with the characteristics of a Class AB Note under this Series Notice.
Class AB Noteholder	a Noteholder of a Class AB Note.
Class AB Percentage	on a Determination Date, the Class AB Stated Amounts for all Class AB Notes on that Determination Date, as a percentage of the Total Stated Amount calculated as at that Determination Date. In the case of the first Determination Date, the Class AB Percentage will be calculated using the Class AB Stated Amounts and the Total Stated Amount as at that date.
Class AB Principal Payment	each payment of principal to the Class AB Noteholders in respect of Class AB Notes.
Class AB Stated Amount	on a Determination Date in relation to a Class AB Note, an amount equal to: <ol style="list-style-type: none"> 1 the Invested Amount of that Class AB Note on that Determination Date; less 2 the amount of Charge Offs to be applied to that Class AB Note on the immediately following Payment Date; less 3 the amount of any Carryover Charge Offs in relation to that Class AB Note; plus 4 the amount of any Carryover Charge Offs in relation to that Class AB Note to be reinstated on the immediately following Payment Date.
Class AB Subordination	on a Determination Date, the aggregate of the Class B Percentage, Class C Percentage and Class D Percentage.
Class B Note	a Note issued as a Class B Note by the Trustee with the characteristics of a Class B Note under this Series Notice.
Class B Noteholder	a Noteholder of a Class B Note.

Term	Meaning
Class B Percentage	on a Determination Date, the sum of the Class B Stated Amounts for all Class B Notes for that Determination Date as a percentage of the Total Stated Amount calculated as at that Determination Date. In the case of the first Determination Date, the Class B Percentage will be calculated using the Class B Stated Amounts and the Total Stated Amount as at that date.
Class B Principal Payment	each payment of principal to the Class B Noteholders in respect of Class B Notes.
Class B Stated Amount	on a Determination Date in relation to a Class B Note, an amount equal to: <ol style="list-style-type: none"> 1 the Invested Amount of that Class B Note on that Determination Date; less 2 the amount of Charge Offs to be applied to that Class B Note on the immediately following Payment Date; less 3 the amount of any Carryover Charge Offs in relation to that Class B Note; plus 4 the amount of any Carryover Charge Offs in relation to that Class B Note to be reinstated on the immediately following Payment Date.
Class B Subordination	on a Determination Date, the aggregate of the Class C Percentage and Class D Percentage.
Class C Note	a Note issued as a Class C Note by the Trustee with the characteristics of a Class C Note under this Series Notice.
Class C Noteholder	a Noteholder of a Class C Note.
Class C Percentage	on a Determination Date, the sum of the Class C Stated Amounts for all Class C Notes for that Determination Date as a percentage of the Total Stated Amount calculated as at that Determination Date. In the case of the first Determination Date, the Class C Percentage will be calculated using the Class C Stated Amounts and the Total Stated Amount as at that date.
Class C Principal Payment	each payment of principal to the Class C Noteholders in respect of Class C Notes.
Class C Stated	on a Determination Date in relation to a Class C Note, an

Term	Meaning
Amount	<p>amount equal to:</p> <ol style="list-style-type: none"> 1 the Invested Amount of that Class C Note on that Determination Date; less 2 the amount of Charge Offs to be applied to that Class C Note on the immediately following Payment Date; less 3 the amount of any Carryover Charge Offs in relation to that Class C Note; plus 4 the amount of any Carryover Charge Offs in relation to that Class C Note to be reinstated on the immediately following Payment Date.
Class C Subordination	on a Determination Date the Class D Percentage.
Class D Note	a Note issued as a Class D Note by the Trustee with the characteristics of a Class D Note under this Series Notice.
Class D Noteholder	a Noteholder of a Class D Note.
Class D Percentage	on a Determination Date, the sum of the Class D Stated Amounts for all Class D Notes for that Determination Date as a percentage of the Total Stated Amount calculated as at that Determination Date. In the case of the first Determination Date, the Class D Percentage will be calculated using the Class D Stated Amounts and the Total Stated Amount as at that date.
Class D Principal Payment	each payment of principal to the Class D Noteholders in respect of Class D Notes.
Class D Stated Amount	<p>on a Determination Date in relation to a Class D Note, an amount equal to:</p> <ol style="list-style-type: none"> 1 the Invested Amount of that Class D Note on that Determination Date; less 2 the amount of Charge Offs to be applied to that Class D Note on the immediately following Payment Date; less 3 the amount of any Carryover Charge Offs in relation to that Class D Note; plus 4 the amount of any Carryover Charge Offs in relation to that Class D Note to be reinstated on the immediately following Payment Date.

Term	Meaning
Clean Up Date	means the first Payment Date on which the Clean Up Offer is able to be exercised.
Clean Up Offer	has the meaning set out in section 7.16.
Closing Date	24 October 2017.
Collateral Security	any Security Interest, Guarantee or other document or agreement at any time created or entered into in favour of the Security Trustee as security for the Secured Moneys.
Collection Account	in relation to the Trust, the account established under clause the Master Trust Deed and maintained under the Master Trust Deed or any other account specified as the Collection Account in the Series Notice for the Trust.
Collection Period	has the meaning set out in section 1.4.
Collections	<p>for a period, all amounts received during that period by the Trustee (or for the purposes of funding Redraws, the Servicer) in respect of the Mortgage Loan Rights for each Purchased Mortgage Loan, including Finance Charge Collections and any amount received by the Trustee with respect to that period attributable to principal, less:</p> <ol style="list-style-type: none"> 1 the Government Charges collected by or on behalf of the Trustee for that Collection Period; 2 the aggregate of all bank fees and charges due to the Approved Bank with which the Collection Account is held, the Servicer or Heritage as agreed by them and consented to by the Trustee (that consent not to be unreasonably withheld) from time to time and collected by Heritage or the Servicer during that period (other than any interest, monthly loan administration fee or early discharge fee charged by the Servicer in relation to the Purchased Mortgage Loans); and 3 in the event an Obligor does not pay any premium due under an Insurance Policy, the premium paid by Heritage in relation to an Insurance Policy.
Collections Transfer Amount	<p>on the Closing Date or a Determination Date, the amount equal to 2% of the aggregate Mortgage Loan Principal of the Purchased Mortgage Loans as at:</p> <ol style="list-style-type: none"> 1 in the case of the Closing Date, the Closing Date; and

Term	Meaning
	<p>2 in the case of a Determination Date, the last day of the immediately preceding Collection Period,</p> <p>or such other amount as required by the Designated Rating Agencies.</p>
Consumer Credit Legislation	<p>any legislation relating to consumer credit including:</p> <ol style="list-style-type: none"> 1 the consumer credit code set out in the Appendix to the Consumer Credit (Queensland) Act 1994 as in force or applied as a law of any Australian Jurisdiction; 2 the NCCP Act including the National Credit Code contained in schedule 1 to the Act; 3 the National Consumer Credit Protection (Fees) Act 2009 (Cth); 4 the National Consumer Credit Protection (Transitional and Consequential Provisions) Act 2009 (Cth) (Transitional Act); 5 the NCCP Regulations; 6 the Consumer Credit Legislation Amendment (Enhancements) Act 2012 (Cth); 7 Division 2 of Part 2 of the Australian Securities and Investments Commission Act 2001 (Cth), so far as it relates to the obligations in respect of an Australian credit licence issued under the NCCP Act or registration as a Registered Person under the Transitional Act, insofar as such legislation is applicable to any Mortgage Loan, Mortgage Loan Security or Mortgage Loan Right; and 8 any other consumer credit legislation of any Australian jurisdiction.
Corporations Act	<p>means the Corporations Act 2001 (of the Commonwealth of Australia).</p>
Coupon	<p>in relation to a Note, Redraw Note and a Payment Date means the amount of interest (if any) accrued in respect of that Note or Redraw Note, and due for payment on that Payment Date, determined in accordance with the Series Notice.</p>
Coupon Entitlement	<p>in relation to a Note, Redraw Note and a Payment Date, the amount of interest accrued in respect of that Note or Redraw Note and due for payment on that Payment Date, determined in accordance with the Series Notice.</p>
Coupon Period	<p>has the meaning set out in section 2.3.</p>

Term	Meaning
Coupon Rate	<p>in relation to any Coupon Period, the sum of:</p> <ol style="list-style-type: none"> 1 the One Month Bank Bill Rate on the Rate Reset Date for that Coupon Period; and 2 for the Class A1 Notes up to and including the Step-Up Margin Date, the Margin for those Class A1 Notes; 3 for the Class A1 Notes from and including the Step-Up Margin Date, the aggregate of the Margin for those Class A1 Notes and the Step-Up Margin; 4 for the Class A2 Notes up to and including the Step-Up Margin Date, the Margin for those Class A2 Notes; 5 for the Class A2 Notes from and including the Step-Up Margin Date, the aggregate of the Margin for those Class A2 Notes and the Step-Up Margin; 6 for the Class AB Notes up to and including the Step-Up Margin Date, the Margin for those Class AB Notes; 7 for the Class AB Notes from and including the Step-Up Margin Date, the aggregate of the Margin for those Class AB Notes and the Step-Up Margin; 8 for the Class B Notes, the Margin for those Class B Notes; 9 for the Class C Notes, the Margin for those Class C Notes; 10 for the Class D Notes, the Margin for those Class D Notes; and 11 for the Redraw Notes, the Margin for the Redraw Notes.
Creditor	<p>in relation to the Trust means a creditor of the Trustee, including the Noteholders, the Security Trustee, the Approved Sellers, the Servicer, the Support Facility Providers, the Joint Lead Managers and the Manager in relation to the Trust.</p>
Custodian	Heritage.
Custodian Agreement	has the meaning set out in section 9.4.
Custodian Fee	the Custodian's fee under the Custodian Agreement and the Series Notice.
Custodian Procedures	those policies and procedures of the Custodian relating to the receipt, holding, dealing and release of documents (including the Relevant Documents) as those policies and procedures are amended from time to time in the Custodian's ordinary course of

Term	Meaning
	business.
Custody Transfer Event	<p>any of the following events:</p> <ol style="list-style-type: none"> 1 a subsisting Servicer Transfer Event; 2 a subsisting Title Perfection Event; 3 a further audit which results in an adverse audit report; 4 any failure by the Custodian to comply with any of its obligations under this agreement which (if capable of remedy) has subsisted for at least 5 Business Days; 5 an Insolvency Event in relation to the Custodian; 6 any notice by the Trustee or Security Trustee to the Custodian that it believes that, in the interests of the Secured Creditors (as defined in the Security Trust Deed), a transfer of the Relevant Documents is necessary; or 7 any notice by the Security Trustee to the Custodian that it is enforcing its Security Interests created under the Security Trust Deed.
Cut-Off Date	has the meaning set out in section 1.4.
Daily Loan Offset Amount	has the meaning set out in section 7.15(a).
Data Base	in relation to the Trustee, the Manager, the Servicer and the Custodian means all information, data and records collected, held or stored in any way or in any medium (including computer retention and storage) by or for the Trustee, the Manager, the Servicer and the Custodian respectively relating to and including any Mortgage Loan, Mortgage Loan Security or Related Securities which are given, made available or transferred to the Trustee under or as contemplated by the Master Trust Deed.
Dealer Agreement	has the meaning set out in section 14.
Dealers	the Joint Lead Managers acting in that capacity under the Dealer Agreement.
Default	<ol style="list-style-type: none"> 1 any wilful breach by the Trustee of any of its obligations under the Master Trust Deed or any other Transaction Document; or 2 any wilful failure by the Trustee to comply with a written

Term	Meaning
	<p>direction given by the Manager in accordance with a Transaction Document (and in terms which are consistent with the requirements of the Transaction Documents) in circumstances where the Transaction Documents require or contemplate that the Trustee will comply with that direction, in each case, other than a failure or breach which:</p> <p>3 arises as a result of a breach of a Transaction Document by a person other than the Trustee or any officer, employee, agent or delegate of the Trustee;</p> <p>4 is in accordance with a lawful court order or direction or is required or arises by law; or</p> <p>5 is, in relation to the Trust, in accordance with any proper instruction or direction of Noteholders of that Trust at a meeting convened in accordance with the Master Trust Deed.</p>
Designated Rating Agencies	has the meaning set out in section 1.3.
Determination Date	has the meaning set out in section 1.4.
EEA Amount	has the meaning set out in section 7.17(a).
EEA Ledger	has the meaning set out in section 7.17(a).
EEA Shortfall	has the meaning set out in section 7.17(c).
EIR Ledger	has the meaning set out in section 7.18(a).
Eligibility Criteria	the criteria as set out in section 5.2.
Eligible Receivable	a Mortgage Loan or Mortgage Loan Security (as the case may be) which meets the Eligibility Criteria for that Mortgage Loan or Mortgage Loan Security.
Eligible Servicer	<p>any suitably qualified person whose appointment as Servicer under the Master Trust Deed in respect of the Trust:</p> <p>1 will not materially prejudice the interests of the Noteholders; and</p>

Term	Meaning
	2 each Designated Rating Agency has confirmed in writing that the appointment will not give rise to a Rating Downgrade Event.
Enforcement Expenses	the costs and expenses incurred by or on behalf of Heritage or the Servicer in connection with the enforcement of any Purchased Mortgage Loans or the related Mortgage Loan Rights referred to in the Master Trust Deed. It does not include Property Restoration Expenses.
Enhancement	a Mortgage Insurance Policy and any other policy of insurance, security, support, rights or benefits in support of or substitution for a Mortgage Loan or Mortgage Loan Security or other Authorised Investment or the income or benefit arising thereon.
Event of Default	has the meaning set out in section 10.3.
Excess Available Income	for a Collection Period, the amount (if any) by which the Total Available Income for that Collection Period exceeds the sum of: <ol style="list-style-type: none"> 1 the amounts payable under section 7.3(a) on the first Payment Date following that Collection Period; and 2 any Accrued Interest Adjustment payable in accordance with the section 7.3(c) on the first Payment Date following that Collection Period.
Excess Distribution	on a Determination Date, the amount (if any) by which the Excess Available Income for the Collection Period to which that Determination Date relates, exceeds the amounts to be paid under section 7.4 on the first Payment Date following that Collection Period.
Excess Income Reserve	has the meaning set out in section 7.18.
Excess Income Reserve Draw	in relation to a Determination Date, an amount equal to the lesser of the Gross Liquidity Shortfall as at that Determination Date and the balance of the Excess Income Reserve as at that Determination Date.
Excess Income Reserve Target Balance means	means: <ol style="list-style-type: none"> 1 on any Payment Date before the Clean Up Date, 0.20% of the aggregate Initial Invested Amount of all the Notes on the

Term	Meaning
	<p>Closing Date;</p> <ol style="list-style-type: none"> 2 on any Payment Date on or after the Clean Up Date, infinity; or 3 on the Final Maturity Date, zero.
Excess Income Reserve Trapping Conditions	<p>will be satisfied on each Determination Date on or after any of the following have first occurred:</p> <ol style="list-style-type: none"> 1 the Average Arrears Percentage on a Determination Date exceeds 2%; 2 a Servicer Transfer Event; or 3 the aggregate Stated Amount of the Class D Notes as at each of the three immediately preceding Determinate Dates is less than the aggregate Invested Amount of the Class D Notes as at such Determination Date.
Excluded Payment	<p>a payment under or referred to in sections 7.4(a)(6), 7.4(a)(7), 7.4(a)(8) and 7.5(a).</p>
Expenses	<p>in relation to the Trust means all costs, charges and expenses incurred by the Trustee or the Manager in the administration and operation of the Trust under the Transaction Documents for that Trust including the following to the extent to which they relate to the Trust:</p> <ol style="list-style-type: none"> 1 any amounts payable or incurred by the Trustee or the Manager in the acquisition, maintenance, review, administration or disposal of an Asset; 2 any amounts payable or incurred by the Trustee or the Manager in reviewing documentation for any proposed Support Facility; 3 any amounts payable under or incurred by the Trustee or the Manager under the Security Trust Deed or the Custodian Agreement; 4 any fees and other amounts payable to the Manager under the Master Trust Deed or the Series Notice; 5 any fees and other amounts payable to the Trustee under the Master Trust Deed or the Series Notice; 6 any fees and other amounts payable to the Servicer under the Master Trust Deed or the Series Notice; 7 any fees and other amounts payable to the Custodian under the Master Trust Deed or the Custodian Agreement; 8 any fees and expenses payable to the Auditor; 9 any fees and expenses payable by the Trustee (including in its personal capacity for which it has the right of indemnity

Term**Meaning**

- under the Master Trust Deed) to each Designated Rating Agency as agreed between the Trustee and the Manager from time to time;
- 10 any costs of postage and printing of all cheques, accounts, statements, notices, and other documents required to be posted to the Unitholders or Noteholders of the Trust under the Master Trust Deed, and any costs of convening and holding meetings of Noteholders and of implementing any resolutions;
- 11 the cost and expenses of registering caveats or any Transfer of Mortgage Loan Security or assignment of Mortgage Loans;
- 12 any costs of any valuation of the Trust or of any Trust Asset;
- 13 any expenses incurred in connection with any Trust Account of the Trustee in relation to the Trust 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;
- 14 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;
- 15 the amount of any indemnity from the Trust claimed by the Trustee or the Manager under the Master Trust Deed;
- 16 all legal costs and disbursements (calculated in the same manner under the Master Trust Deed) 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 Trust;
- 17 any legal costs and disbursements (on a full indemnity basis) incurred by the Trustee in connection with court proceedings brought against it under the Master Trust Deed (except where the Trustee is found to have acted negligently, fraudulently, or in Default);
- 18 any costs incurred by the Trustee in, or in connection with, the retirement or removal of the Servicer or the Custodian and the appointment of any substitute to the extent those costs are properly incurred and are not paid by the outgoing
-

Term	Meaning
	<p>Servicer or Custodian, as the case may be;</p> <p>19 any amount specified as an Expense for the purposes of the Master Trust Deed in the Series Notice;</p> <p>20 subject to 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 properly and reasonably incurred and are not paid by the outgoing Manager or Trustee, as the case may be;</p> <p>21 any fees, charges and expenses incurred by the Trustee under the Master Trust Deed; and</p> <p>22 any other costs, charges, expenses, fees, liabilities, Taxes (including stamp duty payable on cheques and GST on any of the other Expenses referred to above), 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 Notes and Redraw Notes), provided that:</p> <p>23 general overhead costs and expenses of the Trustee and the Manager (including 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 Trust; and</p> <p>24 any fees payable by the Manager not described above, shall not constitute Expenses.</p>
Extraordinary Resolution	<p>in relation to the Voting Secured Creditors:</p> <p>1 a resolution passed at a meeting of the Voting Secured Creditors duly convened and held in accordance with the provisions contained in this deed by a majority consisting of not less than three quarters of the votes capable of being cast at that meeting by Voting Secured Creditors present in person or by proxy; or</p> <p>2 a resolution in writing pursuant to the Security Trust Deed signed by all the Voting Secured Creditors.</p>
Fair Market Value	<p>1 in relation to a Purchased Mortgage Loan and the related Mortgage Loan Rights, the fair market value of that Purchased Mortgage Loan and those Mortgage Loan Rights agreed between the Trustee (acting on appropriate expert</p>

Term	Meaning
	<p>advice) and the Approved Seller, or in the absence of such agreement as determined by the Auditor within 10 Business Days of being appointed to determine the fair market value; or</p> <p>2 in relation to any other Mortgage Loan and the related Mortgage Loan Rights, the fair market value of that Mortgage Loan and those Mortgage Loan Rights determined by the Manager (acting on appropriate expert advice, including where relevant the Auditor),</p> <p>in all cases as reflecting the status of the Mortgage Loan as a performing or non-performing Mortgage Loan (as determined by the Servicer) and any benefit in respect of that Mortgage Loan which the intended purchaser will have under any relevant Support Facility. The Trustee shall be entitled to assume that a purchase price offered to it for a Purchased Mortgage Loan and the related Mortgage Loan Rights which is equal to or exceeds the relevant Unpaid Balance is equal to or exceeds the Fair Market Value of that Purchased Mortgage Loan and the related Mortgage Loan Rights.</p>
Final Maturity Date	has the meaning set out in section 1.4.
Finance Charge Collections	<p>for a period, any Collections which are:</p> <p>1 amounts received by or on behalf of the Trustee during that period in respect of interest, fees and other amounts in the nature of income payable under or in respect of the Purchased Mortgage Loans and the related Mortgage Loan Rights, to the extent not included within any other paragraph of this definition, including:</p> <ul style="list-style-type: none"> (a) any Liquidation Proceeds on account of interest; (b) any receipts from a Mortgage Insurer in payment of a claim determined to be attributable to interest, fees and other amounts in the nature of income under the Series Notice; (c) any payments by Heritage to the Trustee on the repurchase of a Purchased Mortgage Loan under the Master Trust Deed during that period which are attributable to interest; (d) any Break Payments received during that period; and (e) any amount received by the Trustee from Heritage under section 7.15; <p>2 amounts in respect of interest, fees and other amounts in the nature of income, received by or on behalf of the Trustee during that period including:</p> <ul style="list-style-type: none"> (a) from the Approved Seller or Heritage in respect of any breach of a representation, warranty or undertaking

Term	Meaning
	<p>contained in the Master Trust Deed or the Series Notice;</p> <p>(b) from the Approved Seller or Heritage under any obligation under the Master Trust Deed or the Series Notice to indemnify or reimburse the Trustee for any amount;</p> <p>(c) from the Servicer in respect of any breach of a representation, warranty or undertaking contained in the Master Trust Deed;</p> <p>(d) from the Servicer under any obligation under the Master Trust Deed to indemnify or reimburse the Trustee for any amount;</p> <p>(e) from the Custodian in respect of any breach of a representation, warranty or undertaking contained in the Custodian Agreement;</p> <p>(f) from the Custodian under any obligation under the Custodian Agreement to indemnify or reimburse the Trustee for any amount;</p> <p>(g) from the Trustee in its personal capacity in respect of any breach of a representation, warranty or undertaking in respect of which it is not entitled to be indemnified out of the Trust Assets, or any indemnity from the Trustee in its personal capacity contained in the Transaction Documents; and</p> <p>(h) from the Manager in respect of any breach of a representation, warranty or undertaking of the Manager in respect of a breach of which it is not entitled to be indemnified out of the Trust Assets, or any indemnity from the Manager, contained in the Transaction Documents,</p> <p>in each case which are determined by the Manager to be in respect of interest, fees and other amounts in the nature of income payable under the Purchased Mortgage Loans and the related Mortgage Loan Rights;</p> <p>3 Recoveries received by or on behalf of the Trustee during that period; and</p> <p>4 amounts received by or on behalf of the Trustee during that period pursuant to the sale of any Asset during the winding up of the Trust in the nature of interest, fees and other amounts in the nature of income.</p>
Finance Charge Loss	for a Collection Period, the amount of any Liquidation Loss referred to in section 7.12.
Financial Indebtedness	any indebtedness, present or future, actual or contingent in respect of moneys borrowed or raised or any financial

Term	Meaning
	<p>accommodation whatever. It includes indebtedness under or in respect of a negotiable or other financial instrument (including any Note or Redraw Note), guarantee, interest, gold or currency exchange, hedge or arrangement of any kind, redeemable share, share the subject of a guarantee, discounting arrangement, finance or capital lease, hire purchase, deferred purchase price (for more than 90 days) of an asset or service or an obligation to deliver goods or other property or provide services paid for in advance by a financier or in relation to another financing transaction.</p>
Financial Year	<p>in relation to the Trust:</p> <ol style="list-style-type: none"> 1 each consecutive period of 12 months from 1 July in each year until 30 June in the following year; or 2 any other consecutive period of 12 months as may at any time be substituted for the consecutive period referred to in paragraph 1 of this definition by determination of the Manager with the approval of the Trustee, <p>and includes:</p> <ol style="list-style-type: none"> 3 any consecutive period greater or less than 12 months that may arise as a result of the adoption of any substituted period under paragraph 2 of this definition; 4 the period commencing on the date of its creation under the Notice of Creation of Trust to the next succeeding 30 June, or, if a substituted period is in force under this definition in respect of the Trust at its commencement, then to the immediately succeeding date of termination of that substituted period; and 5 the period to the Termination Date of the Trust from the immediately preceding 1 July or, if a substituted period is in force under this definition at the Termination Date then from the immediately preceding date of commencement of that substituted period.
Fitch	Fitch Australia Pty Ltd and its successors and assigns.
Fixed Rate Loan	at any time, any Purchased Mortgage Loan which bears a fixed rate of interest at that time.
Floating Rate Loan	at any time, any Purchased Mortgage Loan which bears a variable rate set, as permitted by the relevant Mortgage Loan Agreement, at the discretion of Heritage.
Following Business	in relation to a day which is not a Business Day, the following

Term	Meaning
Day Convention	day which is a Business Day.
Future Agreement	the agreement formed between the Approved Seller and the Trustee if the Trustee accepts a Sale Notice given under the Master Trust Deed.
General Security Agreement	the document entitled 'General Security Agreement – HBS Trust 2017-1' dated 9 October 2017 between the Trustee as grantor and the Security Trustee as secured party.
Government Agency	<ol style="list-style-type: none"> 1 any body politic or government in any jurisdiction, whether federal, state, territorial or local; 2 any minister, department, office, commission, instrumentality, agency, board, authority or organisation of any government or in which any government is interested; and 3 any corporation owned or controlled by any government.
Government Charges	for any Collection Period, the aggregate of all amounts collected by the Servicer or Heritage in that Collection Period in respect of the Purchased Mortgage Loans and the related Mortgage Loan Rights representing Taxes.
Grantor	Perpetual Trustee Company Limited in its capacity as trustee of the HBS Trust 2017-1.
Gross Liquidity Shortfall	<p>for any Collection Period, the amount (if any) by which the Required Payments for that Collection Period exceed:</p> <ol style="list-style-type: none"> 1 the Available Income for that Collection Period; less 2 any Accrued Interest Adjustment payable as described in section 7.3(c) on the first Payment Date following that Collection Period.
GST	any goods and services tax, broad based consumption tax or value added tax imposed by any Government Agency and includes any goods and services tax payable under the GST Tax Act and related legislation.
GST Tax Act	A New Tax System (Goods and Services Tax) Act 1999 (Cth),

Term	Meaning
	as amended.
Guarantee	<p>any guarantee, indemnity, letter of credit, legally binding letter of comfort or suretyship, or any other obligation or irrevocable offer (whatever called and of whatever nature):</p> <ol style="list-style-type: none"> 1 to pay or to purchase; 2 to provide funds (whether by the advance of money, the purchase of or subscription for shares or other securities, the purchase of assets, rights or services, or otherwise) for the payment or discharge of; 3 to indemnify against the consequences of default in the payment of; or 4 to be responsible otherwise for, <p>an obligation or indebtedness of another person, a dividend, distribution, capital or premium on shares, stock or other interests, or the assumption of any responsibility or obligation in respect of the insolvency or financial condition of another person.</p>
Guidelines	<p>in relation to a Portfolio of Mortgage Loans, those policies and procedures of the Servicer relating to the origination, servicing and enforcement of those Mortgage Loans, Mortgage Loan Securities and Related Securities as those policies and procedures are amended in accordance with the Master Trust Deed, and applied from time to time in the Servicer's ordinary course of business and includes the Servicer's Mortgage Lending Manual and such other guidelines for the servicing of the Purchased Mortgage Loans and the Purchased Mortgage Loan Securities, as agreed between the Servicer and the Manager.</p>
HBS Trust No. 2	the Trust constituted under the Master Trust Deed and the Notice of Creation of Trust dated 20 March 2006.
HBS Trust No.4	the trust constituted under the Master Trust Deed and the Notice of Creation of Trust dated 11 September 2008.
Hedge Agreement	the documents listed in sections 14(j) and 14(i).
Hedge Provider	the Interest Rate Swap Provider, the Basis Swap Provider and the Standby Swap Provider.

Term	Meaning
Heritage	Heritage Bank Limited (ABN 32 087 652 024).
Information Memorandum	in relation to the issue of any Notes, this document and any other publicity documents publicly circulated to prospective investors in relation to that issue entitled 'Information Memorandum', 'Information Memorandum' or a similar name (including this Information Memorandum) but does not include any term sheet or general correspondence in relation to the placement of any Notes.
Initial Invested Amount	has the meaning set out in section 2.2.
Initial Principal Distribution	for a Collection Period, any distribution of Total Available Principal in accordance with section 7.6 for that Collection Period.
Insolvency Event	<p>in relation to the Trustee (in its personal capacity or as trustee of the Trust) or any other person (each a relevant corporation) means the happening of any of the following events:</p> <ol style="list-style-type: none"> 1 except for the purpose of a solvent reconstruction or amalgamation: <ol style="list-style-type: none"> (a) an application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting or an application to a court or other steps (other than frivolous or vexatious applications, proceedings, notices and steps) are taken for: <ol style="list-style-type: none"> A the winding up, dissolution or administration of the relevant corporation; or B the relevant corporation entering into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them <p>and is not dismissed, ceased or withdrawn within 10 Business Days; or</p> (b) the relevant corporation ceases, suspends or threatens to cease or suspend the conduct of all or substantially all of its business or disposes of or threatens to dispose of substantially all of its assets; or 2 the relevant corporation is, or under applicable legislation is taken to be, unable to pay its debts (other than as the result of a failure to pay a debt or claim the subject of a good faith dispute) or stops or suspends or threatens to stop or suspend payment of all or a class of its debts (except, in the case of the Trustee, where this occurs only in relation to

Term	Meaning
	<p>another trust of which it is the trustee);</p> <p>3 a receiver, receiver and manager or administrator is appointed (by the relevant corporation or by any other person) to all or substantially all of the assets and undertaking of the relevant corporation or any part thereof (except, in the case of the Trustee where this occurs in relation to another trust of which it is the trustee);</p> <p>4 anything analogous to an event referred to in paragraphs 1 to 3 (inclusive) or having substantially similar effect occurs with respect to the relevant corporation.</p>
Insurance Policy	in relation to a Mortgage Loan, any fire and/or risks insurance policy or other general insurance policy in force in respect of that Mortgage Loan or the related Mortgaged Property.
Insurance Proceeds	any payments received by the designated beneficiary of an Insurance Policy.
Insured	has the meaning set out in section 8.2.
Interest Rate Swap	has the meaning set out in section 14(j).
Interest Rate Swap Agreement	the agreement relating to the Interest Rate Swap.
Interest Rate Swap Provider	has the meaning set out in section 1.3.
Invested Amount	on any date in relation to a Note or Redraw Note, the Initial Invested Amount of that Note or the initial invested amount of that Redraw Note, if issued, minus the aggregate of Principal Payments made in respect of the Note or the Redraw Note, on or before that date.
Joint Lead Managers	has the meaning set out in 1.3.
Land	1 any estate or interest whether at law or in equity in freehold or leasehold land (with a lease term of at least 15 years longer than the term of the relevant Mortgage Loan secured by such leasehold land), including all improvements on such

Term	Meaning
	land; and 2 any parcel and any lot, common property and land comprising a parcel within the meaning of the Strata Schemes (Freehold Development) Act, 1973 (New South Wales) or the Community Land Development Act, 1989 (New South Wales) or any equivalent legislation in any other Australian Jurisdiction.
Law	any statute, rule, regulation, ordinance, order or decree of any Government Agency, and includes the Consumer Credit Legislation and, where applicable, the Code of Banking Practice.
Liquidation Loss	for a Collection Period, the amount (if any) by which the Unpaid Balance of a Purchased Mortgaged Loan (together with the Enforcement Expenses relating to the Purchased Mortgage Loan and the related Mortgage Loan Rights and Property Restoration Expenses in respect of the relevant Mortgaged Property) exceeds the Liquidation Proceeds in relation to the Purchased Mortgage Loan.
Liquidation Proceeds	in relation to a Purchased Mortgage Loan and the related Mortgage Loan Rights which have been or are being enforced, all amounts recovered, or determined by the Servicer as likely to be recovered, in respect of the enforcement of that Purchased Mortgage Loan and the related Mortgage Loan Rights and includes all amounts recovered or recoverable in respect of that Purchased Mortgage Loan and the related Mortgage Loan Rights under the Insurance Policies (but does not include the proceeds of any Mortgage Insurance Policy).
Liquidity Collateralisation Period	the relevant period determined in accordance with the Liquidity Facility Agreement.
Liquidity Draw	a draw made by the Trustee under the Liquidity Facility Agreement to fund shortfalls in accordance with the Series Notice.
Liquidity Facility Agreement	has the meaning set out in section 14.
Liquidity Facility Provider	has the meaning set out in section 1.3.

Term	Meaning
Liquidity Shortfall	for any Collection Period, the amount (if any) by which the Excess Income Reserve Draw for the immediately following Determination Date is less than the Gross Liquidity Shortfall for that Collection Period.
Loan Offset Amount	for a Collection Period, the difference between the interest that would have been payable by an Obligor under a Purchased Mortgage Loan if there was no Loan Offset Deposit Account and the amount actually payable by that Obligor under that Purchased Mortgage Loan for that Collection Period.
Loan Offset Deposit Account	a deposit account maintained by an Obligor with Heritage where the credit balance in that account is taken into consideration when determining the amount of interest payable on that Obligor's Purchased Mortgage Loan.
Loss	in relation to any Collection Period, the aggregate of all Mortgage Shortfalls for that Collection Period.
Low Doc Loan	a loan in respect of which an obligor's income has not been fully verified by the lender.
LVR	for a Mortgage Loan, the loan to value ratio based on the outstanding balance of the Mortgage Loan Principal and the amount (if any) which is available to be drawn down by way of Redraw or otherwise by the Obligor, divided by the aggregate value (determined at the time the Mortgage Loan is fully drawn down) of the Mortgaged Property subject to the related Mortgage for that Mortgage Loan, expressed as a percentage.
Manager	has the meaning set out in section 1.3.
Manager's Default	has the meaning set out in section 9.1(c)(5).
Manager's Fee	the Manager's fee under the Master Trust Deed and the Series Notice.
Manager's Report	in relation to the Trust, the report to be provided by the Manager to the Trustee and each Designated Rating Agency which is in the format and includes the information agreed by the Manager and the Trustee.

Term	Meaning
Margin	<p>the following percentages per annum:</p> <ol style="list-style-type: none"> 1 for the Class A1 Notes, 1.07% per annum; 1 for the Class A2 Notes, 1.20% per annum; 2 for the Class AB Notes, 1.60% per annum; 3 for the Class B Notes, 2.00% per annum; 4 for the Class C Notes, 2.85% per annum; 5 for the Class D Notes, 5.90% per annum; and 6 for the Redraw Notes, as determined by the Manager in accordance with the Series Notice.
Master Trust Deed	<p>the Master Trust Deed dated 21 June 2000 between SG Australia Transaction Management Pty Limited (formerly known as SG Australia Asset Management Company Pty Ltd), the Manager and the Servicer, as amended from time to time.</p>
Material Adverse Effect	<p>an event which will materially and adversely affect the amount of any payment to be made to any Noteholder or will materially and adversely affect the timing of such payment.</p>
Material Adverse Payment Effect	<p>an event which materially and adversely affects the amount of any payment to the Voting Secured Creditors (other than an Excluded Payment) or materially and adversely affects the timing of such a payment.</p>
Material Default	<p>with respect to a Mortgage Loan:</p> <ol style="list-style-type: none"> 1 a failure by an Obligor to pay any amount pursuant to the relevant Mortgage Loan which failure causes the Mortgage Loan to be in arrears and which failure to pay continues for a period longer than the relevant Material Default Period; or 2 the occurrence of an event of default, howsoever described (other than a failure by an Obligor to pay an amount under the relevant Mortgage Loan) under that Mortgage Loan or Mortgage Loan Security unless the Servicer reasonably determines that such event of default is of a minor or technical nature and will not result in a Material Adverse Effect.
Monthly Arrears Percentage	<p>for any Determination Date during a Collection Period, the aggregate Mortgage Loan Principal of all Purchased Mortgage Loans which are in Arrears for more than 90 consecutive days as at close of business on the last day of the Collection Period, expressed as a percentage of the aggregate Mortgage Loan Principal of all Purchased Mortgage Loans as at close of</p>

Term	Meaning
	business on the last day of that Collection Period.
Mortgage	a registered (or pending registration, registrable) mortgage over Land, situated in any Australian Jurisdiction, granted to or originated by the Trustee under the Master Trust Deed or transferred from the Approved Seller to the Trustee and securing the repayment of the principal amount of a Mortgage Loan and all other moneys payable under the Mortgage Loan.
Mortgage Insurance Policy	a policy of insurance under which a Mortgage Insurer insures the Trustee in its capacity as Trustee against loss under a Mortgage Loan which is a Trust Asset.
Mortgage Insurance Proceeds	any amounts received by the Trustee (or a Servicer on its behalf) under any Mortgage Insurance Policy.
Mortgage Insurer	has the meaning set out in section 1.3.
Mortgage Loan	in relation to the Trust: <ol style="list-style-type: none"> 1 the rights of the Trustee in respect of any loans originated in the name of the Trustee; or 2 the rights of the Approved Seller or the Trustee (as the case may require) constituted upon acceptance of the Approved Seller's standard loan offer for any of its residential mortgage loan products (or any variation) of those products after a Sale Notice is or was given as varied in accordance with the Master Trust Deed (unless that variation would make that Mortgage Loan cease to comply with the Eligibility Criteria).
Mortgage Loan Agreement	in relation to a Mortgage Loan, any agreement or arrangement entered into between an Obligor and: <ol style="list-style-type: none"> 1 if the Mortgage Loan is originated by the Trustee under the Master Trust Deed, the Trustee; 2 if the Mortgage Loan is acquired by the Trustee from the Approved Seller under the Master Trust Deed, the Approved Seller; or 3 if the Mortgage Loan is acquired by the Trustee from the Trustee as Trustee of another trust constituted pursuant to the Master Trust Deed, the Approved Seller or trustee for that other trust constituted pursuant to the Master Trust Deed as applicable having regard to paragraphs 1 and 2 above, <p>and under which that Obligor incurs obligations to the Trustee</p>

Term	Meaning
	<p>or the Approved Seller (as the case may be) with respect to the Mortgage Loan and, in the case of an agreement entered into by the Approved Seller, in a form provided to the Trustee by the Approved Seller before the Sale Notice with respect to that Mortgage Loan is given.</p>
Mortgage Loan Principal	<p>in relation to a Purchased Mortgage Loan, the principal amount of that Purchased Mortgage Loan from time to time.</p>
Mortgage Loan Rights	<p>in relation to a Mortgage Loan all of the Approved Seller's or the Trustee's (as the context requires) right, title, benefit and interest (present and future) in, to, under or derived from:</p> <ol style="list-style-type: none"> 1 the Mortgage Loans and Mortgage Loan Securities specified in the relevant Sale Notice; and 2 such of the following as relate to those Mortgage Loans and Mortgage Loan Securities: <ol style="list-style-type: none"> (a) the Related Securities; (b) the Collections; and (c) all other moneys, present, future, actual or contingent, owing at any time by an Obligor (whether alone or with another person) or any other person (other than the Approved Seller) under or in connection with a Related Security, including all principal, interest, reimbursable costs and expenses and any other amounts incurred by or payable to the Approved Seller, irrespective of whether such amounts relate to advances made or other financial accommodation provided by the Approved Seller to any Obligor before or after the Closing Date, <p>but does not include:</p> <ol style="list-style-type: none"> 3 any Other Secured Liability; and 4 in relation to the Mortgage Loans and Mortgage Loan Securities specified in the Sale Notice: <ol style="list-style-type: none"> (a) any interest or finance charges accrued up to but excluding the Closing Date (or any other date specified for that purpose in the Sale Notice); and (b) any principal received by the Approved Seller before the Cut-Off Date (or any other date specified for that purpose in the Sale Notice), <p>unless otherwise specified in the Sale Notice.</p>
Mortgage Loan Security	<p>in relation to a Mortgage Loan, a Mortgage or any other Security Interest, guarantee or indemnity granted in respect of, or in connection with, that Mortgage Loan.</p>

Term	Meaning
Mortgage Loans Register	a register of Mortgage Loans for the Trust maintained by the Servicer and stored on computer disk or other electronic form. In relation to Mortgages it shall contain the information in respect of each Mortgage set out in Schedule 5 of the Master Trust Deed.
Mortgage Shortfall	<p>in relation to a Purchased Mortgage Loan and with reference to a Collection Period, the amount (if a positive number) equal to the Principal Loss for that Purchased Mortgage Loan minus the aggregate of:</p> <ol style="list-style-type: none"> 1 the total amount recovered or recoverable in respect of that Purchased Mortgage Loan under the Mortgage Insurance Policies, determined to be attributable to principal under section 7.13; and 2 the total amount recovered or recoverable by the Trustee from Heritage, the Servicer or the Custodian (as the case may be) in respect of that Purchased Mortgage Loan (by way of damages or otherwise) under or in respect of the Master Trust Deed, the Series Notice, or the Custodian Agreement (as the case may be), determined by the Manager to be attributable to principal. <p>For the purposes of this definition, an amount shall be regarded as not recoverable upon the earlier of:</p> <ol style="list-style-type: none"> (a) a determination being made, in the case of paragraph 1, by the Manager, and in the case of paragraph 2, by the Trustee, in each case upon the advice of such suitably qualified expert advisers as the Manager or the Trustee (as the case may be) thinks fit, that there is no such amount, or that such amount is not likely to be recovered (including because the relevant Mortgage Insurance Policy has been terminated, the Mortgage Insurer is entitled to reduce the amount of the claim or the Mortgage Insurer defaults in payment of a claim); and (b) the date which is 2 years after the Determination Date upon which the relevant Principal Loss was determined under section 7.127.12.
Mortgaged Property	<ol style="list-style-type: none"> 1 in relation to a Mortgage, the Land the subject of that Mortgage; and 2 in relation to any other Mortgage Loan Security, the property subject to that Mortgage Loan Security.
Mortgagor	the security provider under a Mortgage Loan Security.

Term	Meaning
National Credit Code	has the meaning set out in section 6.22.
NCCP Act	the National Consumer Credit Protection Act 2009 (Cth).
NCCP Regulations	the National Consumer Credit Protection Regulations 2010 (Cth).
Net Swap Settlement	<p>on a Payment Date:</p> <ol style="list-style-type: none"> 1 in respect of which an amount is due under an Interest Rate Swap, the amount payable or received (as the context requires) by or on behalf of a party to that Interest Rate Swap on that Payment Date with respect to net receipts under that Interest Rate Swap; or 2 in respect of which an amount is due under the Basis Swap, the amount payable or received (as the context requires) by or on behalf of a party to that Basis Swap on that Payment Date with respect to net receipts under that Basis Swap.
Non-Resident	a person not a resident (as defined in section 6(1) of the Income Tax Assessment Act (1936)).
Note	a Class A1 Note, a Class A2 Note, a Class AB Note, a Class B Note, a Class C Note or a Class D Note.
Note Issue Date	has the meaning set out in section 1.4.
Note Issue Direction	has the meaning set out in section 14(n).
Noteholder	in relation to a Class A1 Note, a Class A2 Note, a Redraw Note, a Class AB Note, a Class B Note, a Class C Note or a Class D Note at any time, the person who is registered in the Register as the holder of that Class A1 Note, a Class A2 Note, Redraw Note, Class AB Note, Class B Note, a Class C Note or a Class D Note at that time.
Notice of Creation of Trust	has the meaning set out in section 14(c).

Term	Meaning
Obligor	in relation to a Mortgage Loan, the person who is obliged to make payments with respect to that Mortgage Loan, whether as a principal or secondary obligation, and includes where the context requires, any other person obligated to make payments with respect to that Mortgage Loan (including any guarantor or other provider of Mortgage Loan Security).
Offshore Associate	<p>an associate (as defined in section 128F of the Income Tax Assessment Act (1936)) of the Trustee that is:</p> <ol style="list-style-type: none"> 1 a Non-Resident and which does not acquire, or would not acquire, Notes (or an interest in Notes) in carrying on a business in Australia at or through a permanent establishment of the associate in Australia; or 2 a resident of Australia and which acquires, or would acquire, Notes (or an interest in Notes) in carrying on a business in a country outside Australia at or through a permanent establishment of the associate in that country, <p>and which is not:</p> <ol style="list-style-type: none"> 3 where the status of the associate is relevant in relation to the issue of the Notes, a dealer, manager or underwriter in relation to the issue of the Notes, or a clearinghouse, custodian, funds manager or responsible entity of a registered scheme; or 4 where the status of the associate is relevant in relation to the payment of interest, or amounts in the nature of interest, on the Notes, a clearinghouse, paying agent, custodian, funds manager or responsible entity of a registered scheme.
One Month Bank Bill Rate	the Bank Bill Rate for bank bills and certificates of deposit having a term of one calendar month.
Original Master Agreement	has the meaning set out in section 14.
Other Income	for a Collection Period, the interest and other income in respect of Authorised Investments (other than the Purchased Mortgage Loans and the related Mortgage Loan Rights), and any other miscellaneous income, received by the Trustee during that Collection Period.
Other Secured Liability	a loan, financial obligation or other liability that is at any time secured by a Purchased Mortgage Loan Security, other than a Purchased Mortgage Loan and any amounts payable under any relevant Mortgage Loan Agreement or otherwise payable in

Term	Meaning
	connection with a Purchased Mortgage Loan.
Payment Date	has the meaning set out in section 1.4.
Penalty Payments	all Civil Penalty Payments and any other penalty payable, including without limitation all criminal penalty payments and any penalty amounts that are ordered by an Approved External Dispute Resolution Scheme, in relation to a breach of any Consumer Credit Legislation.
Personal Property	has the meaning given to it under the <i>Personal Property Securities Act 2009</i> (Cth).
Personal Property Securities Register	the register established under the <i>Personal Property Securities Act 2009</i> (Cth).
Portfolio of Mortgage Loans	the Mortgage Loans specified by the Manager in the Note Issue Direction as a class or type of Mortgage Loan that has substantially the same terms and conditions.
PPS Act	Personal Property Securities Act 2009 (Cth) and any regulation made at any time under that Act (each as amended from time to time).
PPSA Security Interest	means, the meaning given to "security interest" in the PPS Act.
Preparation Date	23 October 2017.
Principal Draw	for a Collection Period, the amount calculated under section 7.10(b) in relation to that Collection Period.
Principal Loss	for a Collection Period in relation to a Purchased Mortgage Loan, the amount of any Liquidation Loss for that Collection Period for that Purchased Mortgage Loan referred to in section 7.12(b).
Principal Payment	a Class A1 Principal Payment, a Class A2 Principal Payment, a Class AB Principal Payment, a Class B Principal Payment, a Class C Principal Payment, a Class D Principal Payment or a

Term	Meaning
	Redraw Note Principal Payment.
Property Restoration Expenses	costs and expenses incurred by or on behalf of the Trustee or by the Servicer under the Guidelines in repairing, maintaining or restoring to an appropriate state of repair and condition any Mortgaged Property, in exercise of a power conferred on the mortgagee under the Purchased Mortgaged Loan and Relevant Documents relating thereto.
Purchase Price	in relation to Mortgage Loans and related Mortgage Loan Rights offered for sale under the Sale Notice, the principal amounts of such Mortgage Loans or such other amount specified as the Purchase Price in the Sale Notice as adjusted (where relevant) in accordance with the Sale Notice.
Purchased Mortgage Loan	a Mortgage Loan referred to in the Sale Notice which is accepted by the Trustee unless the Trustee has ceased to have an interest in that Mortgage Loan.
Purchased Mortgage Loan Security	a Mortgage Loan Security referred to in the Sale Notice which is accepted by the Trustee, unless the Trustee has ceased to have an interest in that Mortgage Loan Security.
Rate Reset Date	in relation to a Coupon Period and a Note or Redraw Note, the first day of that Coupon Period for that Note or Redraw Note.
Rating Downgrade Event	in relation the Trust, any actual or proposed downgrade or withdrawal of the rating for any Notes or Redraw Notes of the Trust.
Ratings Notification	in relation to an event or circumstance, that the Manager has confirmed in writing to the Trustee that it has notified each Designated Rating Agency of the event or circumstance and that the Manager is satisfied that the event or circumstance is unlikely to result in a Rating Downgrade Event.
Real Property Legislation	any law relating to the registration, priority or effectiveness of any mortgage over land in any Australian Jurisdiction.
Receiver	a receiver or receiver and manager appointed under the Security Trust Deed or any Security.

Term	Meaning
Redraw	in relation to any Collection Period in respect of a Purchased Mortgage Loan, an amount provided to a primary Obligor by Heritage under a Purchased Mortgage Loan in that Collection Period in respect of any principal prepayments previously made to the primary Obligor's loan account in accordance with the terms of the primary Obligor's Purchased Mortgage Loan but such that the outstanding balance of that Purchased Mortgage Loan does not exceed the Scheduled Balance.
Redraw Note	has the meaning set out in the Series Notice.
Redraw Note Principal Payment	each payment to the Redraw Noteholders as set out in sections 7.6(a)(3) and 7.6(c) (as applicable).
Redraw Note Stated Amount	on a Determination Date in relation to a Redraw Note, an amount equal to: <ol style="list-style-type: none"> 1 the Invested Amount of that Redraw Note on that Determination Date; less 2 the amount of Charge Offs to be applied to that Redraw Note on the immediately following Payment Date; less 3 the amount of any Carryover Charge Offs in relation to that Redraw Note; plus 4 the amount of any Carryover Charge Offs in relation to that that Redraw Note to be reinstated on the immediately following Payment Date.
Redraw Noteholder	a holder of a Redraw Note.
Redraw Shortfall	in relation to a Collection Period the total amount (if any) of Redraws made during that Collection Period which remains outstanding after applying amounts allocated under sections 7.9(a) and 7.9(e).
Register	the register of Noteholders for the Trust maintained under and in accordance with the Master Trust Deed.
Registered Note	a Class A1 Note, a Class A2 Note, a Class AB Note, a Class B Note, a Class C Note or a Class D Note.
Registered Person	has the meaning given to that term in the Transitional Act.

Term	Meaning
Registration Certificate	in respect of a Note or Notes, means a certificate in substantially the form as annexed to the Master Trust Deed.
Related Body Corporate	has the same meaning as in section 9 of the Corporations Act 2001.
Related Entity	has the same meaning it has in section 9 the Corporations Act 2001.
Related Security	<p>in relation to a Mortgage Loan means:</p> <ol style="list-style-type: none"> 1 any Relevant Document for that Mortgage Loan; 2 any Insurance Policy or Insurance Proceeds with respect to the Mortgage Loan; and 3 any Mortgage Insurance Policy or Mortgage Insurance Proceeds with respect to the Mortgage Loan; or 4 any other agreement specified as a Related Security for the Mortgage Loan in the Series Notice.
Relevant Document	<p>with respect to a Mortgage Loan:</p> <ol style="list-style-type: none"> 1 the Mortgage Loan Agreement relating to that Mortgage Loan; 2 the mortgage document in relation to each Mortgage Loan Security for that Mortgage Loan; 3 the Certificate of Title for the Mortgaged Property secured by each Mortgage Loan Security; 4 any document creating or evidencing any other Mortgage Loan Securities or Related Securities relating to that Mortgage Loan, including any guarantee; 5 the most recent valuation report obtained in connection with the Mortgaged Property relating to that Mortgage Loan; 6 any amendment or replacement of such documents and any other document which is entered into by or executed in favour of the Approved Seller or the Trustee (as the case may be) in connection with that Mortgage Loan after the Cut-Off Date; or 7 any other document specified as a Relevant Document in the relevant Series Notice, <p>but does not include any document or agreement which relates only to an Other Secured Liability.</p>
Relevant Party	each of the Manager, the Servicer, the Custodian and any

Term	Meaning
	<p>provider of a Support Facility in connection with the relevant Warehouse Trust or the Trust.</p>
Representative	<ol style="list-style-type: none"> 1 in the case of any Noteholder, a person appointed as a proxy for that Noteholder under the Master Trust Deed; and 2 without limiting the generality of paragraph 1, in the case of a Noteholder which is a body corporate, a person appointed under and in accordance with the Master Trust Deed by the Noteholder.
Required Liquidity Rating	<p>means:</p> <ol style="list-style-type: none"> 1 in the case of S&P: <ol style="list-style-type: none"> (a) a short term rating of no lower than A-2 by S&P and a long term rating of no lower than BBB by S&P; (b) a long term credit rating of no lower than BBB+ by S&P (if the relevant entity does not have a short term credit rating from S&P); or (c) a short term credit rating of no lower than A-2 by S&P (if the relevant entity does not have any long term rating from S&P); or 2 in the case of Fitch, a long term rating of A by Fitch or a short term rating of F1 by Fitch; or 3 such lower credit rating which is given by a Designated Rating Agency and in relation to which the Manager has provided a Ratings Notification.
Required Payments	<p>means, for any Collection Period:</p> <ol style="list-style-type: none"> 1 if, as at the Determination Date immediately following the end of that Collection Period, the aggregate Class AB Stated Amounts when expressed as a percentage of the aggregate Invested Amount of the Class AB Notes is less than 60%, all amounts to be paid by the Trustee described in 7.3(a)(1) to (14) (inclusive) on the Payment Date following that Collection Period; 2 if, paragraph 1 above does not apply and as at the Determination Date immediately following the end of that Collection Period, the aggregate Class B Stated Amounts is less than the aggregate Invested Amount of the Class B Notes, all amounts to be paid by the Trustee described in 7.3(a)(1) to (16) (inclusive) on the Payment Date following that Collection Period; 3 if, paragraphs 1 and 2 above do not apply and as at the Determination Date immediately following the end of that Collection Period, the aggregate Class C Stated Amounts is less than the aggregate Invested Amount of the Class C

Term	Meaning
	<p>Notes, all amounts to be paid by the Trustee described in 7.3(a)(1) to (18) (inclusive) on the Payment Date following that Collection Period;</p> <p>4 if, paragraphs 1, 2 and 3 above do not apply and:</p> <p>(a) the Call Date has occurred; or</p> <p>(b) as at the Determination Date immediately following the end of that Collection Period, the aggregate Class D Stated Amounts is less than the aggregate Invested Amount of the Class D Notes; or</p> <p>(c) the Average Arrears Percentage in relation to the Determination Date immediately following the end of that Collection Period is greater than 2%,</p> <p>all amounts to be paid by the Trustee under sections 7.3(a)(1) to (22) (inclusive) on the Payment Date following that Collection Period; or</p> <p>5 if none of the above paragraphs apply, all amounts to be paid by the Trustee under sections 7.3(a)(1) to (22) on the Payment Date following that Collection Period.</p>
Residual Capital Unit	has the meaning set out in section 9.1(d)(1)
Residual Income Unit	has the meaning set out in section 9.1(d)(2)
S&P	S&P Global Ratings Australia Pty Ltd and its successors and assigns.
Sale Notice	has the meaning set out in section 14.
Scheduled Balance	in relation to a Mortgage Loan, the amount that would be owing on the Determination Date if that Mortgage Loan had been fully drawn down and the Obligor had made prior to the Determination Date the minimum payments required under that Mortgage Loan.
Secured Creditors	has the meaning set out in section 10.1.
Secured Creditors	<p>at any time, each of the following at that time:</p> <p>1 the Security Trustee in relation to its rights (held in its own right or for the benefit of other Secured Creditors) under this</p>

Term	Meaning
	deed;
2	any Class A1 Noteholder, in relation to its rights under the Class A1 Notes held by it;
3	any Class A2 Noteholder, in relation to its rights under the Class A2 Notes held by it;
4	any Class AB Noteholder, in relation to its rights under the Class AB Notes held by it;
5	any Class B Noteholder in relation to its rights under the Class B Notes held by it;
6	any Class C Noteholder in relation to its rights under the Class C Notes held by it;
7	any Class D Noteholder in relation to its rights under the Class D Notes held by it;
8	each Approved Seller in relation to any relevant Accrued Interest Adjustment;
9	any Redraw Noteholder in relation to its rights under the Redraw Notes held by it;
10	the Trustee in relation to its rights as Trustee under the Transaction Documents;
11	the Manager in relation to its rights as Manager under the Transaction Documents;
12	the Servicer in relation to its rights as Servicer under the Transaction Documents;
13	the Custodian in relation to its rights as Custodian under the Transaction Documents;
14	any Support Facility Provider (including the Liquidity Facility Provider) in relation to its rights under each Support Facility (other than a Mortgage Insurance Policy) to which it is a party;
15	any Hedge Provider under a Hedge Agreement in relation to its rights under that Hedge Agreement; and
16	any Joint Lead Manager in relation to its rights under the Transaction Documents.

Secured Moneys	<p>all money which the Trustee (whether alone or with another person) is or at any time may become actually or contingently liable to pay to or for the account of any Secured Creditor (whether alone or with another person) for any reason whatever under or in connection with a Trust Document. Additionally:</p> <p>1 it includes money by way of principal, interest, fees, costs, indemnities, Guarantee, charges, duties or expenses, or payment of liquidated or unliquidated damages under or in connection with a Trust Document, or as a result of any breach of or default under or in connection with, a Trust</p>
-----------------------	---

Term	Meaning
	<p>Document; and</p> <p>2 where the Trustee would have been liable but for its Liquidation, it will be taken still to be liable.</p>
Secured Property	has the meaning given to that term in the General Security Agreement.
Security	the security created or expressed to be created by any Security Agreement.
Security Agreement	<p>at any time, each of the following which has been granted at that time:</p> <ol style="list-style-type: none"> 1 the General Security Agreement; 2 any Collateral Security; and 3 any other document which the Voting Secured Creditors, the Security Trustee and the Security Provider agree at any time is a Security for the purposes of this deed.
Security Interest	<p>an interest or power or any agreement to grant or create an interest or power:</p> <ol style="list-style-type: none"> 1 reserved in or over an interest in any asset including, but not limited to, any retention of title; or 2 created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power; 3 created or otherwise arising by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation, <p>and includes, but is not limited to, a PPSA Security Interest.</p>
Security Trust	the trust established under the Security Trust Deed.
Security Trust Deed	has the meaning set out in section 14.
Security Trustee	has the meaning set out in section 1.3.
Security Trustee's Fee	the fee to be paid to the Security Trustee in respect of the Trust.

Term	Meaning
Series Notice	has the meaning set out in section 14.
Servicer	has the meaning set out in section 1.3.
Servicer Transfer Event	has the meaning set out in section 9.3(g).
Servicer's Fee	the fee to be paid to the Servicer in respect of the Trust.
Services	the services provided or to be provided by the Servicer under the Master Trust Deed.
Standby Swap Provider	has the meaning set out in section 1.3.
Stated Amount	a Class A1 Stated Amount, a Class A2 Stated Amount, a Class AB Stated Amount, a Class B Stated Amount, a Class C Stated Amount, a Class D Stated Amount or a Redraw Note Stated Amount.
Step Down Payment Requirements	all of the requirements contained in section 7.8(a)(1) to section 7.8(a)(6) (inclusive).
Step-Up Margin	has the meaning set out in section 1.2.
Step-Up Margin Date	the date upon which Heritage may direct the Trustee to accept a Clean Up Offer.
Support Facility	has the meaning set out in section 8.
Support Facility Provider	in relation to the Trust, any person who has entered into or agreed to make available a Support Facility (other than a Mortgage Insurance Policy) to the Trustee in relation to the Trust.
Swap Novation	has the meaning given to it in section 8.3

Term	Meaning
Swap Provider	has the meaning set out in section 1.3.
TA Act	the Taxation Administration Act 1953 (Cth).
Tax and Taxes	includes any tax, levy, impost, deduction, charge, rate, duty, compulsory loan or withholding which is levied or imposed by a Government Agency, and any related interest, penalty, charge, fee or other amount.
Termination Date	<p>the earliest of the following dates in relation to the Trust:</p> <ol style="list-style-type: none"> 1 the eightieth anniversary of the date of creation of the Trust under the Master Trust Deed; 2 the date upon which the Trust terminates by operation of statute or by the application of general principles of law; 3 when Notes or Redraw Notes have been issued by the Trustee the earliest of: <ol style="list-style-type: none"> (a) the Business 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 Creditors of the Trust (as determined by the Auditor, that determination to be conclusive); or (b) following the occurrence of an Event of Default under the Security Trust Deed, the Security Trustee has enforced to the fullest extent that it is able to do so all of its powers under the Security Trust Deed which arise on the occurrence of that Event of Default or on the Security Trust Deed becoming enforceable, and has distributed all of the amounts which it is required to distribute under the Security Trust Deed (as determined by the Auditor, that determination to be conclusive), and the Trustee has received a confirmation from the Australian Taxation Office that the Trustee has lodged its final tax return in relation to the Trust; or 4 if Notes or Redraw Notes have not been issued by the Trustee of the Trust, the date appointed by the Manager as the Termination Date by notice in writing to the Trustee after the Trustee has received a confirmation from the Australian Taxation Office that the Trustee has lodged its final tax return in relation to that Trust.
Threshold Rate	has the meaning set out in section 3.9.
Title Perfection	in relation to a Portfolio of Mortgage Loans:

Term	Meaning
Event	<ol style="list-style-type: none"> 1 an Insolvency Event occurs with respect to the Approved Seller provided that the occurrence of an Insolvency Event in respect of the Trustee (as an Approved Seller) in its personal capacity will not constitute a Title Perfection Event; 2 Heritage breaches any representation, warranty, covenant or undertaking made by it in a Transaction Document, which breach: <ol style="list-style-type: none"> (a) would give rise to a Rating Downgrade Event; and (b) if capable of remedy, is not remedied within 20 Business Days (or such longer period approved by the Trustee (at the direction of the Manager) in its discretion) of the date on which Heritage is notified of the breach by the Trustee or Manager; 3 the Servicer purports to resign without an Eligible Servicer being appointed as successor Servicer in accordance with the Master Trust Deed; and 4 if Heritage is the Servicer, a Servicer Transfer Event occurs.
Total Available Income	<p>for a Collection Period, the amount equal to the sum of:</p> <ol style="list-style-type: none"> 1 the Available Income for that Collection Period; 2 the Excess Income Reserve Draw (if any) for the Determination Date immediately following that Collection Period; 3 the Principal Draw (if any) for that Collection Period; 4 the Liquidity Draw (if any) for that Collection Period; and 5 amounts applied in accordance with sections 7.18(c)(2) and 7.18(c)(3).
Total Available Principal	<p>for a Collection Period, the amount equal to the sum of:</p> <ol style="list-style-type: none"> 1 the Available Principal for that Collection Period; 2 the amount (if any) of the Excess Available Income to be applied towards repayment of Principal Draws under section 7.4(a)(1) for that Collection Period; 3 the amount (if any) of the Excess Available Income to be applied towards any Loss under section 7.4(a)(2) for that Collection Period; 4 the amount (if any) of the Excess Available Income to be applied towards Carryover Charge Offs under section 7.4(a)(3) for that Collection Period; and 5 any proceeds of Notes which were not used to acquire Purchased Mortgage Loans on the Closing Date.

Term	Meaning
Total Initial Invested Amount	<p>at any time, the sum of:</p> <ol style="list-style-type: none"> 1 the Initial Invested Amounts for all Class A1 Notes; 2 the Initial Invested Amounts for all Class A2 Notes; 3 the Initial Invested Amounts for all Class AB Notes; 4 the Initial Invested Amounts for all Class B Notes; 5 the Initial Invested Amounts for all Class C Notes; and 6 the Initial Invested Amounts for all Class D Notes, <p>at that time.</p>
Total Invested Amount	<p>at any time, the sum of:</p> <ol style="list-style-type: none"> 1 the Invested Amounts for all Class A1 Notes; 2 the Invested Amounts for all Class A2 Notes; 3 the Invested Amounts of all Class AB Notes; 4 the Invested Amounts of all Class B Notes; 5 the Invested Amounts of all Class C Notes; 6 the Invested Amounts of all Class D Notes; and 7 the Invested Amounts of all Redraw Notes, <p>at that time.</p>
Total Stated Amount	<p>at any time, the sum of:</p> <ol style="list-style-type: none"> 1 the Class A1 Stated Amounts for all Class A1 Notes; 2 the Class A2 Stated Amounts for all Class A2 Notes; 3 the Class AB Stated Amounts for all Class AB Notes; 4 the Class B Stated Amounts for all Class B Notes; 5 the Class C Stated Amounts for all Class C Notes; 6 the Class D Stated Amounts for all Class D Notes; and 7 the Redraw Note Stated Amount for all Redraw Notes, <p>at that time.</p>
Transaction Documents	the documents outlined in section 14.
Transaction Parties	the parties identified in section 1.3
Transfer of	1 in relation to a Mortgage or other Related Security that is a

Term	Meaning
Mortgage Loan Security	<p>registered mortgage of Land, a transfer of mortgage relating to that Mortgage or Related Security under the Real Property Legislation which, on registration, would result in the Trustee being the registered mortgagee of that Mortgage or Related Security; and</p> <p>2 in relation to any other Mortgage Loan Security and if required by relevant legislation or practices a transfer of Security Interest relating to that Mortgage Loan Security which, on registration, would result in the Trustee being the registered holder of that Mortgage Loan Security.</p>
Transitional Act	the National Consumer Credit Protection (Transitional and Consequential Provisions) Act 2009 (Cth).
Trust	the trust designated as 'HBS Trust 2017-1' and constituted under the Master Trust Deed and the Notice of Creation of Trust.
Trust Account	<p>each of:</p> <p>1 the Collection Account; and</p> <p>2 the account (if any) opened and operated for the Trust under and in accordance with the Master Trust Deed.</p>
Trust Assets	the Assets of the Trust from time to time.
Trust Back	in relation to the Trust, the trust (if any) constituted on the acceptance of a Sale Notice which relates to Mortgage Loan Securities or Related Securities that secure Other Secured Liabilities.
Trust Back Assets	in relation to the Trust, such right under or interest in the Mortgage Loans and Mortgage Loan Securities specified in a Sale Notice and the related Collections to the extent that such right or interest relates to (but only to the extent that it relates to) any Other Secured Liabilities of which the Trustee is actually aware.
Trust Expenses	<p>for any Collection Period (and in the following order of priority):</p> <p>1 first, any Expenses, properly incurred, relating to the Trust for that Collection Period which are not covered by 2 below;</p> <p>2 second, any costs, charges or expenses (other than fees) properly incurred by, and any liabilities owing under any</p>

Term	Meaning
	indemnity granted to the Security Trustee or the Servicer under the Transaction Documents, for that Collection Period.
Trustee	has the meaning set out in section 1.3.
Trustee's Default	has the meaning set out in section 9.2(f).
Trustee's Fee	the fee to be paid to the Trustee in respect of the Trust.
Two Month Bank Bill Rate	the Bank Bill Rate for bank bills and certificates of deposit having a term of two calendar months.
Unitholder	in relation to the Trust means: <ol style="list-style-type: none"> 1 any holder of a Residual Capital Unit; or 2 any holder of a Residual Income Unit.
Unpaid Balance	in relation to any Mortgage Loan at any time, the sum of: <ol style="list-style-type: none"> 1 the unpaid principal amount of that Mortgage Loan; and 2 the unpaid amount of all finance charges, interest payments and other amounts accrued on or payable under or in connection with that Mortgage Loan or the related Mortgage Loan Rights, at that time.
Voting Secured Creditor	<ol style="list-style-type: none"> 1 whilst any Notes remain outstanding, the Noteholders of the most senior ranking class of Notes (determined by reference to the order of priority described in section 7.3) and each Support Facility Provider (other than Heritage and the Support Facility Providers for Enhancement); and 2 otherwise, each Secured Creditor.
Warehouse Trust	each of: <ol style="list-style-type: none"> 1 the HBS Trust No. 2 constituted under the Master Trust Deed and the Notice of Creation of Trust dated 20 March 2006; and 2 the HBS Trust No. 4 constituted under the Master Trust Deed and the Notice of Creation of Trust dated 11 September 2008.

Term	Meaning
Warehouse Trust Security Trust Deed	<ol style="list-style-type: none"> <li data-bbox="603 331 1366 456">1 in respect of HBS Trust No. 2, the Security Trust Deed dated 21 March 2006 between SG Australia Asset Management Company Pty Ltd, SG Australia Custodian Company Pty Ltd and HBS Custodian Pty Ltd, as amended; <li data-bbox="603 465 1366 591">2 in respect of HBS Trust No. 4, the Security Trust Deed dated 11 September 2008 between Perpetual Trustee Company Limited, P.T. Limited and HBS Custodian Pty Ltd, as amended.
Warehouse Trustee	Perpetual Trustee Company Limited in its capacity as trustee of the HBS Trust No. 2 and in its capacity as trustee of the HBS Trust No. 4.

ANNEXURE 1

HBS Trust 2017-1 Pool Data as at 11 October 2017

The following tables summarise the Housing Loan Pool as at 11 October 2017. Further information regarding the Housing Loans and Heritage's housing loan business is contained in Section 4.

Table 1: Pool Summary as at 11 October 2017

Description	
Pool Cut Date	11 October 2017
Total Principal Balance (A\$)	749,946,058.25
Number of Mortgage Loans	3,551
Average Principal Balance (A\$)	211,193
Maximum Principal Balance (A\$)	967,229
Weighted Average Current LVR (%)	62.09%
Maximum Current LVR (%)	88.72%
Weighted Average Interest Rate (%)	4.42%
Weighted Average Interest Rate – Fixed (%)	4.35%
Weighted Average Interest Rate – Variable (%)	4.45%
Weighted Average Seasoning (months)	53.06
Weighted Average Remaining Term (years)	24
Maximum Remaining Term (years)	30
Percentage of Fixed Rate Loans (%)	30.73%
Percentage of Interest Only Loans (%)	7.93%

Table 2: Current Loan Balances

Current Loan Balances	Current Balance		No. of Loans	
	A\$	%	#	%
0-100k	\$ 40,868,531.77	5.45%	892	25.12%
100-200k	\$ 141,371,697.90	18.85%	931	26.22%
200-300k	\$ 213,295,137.24	28.44%	861	24.25%
300-400k	\$ 171,176,420.93	22.83%	496	13.97%
400-500k	\$ 109,895,810.57	14.65%	248	6.98%
500-600k	\$ 43,810,152.50	5.84%	81	2.28%
600-700k	\$ 18,044,329.99	2.41%	28	0.79%
700-800k	\$ 5,183,579.54	0.69%	7	0.20%
800-900k	\$ 3,437,622.60	0.46%	4	0.11%
900-1000k	\$ 2,862,775.21	0.38%	3	0.08%
Total	\$ 749,946,058.25	100.00%	3551	100.00%

Table 3 - Current Loan to Valuation Ratio

Current Loan-to-Valuation-Ratio	Current Balance		No. of Loans	
	A\$	%	#	%
>0	\$ 182,480,902.34	24.33%	1550	43.65%
> 50	\$ 47,498,577.25	6.33%	213	6.00%
> 55	\$ 58,340,575.37	7.78%	229	6.45%
> 60	\$ 55,752,647.17	7.43%	213	6.00%
> 65	\$ 68,868,898.56	9.18%	252	7.10%
> 70	\$ 95,940,410.60	12.79%	342	9.63%
> 75	\$ 130,173,731.92	17.36%	428	12.05%
> 80	\$ 110,606,425.00	14.75%	322	9.07%
> 85	\$ 283,890.04	0.04%	2	0.06%
Total	\$ 749,946,058.25	100.00%	3551	100.00%

Table 4 - Loan Type

Loan Type	Current Balance		No. of Loans	
	A\$	%	#	%
Owner Occupied	\$ 623,670,730.02	83.16%	2919	82.20%
Investment	\$ 126,275,328.23	16.84%	632	17.80%
Total	\$ 749,946,058.25	100.00%	3551	100.00%

Table 5 - Loan Purpose

Loan Purpose	Current Balance		No. of Loans	
	A\$	%	#	%
Refinance	\$ 276,551,826.39	36.88%	1329	37.43%
Buy Existing	\$ 320,445,130.65	42.73%	1583	44.58%
Alterations & Additions	\$ 28,499,827.44	3.80%	110	3.10%
Build	\$ 72,006,122.92	9.60%	295	8.31%
Others	\$ 37,990,238.38	5.07%	173	4.87%
Buy New	\$ 14,452,912.47	1.93%	61	1.72%
Total	\$ 749,946,058.25	100.00%	3551	100.00%

Table 6 - Security Locations

Security Locations	Current Balance		No. of Loans	
	A\$	%	#	%
ACT - Inner City	\$ 9,867,396.35	1.32%	37	1.04%
ACT - Other Metro	\$ 6,400,251.81	0.85%	21	0.59%
NSW - Inner City	\$ 479,756.37	0.06%	2	0.06%
NSW - Non-Metro	\$ 83,164,545.10	11.09%	387	10.90%
NSW - Other Metro	\$ 112,230,932.01	14.97%	418	11.77%
NT	\$ 4,946,472.75	0.66%	21	0.59%
QLD - Gold Coast	\$ 37,398,815.03	4.99%	205	5.77%
QLD - Inner City	\$ 187,016.01	0.02%	2	0.06%
QLD - Other Metro	\$ 192,400,344.15	25.66%	880	24.78%
QLD - Other Non-Metro	\$ 129,082,730.68	17.21%	796	22.42%
QLD - Sunshine Coast	\$ 56,321,669.56	7.51%	261	7.35%
SA - Non-Metro	\$ 1,483,085.37	0.20%	7	0.20%
SA - Other Metro	\$ 8,521,993.69	1.14%	38	1.07%
TAS	\$ 1,412,523.49	0.19%	6	0.17%
VIC - Non-Metro	\$ 18,948,713.32	2.53%	92	2.59%
VIC - Other Metro	\$ 80,478,867.07	10.73%	360	10.14%
WA - Metro	\$ 6,460,301.71	0.86%	17	0.48%
WA - Non-Metro	\$ 160,643.78	0.02%	1	0.03%
Total	\$ 749,946,058.25	100.00%	3551	100.00%

Table 7 - Interest Type

Interest Type	Current Balance		No. of Loans	
	A\$	%	#	%
Fixed	\$ 230,444,094.18	30.73%	1077	30.33%
Variable	\$ 519,501,964.07	69.27%	2474	69.67%
Total	\$ 749,946,058.25	100.00%	3551	100.00%

Table 8 - Repayment Type

Repayment Type	Current Balance		No. of Loans	
	A\$	%	#	%
Interest-only followed by P&I	\$ 59,457,168.08	7.93%	221	6.22%
Principal & Interest	\$ 690,488,890.17	92.07%	3330	93.78%
Total	\$ 749,946,058.25	100.00%	3551	100.00%

Table 9 - Loan Seasoning

Age of loan (months)	Current Balance		No. of Loans	
	A\$	%	#	%
<= 3	\$ 10,331,494.84	1.38%	31	0.87%
<= 6	\$ 14,308,933.80	1.91%	40	1.13%
<= 12	\$ 49,936,017.31	6.66%	157	4.42%
<= 18	\$ 71,879,905.38	9.58%	238	6.70%
<= 24	\$ 64,692,419.08	8.63%	231	6.51%
<= 36	\$ 139,083,105.43	18.55%	512	14.42%
<= 48	\$ 90,378,490.96	12.05%	368	10.36%
<= 60	\$ 80,022,647.97	10.67%	359	10.11%
> 60	\$ 229,313,043.48	30.58%	1615	45.48%
Total	\$ 749,946,058.25	100.00%	3551	100.00%

Table 10 - Loan Term

Loan term (years)	Current Balance		No. of Loans	
	A\$	%	#	%
<= 5 years	\$ 293,419.82	0.04%	8	0.23%
<= 10 years	\$ 1,238,984.49	0.17%	29	0.82%
<= 15 years	\$ 8,739,648.16	1.17%	67	1.89%
<= 20 years	\$ 40,764,345.24	5.44%	232	6.53%
<= 25 years	\$ 77,779,435.80	10.37%	414	11.66%
<= 30 years	\$ 621,130,224.74	82.82%	2801	78.88%
Total	\$ 749,946,058.25	100.00%	3551	100.00%

Table 11 - Employment Type

Employment type of Borrowers	Current Balance		No. of Loans	
	A\$	%	#	%
Employed	\$ 686,503,549.37	91.54%	3191	89.86%
Self-Employed	\$ 62,767,512.45	8.37%	330	9.29%
Unknown	\$ 674,996.43	0.09%	30	0.84%
Total	\$ 749,946,058.25	100.00%	3551	100.00%

Table 12 - Metro/Non-Metro

Repayment Type	Current Balance		No. of Loans	
	A\$	%	#	%
Metro	\$ 423,385,855.41	56.46%	1802	50.75%
Non-Metro	\$ 326,560,202.84	43.54%	1749	49.25%
Total	\$ 749,946,058.25	100.00%	3551	100.00%

Directory

MANAGER, SERVICER AND CUSTODIAN

Heritage Bank Limited
Level 6, 400 Ruthven Street, Toowoomba, Queensland, 4350

TRUSTEE

Perpetual Trustee Company Limited
Level 18, Angel Place, 123 Pitt Street, Sydney, New South Wales, 2000
in its capacity as trustee of the HBS Trust 2017-1

APPROVED SELLERS

Perpetual Trustee Company Limited
Level 18, Angel Place, 123 Pitt Street, Sydney, New South Wales, 2000
in its capacity as trustee of the HBS Trust No. 2
and
in its capacity as trustee of the HBS Trust No. 4
and,
Heritage Bank Limited
Level 6, 400 Ruthven Street, Toowoomba, Queensland, 4350

SECURITY TRUSTEE

P.T. Limited
Level 18, Angel Place, 123 Pitt Street, Sydney, New South Wales, 2000

ARRANGER

National Australia Bank Limited
Level 25, 255 George Street, Sydney, New South Wales 2000

JOINT LEAD MANAGERS

Australia and New Zealand Banking Group Limited
242 Pitt Street, Sydney, New South Wales, 2000
National Australia Bank Limited
Level 25, 255 George Street, Sydney, New South Wales 2000
Westpac Banking Corporation
Level 2, Westpac Place, 275 Kent Street, Sydney, New South Wales, 2000

AUDITOR FOR THE TRUST

Ernst & Young
111 Eagle Street, Brisbane, Queensland, 4000

SOLICITORS TO HERITAGE

Clayton Utz
Level 15, 1 Bligh Street
Sydney NSW 2000