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21 June 2021

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 blue horizontal line.

PHIL TURNBULL
EXECUTIVE GENERAL MANAGER
MOTORING AND MOBILITY

R.A.C.V. Finance Limited ASIC 69 Benchmark report as at 31 May 2021

R.A.C.V. Finance Limited (the Company) issued Prospectus 38 dated 31 October 2019 and a copy was lodged with ASIC on that date. Prospectus 38 was closed early on 2 November 2020 and RACV Finance does not currently have a Prospectus and is not accepting any new investments. 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 31 May 2021 our equity ratio was 18.15%, compared with 17.57% as at 31 May 2020.

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 77.2% 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 eleven 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 to 31 August 2021

Assuming an 60% retention rate for maturing investments in June and 0% for July and August (i.e. Notes)

We periodically “stress test” our liquidity assumptions. For example, if we assume a 35% reduction in retention rates of Notes (i.e. assuming a retention rate of 25% in June and 0% in July and August).

Cashflow		Stress Test	
Inflows	\$67m	Inflows	\$60m
Outflows	\$77m	Outflows	\$77m
Excess cash	(\$10m)	Excess cash	(\$18m)

The negative excess cash position in the above forecast is a direct result of no reinvestments being accepted effective 1 July 2021. RACV Finance have suspended the Secured Notes program and retail investors will be unable to roll over their investment with all monies invested in Secured Notes and interest earned to be repaid to investors at maturity. The existing subscription agreement with a major Australian bank will be utilised to fund repayments to retail investors. RACV Finance prepares monthly cashflow projections based on recent investment and loan movements to ensure sufficient cash is available to meet business requirements.

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 Banking Facility is available to draw down as required. The Company entered into a new Subscription Agreement with a major Australian bank for \$350m on 28 February 2019. This facility is split into two tranches of \$175m each, with the term for Tranche A being two years (expiring on 28 February 2021) and the term for Tranche B being three years (expiring on 28 February 2022). An amendment to this agreement was executed on 26 February 2021 with the facility increased to \$400m expiring on 28 February 2022.

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, investors are advised that we are no longer permitting maturing investments in notes to be rolled-over and the principal and any interest will be repaid to the investor.

We update our website, racv.com.au/investments, with current continuous disclosure announcements, including any new or supplementary 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 31 May 2021 is set out below:

Interest Bearing Liabilities	\$000's
Up to 1 month	29,603
Longer than 1 & not longer than 3 months	199,416
Longer than 3 & not longer than 12 months	73,501
Longer than 1 year & not longer than 5 years	11,795
Total	314,315
Average interest rate	1.36%

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 31 May 2021 is set out below:

- loans (by number and value)

Categories	Number #	Value \$000's
Consumer loans		
Secured	21,089	369,619
Interest free	20	17
Unsecured	26	98
	21,135	369,734
Business Loans		
Novated Leases	681	10,266
Commercial Goods Mortgage	227	3,420
	908	13,686
Total Loans	22,043	383,420

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	9,468
Longer than 1 & not longer than 3 months	18,925
Longer than 3 & not longer than 12 months	80,679
Longer than 1 year & not longer than 5 years	244,261
Longer than 5 years	19,821
Total	373,154
Average interest rate	6.80%

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	8,130
Longer than 1 year & not longer than 5 years	2,136
Total	10,266
Average interest rate	6.44%

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	151,890	9,587	41	3,473	247	25
QLD	79,063	4,102	21	2,900	192	21
NSW	101,166	5,396	27	2,555	149	19
Other	37,615	2,050	10	4,758	320	35
Totals	369,734	21,135	100	13,686	908	100

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
Consumer loans		
31-60 days	97	1,152
61-90 days	38	484
+90 days	55	641
Business Loans		
31-60 days	14	233
61-90 days	7	88
+90 days	13	119
Total arrears	224	2,717
Proportion of total loans	1.02%	0.71%

- **proportion of renegotiated loans within the past 3 months (by number, value and percentage)**

	Numbers	% of total Number	\$000's	% of total value
Total renegotiated	99	0.45	1,881	0.49

Renegotiated loans over the last 3 months remained at pre COVID-19 volumes.

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

	Numbers	% of total Number	\$000's	% of total value
Total loans subject to legal proceedings	-	-	-	-

There are currently no loans subject to legal proceedings

- **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:

	Numbers	% of total Number	\$000's	% of total value
Total secured	21,997	99.79%	383,304	99.97%

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 1 loan agreement with an outstanding balance of \$377k representing 0.10% of the total loan portfolio and less than 0.005% 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 15 loans with balances totalling \$1.5m representing 0.38% of the total loan portfolio and 0.07% 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 and a range of other risk attributes. Equifax scores 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 31 May 2021, the portfolio stands at 2.8% ‘below average’ scored loans and 14.1% ‘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 31 May 2021, we had 1 loans with a value of \$25,403 to employees of the Company and of RACV on the same terms as any other borrower. These loans represent 0.01% 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 where any such transactions are entered into they 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 or (directly or indirectly) 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 0.42% 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 31 May 2021 is \$1.6 million of the total portfolio of \$383 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 31 May 2021 is \$1.6 million on a total portfolio of \$383 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.

Prospectus 38 was closed early on 2 November 2020 and RACV Finance does not have a current Prospectus and is not accepting any new investments or roll-overs of existing investments from 1 July 2021.

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', written in a cursive style.

PHIL TURNBULL
EXECUTIVE GENERAL MANAGER
MOTORING AND MOBILITY