

**SUBJECT: Valuations**

DATE EFFECTIVE: 19 February 2007

**1. Internal Valuations**

1.1.	Where valuation reports are completed internally, they are undertaken by Account Managers. Such valuations are for the Bank's use only and must not be released to any other party unless authorised by Legal.
1.2.	Valuations for more specialised securities and commercial securities would generally be referred to an external valuer.
1.3.	Valuations for residential securities where the value is \$1,000,000 or less may be undertaken by the account manager subject to C Signatory endorsement. Where the value is in excess of \$1,000,000 the valuation is to be referred to an external valuer.
1.4.	<p>Unless otherwise agreed by Credit, all security properties must be inspected, the inspection report and valuation in the CMS completed and submitted to Credit with commentary and recommendation in the following situations:</p> <ul style="list-style-type: none"> <li>A for all new loans (irrespective of amount)</li> <li>A for loan increases in excess of \$1,000,000 (for increases of a lesser amount see 1.6 below)</li> </ul> <p>The commentary and recommendations are to be incorporated into the loan application.</p> <p>The Inspection report in CMS need not be completed if the valuation has been carried out by an external valuer.</p>
1.5.	Unless otherwise agreed by Credit, once an inspection report and valuation is three years old, the relevant security property is to be inspected and the CMS inspection and valuation reports updated. That is, where there is more than one security property, it is not expected that all security properties need to be inspected at the one time.
1.6.	<p>If the current valuation is less than 3 years old, an updated inspection and written valuation is not normally required for:</p> <ul style="list-style-type: none"> <li>A a loan increase for \$1,000,000 or less</li> <li>A any review</li> </ul> <p>In these circumstances, Account Managers (through appropriate enquiries/their own knowledge of sales in the district) must state that they are reasonably assured that the value of real estate securities has not deteriorated by more than 10% from the last valuation.</p> <p>However, if the aggregate value of the real estate securities has deteriorated by more than 10%, or if the value of all securities has <b>not</b> deteriorated by more than 10% but the Account Manager is concerned about the quality of the credit, then all security properties must be inspected, the inspection report and valuation in the CMS updated.</p>
1.7.	<p>If the amount of an updated valuation is changed, then at the next loan application or review, the Account Manager must comment on the reasons for the change and make a recommendation.</p> <p>If the next review is an AMR, the changed valuation is submitted to Credit via</p>

	the Workflow Credit Review queue. Commentary and Recommendation is to be made on the AMR form, which is added to Workflow as an addendum. The Part B submission is not required.
1.8.	Managers can in any circumstances revalue a security at any time.
1.9.	Credit reserves the right to call for an inspection and written valuation at any time.

## 2. Requirements for C Signatory Endorsement

2.1.	<p>*C* Signatory endorsement of the Valuation is required in the following situations:</p> <ul style="list-style-type: none"> <li>A For new loans where the amount of the loan application is greater than \$1,000,000;</li> <li>A For loan increases where the amount of the loan increase is greater than \$1,000,000;</li> <li>A For all residential security where the value of the property is \$1,000,000 or less;</li> <li>A Irrespective of the amount of the loan application, where the LSR is greater than 60%</li> </ul> <p>(Note: Does not include commercial or residential investment loan types, except where the security is predominantly a rural property); or</p> <ul style="list-style-type: none"> <li>A Irrespective of the amount of the application or the LSR, where the purpose of the loan is to fund specialised enterprises (e.g. horticulture, piggeries, poultry, and viticulture).</li> </ul>
2.2.	*C* Signatory endorsement of the valuation is not required where the valuation is undertaken by an external valuer.
2.3.	A valuation by a *C* Signatory does not require endorsement by another *C* Signatory.
2.4.	Credit reserves the right to call for confirming valuations (by an external valuer or by another *C* Signatory) if it so chooses.

## 3. External Valuations

3.1.	Every request for a valuation to be provided by an external valuer must be in writing to ensure the valuer clearly understands what is required of him.
3.2.	The branch should only use valuers that are well known, experienced and reputable. In need, Account Managers should discuss with Credit the suitability of a valuer to be instructed.
3.3.	Credit may accept market appraisals done by Real Estate Agents or Account Managers where deemed appropriate in remote areas (see 4.1 below).
3.4.	Credit retains the right to reject any valuation.
3.5.	The valuer's standard valuation report is normally acceptable to the Bank.
3.6.	A draft <a href="#">Valuation Instruction Letter</a> for branch use can be found on the Intranet (link attached).
3.7.	The fee for external valuations is to be paid for by the client.

## 4. Remote Rural Residential Properties

4.1.	<p>The Bank would not normally extend value to remote rural residential properties or residential properties that could only be sold at significant discount. Appraisals or valuations <b>must</b> be accompanied with separate supporting evidence that demonstrates that the property is likely to be readily sold (such as recent price and turnover data for similar properties in the same area or region). The appraisal or valuation should specify:</p> <ul style="list-style-type: none"> <li>A That the property has been inspected;</li> <li>A The physical location of the property;</li> <li>A The zoning of the property;</li> <li>A Any environmental risks;</li> <li>A The state of repair;</li> <li>A Tenancy details (if any); and</li> <li>A A recommendation for insurance purposes.</li> </ul>
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## 5. Valuation Standards

5.1.	<p>Wherever possible, Real Estate taken as security should be valued at net current market value. Market value is defined by the Australian Property Institute as the estimated amount for which an asset, should on the date of valuation, exchange:</p> <ul style="list-style-type: none"> <li>A in an arm*s length transaction;</li> <li>A between a willing seller and a willing buyer;</li> <li>A after proper marketing (i.e. the property has been exposed to the market for a reasonable period of time being up to 12 months);</li> <li>A where the parties had acted knowledgeably, prudently and without compulsion.</li> </ul> <p>Net current market value is arrived at after deducting all disposal costs (including taxation liabilities) from the market value.</p>
5.2.	<p>The valuation must be on an *as is* basis except where the purpose of the loan application includes a re-development proposal. In these circumstances, the re-development is to be factored in, with the valuation to be on an *as is* and *on completion* bases.</p>
5.3.	<p>Purchase price is not satisfactory evidence of the value of any security property. A valuation must be obtained. The lower of the purchase price/valuation is to be used for valuation purposes.</p>
5.4.	<p>Account Managers should consider influencing factors such as long term leases and Managed Investment Schemes (M.I.S.), for both the property being valued and supporting market sales evidence provided.</p> <p>If there are any concerns that the current market value may be artificially inflated, or that the existence of the lease/MIS may be detrimental or restrictive on the future saleability of the property during the term of the lease/MIS, then the Account manager should consider applying a discount to the valuation (including external valuations).</p>

## 6. Construction Finance

6.1.	<p>Where construction finance has been approved for a client, the Bank may appoint a Building Consultant. Where such an appointment is made, the client is</p>
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	<p>to be informed of the following:-</p> <ul style="list-style-type: none"> <li>A that the Bank will be appointing a Building Consultant to evaluate the Plans and Specifications, building contract, quotes and other relevant documentation;</li> <li>A that the Building Consultant will contact the client to obtain copies of such documentation;</li> <li>A that the Building Consultant in conjunction with the client will draw up a progress payment schedule; and</li> <li>A that progress payments will only be made in accordance with the progress payment schedule and upon receipt of a certificate signed by the Building Consultant, which is to be supported by signed invoices for materials and labour. The certificate must contain an update on the estimate of the cost to complete the project.</li> </ul>
6.2.	Progress payments must be approved by Credit.
6.3.	A draft <a href="#">Building Consultant Instruction Letter</a> for branch use can be found on the Intranet (link attached). A template of *Progress Payment Certificate to Accompany Instructions to Building Consultant* is attached to the Letter.
6.4.	The Letter of Offer should contain Special Conditions with respect to appointment of a Building Consultant and that the works should not commence until acceptance by Credit of the Building Consultants initial report. Receipt of such report is to be followed up by the Manager and submitted to Credit for approval.