

PROGRESSIVE

INTEREST RATE SECURITIES

ASIC Benchmark Report

June 30, 2013

Progressive Mortgage Company Limited ABN 88 000 192 012 | ACL / AFSL 269822

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1.1 ASIC BENCHMARKS

Table 1 – ASIC Regulatory Guide 69 Benchmarks

Benchmark	Issuer meets benchmark?	Refer to item:
Benchmark 1 - Equity Ratio	Yes	1.3
Benchmark 2 - Liquidity	Yes	1.4
Benchmark 3 - Rollovers	Yes	1.2
Benchmark 4 - Debt Maturity	Yes	1.5
Benchmark 5 - Loan Portfolio	Yes	1.6
Benchmark 6 - Related Party Transactions	Yes	1.7
Benchmark 7 - Valuations	Yes	1.8
Benchmark 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 ASIC BENCHMARK 3 - ROLLOVERS: 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 including continuous disclosure information.

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 ASIC BENCHMARK 1 - EQUITY RATIO

Progressive meets the ASIC Equity Ratio benchmark whereby a minimum 8% *equity ratio* (total equity/(total equity + total liabilities)) is maintained to ensure prudent capitalisation of its mortgage financing business.

At June 30, 2013 Progressive's *equity ratio* was 13.40% and 11.97% of its lending was related to property development.

1.4 ASIC BENCHMARK 2 - LIQUIDITY

Progressive meets the ASIC Liquidity benchmark which requires that it has 3-month forward cash flow estimates and that it maintain at all times a cash balance at least equal to its estimated cash requirement for the next 3 months.

At June 30, 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, and no new investments, was \$316,543.
- Estimated cash requirement for the previous quarter using the same assumptions was \$375,924 and actual cash outflow for the previous quarter was \$1,891,520.
- Actual average quarterly rollover and retention rates for the preceding 12 months were 93.65% and 93.24%, and for the preceding quarter were 98.3% and 89.60%.
- Cash balance requirement would have been \$5,011,349 if the rollover and retention rates were 20% less than the actual rates experienced for the prior 3 months.
- Actual available cash balance was \$53,138,896 including \$43,388,052 cash and term deposits held directly, the balance available from the parent company, and representing 113% of total investor liabilities.

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 ASIC BENCHMARK 4 - DEBT MATURITY

To meet the ASIC Debt Maturity disclosure benchmark, a maturity profile of amounts owing to Investors and other interest-bearing liabilities, and applicable average interest rates, 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, and amounts owing to related parties.

Table 2 - Maturities at June 30, 2013

Matures:	Cash and Term Deposits \$	Loans Subject to Recall and/or Expiring \$	Interest-Bearing Liabilities \$
Within 3 Months	22,454,870	18,670,169	33,727,828
3 - 12 Months	20,933,182	3,695,279	14,948,990
1 - 3 Years	-	326,332	8,559,951
Totals	43,388,052	22,691,780	57,236,769
Av Interest Rate	4.41%	6.65%	4.52%

1.6 ASIC BENCHMARK 5 - LOAN PORTFOLIO

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.
- 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;
 - satisfactory evidence of value;
 - a solicitor's certificate that the title is in order;
 - a registrable mortgage; and
 - with the exception of unimproved land, 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 June 30, 2013 - Valuations and Securities

Security	Number Loans	Outstanding Loans Value	Weight	Security Valuation	Actual Loan/ Value Ratio	Maximum Loan / Value Ratio
Owner-Occupied Homes	57	11,748,281	51.8%	43,244,826	27.2%	80%
Rental Property	26	8,238,630	36.3%	22,945,258	35.9%	80%
Construction/Development	2	2,704,869	11.9%	6,840,000	39.5%	70%
Totals	85	22,691,780	100%	73,030,084	31.1%	80%
Averages		266,962		859,177	31.1%	

Table 3.2 – Loans at June 30, 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	11	14	13	11	6	8	6	6	3	2	5	85
Weight	15 %	28 %	18 %	6 %	9 %	5 %	5 %	6 %	4 %	2 %	2 %	100%

Table 3.3 - Loans at June 30, 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	37	15,864,480	69.9%	43,482,094	36.5%
Investment Purpose Loans	12	2,197,334	9.7%	8,090,459	27.2%
Personal Purpose Loans	36	4,629,966	20.4%	20,057,531	23.1%
Loans secured or part secured by second mortgages	2	549,119*	2.4%	1,854,584 [#]	29.6%
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	10,655,910	47.0%	23,273,182	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

1.7 ASIC BENCHMARK 6 - RELATED PARTY TRANSACTIONS

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

Table 3.4 - Loans at June 30, 2013 - Loans of 5% or More of Total Loan Book Value (Weight)

Loan 1		
Loan Value		1,542,024
Type of Loan	Business Purpose	
Securities	1) Owner-Occupied Home	2,400,000
Security Valuation	Total:	2,400,000
Loan / Value Ratio		64.3%
Weight		6.75%
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	
Loan 2		
Loan Value		2,302,861
Type of Loan	Property Development	
Securities	1) Owner-Occupied Home	700,000
	2) Land and Improvements	4,000,000
	3) Rental Property	740,000
Security Valuation	Total:	5,440,000
Loan / Value Ratio		42.3%
Weight		10.15%
Security Details	1) Two storey 4 bedroom 3 bathroom home with double garage and swimming pool in Canterbury/Bankstown area 2) Seven 2-storey townhouses with basement parking and storage near to completion (completed July 2013) 3) Two story three bedroom terrace with basement parking in Sydney Inner West	
Valuation Details	1) Independent valuation May 2005 2) Independent valuation 'as-if complete' June 2013 less costs to complete 3) Independent valuation May 2013	
Loan 3		
Loan Value		1,141,342
Type of Loan	Business Purpose	
Securities	1) Owner-Occupied Home	1,650,000
Security Valuation	Total:	1,650,000
Loan / Value Ratio		69.2%
Weight		5.03%
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	

1.8 ASIC BENCHMARK 7 - VALUATIONS

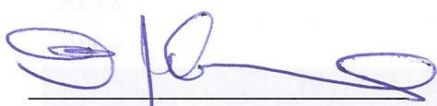
Progressive meets this benchmark by adhering to the following policies:

- Real estate is valued on an “as is” and (for development property) an “as if complete” basis.
- Progressive uses independent licensed valuers, appointed with the consent of the Trustee, and ensures that no single valuer conducts more than 1/3 of its valuations.
- Before any property is mortgaged a current independent valuation is required. An exception to this rule was made in September 2012 when in respect of property 3 in Table 3.4, comparative sales data was accepted as robust and objective evidence of value. A valuation from an independent valuer has since been obtained.
- 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 ASIC BENCHMARK 8 - LENDING PRINCIPLES

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.



Leo James Lynch - Director



Judith Beswick - Director