

# PROGRESSIVE

## INTEREST RATE SECURITIES

***ASIC Benchmark Report***  
***December 31, 2013***

## 1.1 ASIC BENCHMARKS

Table 1 – ASIC Regulatory Guide 69 Benchmarks

| Benchmark                  | Issuer meets benchmark? | Refer to item: |
|----------------------------|-------------------------|----------------|
| Equity Capital             | Yes                     | 1.3            |
| Liquidity                  | Yes                     | 1.4            |
| Rollovers                  | Yes                     | 1.2            |
| Debt Maturity              | Yes                     | 1.5            |
| Loan Portfolio             | Yes                     | 1.6            |
| Related Party Transactions | Yes                     | 1.7            |
| Valuations                 | Yes                     | 1.8            |
| Lending Principles         | Yes                     | 1.9            |

Table 1 lists the ASIC Regulatory Guide 69 benchmarks applicable to unlisted note issues and whether they are met for this reporting period and where they are referred to in this report.

## 1.2 ROLLOVERS BENCHMARK – RENEWAL ON MATURITY

Progressive meets the ASIC Rollovers benchmark by making the following disclosures. On or about the maturity of a fixed term investment, a written notice is sent to the Investor:

- Inviting the investor's instructions for reinvestment;
- Advising the current interest rates applying to our investment options; and
- Informing availability of the current Prospectus and any other relevant disclosure.

If no instructions are received we assume the investor wishes to reinvest under the same terms at the then current rate.

If an investment is not renewed, interest will cease at the expiration of the term and the money will be repaid to the investor in the prescribed manner within one working day of such advice.

## 1.3 EQUITY CAPITAL BENCHMARK

Progressive follows the ASIC Equity Capital benchmark whereby a minimum 8% *equity ratio* (total equity/(total equity + total liabilities)) is maintained to ensure prudent capitalisation of its mortgage financing business; and if and when more than a minor part of lending were to be directly or indirectly for property development this minimum ratio would increase to 20%.

At December 31, 2013 Progressive's *equity ratio* was 12.82% and 6.53% of its lending was related to property development.

## 1.4 LIQUIDITY BENCHMARK

Progressive meets the ASIC Liquidity benchmark which requires that a cash balance be maintained on a rolling basis at least equal to its estimated cash requirement for the next 3 months.

At December 31, 2013 Progressive's:

- Cash balance requirement assuming a rollover rate of 90% of fixed term investments and retention of 91% of no fixed term investments was \$1,014,997.
- Cash balance requirement would have been \$4,373,270 if the rollover and retention rates were 20% less than the actual rates experienced for the prior 3 months (90% and 96% respectively).
- Actual available cash balance was \$51,790,646

Progressive ensures that assets maturing within 1 year are always at least equal to liabilities maturing within 1 year (see Table 2). This balancing of maturities is aided by a policy that all mortgage loans other than loans regulated under the *National Consumer Credit Protection Act 2009* ('Credit Code' loans) are subject to recall after 3 years.

## 1.5 DEBT MATURITY BENCHMARK

To meet the ASIC Debt Maturity disclosure benchmark, a maturity profile of amounts owing to Investors and other interest-bearing liabilities appears below in Table 2. Included in liabilities payable within 3 months are variable rate no-fixed-term investments for which the investment terms and conditions provide for an orderly repayment in sequence out of funds available.

*Table 2 - Maturities at December 31, 2013*

| <b>Matures:</b>  | <b>Cash and Term Deposits</b><br>\$ | <b>Loans Subject to Recall and/or Expiring</b><br>\$ | <b>Interest-Bearing Liabilities</b><br>\$ |
|------------------|-------------------------------------|--|---|
| Within 3 Months  | 20,762,203                          | 16,608,704   | 43,912,123                                |
| 3 - 12 Months    | 30,323,281                          | 2,032,306  | 9,714,252                                 |
| 1 - 3 Years      | -                                   | 1,044,914  | 8,123,271                                 |
| Totals           | 51,085,484                          | 19,685,924   | 61,749,646                                |
| Av Interest Rate | 3.84%                               | 6.14%  | 4.17%                                     |

## 1.6 LOAN PORTFOLIO BENCHMARK

To meet the ASIC Loan Portfolio disclosure benchmark, details of Progressive's current loan portfolio and related policies are set out in Tables 2, 3.1, 3.2, 3.3 and 3.4, and the policies applied by Progressive in the origination and management of mortgage assets are as follows:

- All loans are secured by registered mortgage over real estate which is assessed to be readily saleable or income earning.
- Loans are made within New South Wales and the Australian Capital Territory and predominantly within the greater Sydney Metropolitan area.

- All securities are valued by independent experienced valuers.
- Loans can be made to natural persons, companies or a trust provided they are not associates of Progressive.
- All mortgage loans other than Credit Code loans are subject to full repayment on written notice no later than three years from execution.
- Not more than 10% of total loan funds can be advanced to any one borrower.
- Experienced officers of Progressive appraise all loan proposals. No loan is made without:
  - the written consent of the loans manager and a director of the Company;
  - a valuer's certificate;
  - a solicitor's certificate that the title is in order;
  - a registrable mortgage; and
  - satisfactory proof that the property to be mortgaged has been insured.
- Loans that require loan insurance are not made.
- Loans are closely monitored for performance. Daily exceptions reports are generated to identify any accounts requiring maintenance such as insurance renewal, a review of interest rates or follow up on late payment.
- Loans in default or arrears are considered on an individual basis. Reasonable proposals for the borrower to normalise the account are allowed and scope for restructuring the loan is investigated. When the loan is clearly no longer viable it will be called in and any actions thereafter necessary for recovery taken.

**Table 3.1 – Loans at December 31, 2013 - Valuations and Securities**

| Security                 | Number Loans | Outstanding Loans Value | Weight | Security Valuation | Actual Loan/ Value Ratio | Maximum Loan / Value Ratio |
|--------------------------|--------------|-------------------------|--------|--------------------|--------------------------|----------------------------|
| Owner-Occupied Homes     | 51           | 11,262,538              | 57.2%  | 38,388,500         | 29.3%                    | 80%                        |
| Rental Property          | 23           | 7,142,738               | 36.3%  | 20,717,000         | 34.4%                    | 80%                        |
| Construction/Development | 1            | 1,280,648               | 6.5%   | 4,800,000          | 26.7%                    | 70%                        |
| Totals                   | 75           | 19,685,924              | 100%   | 63,905,500         | 30.8%                    | 80%                        |
| Averages                 |              | 262,479                 |        | 852,073            | 30.8%                    |                            |

**Table 3.2 – Loans at December 31, 2013 - Loan Distribution – Sydney Regions**

| Region | Inner West | Southern | City and East | Upper North Shore | Outside Sydney | Canterbury / Bankstown | Lower North Shore | West | North West | Northern Beaches | South West | Total |
|--------|------------|----------|---------------|-------------------|----------------|------------------------|-------------------|------|------------|------------------|------------|-------|
| Number | 10         | 11       | 12            | 8                 | 6              | 8                      | 5                 | 5    | 3          | 2                | 5          | 75    |
| Weight | 20 %       | 25 %     | 20 %          | 3 %               | 10 %           | 4 %                    | 4 %               | 6 %  | 4 %        | 2 %              | 2 %        | 100%  |

**Table 3.3 - Loans at December 31, 2013 – Loan Purpose and Other Portfolio Details**

| Type of Loan or Security  | Number | Total Outstanding Loans value | Weight | Security Valuation | Loan/Value Ratio |
|---|--------|-------------------------------|--------|--------------------|------------------|
| Business Purpose Loans  | 33     | 13,861,008                    | 70.4%  | 38,822,651         | 35.7%            |
| Residential Investment Loans  | 10     | 1,662,681                     | 8.5%   | 5,317,632          | 31.3%            |
| Personal Purpose Loans  | 32     | 4,162,236                     | 21.1%  | 19,268,217         | 21.6%            |
| Loans secured or part secured by second mortgages                       | 0      | 0*                            | 0      | 0#                 | N/A              |
| Loans more than 30 Days In Arrears                                      | 0      | 0                             | 0      | 0                  | N/A              |
| Loans Impaired and Renegotiated Loans                                   | 0      | 0                             | 0      | 0                  | N/A              |
| Loans Subject to Legal Proceedings                                      | 0      | 0                             | 0      | 0                  | N/A              |
| Loans to 10 largest borrowers   | 10     | 9,603,828                     | 48.8%  | 20,990,000         | 45.8%            |
| Properties of 5% or more of total property assets                       | 0      | N/A                           | N/A    | N/A                | N/A              |
| Loans to related parties (Progressive does not lend to related parties) | 0      | N/A                           | N/A    | N/A                | N/A              |

\* Loan amount not covered 1.5 times by first registered mortgage; #security values after deducting first mortgage loan amount

**Table 3.4 - Loans at December 31, 2013 – Loans of 5% or More of Total Loan Book Value (Weight)**

| Loan 1             |   |           |
|--------------------|---|-----------|
| Loan Value         |   | 1,536,514 |
| Type of Loan       | Business Purpose  |           |
| Securities         | 1) Owner-Occupied Home  | 2,400,000 |
| Security Valuation | Total:  | 2,400,000 |
| Loan / Value Ratio |   | 64.02%    |
| Weight             |   | 7.81%     |
| Security Details   | 1) Fine executive house with deep water frontage in Southern Sydney.                      |           |
| Valuation details  | 1) Independent valuation dated October 2005 based on sales evidence and market conditions |           |

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**Table 3.4 - Loans at December 31, 2013 – Loans of 5% or More of Total Loan Book Value (Weight)**

| <b>Loan 2</b>      |  |           |
|--------------------|--|-----------|
| Loan Value         |  | 1,280,648 |
| Type of Loan       | Property Development   |           |
| Securities         | 1) Land and Improvements   | 4,800,000 |
| Security Valuation | Total:   | 4,800,000 |
| Loan / Value Ratio |  | 26.68%    |
| Weight             |  | 6.51%     |
| Security Details   | 1) Five two-storey townhouses with parking in Sydney Inner West, 60% complete.   |           |
| Valuation details  | 1) Independent valuation on 'as if complete' basis dated October 2013, based on off-the-plan sales evidence and market conditions, less costs to complete. |           |
| <b>Loan 3</b>      |  |           |
| Loan Value         |  | 1,139,515 |
| Type of Loan       | Business Purpose   |           |
| Securities         | 1) Owner-Occupied Home   | 1,650,000 |
| Security Valuation | Total:   | 1,650,000 |
| Loan / Value Ratio |  | 69.06%    |
| Weight             |  | 5.79%     |
| Security Details   | 1) Two-storey 5-bedroom 3-bathroom Victorian home with period features, district views and double parking in Sydney Inner West.                            |           |
| Valuation details  | 1) Independent valuation dated April 2013 based on sales evidence and market conditions.   |           |

## **1.7 RELATED PARTY BENCHMARK**

Progressive meets this benchmark. Progressive does not lend to related parties.

## **1.8 VALUATIONS BENCHMARK**

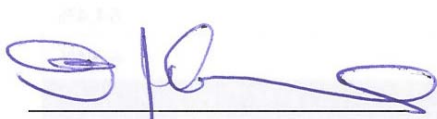
Progressive meets this benchmark:

- Real estate is valued on an “as is” and (for development property) an “as if complete” basis.
- Progressive uses independent licensed valuers and ensures that no single valuer conducts more than 1/3 of its valuations. Progressive has provided to and certified to the Trustee its panel of valuers that meet requirements under the Trust Deed and ASIC’s regulatory guide RG 69.
- Before any property is mortgaged a current valuation is required.
- Development loans are advanced in stages to cover completion costs based on external evidence of the progress of the development.
- New valuation of a mortgaged property is required whenever it is considered that the most recent valuation is insufficient for a new loan or further advance sought; or inadequate because of changed circumstances, for example when there is a change in interest rate or the term of the loan, or when changes to zoning or local environment or major economic events occur that potentially adversely impact property values.

## 1.9 LENDING PRINCIPLES – LOAN-TO-VALUATION RATIOS BENCHMARK

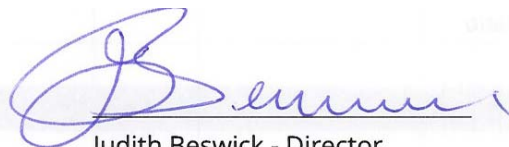
Progressive meets the ASIC Lending Principles benchmark by:

- Maintaining the following loan-to-valuation ratios:
  - where the loan relates to property development a maximum of 70% on the basis of the latest 'as if complete' valuation; and
  - In all other cases – 80% on the basis of the latest market valuation.
- Requiring for any property development loan that funds may only be advanced in stages based on external evidence of the progress of the development.



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Leo James Lynch – Director



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Judith Beswick - Director