

# Continuous Ongoing Quarterly Disclosures

**Victorian Securities Corporation Limited**  
ABN 32 004 496 208 AFSL 237904

## Victorian Securities Corporation Limited Continuous Ongoing Quarterly Disclosures

This Ongoing Quarterly Disclosure document has been prepared to inform you, as an investor or prospective investor, about updates to information contained in Prospectus No. 16.

Australian Securities and Investment Commission's ("ASIC's") Regulatory Guide 69 entitled "Debentures – improving disclosure for retail investors" sets out 8 benchmarks which ASIC has formulated to improve disclosure for retail investors. 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 particular benchmark we have provided you with an explanation of the approach we have adopted in addressing the particular benchmark.

Victorian Securities' business model and strategy remains unchanged and we continue to maintain the same prudent approach to our business and operations. Victorian Securities is currently seeking to wind down its investments in Mortgages – indirectly managed by RMBL Investments Limited and Banksia Mortgage Fund and replace these investments with another indirectly managed portfolio via a purchase of mortgages from another subsidiary of the Bendigo and Adelaide Bank Group – for further information refer to "Section B Purchase of Mortgages" within this document.

Although past performance does not necessarily indicate future performance, no investor in Debentures 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.

## Section A - Benchmark Reporting

The benchmarks are fully addressed in Prospectus no. 16 dated 23 November, 2009. 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 No 16.**

### Benchmark 1 - Equity Ratio

ASIC's benchmark is that debenture 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 debentures on issue) is property development or lending funds directly or indirectly for property development. This calculation is based on the formula nominated by ASIC as follows:

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

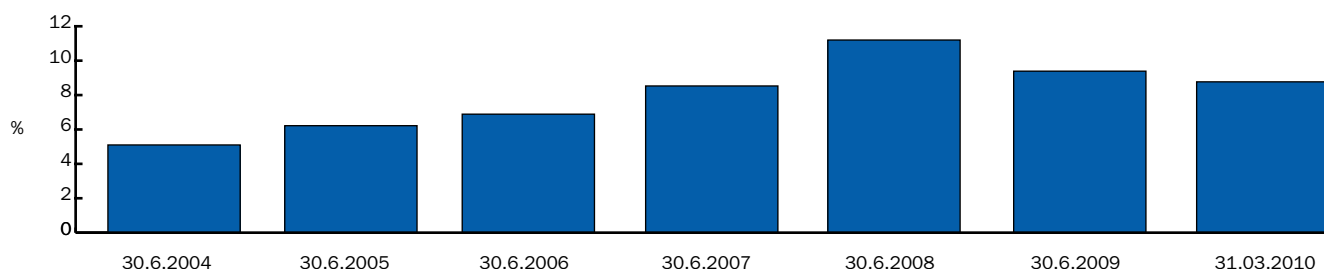
Note: Equity is the money invested by the owners of the issuer (plus any profits retained by the issuer). It provides a "buffer" in the event of financial difficulties and it also provides the issuer's owners with an incentive to operate prudently and responsibly. Insufficient capitalisation may be a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

Currently, property development or lending for property development forms more than a minor part (more than 10%) of Victorian Securities' activities (Victorian Securities' approach to the management of property development loans is described in Prospectus 16 sections 8.3 "Approach to lending", 8.4 "Asset Allocations" and 8.9 "Risk management"). The relevant equity ratio under the ASIC benchmark applicable to Victorian Securities is therefore 20%. At 31 March 2010, Victorian Securities' total equity was \$13,293,742 comprising money invested by the owners, reserves and retained profits. It represents an equity ratio of 8.77% and does not meet the ASIC benchmark.

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

For further details refer to Prospectus 16 section 8.8 "Equity ratio".

Victorian Securities' Equity Capital Ratio							
	30.6.2004	30.6.2005	30.6.2006	30.6.2007	30.6.2008	30.06.2009	31.03.2010
Equity Ratio	5.10%	6.22%	6.89%	8.53%	11.20%	9.39%	8.77%



### Benchmark 2 - Liquidity

ASIC's benchmark is that debenture issuers should:

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

Issuers should also disclose their policy on balancing the maturity of their assets and the maturity of their liabilities and material assumptions underlying their cash flow estimates.

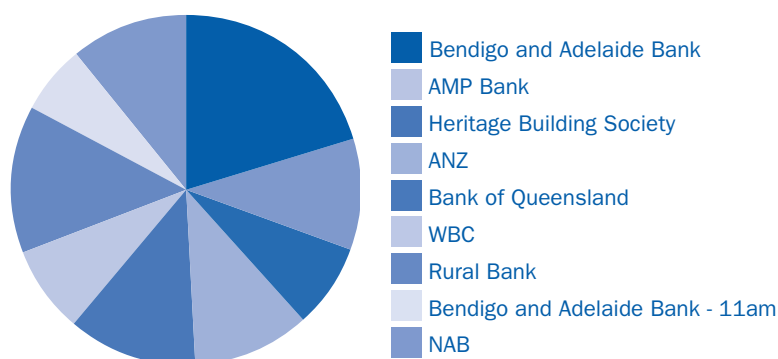
Victorian Securities complies with ASIC's benchmark.

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 Debenture monies.

As at 31 March 2010, Victorian Securities had liquidity as defined under the ASIC benchmark (ie cash or cash equivalents) of \$50,690,676 or 39.23% of Debentures 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 March 2010.

Investment Types	Amount	Total	% of Portfolio
<b>Negotiable Certificates of Deposit</b>			
Bendigo and Adelaide Bank	\$10,410,422		
AMP Bank	\$5,177,047		
Heritage Building Society	\$3,956,633		
ANZ	\$5,470,145		
Bank of Queensland	\$6,082,451		
WBC	\$3,984,984		
Rural Bank	\$6,955,211		
		\$42,036,893	83%
<b>11.00am Account</b>			
Bendigo and Adelaide Bank - 11am	\$3,177,756		
		\$3,177,756	6%
<b>Negotiable Bills of Exchange</b>			
NAB	\$5,476,027		
		\$5,476,027	11%
<b>Total</b>	<b>\$50,690,676</b>	<b>\$50,690,676</b>	<b>100%</b>



The maturity date of all such deposits and investments is not greater than 83 days.

Victorian Securities predominantly lends on loan facilities that have a term of 12 months and then become repayable on 30 days notice. As at 31 March 2010, 91.39% of Victorian Securities' loans by dollar value have a remaining term of less than 12 months.

In balancing the maturity of our liquidity investments portfolio with our principal liabilities, the maximum term of Debentures is 2 years. As at 31 March 2010, 94.36 % of the Debenture portfolio by dollar value has 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. The report incorporates forecast data extracted from the annual budget. 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 assumptions based on historical and current market trends. The assumptions are based on a reasonable estimate of inflows and outflows including repayments of loans, projected Debenture redemptions and rollover rates. The assumptions also include income tax instalment forecasts, provision for 92% of liquid funds to be invested in either negotiable certificates of deposit with Australian Banks or in bank accepted negotiable bills of exchange, commissions 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.

## Benchmark 3 - Rollovers

There has been no amendment to Victorian Securities' response disclosed in Prospectus 16 dated 23 November, 2009.

## Benchmark 4 - Credit Ratings

There has been no amendment to Victorian Securities' response disclosed in Prospectus 16 dated 23 November, 2009.

## Benchmark 5 - Loan Portfolio

ASIC's benchmark requires issuers who 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) by number and value, loans they have by class of activity and geographic region;
- (c) by number and value, what proportion of loans are in default or arrears;
- (d) by number and value, what proportion of the total loan monies are lent on a "secured" basis and what is the nature of the security; and
- (e) by number and value, what proportion of the total loan monies they have lent to their largest borrower and 10 largest borrowers.

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).

Victorian Securities complies with this benchmark.

### Number and value of loans

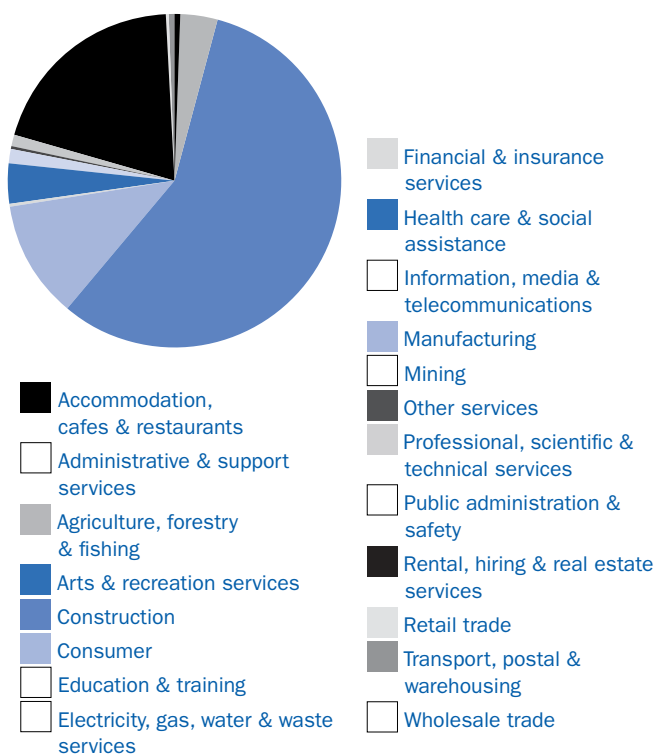
As at 31 March 2010, Victorian Securities had 253 mortgage loans totalling \$107,077,235. This comprised 223 loans totalling \$99,297,235 within Victorian Securities self-managed portfolio, together with 30 loans totalling \$7,780,000 which comprised our investment in loans managed on our behalf by other established lenders (refer Prospectus 16 section 8.3.1 "Investments in mortgages" subsection "Investments in managed investment schemes"). Loans managed on our behalf by other established lenders enable Victorian Securities to select individual mortgage investment opportunities that provide diversity to the existing self-managed portfolio in areas such as geographic spread and type of securities undertaken. For that reason, when we provide statistical information for the loan portfolio, we combine data for our self-managed portfolio and our investments in loans managed on our behalf. This portrays a relevant overall view of the status of the portfolio.

### Loans by class of activity

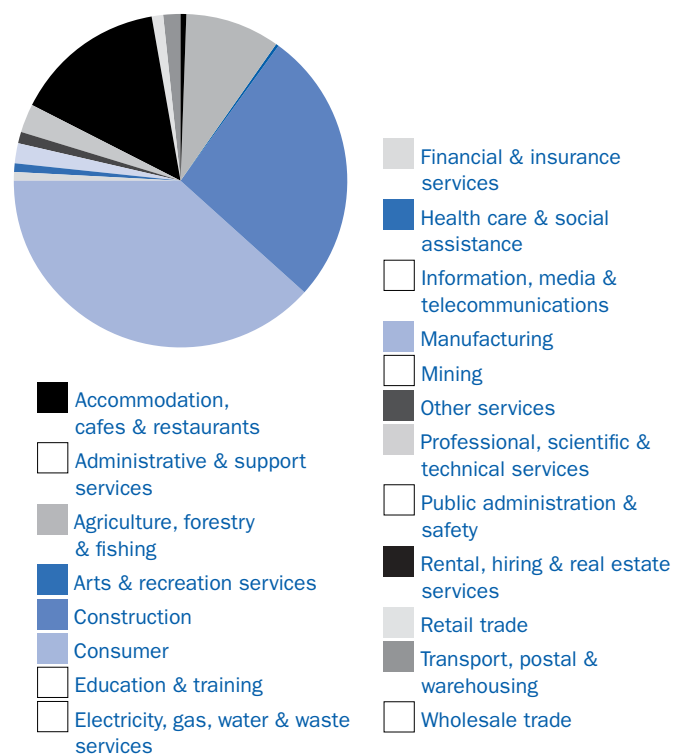
The following table represents the actual composition of Victorian Securities' loans by class of activity as at 31 March 2010:

Activity	Amount	% by \$ value	No. loans	% by no.
Accommodation, cafes & restaurants	\$657,496	0.61%	2	0.79%
Administrative & support services	\$0	0.00%	0	0.00%
Agriculture, forestry & fishing	\$3,895,472	3.64%	23	9.09%
Arts & recreation services	\$172,248	0.16%	1	0.40%
Construction	\$60,924,330	56.90%	67	26.48%
Consumer	\$12,263,415	11.45%	97	38.34%
Education & training	\$0	0.00%	0	0.00%
Electricity, gas, water & waste services	\$0	0.00%	0	0.00%
Financial & insurance services	\$230,000	0.21%	2	0.79%
Health care & social assistance	\$4,100,636	3.83%	2	0.79%
Information, media & telecommunications	\$0	0.00%	0	0.00%
Manufacturing	\$1,554,494	1.45%	5	1.98%
Mining	\$0	0.00%	0	0.00%
Other services	\$349,506	0.33%	3	1.19%
Professional, scientific & technical services	\$1,147,687	1.07%	7	2.77%
Public administration & safety	\$0	0.00%	0	0.00%
Rental, hiring & real estate services	\$21,122,481	19.73%	37	14.62%
Retail trade	\$359,038	0.34%	3	1.19%
Transport, postal & warehousing	\$300,432	0.28%	4	1.57%
Wholesale trade	\$0	0.00%	0	0.00%
<b>Total</b>	<b>\$107,077,235</b>	<b>100.00%</b>	<b>253</b>	<b>100.00%</b>

Loans by class of activity by \$ value



Loans by class of activity by number of loans

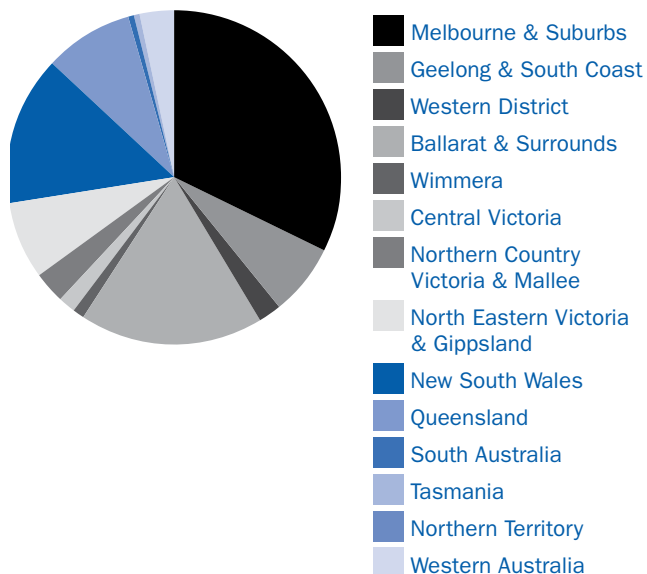


### Loans by geographic region

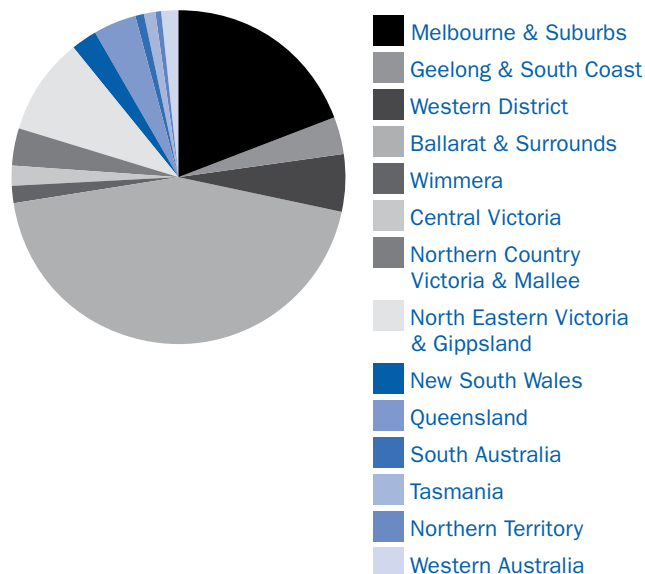
The following table represents Victorian Securities' loan portfolio by geographic region as at 31 March 2010:

Geographical profile	Amount	% by \$ value	No. loans	% by no.
<b>Victoria</b>				
Melbourne & Suburbs	\$34,754,409	32.46%	49	19.37%
Geelong & South Coast	\$7,394,909	6.91%	9	3.56%
Western District	\$2,403,845	2.24%	14	5.53%
Ballarat & Surrounds	\$18,909,298	17.66%	112	44.27%
Wimmera	\$1,213,125	1.13%	4	1.58%
Central Victoria	\$1,853,174	1.73%	5	1.98%
Northern Country Victoria & Mallee	\$3,122,359	2.92%	9	3.56%
North Eastern Victoria & Gippsland	\$8,005,929	7.48%	24	9.49%
<b>Other States</b>				
New South Wales	\$15,455,595	14.43%	6	2.35%
Queensland	\$9,204,874	8.60%	11	4.35%
South Australia	\$630,000	0.57%	2	0.79%
Tasmania	\$595,000	0.56%	3	1.19%
Northern Territory	\$220,154	0.21%	1	0.40%
Western Australia	\$3,314,564	3.10%	4	1.58%
<b>Total</b>	<b>\$107,077,235</b>	<b>100.00%</b>	<b>253</b>	<b>100.00%</b>

Geographic profile by \$ value



Geographic profile by number of loans



### Loans in arrears

Victorian Securities' approach to managing loans in arrears is detailed in Prospectus 16 section 8.3.5 "Arrears and default management".

As at 31 March 2010 there were 3 loans with arrears exceeding 90 days where no prior arrangement regarding payment has been agreed to. The arrears exceeding 90 days amount to \$3,626,384. The total of the principal amounts outstanding on these loans is \$14,906,117 which represents 1.19% of the portfolio by number of loans and 13.92% by dollar value. Further details on these loans are provided in "Loans in default – Loan No. 1, 3 and 5" – refer below.

### Loans in default

Victorian Securities' approach to managing loans in default is detailed in Prospectus 16 section 8.3.5 "Arrears and default management".

Victorian Securities has historically had an extremely low credit default history since inception however recorded its first trading loss in the last financial year. The decline in profits reflect the volatile and challenging trading conditions as a result of the global financial crisis and the general slow-down in the Australian economy. Reduced commercial property values are being experienced as a result of eroded business confidence.

In the prevailing economic climate, Victorian Securities has taken proactive steps to increase monitoring of loans and to initiate recovery action where we believe this is necessary. This included an operational review of our commercial lending portfolio which allowed us to take some comfort in the adequacy of provisioning levels for credit loss events. While there are a higher level of loans in default (as a proportion of the self-managed loan portfolio) than in previous years, the vast majority of our loans 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 42.67% borrowers generally have a high degree of equity in their properties which Victorian Securities believes 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.

As at 31 March 2010, there were 5 loans in default with principal amounts owing totalling \$15,566,025. This represents 1.98% of the portfolio by number of loans and 14.54% by dollar value.

**Loan No. 1:** The principal balance of this loan is \$6,603,309. The term of this loan expired and the borrower also failed to meet interest payments. Victorian Securities undertook legal action and has obtained judgment for the debt. Victorian Securities obtained independent updated valuations of the security property in February 2008, December 2008 and April 2009 (the valuation amounts have not been disclosed as this may impact our ability to maximise the proceeds of sale of the security property given recovery action currently being undertaken). Victorian Securities' Directors resolved to adopt these valuations resulting in impairments of \$1,653,309, \$3,200,000, \$417,938 and \$136,000 respectively (these amounts represent the loan principal and interest amount outstanding plus costs and fees, less the amount of previous impairments and the latest valuation) on this loan. These impairments were adjusted in Victorian Securities' financial statements in the 2008 and 2009 financial years and the half year ended 31 December 2009. A further impairment of \$50,000 has been provisioned for inclusion in the financial statements for the year ending 30 June 2010. The security property has been sold and following settlement, Victorian Securities currently anticipates that impairments previously provided will be sufficient upon receipt of settlement proceeds.

**Loan No. 2:** The principal balance of this loan is \$220,000. The loan is secured by three separate commercial properties. All required payments on the loan have been met however Victorian Securities issued legal notices for recovery of the debt after the borrower was placed into liquidation by an external party following a dispute with that party - the advent of liquidation constitutes a default under the terms of the loan with Victorian Securities. Victorian Securities has legal action in process for possession of the security properties and recovery of the debt. Victorian Securities is confident it will recover the full amount owing.

**Loan No. 3:** The principal balance of this loan is \$3,205,358. The loan relates to a property earmarked for development. The borrower failed to meet project commencement timeframes and subsequently failed to meet interest payments. Victorian Securities undertook legal action and has obtained judgment for the debt and for possession of the security property. Victorian Securities obtained independent updated valuations of the security property in January 2008, June 2009 and December 2009 (the valuation amounts have not been disclosed as this may impact our ability to maximise the proceeds of sale of the security property given recovery action currently being undertaken). Victorian Securities' Directors resolved to adopt these valuations resulting in impairments of \$706,498, \$1,462,957 and \$1,270,958 respectively (these amounts represent the loan principal and interest amount outstanding plus costs and fees, less

the amount of previous impairments and the latest valuation adopted) on this loan. These impairments were adjusted in Victorian Securities' financial statements for the 2009 financial year and the half year ended 31 December 2009 respectively. Victorian Securities is now taking action to enforce the judgments.

**Loan No. 4:** The principal balance of this loan is \$439,908. The loan relates to a property earmarked for residential subdivision. The borrower failed to meet project commencement timeframes and subsequently failed to meet interest payments. Victorian Securities has legal action in process for possession of the security property and recovery of the debt. The borrower is seeking to refinance the facility.

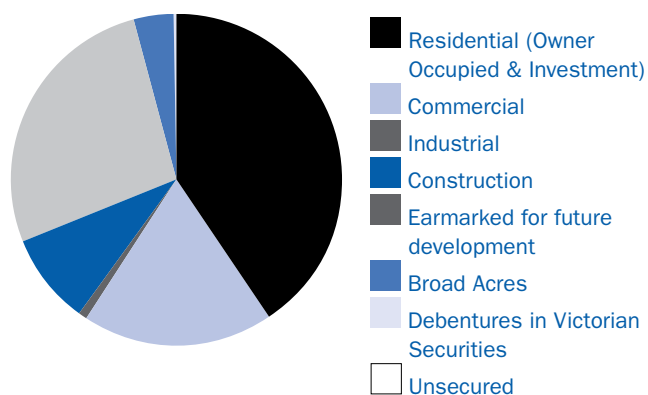
**Loan No. 5:** The principal balance of this loan is \$5,097,450. The loan relates to a property development in which the construction of residential apartments is complete and the borrower subsequently failed to meet interest payments. Victorian Securities undertook legal action and has obtained judgment for the debt and for possession of the security property. In February 2009 an independent updated valuation of the security property was obtained (the valuation amount has not been disclosed as this may impact our ability to maximise the proceeds of sale of the security property given recovery action currently being undertaken). Victorian Securities' Directors resolved to adopt this valuation resulting in an impairment of \$1,540,850 (this represents the loan principal and interest amount outstanding plus costs and fees, less the amount of the latest valuation) on this loan. The impairment was adjusted in Victorian Securities' financial statements for the 2009 financial year. Victorian Securities is now taking action to enforce the judgments.

### Security type

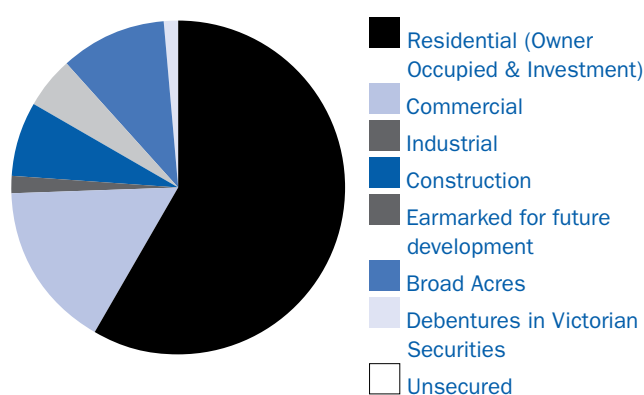
As at 31 March 2010, of the 253 loans made by Victorian Securities, 250 (98.81% by number of loans) totalling \$107,024,735 (99.95% by dollar value) were secured by way of first mortgage over freehold property. The remaining 3 loans (1.19% by number of loans), totalling \$52,500 (0.05% by dollar value), were secured by Deed of Security over Debentures in Victorian Securities. No loans were unsecured. The nature of security is described in the following table:

Security Type	Amount	% by \$ value	No. loans	% by no.
Residential (Owner Occupied & Investment)	\$43,534,837	40.66%	148	58.50%
Commercial	\$19,994,221	18.67%	41	16.21%
Industrial	\$933,577	0.87%	4	1.57%
Construction	\$9,431,291	8.81%	18	7.11%
Earmarked for future development	\$28,997,031	27.08%	13	5.14%
Broad Acres	\$4,133,778	3.86%	26	10.28%
Debentures in Victorian Securities	\$52,500	0.05%	3	1.19%
Unsecured	\$0	0.00%	0	0.00%
<b>Total</b>	<b>\$107,077,235</b>	<b>100.00%</b>	<b>253</b>	<b>100.00%</b>

Security type by \$ value



Security type by number of loans



### Largest borrower(s)

As at 31 March 2010, Victorian Securities had 13 loans with principal balances totalling \$39,985,842 to its 10 largest borrowers, which represented 5.14% of the number of loans of the portfolio and 37.34% 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 6.17% of the value of the portfolio. Further details on this loan are provided in “Loans in default – Loan No. 1” above.

## Benchmark 6 - Related Party Transactions

There has been no amendment to Victorian Securities’ approach disclosed in Prospectus 16 dated 23 November, 2009.

Victorian Securities does 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 Limited and Rural Bank Limited. Rural Bank Limited is a joint venture between Bendigo and Adelaide Bank Limited and Elders Limited.

Victorian Securities is however, currently seeking to purchase a portfolio of mortgages from another subsidiary of the Bendigo and Adelaide Bank Group. The transaction will be entered into at a commercial value (ie. no discounting will apply) – for further information refer to “Section B Purchase of Mortgages” within this document.

## Benchmark 7 - Valuations

ASIC’s benchmark is that issuers who are involved in (directly or indirectly) or lend money for property-related activities should take the following approach to valuations:

- a) properties (ie real estate) should be valued on an “as is” and, for development property loans, on an “as if complete” basis;
- b) 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;
- c) issuers should establish a panel of valuers and ensure that no one valuer conducts more than one third of the total number of the valuations they obtained; and
- d) 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 issuer’s prospectus where:

- e) the property accounts for 5% or more of the total value of property assets of the issuer;
- f) 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;
- g) a loan secured against the property accounts for 5% or more of the total value of the issuer’s loan book; or
- h) 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.

Victorian Securities does not meet the benchmark. This is because Victorian Securities does not meet limbs (a), (d) and (g). We do not meet limbs (a) and (d) as we may accept municipal and state authority valuations - refer “Basis for valuing properties (real estate)” subsection “Properties (excluding property development)” and “Appointment of valuers” within this section. We do not meet limb (g) as disclosure in respect of Loan no. 1 referred to in the table below under “Loan and security exposures of 5% or more of the portfolio” within this section may impact our ability to maximise the proceeds of sale of the security property given recovery action currently being undertaken.

Victorian Securities does comply with limbs (b), (c), (e), (f) and (h) of the benchmark.

### **Basis for valuing properties (real estate)**

Victorian Securities’ approach is outlined below and also in Prospectus 16 sections 8.3.4 “Lending principles - loan to valuation ratios (“LVR”)” and 8.9 “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 ASIC’s definition of valuation for the purposes of meeting this limb.

## 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 Victorian Securities’ approach to property development lending, refer Prospectus 16 section 8.3.1 “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. Municipal and state authority valuations do not meet ASIC’s definition of valuations.

Victorian Securities’ policy on valuations is summarised below, with further details in Prospectus 16 section 8.9 “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 a recognised professional body;
- 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 will generally be given to a valuer local to the area in which the secured 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. 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 one valuer receives more than one third of our valuation work.

The current Trust Deed requirements and Victorian Securities’ policy 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 Victorian Securities’ knowledge of the market/area in question; or
- where applicable, confirmation that lease arrangements are unchanged and rental value has remained consistent.

### Panel of valuers and distribution of valuation requests

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

### Appointment 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 March 2010, Victorian Securities holds a mortgage over the following properties where the property 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, are set out below:

Loan Details - Loan no. 1	
Loan amount	\$6,603,309 (principal balance outstanding)
Loan amount as a percentage of loan portfolio	6.17%
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. The security property has been sold.
Property valuation (latest update) as a percentage of valuations of all properties under mortgage	Not disclosed – refer above
Cost of property at last sale	The property has recently been sold as part of Victorian Securities' recovery action with settlement due prior to the end of this calendar year. The sale amount has not been disclosed – refer above. Following settlement, Victorian Securities anticipates that it will recover a small portion of the amount by which the loan has been impaired.
For further information regarding this loan refer to Benchmark 5 "Loan Portfolio" subsection "Loans in Default" "Loan No. 1"	

Loan Details - Loan no. 2	
Loan amount	\$5,280,000 (principal balance outstanding)
Loan amount as a percentage of loan portfolio	4.93%
Property value	\$27,860,000
Property valuation as a percentage of valuations of all properties under mortgage	11.70%
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. At considerable cost over a period of ten years, the owner successfully arranged for the properties to be re-zoned to comprehensive development and for a planning permit for 185 residences to be issued.

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

There has been no amendment to Victorian Securities' response disclosed in Prospectus 16 dated 23 November, 2009.

## Section B - Purchase of mortgages

**The following provides additional information to disclosures made in Victorian Securities' Prospectus No 16 section 8.3.1 "Investments in Mortgages" based on Victorian Securities' current intention.**

Victorian Securities is currently seeking to wind down its investments in Mortgages – indirectly managed by RMBL Investments Limited and Banksia Mortgage Fund and replace these investments with another indirectly managed mortgage portfolio. The replacement portfolio represents an opportunity for Victorian Securities to be a participant, along with Bendigo and Adelaide Bank, in an acquisition of a portfolio of loans originated by another subsidiary of the Bendigo and Adelaide Bank Group. Victorian Securities' intention is to invest up to \$20,000,000 in purchasing these mortgages, all of which are secured by Titles to real estate in Australia with the principal loan amounts not to exceed an LVR of 66%.

The loans are of a "Low Doc" nature which means that limited financial information has been obtained. Victorian Securities will not be named as mortgagee on Titles to properties held as security, as the existing mortgagee will retain legal Title. As a result, the acquisition is dependant on Victorian Securities' ratio of total external liabilities not exceeding 93% of its total tangible assets at the time of entering into the transaction. Provided this ratio is not exceeded, Victorian Securities has the capacity, under its Trust Deed, to enter into a transaction of this nature – refer Prospectus 16 section 10.1 "Debenture Trust Deed" subsection "Authorised investments".

Since 2004, the existing mortgagee and a third party mortgage originator/manager have operated a successful program in which loans introduced are governed by an agreed procedure. In conjunction with Bendigo and Adelaide Bank, Victorian Securities has been a partner in a comprehensive due diligence program on the portfolio which has confirmed procedures have been adhered to and that no material risks associated with the acquisition are evident. Victorian Securities intends to select and acquire commercial loans from within this portfolio subject to each individual loan not exceeding \$1,000,000 and not being in arrears. The loans will continue to be managed under existing arrangements.

Victorian Securities believes its position will be strengthened by replacing investments in Mortgages – indirectly managed by RMBL Investments Limited and Banksia Mortgage Fund with an acquisition of this nature. Victorian Securities has not yet determined the exact composition of loans it is intending to acquire, however loans selected within the portfolio are likely to be predominantly secured by mortgages over Titles to commercial properties situated in metropolitan Melbourne, Sydney and Brisbane, which Victorian Securities would be unable to otherwise source. The portfolio will provide greater diversity to the existing self-managed portfolio in areas such as geographic spread and types of securities undertaken.

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