

# PROGRESSIVE MORTGAGE COMPANY LIMITED

ABN 88 000 192 012 AFSL 269822

## INTEREST RATE SECURITIES - Benchmark Report at March 31, 2011

### 1.1 ASIC BENCHMARKS

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

Benchmark	Issue 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

### 1.2 ROLLOVERS BENCHMARK – RENEWAL ON MATURITY

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 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.

Repayment of a mature investment is subject to the surrender of the relevant Record of Investment.

### 1.3 EQUITY CAPITAL BENCHMARK

Progressive follows the ASIC Equity Capital benchmark whereby a minimum 8% equity ratio 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 **March 31, 2011** Progressive's equity ratio was **12.09%** and **0.0%** 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 **March 31, 2011** 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 **\$822,381**.
- Cash balance requirement would have been **\$3,731,166** if the rollover and retention rates were 20% less than the actual rates experienced for the prior 3 months (**100%** and **91%** respectively).
- Actual available cash balance was **\$44,643,203**.

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#### 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.

Progressive ensures that assets maturing within 1 year are always at least equal to liabilities maturing within 1 year (included in liabilities payable within 1 year are No Fixed Term investments for which the investment terms and conditions provide for an orderly repayment in sequence out of funds available) - see Table 2.

This balancing of maturities is aided by a policy that all mortgage loans other than loans under the Credit Code are subject to recall after 3 years.

Table 2 - Maturities at March 31, 2011

Matures:	Cash and Term Deposits \$	Loans Subject to Recall and/or Expiring \$	Interest-Bearing Liabilities \$
Within 3 Months	17,757,843	26,270,284	33,584,313
3 – 12 Months	20,720,776	214,433	16,877,923
1 – 3 Years	-	1,412,268	7,959,652
Totals	38,478,619	27,896,985	58,421,888
Av Interest Rate	6.12%	7.48%	5.89%

#### 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 below and in Tables 2, 3.1, 3.2, 3.3 and 3.4.

Progressive's policies are that:

- 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.
- Particulars of each loan and its security are entered into Progressive's database and the loans are 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.

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- 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 March 31, 2011- Valuations and Securities

Security	Number loans	Outstanding Loans Value	Weight	Security Valuation	Actual Loan/Value Ratio	Maximum Loan/Value Ratio
Owner Occupied Homes	83	16,240,706	58.2%	58,203,858	27.9%	80%
Rental Property	27	11,656,279	41.8%	26,632,221	43.8%	80%
Construction/Development	0	0	0.0%	0	N/A	70%
<b>Totals</b>	110	27,896,985	100%	84,836,079	32.9%	80%
<b>Averages</b>		253,609		771,237	32.9%	

Table 3.2 – Loans at March 31, 2011- 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
<b>Number</b>	15	17	13	21	8	8	6	10	4	3	5	110
<b>Weight</b>	12%	26%	14%	15%	7%	4%	4%	10%	3%	2%	3%	100%

Table 3.3 - Loans at March 31, 2011– 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	43	16,876,803	60.5%	42,341,394	39.9%
Investment Housing Purpose Loans	17	4,072,637	14.6%	13,350,529	30.5%
Personal Purpose Loans	50	6,947,544	24.9%	29,144,155	23.8%
Loans secured or part secured by second mortgage	2	533,225	1.9%	1,822,578	29.3%
Loans in Arrears	0	0	0	0	N/A
Loans Impaired	0	0	0	0	N/A
10 largest loans	10	10,499,916	37.6%	20,602,584	51.0%
Securities 5% or more of total value of property secured	0	0	0	0	N/A
Loans to related parties (Progressive does not lend to related parties)	0	N/A	N/A	N/A	N/A

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Loan Value	Purpose of Loan	Securities	Security Valuation	Loan/Value Ratio	Weight
1,707,250	Business	Total:	2,595,000	65.8%	6.12%
		1) Rental Property	600,000		
		2) Owner Occupied Home	600,000		
		3) Rental Property	355,000		
		4) X2 Rental Properties	540,000		
		5) Rental Property	500,000		
1,546,653	Business	Total:	2,400,000	64.4%	5.54%
		1) Owner Occupied Home	2,400,000		

### 1.7 RELATED PARTY BENCHMARK

Progressive does not lend to related parties.


### 1.8 VALUATIONS 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. The Company intends to obtain consent from the Trustee on the appointment of valuers. The Trustee has not consented to the appointment of a valuer at this stage.
- Before any property is mortgaged a current valuation is required.
- 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.

### 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