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12 December 2018

Ms Teresa Chan  
Manager, Regulated Fiduciary Services  
The Trust Company (Australia) Limited  
Angel Place  
Level 12, 123 Pitt Street  
SYDNEY NSW 2000

Dear Ms Chan

**R.A.C.V. Finance Limited Debenture Stock and Unsecured Note Supplemental and Consolidated Trust Deed dated 4 August 2000 (as amended) ("Trust Deed") Reporting requirements and ASIC Regulatory Guide 69 ("RG 69")**

In accordance with your request for monitoring and compliance of the RG 69 ASIC guidelines, please find attached below our report on the Benchmarks RG 69.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Phil Turnbull', is written over a light grey rectangular background.

PHIL TURNBULL  
EXECUTIVE GENERAL MANAGER  
MOTORING AND MOBILITY

## **R.A.C.V. Finance Limited ASIC 69 Benchmark report as at 30 November 2018**

R.A.C.V. Finance Limited (the Company) issued Prospectus 37 dated 1 November 2018 and a copy was lodged with ASIC on that date. An update of the Company's compliance or non-compliance with each benchmark is set out below

### **Benchmark 1 – Equity ratio**

**An issuer should maintain a minimum equity ratio (calculated as: equity / (total liabilities + equity)) of 8% where only a minor part of its activity is property development or lending funds directly or indirectly for property development.**

We satisfy Benchmark 1. Only a minor part of our activity is property development or lending funds directly or indirectly for property development. As at 30 November 2018 our equity ratio was 16.96%, compared with 15.51% as at 30 November 2017.

### **Benchmark 2 – Liquidity**

**An issuer should have cash flow estimates for the next three months and ensure that at all times it has cash or cash equivalents sufficient to meet its projected cash needs over the next three months.**

We satisfy Benchmark 2. We maintain cash flow estimates on a rolling three month basis and ensure that at all times we have on hand cash or cash equivalents sufficient to meet our projected cash needs over the next three months.

We do not have a policy of directly matching investments and loan maturities. However, over the past two years 73.1% of funds invested in Notes have been invested for up to a two year term. Loans repaid over the past two years have been repaid within an average period of two years and eight months.

In estimating cash flows, we take into account a reasonable estimate of rollovers based on our previous experience over the past financial year. Material assumptions underlying cash flow projections include analysis of recent actual investment and loan movements and consideration of budget projections, but exclude new fundraising and new lending business.

Cash flows for the three months from 30 November 2018 are estimated to be as follows:

|             |         |
|-------------|---------|
| Inflows     | \$98m   |
| Outflows    | - \$53m |
| Excess cash | \$45m   |

We periodically “stress test” our liquidity assumptions. For example, if you assume a 35% reduction in retention rates of investments in Notes this would result in a further reduction in excess cash of \$16m, [due to lower inflows from reinvestments] reducing total inflows to \$82m (\$98m - \$82m). This leaves \$29m (\$82m - \$53m) in excess cash as at 30 November 2018. Therefore, even if there is a 35% reduction in retention rates of investments in Notes, there remains sufficient excess cash or cash equivalents to meet projected cash needs over the next three months.

Further, to ensure that at all times we have cash on hand or cash equivalents sufficient to meet our projected cash needs over the next three months, a line of credit facility is available to draw down as required. Further details regarding this credit facility are set out in section 8.2 of Prospectus 37.

### Benchmark 3 – Rollovers

**An issuer should clearly disclose its approach to rollovers, including what process is followed at the end of the investment term and how it informs those rolling over or making further investments of any current prospectus and continuous disclosure announcements.**

We satisfy Benchmark 3. On the Maturity Date, you may choose to have your Notes repaid or rolled over. We will contact you in writing at least 14 days prior to the Maturity Date, setting out your options on maturity of your Notes and seeking your instructions.

If you do not provide instructions by the Maturity Date, the Notes will be automatically rolled-over on the same terms and conditions as the maturing investment at the then current interest rate.

We update our website, [www.racv.com.au/investments](http://www.racv.com.au/investments), with current continuous disclosure announcements, including any new prospectus.

### Benchmark 4 – Debt maturity

**All issuers should disclose an analysis of the maturity profile of interest-bearing liabilities (including any notes on issue) by term and value, and the interest rates, or average interest rates, applicable to their debts.**

We satisfy Benchmark 4. A maturity analysis of our interest-bearing liabilities as at 30 November 2018 is set out below:

| <b>Interest Bearing Liabilities</b>          | <b>\$000's</b> |
|--|----------------|
| Up to 1 month                                | 135,016        |
| Longer than 1 & not longer than 3 months     | 69,961         |
| Longer than 3 & not longer than 12 months    | 99,316         |
| Longer than 1 year & not longer than 5 years | 47,563         |
| <b>Total</b>                                 | <b>351,856</b> |
| <b>Average Rate</b>                          | 2.70           |

## Benchmark 5 – Loan Portfolio

Issuers who directly on-lend funds or indirectly on-lend funds through a related party, should disclose the current nature of its (or the related party's) loan portfolio in relation to a range of specified aspects.

We satisfy Benchmark 5. A summary of the nature of our loan portfolio as at 30 November 2018 is set out below:

### - loans (by number and value)

| Categories                | Number<br>#   | Value<br>\$000's |
|---------------------------|---------------|------------------|
| <b>Consumer loans</b>     |               |                  |
| Secured                   | 20,681        | 354,584          |
|                           | 22            | 49               |
| Unsecured                 | 80            | 400              |
|                           | 20,783        | 355,033          |
| <b>Business Loans</b>     |               |                  |
| Novated Leases            | 2,938         | 82,267           |
| Commercial Goods Mortgage | 464           | 8,631            |
| Commercial Hire Purchase  | 0             | 0                |
|                           | 3,402         | 90,898           |
| <b>Total Loans</b>        | <b>24,185</b> | <b>445,930</b>   |

Note: Business loans are quoted inclusive of deferred income and GST.

### - loans maturity analysis (by term and value)

| Loan Receivables                             | \$000's        |
|--|----------------|
| Up to 1 month                                | 8,328          |
| Longer than 1 & not longer than 3 months     | 17,102         |
| Longer than 3 & not longer than 12 months    | 75,566         |
| Longer than 1 year & not longer than 5 years | 250,139        |
| Longer than 5 years                          | 12,529         |
| <b>Total</b>                                 | <b>363,664</b> |
| <b>Average rate</b>                          | 7.99           |

Note: The values of loan receivables in the table above are consistent with the benchmark requirements but do not match values in the balance sheet as they indicate actual amounts owed by debtors and do not include accounting entries such as provisions and amortisation or accrued interest.

| Lease Receivables                            | \$000's       |
|--|---------------|
| Less than 1 year                             | 33,021        |
| Longer than 1 year & not longer than 5 years | 49,245        |
| <b>Total</b>                                 | <b>82,267</b> |
| <b>Average rate</b>                          | 6.60          |

Note: Lease receivables are quoted inclusive of deferred income and GST.

- **loans by class of activity and geographic region (by number and value)**

Our business is predominantly the providing of loans to consumers in Victoria.

Below is a breakdown of loans by class of activity and geographic region.

| State         | Consumer Loans |               |            | Business Loans & Leases |              |            |
|---------------|----------------|---------------|------------|-------------------------|--------------|------------|
|               | \$000's        | #             | %value     | \$000's                 | #            | % value    |
| VIC           | 164,075        | 9,693         | 46         | 24,594                  | 939          | 27         |
| QLD           | 74,307         | 4,618         | 21         | 18,518                  | 699          | 20         |
| NSW           | 85,163         | 4,662         | 24         | 12,973                  | 481          | 14         |
| Other         | 31,487         | 1,810         | 9          | 34,812                  | 1,283        | 38         |
| <b>Totals</b> | <b>355,033</b> | <b>20,783</b> | <b>100</b> | <b>90,898</b>           | <b>3,402</b> | <b>100</b> |

Note: Business loans and Lease by geographic region are quoted inclusive of deferred income and GST.

- **proportion of loans in default or arrears (by number and value)**

Total loans in arrears greater than 30 days are targeted to not exceed 2% of total value of loans.

| Loans greater than 30 days in arrears | Number       | \$000's      |
|---------------------------------------|--------------|--------------|
| <b>Consumer loans</b>                 |              |              |
| 31-60 days                            | 106          | 1,493        |
| 61-90 days                            | 47           | 662          |
| +90 days                              | 57           | 801          |
| <b>Business Loans</b>                 |              |              |
| 31-60 days                            | 34           | 757          |
| 61-90 days                            | 17           | 277          |
| +90 days                              | 20           | 558          |
| <b>Total arrears</b>                  | <b>281</b>   | <b>4,548</b> |
| <b>Proportion of total loans</b>      | <b>1.16%</b> | <b>1.02%</b> |

- **proportion of renegotiated loans within the past 3 months that were greater than 30 days in default/arrears (by number, value and percentage)**

|                    | Numbers | % of total Nbr | \$000's | % of total value |
|--------------------|---------|----------------|---------|------------------|
| Total renegotiated | 75      | 0.31           | 1,217   | 0.27             |

- **proportion of loans subject to legal proceedings (by number, value and percentage)**

|  | Numbers | % of total Nbr | \$000's | % of total value |
|--|---------|----------------|---------|------------------|
| Total loans subject to legal proceedings | 3       | 0.012          | 120     | 0.03             |

- **proportion of the total loan monies lent on a “secured” basis and nature of the security (by number and value)**

The proportion of loans that are secured is:

|               | <b>Numbers</b> | <b>% of total<br/>Nbr</b> | <b>\$000's</b> | <b>% of total<br/>value</b> |
|---------------|----------------|---------------------------|----------------|-----------------------------|
| Total secured | 24,083         | 99.58%                    | 445,482        | 99.90%                      |

#### **Nature of security**

The secured asset for all loans remains the property of the Company until the final payment is made. All loans secured by a tangible asset identifiable by a serial number will be subject to a security which is recorded in the Personal Property Security Register (**PPSR**).

- **proportion of the total loan monies lent to its largest borrower (by number and value)**

The largest single borrower holds 11 loan agreements with an outstanding balance of \$344k representing 0.08% of the total loan portfolio and 0.05% of the total number of borrowers.

- **proportion of the total loan monies lent to its 10 largest borrowers (by number and value)**

Our 10 largest borrowers hold 24 loans with balances totalling \$1.4m representing 0.32% of the total loan portfolio and 0.10% of the total number of borrowers.

- **Company's approach to taking security in relation to its lending**

Security is taken over an asset where possible. Secured loans are for motor vehicles where security is taken over the vehicle in the form of a security which is recorded in the PPSR. Our interest in the PPSR is not released until the final payment is made. Where there may be a shortfall in security held over the motor vehicle, a caveat may be placed over real estate property of the borrower or treated as unsecured.

- **Company's approach to loan portfolio diversification**

We minimise concentrations of credit risk in relation to all categories of loans by diversification. This is achieved by undertaking transactions with a large number of customers over many sectors and industries. In addition, security is taken over an asset where possible.

- **policy of how and when the Company will lend funds**

We have a lending policy whereby loans are assessed based on Equifax scores, which are calculated by reference to various factors including the number and types of accounts held by borrowers, available credit of borrowers, the length of credit history and payment history of borrowers. Our lending policy assists in reducing bad debts by limiting lending in the 'below average' and 'average' Equifax bands. Our policy is to keep 'below average' loans to 8% or less of the portfolio and 'average' loans to 15% or less of the portfolio. The 'average' and 'below average' credit risk bands may be considered in aggregate to a maximum of 23%, providing no more than 8% of the portfolio is rated 'below average'. As at 30 November 2018, the portfolio stands at 6.1% 'below average' scored loans and 14.9% 'average' scored loans.

- **Company's approach to loans in default**

All loans past due are managed on an individual basis to ensure recovery action is prompt and on a timely basis. Currently, past due loans are issued a default notice if a payment is 60 days overdue. The default notice states that if the overdue payment is not made within 35 days of the notice, steps will be taken to repossess the vehicle or other asset secured. Although various steps are taken to repossess a vehicle or other secured asset within the specified time frame, recovery of assets or moneys owed is not always achieved within the target 90 day period due to various procedural hurdles. In certain cases, we will seek to

enter into alternative arrangements whereby a borrower has a longer period of time to repay moneys owed if it is likely that we stand a greater chance of minimising losses, or such arrangements are in line with our broader business plans.

### **Benchmark 6 – Related party transactions**

**Issuers who on-lend funds should disclose their approach to related party transactions, including how many loans the issuer has made to related parties, the value of those loans, the value of those loans as a percentage of total assets, the assessment and approval process the issuer follows with related party loans when loans are advanced, varied or extended and any policy the issuer has regarding related party lending.**

We satisfy Benchmark 6. As at 30 November 2018, we had no loans to related parties, other than in relation to 5 loans with an aggregate value of \$150,408 to staff of the Company and of RACV on the same terms as any other borrower. These loans represent 0.03% of our total assets. Loans to related parties are not part of our business strategy. Our policy in relation to related party lending is that any such transactions are conducted on a commercial basis on conditions no more favourable than those available to members or employees. Related party loans are not subject to the approval of the Trustee.

### **Benchmark 7 – Valuations**

**If an issuer is involved in (directly or indirectly) or lends money for property-related activities, the issuer should take a specified approach to obtaining and relying on valuations.**

We do not satisfy Benchmark 7. Of our total loan portfolio, less than 1.00% represents property-related activities, which are primarily loans provided for home renovations.

We do not lend funds for property development or to property developers, nor do we lend funds for use as part of an integrated property business or mortgage financing. Given that the value of loans relating to home renovations as 30 November 2018 is \$4.5 million of the total portfolio of \$446 million, we do not seek external valuations for home renovation purposes.

Accordingly, we do not satisfy Benchmark 7 in relation to loans provided for home renovations (being property-related activities).

### **Benchmark 8 – Lending principles - Loan-to-valuations ratios**

**If an issuer (directly or indirectly) on-lends money in relation to property related activities, the issuer should maintain the following loan-to-valuation ratios:**

- **where the loan relates to property development - 70% on the basis of the latest complying valuation; and**
- **in all other cases - 80% on the basis of the latest complying valuation.**

As with Benchmark 7, given that the value of loans relating to home renovations as at 30 November 2018 is \$4.5 million on a total portfolio of \$446 million, we do not seek external valuations for home renovation purposes.

Accordingly, we do not satisfy Benchmark 8 in relation to loans provided for home renovations (being property-related activities).

**Confirmation that the promises made in your current prospectus (as contemplated by RG 69.118) remain current and no deviations have occurred which would require the issue of a supplementary prospectus or continuous disclosure notice.**

I confirm that the promises made in Prospectus 37 dated 1 November 2018 remain current and no deviations have occurred which would require the issue of a further supplementary prospectus or continuous disclosure notice.

We note your request that R.A.C.V. Finance Limited provide a copy to the Trustee of all relevant disclosure documents issued, as and when they are released, including any new prospectuses, supplementary prospectuses, general mail-outs to investments holders and continuous disclosure notices.

A handwritten signature in black ink, appearing to read 'Phil Turnbull', is written over a light grey dotted rectangular background.

PHIL TURNBULL  
EXECUTIVE GENERAL MANAGER  
MOTORING AND MOBILITY