

Continuous Ongoing Quarterly Disclosures

Victorian Securities Corporation Limited
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This Ongoing Quarterly Disclosure document has been prepared to inform you, as an investor or prospective investor, about updates to information contained in Prospectus 18.

Australian Securities and Investment Commission's ("ASIC's") Regulatory Guide 69 sets out 8 benchmarks formulated to provide improved disclosure for the assistance of investors, before they make an investment decision, to better understand the risks and returns of investments in unsecured deposit notes ("Deposit Notes").

The information in this document, in conjunction with Prospectus 18, addresses how Victorian Securities meets or does not meet each benchmark. There is no requirement to meet the benchmarks provided that reasons for not meeting the benchmarks are disclosed on an "if not, why not" basis. When we do not meet a benchmark we provide you with an explanation of the approach we have adopted in addressing the benchmark.

Victorian Securities' business model and strategy remains unchanged. We continue to maintain the same prudent approach to our business and operations – attracting investment funds by offering competitive terms protected by sound, long-established lending policies. Although past performance does not necessarily indicate future performance, no investor in Deposit Notes of Victorian Securities has lost any part of the money invested, nor has Victorian Securities ever failed to pay interest since activities commenced in 1960.

Benchmark Reporting

The benchmarks are fully addressed in Prospectus 18 dated 21 November 2011. Victorian Securities continually reviews its responses, as some of the information disclosed will change over time. Updates are provided within this site on at least a quarterly basis.

The following updates provide amendments to information within each benchmark and should be read in conjunction with Victorian Securities' Prospectus 18.

Benchmark 1 - Equity Ratio

ASIC's benchmark is that issuers should maintain a minimum equity ratio of 8%, or a minimum equity ratio of 20% where more than a minor part (10%) of the issuers' activities (as a proportion of unsecured deposit notes on issue) is property development or lending funds directly or indirectly for property development. This calculation should disclose the comparative equity ratio from the prior year and be based on the formula nominated by ASIC as follows:

$$\frac{\text{total equity}}{\text{total liabilities} + \text{total equity}}$$

Note: Equity is the money invested by the owners of the issuer (plus any profits retained by the issuer). It provides a "buffer" in the event of financial difficulties and it also provides the issuer's owners with an incentive to operate prudently and responsibly. Insufficient capitalisation may be a factor that contributes to financial distress.

Victorian Securities does not meet the benchmark.

Currently lending for property development forms more than a minor part (more than 10%) of Victorian Securities' activities so our relevant equity ratio under the ASIC benchmark is therefore 20%. At 31 December 2011 Victorian Securities' total equity was \$11,644,148 comprising money invested by the owners, reserves and retained profits. It represents an equity ratio of 6.60%. The reasons for Victorian Securities' position are set out below.

Victorian Securities believes that its current equity ratio is sufficient for the activities undertaken. Our Trust Deed requirements, lending policies (including management of property development loans) - refer Prospectus 18 section 8 "Our approach to lending and investment" and experienced Directors and management provide a means for us to manage the risks associated with our principal business activities.

Victorian Securities complies with the agreed level of capital specified in the Trust Deed and has chosen to structure its business based on complying with this level of capital because it believes its lending policies provide the means to manage the credit risk associated with its principal investment activities.

For further details refer to Prospectus 18 section 3 "ASIC Benchmarks" subsection "Benchmark 1: Equity ratio".

Victorian Securities' Equity Capital Ratio								
	30.6.2006	30.6.2007	30.6.2008	30.6.2009	30.6.2010	31.12.2010	30.06.2011	31.12.2011
Equity Ratio	6.89%	8.53%	11.20%	9.39%	8.28%	7.99%	7.28%	6.60%

Benchmark 2 - Liquidity

ASIC's benchmark is that issuers should:

- a) have cash flow estimates for the next 3 months; and
- b) ensure that at all times they have cash or cash equivalents, sufficient to meet their projected cash needs over the next 3 months.

In reporting against this benchmark, issuers should disclose:

- c) material assumptions underlying their cash flow estimates (eg. cash, estimate rollover or retention rates);
- d) how their rollover or retention rate assumptions relate to historical rates; and
- e) their policy on balancing the maturity of their assets and the maturity of their liabilities.

Issuers should also disclose whether they would have cash on hand or cash equivalents sufficient to meet their projected cash needs if:

- f) the percentage of their unsecured deposit notes rolled over during the next 3 months were 20% less than the percentage that was rolled over in the past 3 months; or
- g) for unsecured deposit notes that are held on an "at call" basis – the amount of unsecured deposit notes' funds retained during the next 3 months were 20% less than the amount that was retained during the past 3 months.

Note: Liquidity is an important measure of the short-term financial health of an issuer or business. If the issuer has insufficient cash or liquid assets, it might be unable to meet its short-term obligations (eg. to run the business properly, pay interest, or pay investors their money back at the end of the term).

Victorian Securities complies with ASIC's benchmark.

Victorian Securities maintains a minimum level of cash resources invested short term in interest bearing deposits with Australian banks and building societies and also in bank accepted or endorsed negotiable bills of exchange. We refer to these investments as the "liquidity investment portfolio". The portfolio is managed to comply with the minimum liquidity requirements of the Trust Deed and to facilitate the target asset allocation for investing Deposit Note monies - for further details refer Prospectus 18 section 8.3 "Material contracts that assist with managing liquidity".

As at 31 December 2011 Victorian Securities had liquidity as defined under the ASIC benchmark (ie. cash or cash equivalents) of \$64,173,794 or 40.86% of Deposit Notes on issue. The composition and level of liquidity may change over time.

This table represents the composition of Victorian Securities' liquidity investment portfolio as at 31 December 2011.

Investment types	Amount	Total	% of Liquidity investment portfolio
Negotiable Certificates of Deposit			
Bendigo and Adelaide Bank	\$9,484,820		
AMP Bank	\$8,937,969		
Heritage Building Society	\$1,994,776		
Bank of Queensland	\$3,973,592		
Westpac Banking Corporation	\$8,978,616		
Rural Bank	\$9,394,128		
ANZ Bank	\$9,964,857		
NAB	\$8,956,372		
		\$61,685,130	96%
11.00am Account			
Bendigo and Adelaide Bank	\$2,488,664		
		\$2,488,664	4%
Total	\$64,173,794	\$64,173,794	100%

At 31 December 2011 the maturity date of all such investments was not greater than 164 days.

The loans within Victorian Securities' loan portfolio predominantly have a term of 12 months and then become repayable on 30 days notice. As at 31 December 2011 83.87% of Victorian Securities' loan portfolio by dollar value had a remaining term of less than 12 months.

In balancing the maturity of our liquidity investment portfolio with our liabilities, the maximum term of Deposit Notes is 2 years. As at 31 December 2011 96.47% of the Deposit Note portfolio by dollar value had a remaining term of 12 months or less.

Victorian Securities seeks to ensure, through loans repayable on a short term basis and the liquidity profile of other assets, that maturities are balanced to the expected payment terms for liabilities. Victorian Securities monitors any gaps in the balancing of the maturities of assets and liabilities on not less than a monthly basis.

Victorian Securities prepares a cash flow report on a monthly basis which incorporates forecast data. This data is reviewed on not less than a monthly basis and re-forecast when considered necessary. In meeting ASIC's benchmark, Victorian Securities has made a reasonable estimate of Deposit Notes on issue which may be "rolled over" at maturity (based on historical and current market trends) and withdrawals based on our previous experience. The assumptions are based on a reasonable estimate of inflows and outflows including repayments of loans, projected Deposit Note redemptions and rollover rates. The assumptions also include income tax instalment forecasts, provision for 92% of the liquidity investment portfolio to be invested in either negotiable certificates of deposit with Australian banks or in bank accepted negotiable bills of exchange, commissions to our authorised referrers of loans and Deposit Notes to be paid in the month following the date they fall due, no significant purchases of capital items and no dividend payments to Bendigo and Adelaide Bank.

If the percentage of Deposit Notes to be rolled over during the next 3 months were 20% less than the percentage that was rolled over in the past 3 months Victorian Securities would continue to have sufficient cash or cash equivalents to meet projected cash flow needs.

If during the next 3 months the retention amount on Deposit Notes invested at call reduced by 20%, Victorian Securities would continue to have sufficient cash or cash equivalents to meet projected cash flow needs.

Benchmark 3 - Rollovers

There has been no amendment to Victorian Securities' response disclosed in Prospectus 18 dated 21 November 2011.

Benchmark 4 - Debt Maturity

ASIC's benchmark is that issuers disclose:

- a) an analysis of the maturity profile of interest-bearing liabilities by term and value; and
- b) the interest rates, or average interest rates, applicable to their debts.

Victorian Securities complies with ASIC's benchmark.

Maturity profile of interest-bearing liabilities

This table represents the maturity profile of our interest-bearing liabilities (Deposit Notes) as at 31 December 2011.

Maturity analysis	Deposit notes	%
At call	\$3,782,941	2.41%
Less than 3 Months	\$68,662,527	43.71%
3 - 6 Months	\$51,176,524	32.58%
6 - 12 Months	\$27,904,894	17.77%
12 - 24 Months	\$5,540,823	3.53%
Total	\$157,067,709	100.00%

Interest-bearing liabilities by interest rates

As at 31 December 2011 the weighted average paying rate on our interest-bearing liabilities (Deposit Notes) was 5.86%.

Benchmark 5 - Loan Portfolio

ASIC's benchmark is that issuers who directly on-lend funds or indirectly on-lend funds through a related party, should disclose the current nature of their loan portfolio including:

- a) how many loans they have and the value of those loans;
- b) an analysis of the maturity profile of interest-bearing assets (including loan portfolio) by term and value;
- c) the interest rates, or average interest rates, applicable to the assets;
- d) by number and value, loans they have by class of activity and geographic region;
- e) an analysis (number of loans, value of loans, value of principal and/or interest) of those loans more than 30 days past due and renegotiated loans;
- f) by number and value, what proportion of the total loan money is lent on a "secured" basis and what is the nature of the security;
- g) by number and value, what proportion of the total loan money is lent to their largest borrower and 10 largest borrowers; and
- h) by number, value and percentage, what loans are subject to legal proceedings.

Disclosure should also cover the policy on these issues. For example, where the issuer has a policy of not lending more than (say) 5% of their total loan funds to any one borrower, this should be stated in the prospectus.

Disclosure should also contain clear explanations about the issuer's approach to taking security in relation to its lending (eg. what types of security it takes and in what circumstances).

Note: If the issuer's loan portfolio is heavily concentrated into a small number of loans, or loans to a small number of borrowers, there might be a higher risk that a single negative event affecting one loan will put the overall portfolio (and investors' money) at risk.

Victorian Securities complies with this benchmark.

In addition to our self-managed loan portfolio, we also invest in loans managed on our behalf by other established lenders - refer Prospectus 18 section 8.1.1 "Investments in mortgages" subsections "Investments in managed investments schemes" and "Purchase of mortgages from third parties". This enables us to select mortgage investment opportunities that provide diversity to our self-managed loan portfolio in areas such as geographic spread and type of securities undertaken. For that reason, when we provide statistical information on the loan portfolio, we combine data for our self-managed portfolio and our investments in loans managed on our behalf by other established lenders. This portrays a relevant overall view of the status of the portfolio.

Number and value of loans

This table represents our portfolio as at 31 December 2011.

Loan portfolio	No. of loans	Value of loans
Self managed portfolio	197	\$108,139,146
Mortgages - indirectly managed	53	\$14,809,984
Total	250	\$122,949,130

Maturity profile of interest-bearing assets

This table represents the maturity profile of our interest-bearing assets (loans and liquidity investment portfolio) as at 31 December 2011.

Maturity term	Loan portfolio	Liquidity investment portfolio	Total
0-1 year	\$103,342,561	\$64,173,794	\$167,516,355
1-2 years	\$11,273		\$11,273
2-5 years	\$44,126		\$44,126
5-10 years	\$122,585		\$122,585
10+ years	\$19,428,585		\$19,428,585
Total	\$122,949,130	\$64,173,794	\$187,122,924

Interest-bearing assets by interest rates

As at 31 December 2011 the weighted average earning rate on our interest-bearing assets was 8.34%.

Loans by class of activity

This table represents the composition of our loans by class of activity as at 31 December 2011.

Activity	Amount	% by \$ value	No. loans	% by no.
Accommodation, cafes & restaurants	\$2,094,042	1.70%	6	2.40%
Administrative & support services	\$505,042	0.41%	1	0.40%
Agriculture, forestry & fishing	\$1,452,964	1.18%	14	5.60%
Arts & recreation services	\$136,527	0.11%	1	0.40%
Construction	\$74,066,866	60.24%	74	29.60%
Consumer	\$6,048,241	4.92%	65	26.00%
Financial & insurance services	\$412,515	0.34%	3	1.20%
Health care & social assistance	\$4,423,636	3.60%	3	1.20%
Manufacturing	\$615,203	0.50%	3	1.20%
Other services	\$1,241,299	1.01%	10	4.00%
Professional, scientific & technical services	\$893,740	0.73%	6	2.40%
Rental, hiring & real estate services	\$29,723,533	24.17%	57	22.80%
Retail trade	\$1,250,185	1.02%	5	2.00%
Transport, postal & warehousing	\$85,337	0.07%	2	0.80%
Total	\$122,949,130	100.00%	250	100.00%

Loans by geographic region

This table represents our loans by geographic region as at 31 December 2011.

Geographical profile	Amount	% by \$ value	No. loans	% by no.
Victoria				
Melbourne & Suburbs	\$36,674,436	29.83%	47	18.80%
Geelong & South Coast	\$11,908,292	9.69%	14	5.60%
Western District	\$6,786,238	5.52%	12	4.80%
Ballarat & Surrounds	\$14,473,696	11.77%	89	35.60%
Wimmera	\$1,136,133	0.92%	4	1.60%
Central Victoria	\$2,401,786	1.95%	9	3.60%
Northern Country Victoria & Mallee	\$8,825,035	7.18%	12	4.80%
North Eastern Victoria & Gippsland	\$6,134,993	4.99%	16	6.40%
Other States				
New South Wales	\$27,576,300	22.43%	29	11.60%
Queensland	\$2,453,669	2.00%	9	3.60%
South Australia	\$590,548	0.48%	3	1.20%
Tasmania	\$0	0.00%	0	0.00%
Northern Territory	\$319,111	0.26%	2	0.80%
Western Australia	\$3,668,893	2.98%	4	1.60%
Total	\$122,949,130	100.00%	250	100.00%

Loans in arrears

Our approach to managing loans in arrears is detailed in Prospectus 18 section 8.1.2 “Arrears and default management”.

As at 31 December 2011 there were 7 loans with arrears exceeding 30 days. The interest amount in arrears was \$8,017,664. The principal balance on these loans was \$20,003,464 which represents 2.80% of the portfolio by number of loans and 16.27% by dollar value. These arrears include loans in which some of the arrears occurred in past financial years. Accordingly, the arrears have been recorded as credit loss events in the financial statements relevant to those years. Following exclusion of loans with credit losses already recorded against profits in past years, or recognised to be recorded against future profits, there are currently 4 loans in arrears with the interest amount in arrears being \$627,604. The principal balances on these loans totals \$ 5,828,503 which represents 1.60% of the portfolio by number of loans and 4.74% by dollar value.

Details of loans in arrears in which legal proceedings for recovery action is being undertaken are provided in “Loans subject to legal proceedings” within this benchmark.

As at 31 December 2011 Victorian Securities had 2 loans (that would otherwise have had arrears exceeding 30 days) that have been restructured, transferred or whose terms have been renegotiated within the last 6 months. One of these loans has a principal balance less than \$10 and is anticipated to be repaid within the next 3 months. The second loan has a principal balance less than \$225,000 and is due to be repaid over a six year period. It is anticipated that both loans will be recovered in full.

Security type

As at 31 December 2011 of the 250 loans comprising our loan portfolio 248 (99.20% by number of loans) totalling \$122,929,471 (99.98% by dollar value) were secured by way of first mortgage over freehold property. The remaining 2 loans (0.80% by number of loans) totalling \$19,659 (0.02% by dollar value) were secured by Deed of Security over Deposit Notes in Victorian Securities. No loans were unsecured.

This table represents the nature of security taken:

Security type	Amount	% by \$ value	No. loans	% by no.
Residential (Owner occupied & investment)	\$41,684,230	33.90%	121	48.40%
Commercial	\$28,543,350	23.22%	76	30.40%
Industrial	\$268,000	0.22%	1	0.40%
Construction	\$20,931,317	17.02%	22	8.80%
Earmarked for future development	\$28,972,898	23.56%	10	4.00%
Broad Acres	\$2,529,676	2.06%	18	7.20%
Deposit Notes with Victorian Securities	\$19,659	0.02%	2	0.80%
Unsecured	\$0	0.00%	0	0.00%
Total	\$122,949,130	100.00%	250	100.00%

Largest borrower(s)

As at 31 December 2011 Victorian Securities had 13 loans with principal balances totalling \$42,763,643 to its 10 largest borrowers, which represented 5.20% of the number of loans of the portfolio and 34.78% of the value of the portfolio.

The largest borrower had 1 loan with a principal balance of \$6,603,309 representing 0.40% of the number of loans of the portfolio and 5.37% of the value of the portfolio. This loan is in default and forms part of the disclosure in “Loans subject to legal proceedings” below.

Loans subject to legal proceedings

Victorian Securities’ approach to managing loans in default is detailed in Prospectus 18 section 8.1.2 “Arrears and default management”.

As at 31 December 2011 there were 5 loans in default with principal balances totalling \$16,204,500. This represents 2% of the portfolio by number of loans and 13.18% by dollar value.

At the time each loan became in default, Victorian Securities actively pursued, and continues to pursue, recovery action. Where necessary, Victorian Securities has obtained independent updated valuations of the security properties. In some cases these valuations reflect a reduced security value resulting in impairments that were included in Victorian Securities’ financial statements. The 4 loans in default within our self-managed portfolio are being actively marketed for sale or have been sold and are awaiting settlement. The remaining loan in default forms part of the indirectly managed loans acquired from Sandhurst Trustees Limited (refer Prospectus 18 section 8.1.1 “Investments in mortgages” subsection “Purchase of mortgages from third parties”). Recovery proceedings are being undertaken on this loan.

Victorian Securities has historically had a low credit default history however recorded its first trading losses in the past 3 financial years as a result of non-repayment of loans by borrowers (with deterioration in values of security properties relating to these loans preventing recovery of the loan amount). The decline in profits reflected the volatile and challenging trading conditions as a result of the global financial crisis and the general slow-down in the Australian economy. Significantly reduced commercial property values were experienced as a result of erosion in business confidence.

The loans in default within our self-managed portfolio were approved between 2006 and 2007. In the prevailing economic climate, proactive steps were taken which included extensive operational reviews of our commercial lending portfolio. Restrictions were applied to lending outside Victoria, monitoring of loans was increased and a proactive approach was adopted in expediting recovery action. The performance of loans approved under current criteria and processes have allowed us to take comfort in the adequacy of this approach. All loans advanced in the past 4 years continue to be maintained and serviced in a timely manner, and in accordance with the mortgage terms and conditions. With an average LVR for our self-managed portfolio currently at 46.59%, borrowers generally have a high degree of equity in their properties which we believe gives the portfolio a buffer against a downturn in property prices. The capital reserves built up also placed us in a strong position to endure the difficult trading conditions and maintain a strong balance sheet.

Benchmark 6 - Related Party Transactions

ASIC's benchmark is that issuers who on-lend funds should disclose their approach to related party transactions, including:

- a) how many loans they have made to related parties;
- b) the value of those loans;
- c) the value of those loans as a percentage of total assets; and
- d) the assessment and approval process they follow with related party loans when loans are advanced, varied or extended (eg. are they subject to the approval of the Trustee?).

Note: The risk with related party transactions is that they might not be made with the same rigour and independence as transactions made on an arm's-length commercial basis. There could then be a greater risk of the loans defaulting and, therefore, investors' money would be at greater risk if the issuer has a high number of loans to related parties; and the assessment and approval process for these loans was not independent.

Victorian Securities complies with ASIC's benchmark.

As at 31 December 2011 Victorian Securities has not made any loans to related parties.

Victorian Securities has a policy for related party lending, in which the assessment criteria, approval process (including interest rates, security and LVR's) and ongoing monitoring of these loans must be consistent with lending to non-related parties. It is a requirement that all related party transactions be approved by the Credit Committee. Investments of a short-term nature (realisable within 180 days with an ADI) which form part of Victorian Securities' liquidity investment portfolio are excluded from Victorian Securities' related party lending policy.

As at 31 December 2011 Victorian Securities did not have any funds deposited with or lent to related parties other than in the liquidity investment portfolio - refer Benchmark 2 "Liquidity" which is in accordance with the Victorian Securities' policy on related party transactions. The portfolio includes deposits with Bendigo and Adelaide Bank and Rural Bank Limited in their capacity as an ADI. Rural Bank Limited is a wholly owned subsidiary of Bendigo and Adelaide Bank.

Victorian Securities continues to have a portfolio of mortgages sourced from Sandhurst Trustees Limited which is a subsidiary of the Bendigo and Adelaide Bank. The transaction was entered into at a commercial value (ie. no discounting applied) – refer to Prospectus 18 section 8.1.1 "Investments in mortgages" subsection "Purchase of mortgages from third parties".

Victorian Securities also continues to have access to a standby loan facility with Bendigo and Adelaide Bank in which interest is payable at commercial market rates (ie. no discounting applied) on funds drawn – refer Prospectus 18 section 8.3 "Material contracts that assist with managing liquidity" subsection "Standby loan facility".

Benchmark 7 - Valuations

ASIC's benchmark is that where the issuer is involved in or (directly or indirectly) lends money for property-related activities, it should take the following approach to obtaining and relying on valuations:

- a) properties (ie. real estate) should be valued on an "as is" and, for development property, on an "as if complete" basis;
- b) development properties should be re-valued at least every 12 months unless the funds are retained by the issuer and only released in stages to cover project completion costs;
- c) issuers should have a clear policy on how often they obtain valuations, including how recent a valuation has to be when they make a new loan;
- d) issuers should establish a panel of valuers and ensure that no single valuer conducts more than one third of the total number of the valuations they obtained; and
- e) the appointment of valuers should be with the trustee's consent.

ASIC's benchmark further states that issuers should also include information about the valuation of a particular property in the prospectus where:

- f) the property accounts for 5% or more of the total value of property assets of the issuer;
- g) the property accounts for 5% or more of the total value of property assets of a related party through which the issuer has indirectly on-lent money;
- h) a loan secured against the property accounts for 5% or more of the total value of the issuer's loan book; or

- i) a loan secured against the property accounts for 5% or more of the total value of the loan book of a related party through which the issuer has indirectly on-lent money.

Note: If the issuer does not include information about valuations in the prospectus, it will be more difficult for investors to assess how risky the investment is. Keeping valuations up-to-date and shared among a panel means they are more likely to be accurate and independent.

Victorian Securities does not meet the benchmark. This is because we do not meet limbs (a), (e) and (h). We do not meet limbs (a) and (e) as we may accept municipal and state authority valuations - refer “Basis for valuing properties (real estate)” subsection “Properties (excluding property development)” and “Trustee’s consent to panel of valuers” within this section. We do not meet limb (h) as the valuation information relating to one of our loans is not disclosed on the basis that disclosure may impact our ability to maximise the sale value of the property. For further information, please refer to “Loan and Security exposures of 5% or more of the portfolio” subsection “Loan details – Loan No. 2” below.

Victorian Securities does comply with limbs (b), (c), (d), (f), (g) and (i) of the benchmark.

Basis for valuing properties (real estate)

Our approach is outlined below and also in Prospectus 18 sections 8.4 “Risk Management” subsection “Valuation Risk”.

Properties (excluding property development)

Victorian Securities has properties valued on an “as is” basis. However we may accept municipal and state authority valuations for properties (excluding property development), provided our criteria for the use of municipal and state authority valuations is satisfied (refer “Policy on obtaining valuations” below). Victorian Securities does not meet limb (a) of the benchmark in respect of municipal and state authority valuations. This is because municipal and state authority valuations do not satisfy the definition of valuations used by ASIC for the purposes of the benchmark.

Property development

Victorian Securities has properties for development loans valued on an “as is” basis and an “as if complete” basis. Municipal and state authority valuations are not accepted for property development loans. For further information regarding our approach to property development lending, refer Prospectus 18 section 8.1.1 “Investments in mortgages” subsection “Property development lending”.

Policy on obtaining valuations

Victorian Securities has a clear policy on valuations but has elected to continue accepting municipal or state authority valuations where it believes they are adequate.

Victorian Securities’ policy on valuations is summarised below, with further details in Prospectus 18 section 8.4 “Risk Management” subsection “Valuation Risk”.

The standard is for security properties to be valued by an independent registered valuer who is a member of Victorian Securities’ panel of valuers. Criteria for admission to the panel include:

- membership of an appropriate recognised professional body including subscribing to that body’s standards and code of conduct;
- expertise, proven experience and reputation;
- appropriate professional indemnity insurance cover; and
- registration under one of the state/territory valuer registration regimes (provided the state/territory in which they operate has such a regime).

Victorian Securities continually monitors the panel to ensure adherence to criteria for membership.

Instructions to valuers must be in writing with sufficient information provided for a robust and accurate report to be produced. Instructions will generally be given to a valuer local to the area in which the security property is located, thus utilising the valuer’s local knowledge and expertise. The valuer must include a warranty in their valuation reports that the report complies with all relevant industry standards and codes and that the valuer has prepared the report independently and is not aware of any conflict of interest that a reasonable person, with full knowledge of all relevant facts and circumstances, would conclude is capable of affecting the valuation. Properties must be valued as close to the date of the approval of the loan as possible and a valuation is considered out of date after 6 months. Victorian Securities examines all valuations to assess the appropriateness of the valuation report against mortgage lending criteria. Victorian Securities ensures that no single valuer completes more than one third of the total number of valuations obtained.

The Trust Deed requirements and Victorian Securities' policy also allows for reliance on the latest municipal or state authority valuation issued, in circumstances where this valuation is considered adequate. With the exclusion of property development loans, Victorian Securities has always accepted municipal or state authority valuations and believes, at the prescribed LVR, they are acceptable in geographical locations known to lending delegates. If the property is known to, or has been inspected by an employee of Victorian Securities, a municipal or state authority valuation can be accepted provided:

- the LVR is less than or equal to 70% for residential securities
- the LVR is less than or equal to 40% for commercial securities
- the LVR is less than or equal to 40% for rural securities

Municipal and state authority valuations do not meet ASIC's definition of valuations.

Victorian Securities reserves the right to obtain on any future dates an up-to-date valuation of the property or properties offered as security at the borrower's expense. Victorian Securities may exercise this option at its discretion for whatever reason during the term of a loan however the standard practice is not to obtain up-to-date valuations during loan terms where the loan is performing satisfactorily and there is no considered deterioration in circumstances specific to that loan.

When providing additional advances to existing borrowers beyond the original loan approval amount, a valuation that was previously obtained by Victorian Securities of not more than 3 years old may be accepted provided that:

- the loan has been conducted appropriately;
- there have been no known material adverse changes to the property/properties;
- the security property/properties has/have been inspected by a Victorian Securities staff member as part of the loan approval process, full details of which are to be recorded on file based on our knowledge of the market/area in question; or
- where applicable confirmation that lease arrangements are unchanged and rental value has remained consistent.

Distribution of valuations to panel members

Victorian Securities has an established panel of valuers and ensures no single valuer completes more than one third of our valuation work.

Trustee's consent to panel of valuers

Victorian Securities has obtained the Trustee's consent to a panel of valuers. This does not include municipal or state authority valuers.

Loan and security exposures of 5% or more of the portfolio

As at 31 December 2011 Victorian Securities' loan portfolio comprises security where the property value accounts for 5% or more of the total value of properties under mortgage, or where the loan secured against the property accounts for 5% or more of the total value of loan balances, the particulars of which, including details in relation to the valuation and cost in accordance with the ASIC benchmark, is set out below.

Loan Details - Loan no. 1 - Security value exceeds 5% of total value of properties under mortgage	
Loan amount	\$850,000 (principal balance outstanding)
Loan amount as a percentage of loan portfolio	0.69%
Property value	\$15,100,000
Property valuation as a percentage of valuations of all properties under mortgage	5.81%
Cost of property at last sale	The land was purchased in two parcels in 1998 and 2002 for \$1,170,000 and \$2,500,000 respectively. The owner has obtained re-zoning for the security properties and for a planning permit for 185 residences to be issued.

Loan Details - Loan no. 2 - Principal loan balance exceeds 5% of the total value of loan balances	
Loan amount	\$6,603,309 (principal balance outstanding)
Loan amount as a percentage of loan portfolio	5.37%
Property value	This has not been disclosed as it may impact our ability to maximise the proceeds of sale of the security property given recovery action currently being undertaken. The original valuation obtained prior to the loan being advanced was \$11,700,000 however independent updated valuations reflect a substantially reduced value.
Property valuation as a percentage of valuations of all properties under mortgage	Not disclosed - refer above
Cost of property at last sale	As Victorian Securities did not provide this loan to purchase the property (ie funds were provided to refinance a debt from another lender) this information is not held.
For further information regarding this loan refer to Benchmark 5 "Loan portfolio" subsection "Loans subject to legal proceedings"	

Benchmark 8 - Lending Principles - Loan-to-Valuation Ratios ('LVR')

There has been no amendment to Victorian Securities response disclosed in Prospectus 18 dated 21 November 2011.

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