

PROVIDENT CAPITAL LIMITED (RECEIVERS AND MANAGERS APPOINTED)

Information Session for Debentureholders

Monday, 13 August 2012 at 10.30am



Agenda

Presentation by Receivers to Debentureholders

1. Relevant Experience of PPB Advisory's Receivers and Senior Staff
2. Chronology of Key Events Leading to Receivership
3. Key Findings from PPB Advisory Solvency Report of 27 March 2012
4. Key Findings from PPB Advisory Supplementary Report of 8 June 2012
5. Key Objectives of Receivership
6. Key Assets and Liabilities of Provident (Estimate) – 3 July 2012
7. Preliminary Analysis of FTI Loan Portfolio
8. Key Features of Wholesale Facility with Bendigo Adelaide Bank Limited ("BEN")
9. Preliminary Forecast Financial Position of BEN Wholesale Facility at July 2012
10. MIF / HYF ("Funds")
11. Issues that may Impact Recoverable Value of Property Securities
12. Holding Time of FTI Mortgagee in Possession Loans Greater than \$4.5m
13. Operations
14. Distributions to Debentureholders
15. Future Communication with Debentureholders

Debentureholders' Questions

Refreshments

1. Relevant Experience of PPB Advisory's Receivers and Senior Staff



Receivers

- **Phil Carter**
 - Leader of Sydney Restructuring Group
 - Extensive experience in managing distressed Debenture Issuers (including Elderslie Finance, Australian Capital Reserve and Bridgecorp Finance)
- **Tony Sims**
 - Leader of Corporate Finance Group
 - Former Non-Executive Director of ING Investment Management, NSW State Super Financial Services and Funds SA
- **Marcus Ayres**
 - Partner, Sydney Restructuring Group
 - Liquidator of Lehman Bros Australia
 - Managing complex litigation matters in PCL

Senior Staff

- **Stephen Edds / James Alexio – Operations**
- **Leon Boyatzis – Property Issues**

2. Chronology of Key Events Leading to Receivership



Date	Event
30 Nov 2011	AET scheduled a meeting with Provident's Auditors (HLB) on 8 December 2011 to discuss concerns
19 Dec 2011	AET meet ASIC to recommend that an independent review of Provident's loan book be undertaken in early 2012
22 Dec 2011	ASIC write to Provident setting out concerns regarding level of disclosure by Provident in its prospectus
23 Dec 2011	Provident provide undertaking to ASIC to withdraw prospectus
20 Jan 2012	Provident issue information booklet to investors highlighting a number of matters including portfolio performance to ASIC benchmarks and the high level of arrears in the FTI portfolio
21 Feb 2012	PPB Advisory engaged by AET to undertake a solvency review of Provident
27 Mar 2012	PPB Advisory provides AET and ASIC with Solvency Report on Provident
31 Mar 2012	Provident's wholesale facility with Bendigo Adelaide Bank expires
4 Apr 2012	Provident issues updated information booklet to investors, highlighting that 84.8% of FTI book by value is more than 180 days in arrears

2. Chronology of Key Events Leading to Receivership (cont'd)



Date	Event
Late May / Early Jun 2012	AET received updated valuations for three properties securing three of the five largest loans in the FTI portfolio
8 Jun 2012	PPB Advisory provides Supplementary Report to AET and ASIC
8 Jun 2012	AET makes application to the Federal Court seeking orders for the appointment of Receivers to Provident, and direction that distributions be paid to all Debentureholders on a pro-rata basis
19 Jun 2012	Provident lodges a notice with ASIC that PDS on Monthly Income Fund had been withdrawn
29 Jun 2012	Federal Court appoints Carter, Sims and Ayres of PPB Advisory as Receivers, but stays order until Tuesday, 3 July
3 Jul 2012	Federal Court lifts stay and Receivers appointed at 7.00pm
10 Jul 2012	Carter, Sims and Ayers appointed Receivers and Managers pursuant to fixed and floating charge granted in favour of AET

3. Key Findings from PPB Advisory Solvency Report of 27 March 2012



- From a cashflow perspective, Provident was solvent and was expected to remain so until 31 December (due to forecast loan discharges and Provident's ability to defer debentures for up to 365 days)
- Key risk was that the value of security assets held may not meet Debentureholders' claims (as 90% of loans were in arrears and non-performing)
- A deficiency in assets available to meet Debentureholders' claims, based on Provident's financial accounts at 31 December 2011, appeared to be likely
- We also had concerns that the valuations on several large exposures were either not current or not prepared on an "as is" basis to reflect current realisable values
- Provident's capacity to generate sufficient operating income to meet corporate overheads was largely dependent on achieving an extension of its wholesale facility with Bendigo Adelaide Bank, which was expiring 31 March 2012
- Loan arrears reported by Provident appeared to be understated

As a result of our findings, AET were concerned that Debentureholders may face a shortfall. Accordingly, AET requested Provident to obtain current valuations on three key properties

4. Key Findings from PPB Advisory Supplementary Report of 8 June 2012



- This report dealt with the impact of the updated “as is” valuations on the properties securing three of the five largest loans in the FTI portfolio (representing 33% of the portfolio)
- On the basis of the updated valuations, we expressed an opinion that a further material provision would be required against the portfolio security values. On the basis of these valuations, there would not be sufficient property available to meet all Debentureholders’ claims
- Accordingly, there was a risk that not all Debentureholders would be treated fairly (ie, those redeeming now would receive 100% but those who redeemed later may risk a significant loss of capital)

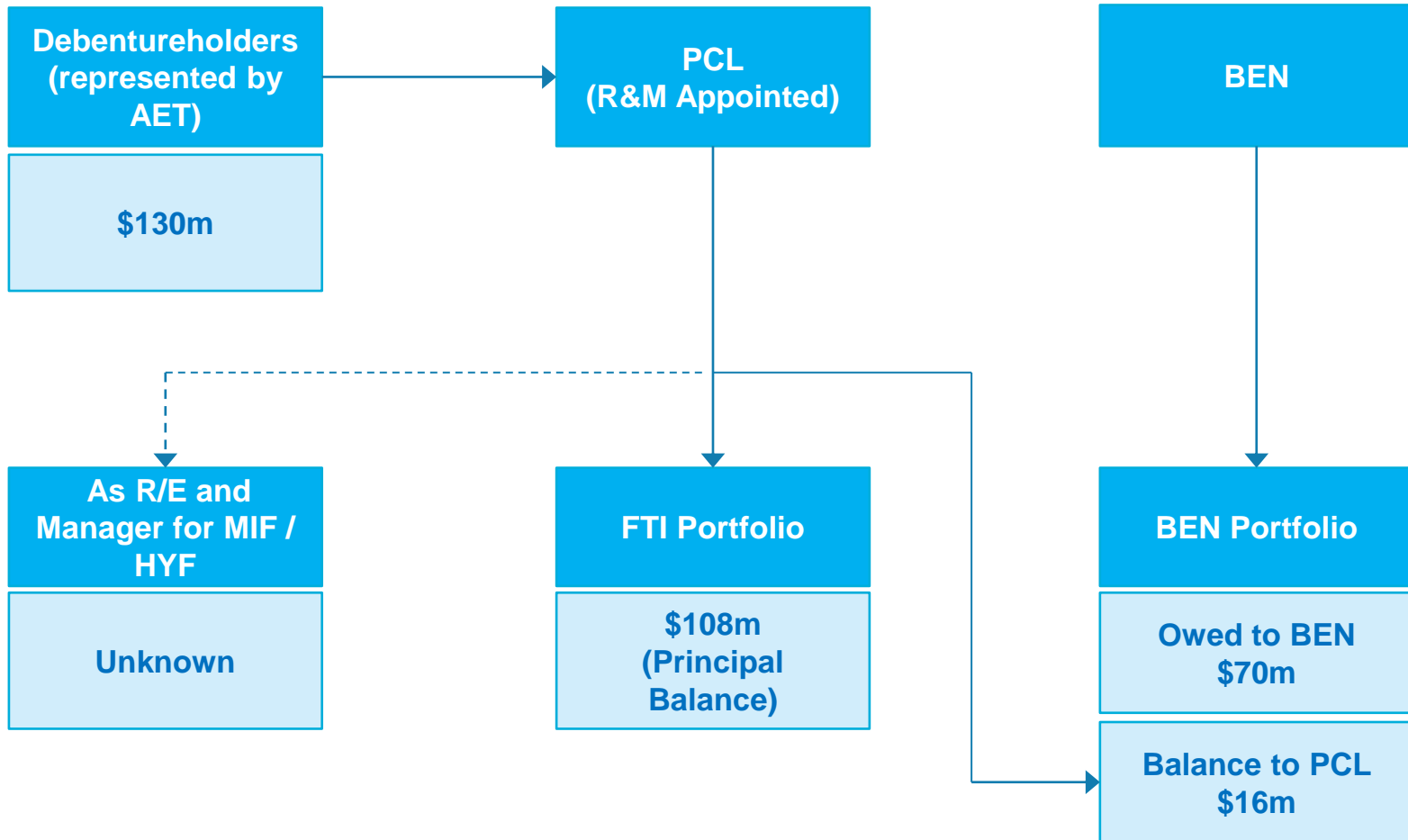
Accordingly, AET made an urgent application to the Federal Court for orders to appoint Receivers to Provident

5. Key Objectives of Receivership

The Receivers' key objective: to maximise returns to Debentureholders as quickly as possible

- The Receivers act in the best interests of all Debentureholders on an equal basis
- The Receivers will analyse realisation strategies for all assets available
- The Receivers will realise the Company's property following a strategy to maximise the return for the benefit of Debentureholders
- The Receivers will ensure that Debentureholders are adequately informed about the status of the Receivership

6. Key Assets and Liabilities of Provident (Estimate) – 3 July 2012



The values shown above are for illustrative purposes only

7. Preliminary Analysis of FTI Loan Portfolio

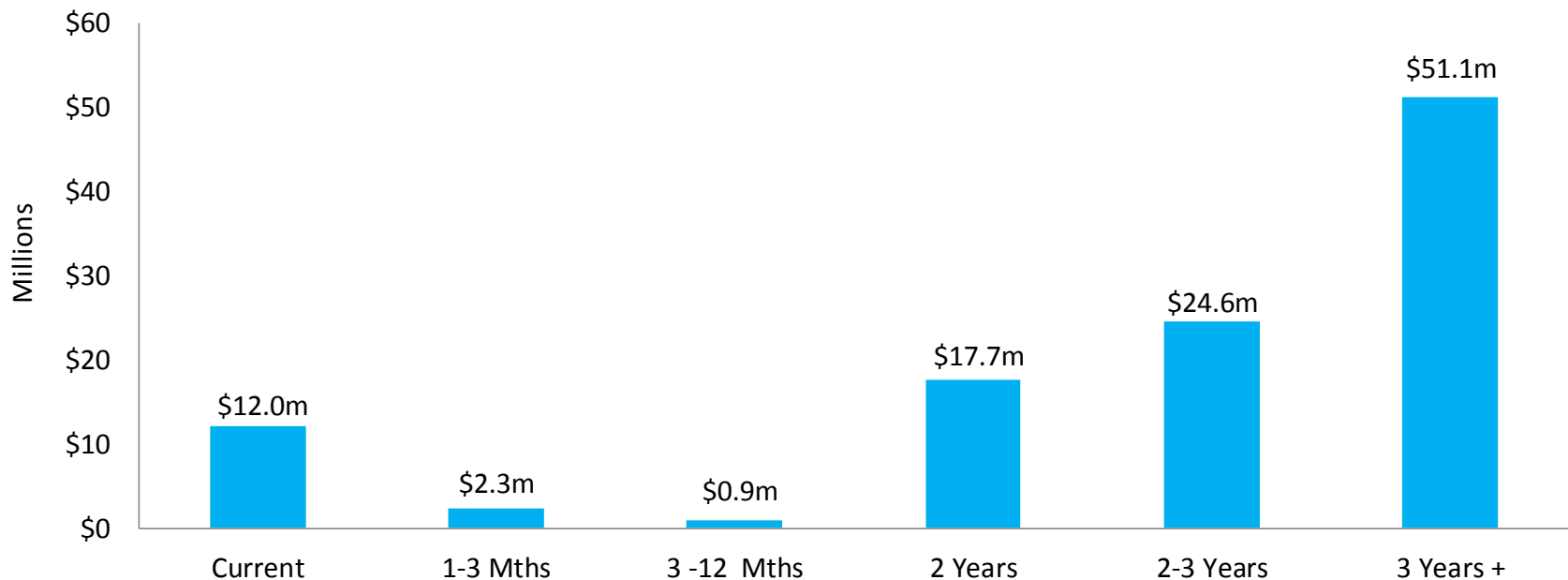
Key features:

- 42 loans – principal balance outstanding \$108m
- c.90% of loans in arrears (c.\$100m)
- 19 loans were subject to mortgagee in possession (c.\$87.6m) upon appointment
- Spread between commercial, construction, residential and rural loans
- Risk concentrated in a few key loans
- Nearly \$100m of loans mature by 31 December 2012 (but <\$1m of these are performing)
- 8 loans do not expire until 2027 – 2028 (balance \$4.7m)

7. Preliminary Analysis of FTI Loan Portfolio

Summary of FTI Funded Loans at 3 July 2012

- Portfolio Analysis by Ageing of Arrears by Principal Balance



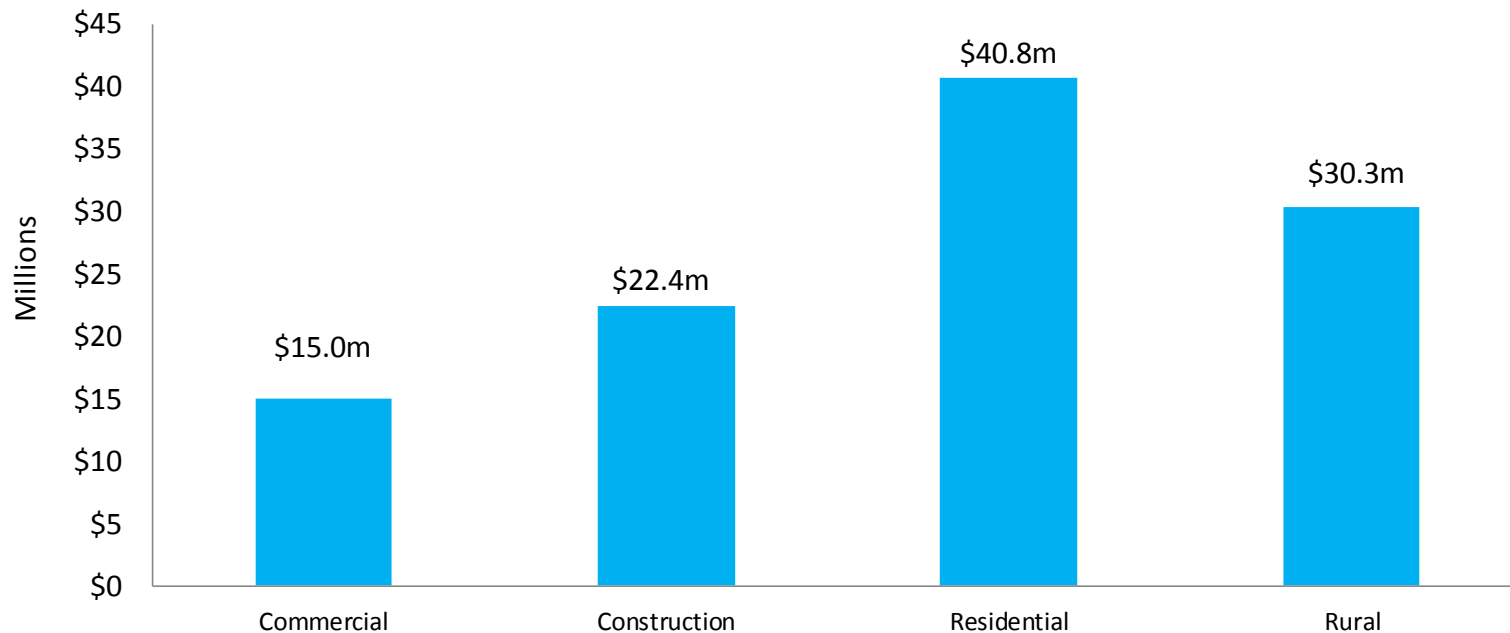
- \$3.5m of current loans have since matured.

7. Preliminary Analysis of FTI Loan Portfolio (cont'd)



Summary of FTI Funded Loans at 3 July 2012

- Portfolio Analysis by Loan Type by Principal Balance

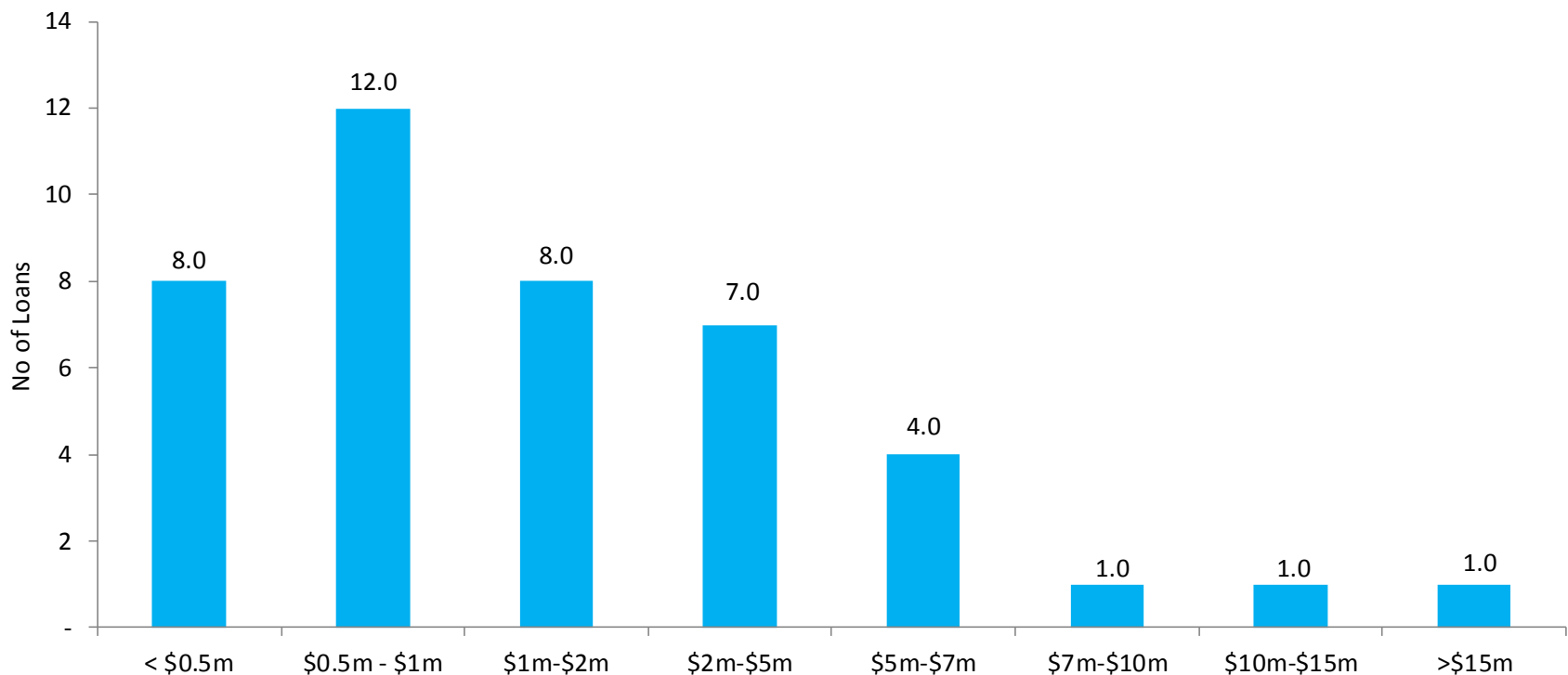


7. Preliminary Analysis of FTI Loan Portfolio (cont'd)



Summary of FTI Funded Loans at 3 July 2012

- **Portfolio Analysis by Loan Size by Principal Balance**



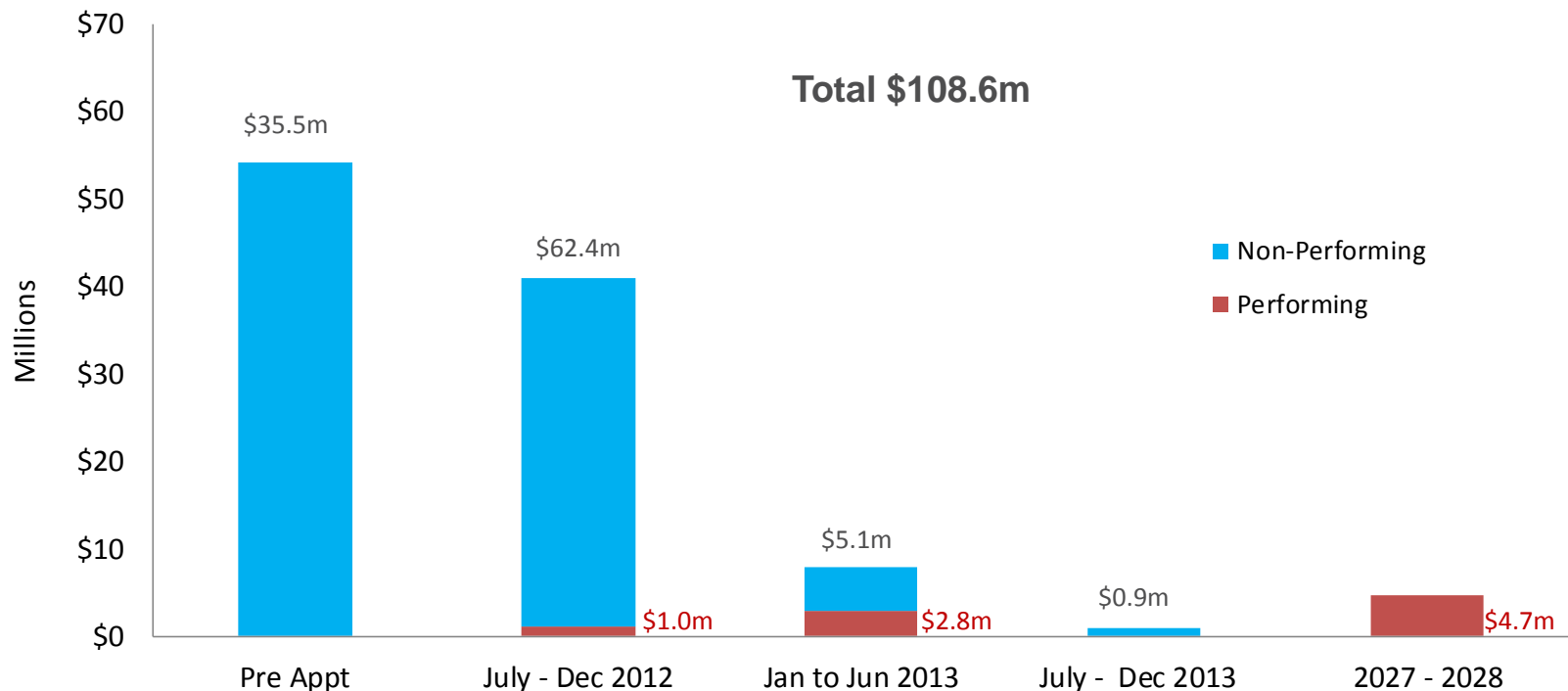
- **7 largest loans >\$5m equal 59.6% of the portfolio**

7. Preliminary Analysis of FTI Loan Portfolio (cont'd)



Summary of FTI Funded Loans at 3 July 2012

- Portfolio Analysis by Maturity by Principal Balance



- 90% of the FTI portfolio has either matured or will have matured by December 2012

8. Key Features of Wholesale Facility with Bendigo Adelaide Bank Limited (“BEN”)

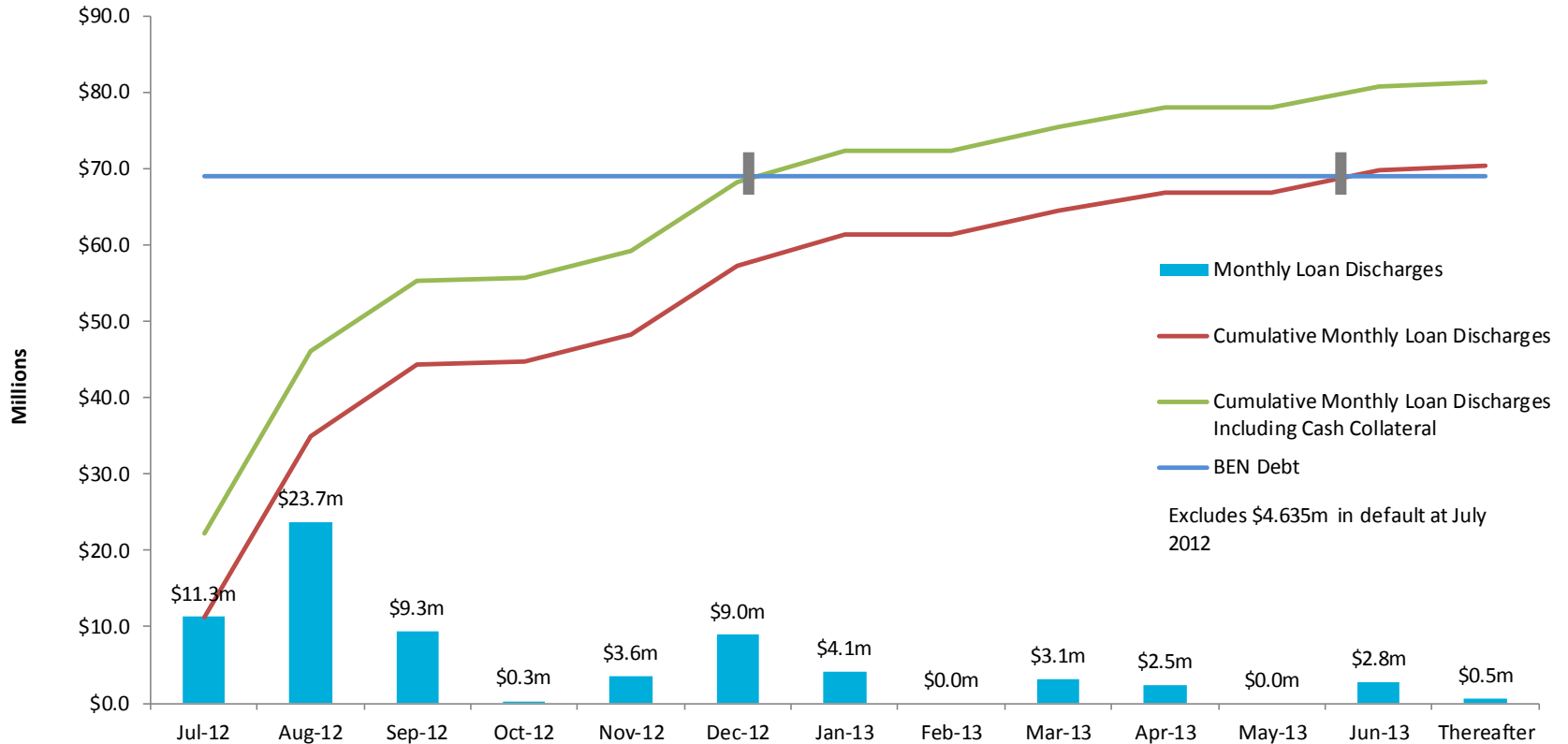


- BEN has a first ranking security interest over the loans within the Facility
- Provident's asset is after BEN is repaid in full
- Cash and loan loss collateral of c.\$12m held by BEN
- Better performing book, more diverse, less risk, maximum loan size \$2.5m
- Provident retains servicing of the portfolio
- Complex structure
- BEN are working with us to get an optimal outcome for Debentureholders – our goals are aligned

9. Preliminary Forecast Financial Position of BEN Wholesale Facility at July 2012



Expected Cash Flow Profile of BEN Portfolio



- The cash flow profile shown within the graph assumes that loans will repay in full upon maturity

10. MIF / HYF (“Funds”)

- Provident acts as responsible entity and manager of Provident Capital Monthly Income Fund (“MIF”) and Provident Capital High Yield Fund (“HYF”)
- MIF has 513 unitholders with funds under management of \$31.4m, while HYF has 11 unitholders with funds under management of \$712k
- Provident continues to receive income from the Funds whilst it remains the responsible entity and manager
- The Receivers and Managers have issued an Information Memorandum to the market and commenced an advertising campaign to realise value for Provident’s management rights in the two Funds
- Given the current process, we cannot disclose the potential recoverable value from these assets for the benefit of Debentureholders

11. Issues that may Impact Recoverable Values of Property Securities

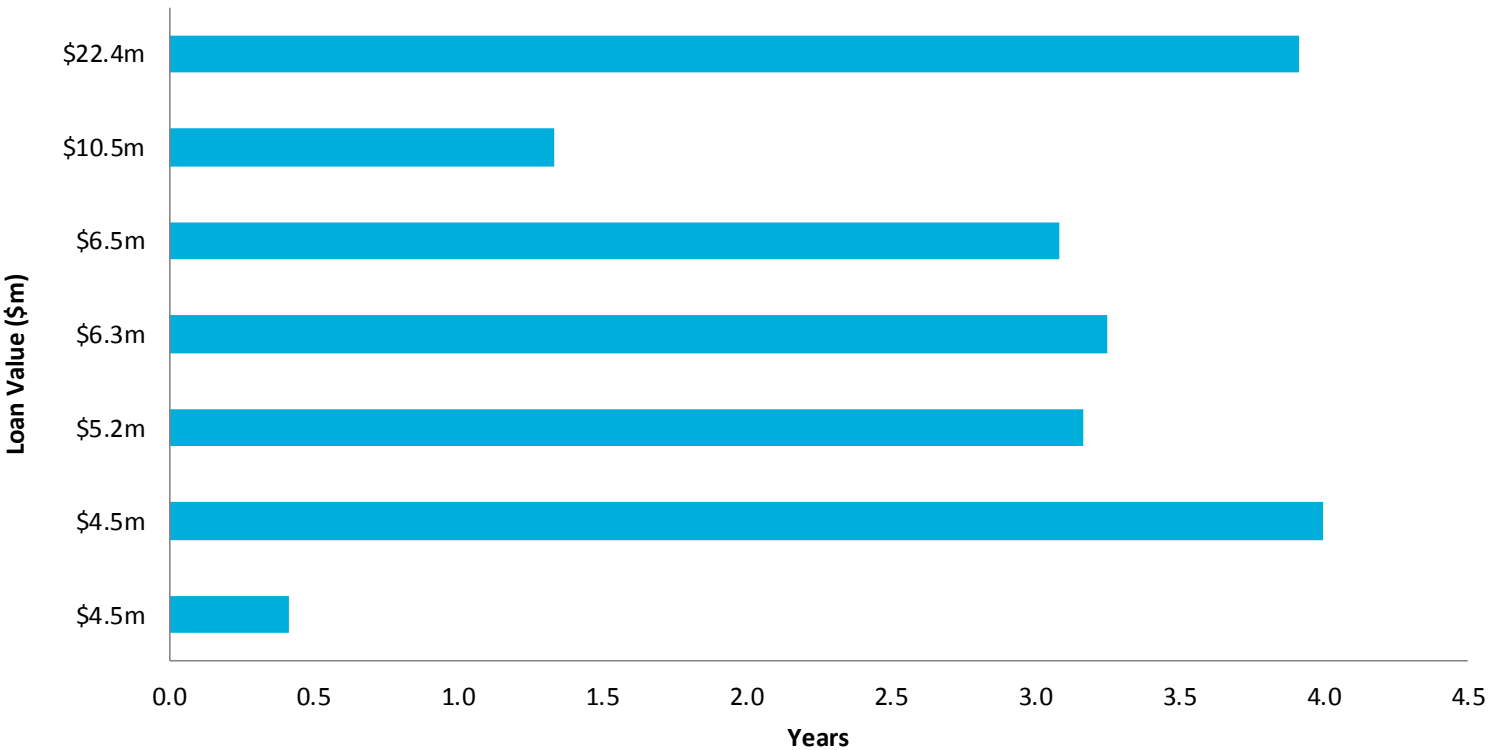


- In circumstances where borrowers default, and Provident enforces its securities to take control of property security, the security assets will not be subject to a “fire sale”
- The Receivers of Provident have an obligation to maximise the value of assets pursuant to section 420A of the Corporations Act
- The value and timing of realisation of the FTI portfolio will be impacted given the number of challenging characteristics present. Some examples are:
 - Physical state of the security property
 - Amount of time property has been for sale
 - Rezoning by local council of subject property
 - Cost to complete property subject to development
 - Geotechnical issues such as land subsidence or land slippage
 - Impact of mining and natural resource development on the property and in the vicinity
 - Environmental impacts such as soil contamination, pollutant runoff, noise etc
 - Development applications either not approved or expired
 - Availability of alternative comparable properties and funding for potential purchasers
 - Australian and global economic conditions
 - Amount of time PCL have been acting as MIP (per next table)

12. Holding Time of FTI Mortgagee in Possession Loans Greater than \$4.5m



- In respect of the FTI portfolio, Provident was mortgagee in possession of 19 out of 42 loans, representing \$87.6m of loan value, being 80.7% of the portfolio by value



13. Operations

- **Operational changes to minimise costs:**
 - Staffing at Provident cut from 24 to 9 staff
 - Marketing costs ceased as no new loans being made
 - Premises being reviewed
 - Other costs being reduced as far as possible
 - Costs of the Receivership – the Receivers and Managers scale of hourly rates have been approved by the Federal Court of Australia and will be regulated going forward by the Trustee and provided to ASIC for review

14. Distributions to Debentureholders

The Receivers are aiming to reinstate and accelerate repayments to Debentureholders as soon as possible

- Provident's cash reserve had decreased to c.\$2m at the date of our appointment.
- Payments to Debentureholders stopped on 13 June 2012 following an order made by the Federal Court of Australia
- To generate cashflow to allow for payments to debentureholders to begin, the Receivers have taken the following steps:
 - Ensured that loan settlements and security realisations are prioritised
 - Commenced investigating options for the sale of a parcel of performing loans from within the FTI portfolio
 - Issued an Information Memorandum and advertised for sale Provident's management rights to MIF and HYF
 - Taken all appropriate steps to minimise cash outflows to ensure that available cash to facilitate distributions is maximised
- Before distributions may commence, the Trustee will call a Debentureholder meeting in the near future to allow Debentureholders to vote upon an amendment to the Trust Deed that will seek to enable future distributions to be a return of capital

15. Future Communication with Debentureholders

- The Receivers will be preparing a monthly dashboard style report that will be put up on our website monthly
- The dashboard will keep individual debentureholders informed of updated information, including forecast distributions in the next three months, distributions to date, a snapshot of the outstanding portfolio, and other relevant matters
- Link Market Services will continue to operate the Debentureholder Hotline
- The Receivers will continue detailed regular communication with AET and their advisers
- We expect to hold a further update meeting with Debentureholders before Christmas

Debentureholders' Questions

- What are the Receivers doing to realise the assets?
- Why didn't PCL advise Debentureholders that it had a problem?
- How long will the receivership take?
- How regularly will PPB Advisory provide information updates?
- How are the receivership costs calculated?
- Will interest be included in my claim?
- When will I receive my tax statement?
- Have you notified Centrelink?
- What will be the likely return and when will distributions commence?