GP MORTGAGE CORPORATION

ABN 32 103 532 403

VALUATION POLICY

Valuations of all real property provided as security for a Mortgage Investment must be obtained in all instances from a registered valuer acceptable to GP Mortgage Corporation Limited (GPMC) unless the relevant Supplementary Product Disclosure Statement (SPDS) discloses otherwise and the GPMC Board or its delegated authority waive the requirement under certain circumstances identified in this Policy.

The GPMC Board or its delegated authority may waive the requirement of a written valuation if:

(a) a loan is made to a Borrower concurrently with the purchase of the property and GPMC is satisfied that:

  (i) the parties are dealing at arm's length; and

  (ii) the contract price is at market value and the loan, when taken with the aggregate of the amounts of principal to be secured by any prior or equal ranking securities, is no more than 40% (LVR ≤ 40%) of the contract price;

(b) the loan amount, when taken with the aggregate of the amount of principal secured by any prior or equal ranking securities, is no more than 40% of the lower of two (2) independent appraisals of the value of the property securing the Mortgage Investment as determined by licensed real estate agents carrying on a business in the area of the property being mortgaged; or

(c) the loan amount, when taken with the aggregate of the amount of principal secured by any prior or equal ranking securities, represents no more than 40% of the value of the property being mortgaged as determined by the Valuer General of New South Wales or his equivalent in any other Australian state.

GPMC is of the opinion that not requiring a formal valuation in the circumstances described above is reasonable, given the 40% loan to valuation ratio (LVR), and is satisfied that this should not adversely affect the ability of the fund to realise the security property for an amount in excess of the loan to the Borrower.

Any valuation report received must be less than three (3) months old at the date of the loan approval and less than six (6) months old when the loan is settled.

GPMC does not make development or construction loans. However, if it were to do so in the future, it will issue a Supplementary or a new Product Disclosure Statement (PDS). This would set out the valuation criteria for such loans.

Panel of Qualified Valuers

GPMC maintains a panel of qualified valuers, approved by the GPMC Board. Panel valuers must comply with the following criteria. Each valuer must:

1. be independent of GPMC and the Borrower and must have no interest in the relevant loan transaction;
2. be qualified and licensed and be a member of the Valuers' professional body in the State in which the relevant real property is located;
3. have not less than five (5) years continuous experience in valuation; and
4. have current Professional Indemnity Insurance which is adequate for the type of valuations undertaken by that valuer and which does not exclude it from carrying out valuations on behalf of GPMC or managed investment schemes.

The GPMC Board will from time to time determine whether valuers should be added to or removed from its Panel of approved valuers.

Valuation methodology

Where real property that forms the security for the Mortgage Investment is required to be valued, GPMC instructs the valuer to undertake a comprehensive and independent valuation of that property for mortgage security purposes on an "as is" basis, as defined by the Australian Property Institute, and provide a written report:

- if the property is owner occupied or occupied by a related party to the owner, on a "vacant possession" basis;
- if the property is occupied by a tenant or tenants which are at arms length to the owner of the property, subject to the existing tenancy(ies);
- in each case, without taking into consideration any proposed development of the property, unless appropriate approvals are held for the carrying out of that development;
- on a basis that is appropriate to the nature of the property, including property that may be considered specialised (which basis will be set out in the relevant SPDS and the valuation report accompanying the SPDS);
- in a format which clearly sets out the primary methodology used and, if so requested, a secondary check valuation methodology, and in accordance with the instructions; and
- that contains a statement as to whether the valuation complies with all relevant industry standards and codes.

Valuation at Regular Intervals

Any real property securing a Mortgage Investment must be valued at regular intervals if that property has been included by GPMC in determining the maximum loan amount.

GPMC will review its estimate of the value of any real estate securing a Mortgage Investment at intervals of not more that three (3) years. GPMC may do this by estimating the value of any real property on the basis of:

1. a new valuation of the real property by a panel valuer if it has been three (3) years since the last valuation;
2. an appraisal of that property by a licensed real estate agent; or
3. an opinion by a panel valuer or licensed real estate agent that the general market conditions in relation to properties of the type and in the locality of the subject property have not deteriorated since the date of the last valuation received by GPMC. If the opinion is that real property values have moved adversely in the intervening period a new valuation will be obtained, normally from the same panel valuer.

In addition a written valuation report will be obtained within two (2) months after the GPMC Board forms a view that there is likelihood that a decrease in the value of the real property security may have caused a material breach of a loan covenant.