

Pepper Money Limited

Investor Presentation First Half CY2022

24 August 2022

peppermoney



Today's Presenters

Mario Rehayem

Chief Executive Officer

Joined Pepper Money in 2011, and appointed CEO of Pepper Money in 2017

Over 20 years experience across banking and finance

Previously held senior positions in APRA regulated entities and the non bank sector, including as State Manager, Mortgage Broker Distribution at Westpac Banking Corporation

Therese McGrath

Chief Financial Officer

Joined Pepper Money in 2018 as CFO

25+ years of international experience in finance, strategic development and operations

Previously held senior positions in finance, operations and strategy at Australia and New Zealand Banking Group, Thomson Reuters, Diageo, SAP and Microsoft



MARIO REHAYEM

Chief Executive Officer

THERESE MCGRATH

Chief Financial Officer

Highlights

Pepper Money is one of Australia and New Zealand's largest non-bank lenders and our mission is to help people succeed.



Helping customers succeed

327,000¹+

↑ 13% versus CY2021 close

Customers now helped by Pepper Money



Record originations

\$5.6bn

↑ 53% PCP²



Above systems growth

1H CY2022 growth

Mortgages

4.0x

Asset Finance

21.5x

Record results

Total AUM



\$19.4bn

↑ 24% PCP

+14% on December 2021

Total NIM

2.29%

Down 30bps on PCP

Down 23bps on 2H 2021

Total Operating Income

\$198.4m

↑ 12% PCP

Credit quality

0.18%

Loan Losses % AUM³

10bps improvement on PCP

Scaled / efficient growth

+65%

productivity⁴

Platforms supporting record growth

Cost to Income⁵

44.2%

Disciplined cost management and platform scale – minimises inflationary trends.

Pro-forma NPAT

\$73.1m

↑ 11% PCP

Statutory NPAT

\$72.2m

↑ 29% PCP

Fully franked interim dividend and yield

5.4 cents per share⁶

6.3% annualised⁷

Funding – supporting growth

Four term issuances

\$2.5bn

raised

Funding capacity

\$11.0bn

up 11% on December 2021

Deep and diversified investor base +100 local and offshore.

Funding supporting our sustainability commitment

Sustainable bonds

\$330.0m

Green Bond

\$300.0m

Inaugural Social Bond

Growing faster than the market

June 2022

\$2,601bn

Total Addressable Market (AUM)

Mortgages

\$2,421bn¹

Conforming: 88%
Non-Conforming: 12%²

Asset Finance

\$180bn

Consumer: \$60bn³
Commercial: \$120bn⁴

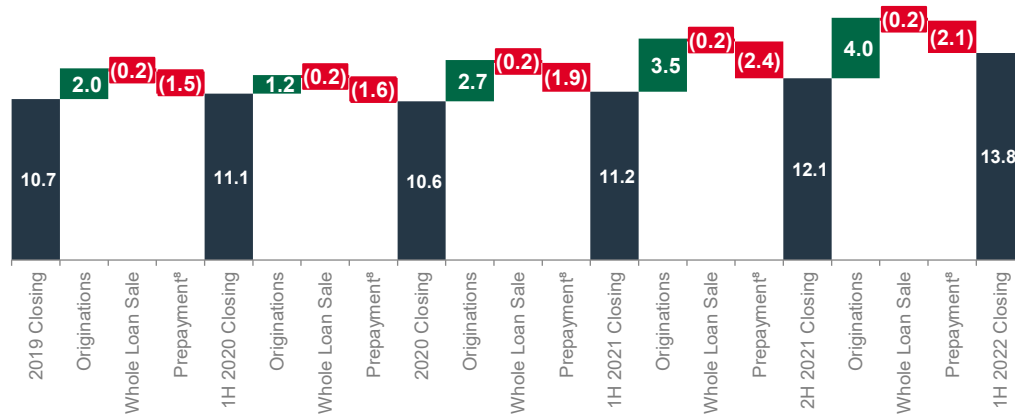
Mortgages⁵ AUM Walk

Closing AUM (A\$bn)

Growth⁶



2.4x System
4.0x System



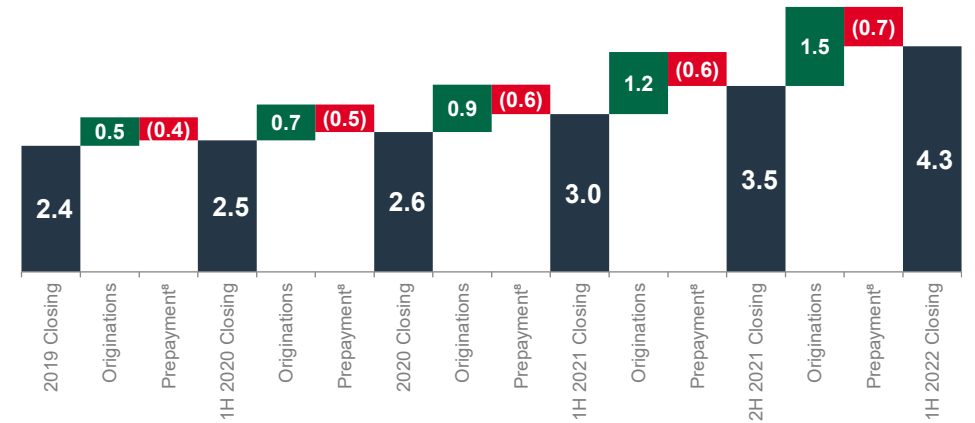
Asset Finance AUM Walk

Closing AUM (A\$bn)

Growth^{3 4}



8.2x System
21.5x System⁷



Notes: 1. Combination of Australia and New Zealand mortgage markets as at June 2022 (Total housing credit, RBA D2 Lending and credit aggregates (including owner-occupier housing credit and investor housing credit)); Housing, RBNZ C5 Sector lending (registered banks and non-bank lending institutions), June 2022, converted at an assumed exchange rate of NZD:AUD = 0.9331). 2. Independent research conducted by Fifth Dimension Research and Consulting in March 2021. 3. New household loan commitments for purchase of road vehicles, other transport vehicles and equipment, New household loan commitments, ABS 5601.0 Lending Indicators Table 27, July 2021 – June 2022 (published August 2022). Assumes market size is approximately 4x lending commitments for last 12 months. 4. New business loan commitments, finance lease and fixed term, purchase of vehicles, plant and equipment, ABS 5601.0 Table 29, 31 and 33, July 2021 – June 2022 (published August 2022). Assumes market size is approximately 4x lending commitments for last 12 months. 5. Australian mortgages only. 6. Growth compares Pepper Australian mortgage AUM growth, excluding whole loan sale executed in the half year, to the Australian total housing credit, RBA D2 lending and credit aggregates (including owner-occupier housing credit and investor housing credit). 7. Growth comparison assumes zero system growth in 1H 2022. 8. Includes scheduled repayments.

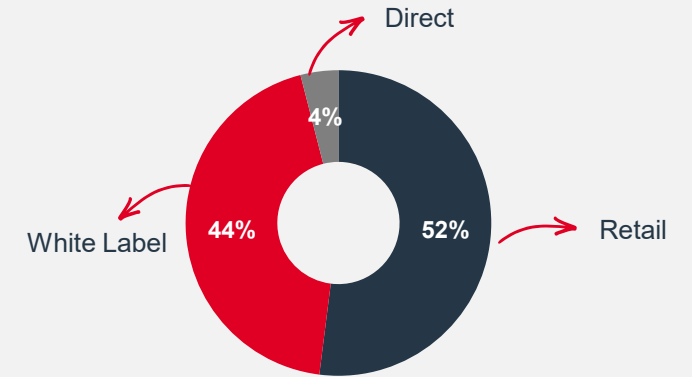
Customer Solutions – Mortgages



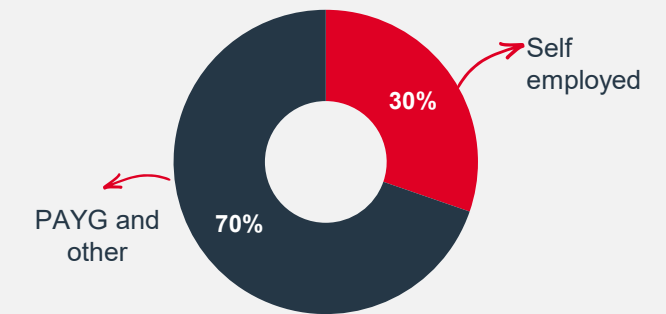
1H CY2022	Conforming		Non-Conforming	
Product Risk Tiers	Prime Borrowers with a clear credit history	Near prime Borrowers who have had a minor adverse credit event	Specialist Borrowers whose credit history is impacted by a "life event"	
Origination² composition	55%	40%	5%	
Origination²	\$2.3bn	\$1.7bn	\$0.2bn	
Growth on PCP	+43%	+62%	+23%	
AUM Close³	\$7.2bn	\$5.5bn	\$1.4bn	
Growth on PCP	+27%	+27%	3%	
Weighted Average Interest Rate⁴	4.2%	5.1%	6.0%	

Asset Type Composition ²	Single Dwelling	Low-Density Units	Townhouse / Villa	Vacant Land	Commercial / Industrial
	80%	7%	7%	5%	1%

1H CY2022 Originations by **Distribution channel²**



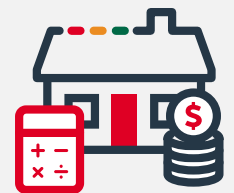
1H CY2022 Originations by **Employment Type⁵**



1H CY2022 AUM (close)
Weighted Average Indexed LVR⁶

54%

61% as at June 2021

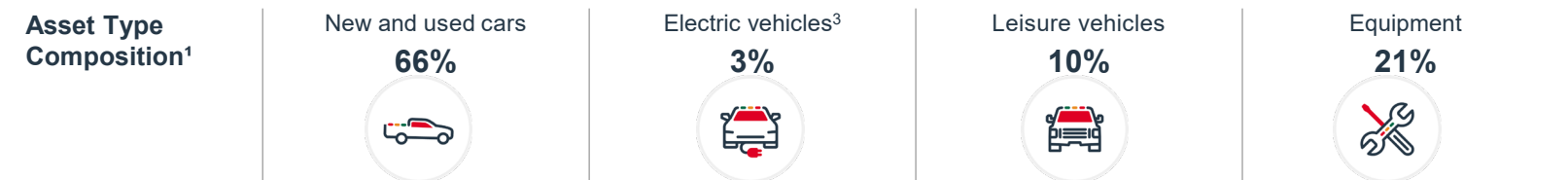


Notes: 1. Average time for first response, measurement commences from time all required documentation is attached to the application. 2. Based on originations (\$) for the six months to 30 June 2022 including Corporate Real Estate and New Zealand mortgages. 3. Closing AUM balance as at 30 June 2022 including Corporate Real Estate and New Zealand mortgages. 4. Based mortgages portfolio closing AUM as at 30 June 2022, including Corporate Real Estate and New Zealand mortgages. 5. Based on origination (#) for the six months to 30 June 2022 for Australian residential mortgages only. 6. Current loan value divided by the indexed property value (CoreLogic) for the Australian residential mortgage portfolio. Weighted average based on closing AUM as at 30 June 2022.

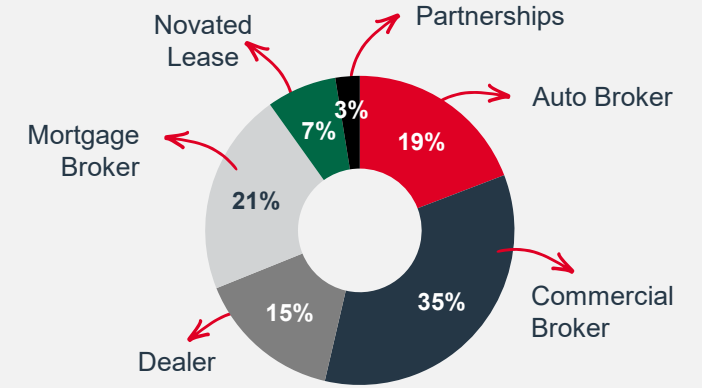
Customer Solutions – Asset Finance



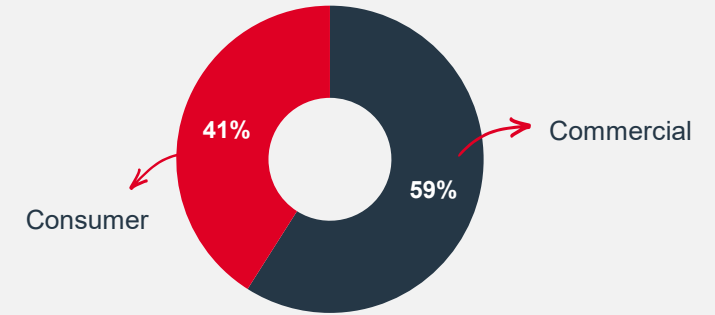
1H CY2022			
Product Risk Tiers	Tier A	Tier B	Tier C
	Owns property Stable employment Clear credit history	Long term renter New to job Clear credit history	Long term renter Unstable employment Previous defaults Limited credit history
Origination ¹ Composition	61%	32%	7%
Origination ¹	\$0.9bn	\$0.5bn	\$0.1bn
Growth on PCP	+83%	+52%	+28%
AUM close ²	\$2.5bn	\$1.4bn	\$0.4bn
Growth on PCP	+46%	+46%	+20%
Weighted Average Interest Rate ²	6.9%	8.9%	12.8%



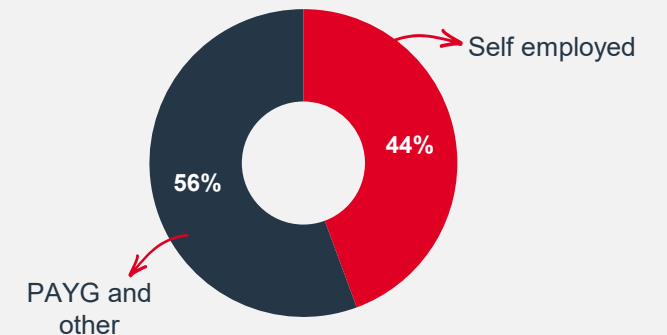
1H CY2022 originations by **Channel**¹



1H CY2022 originations by **Customer Type**¹



1H CY2022 originations by **Employment Type**⁴



Funding performance

In excess of

\$30.7bn²

across 51 transactions
2003 to June 2022

Non-Conforming RMBS

\$19.3bn

Prime RMBS

\$8.2bn

ABS

\$3.3bn

Warehouses

A\$11.0bn
total capacity

19 funders
(includes 4 major
domestic banks,
excludes Pepper Notes)

14
facilities

Capacity up 11%
30 June 2022 vs
31 December 2021

Securitisation

4 Public Platforms³
(PRS, Pepper Prime,
Sparkz, Pepper Social)

100+⁴
investors

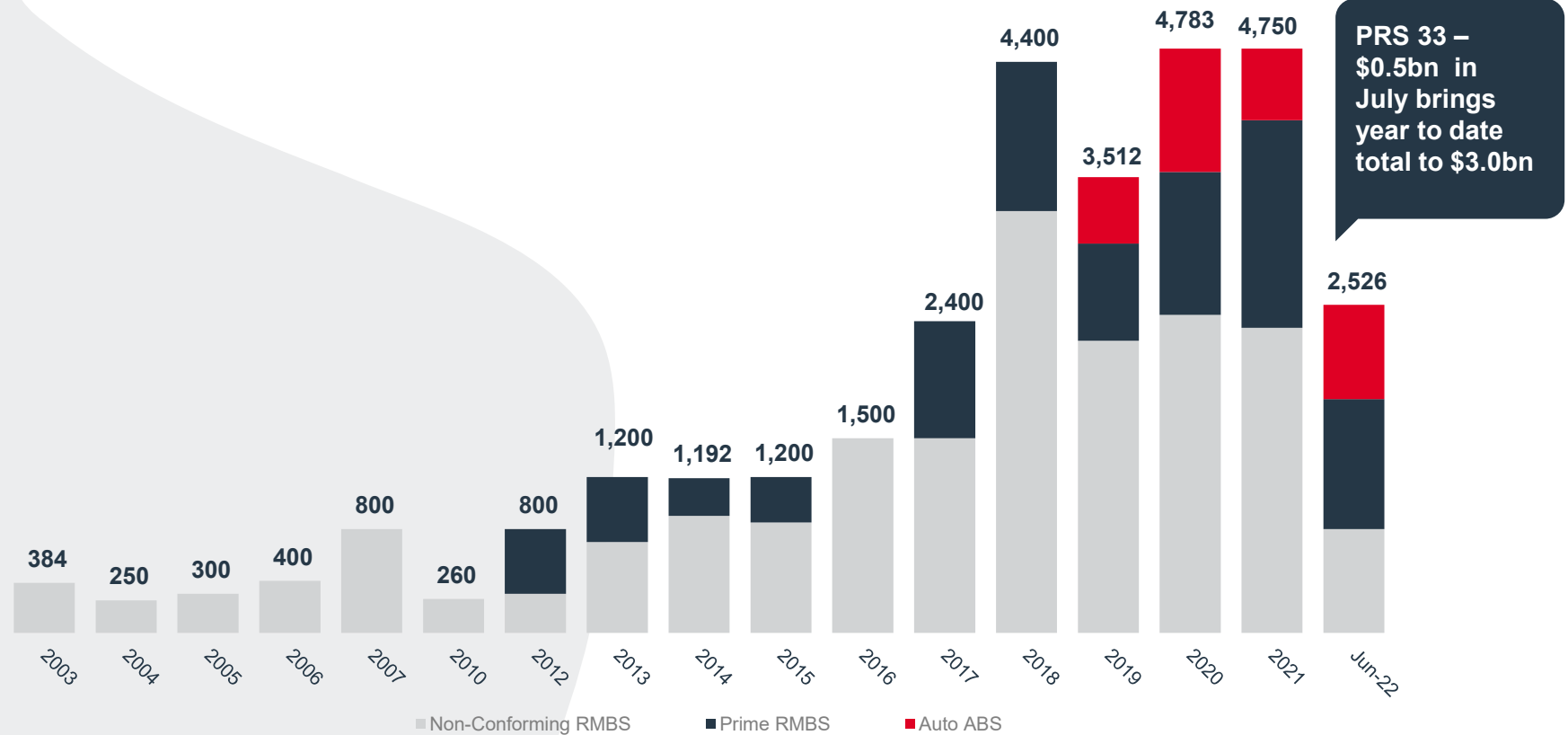
A\$33.6bn⁵
Total Issuance

Called every note
at first available call
date

Whole loan sales / private term issuances

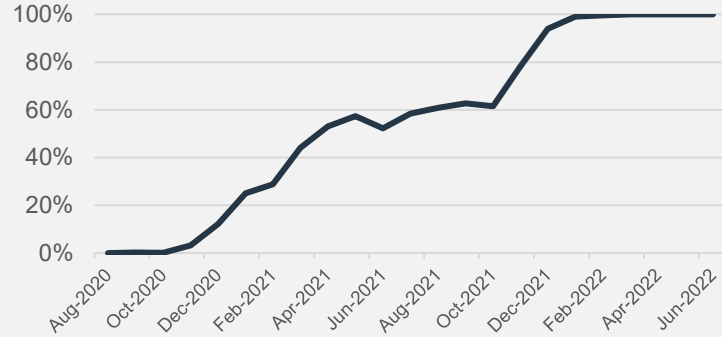
A\$6.0bn+
total funding

15
counter-parties



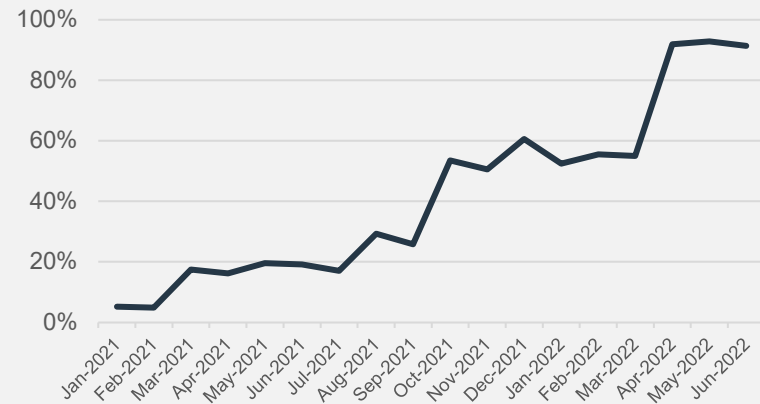
Technology delivering scale & efficiency

Volume through SOLANA



Hit 100% in March 2022. 1H 2022 Auto-approval pass rate at 42%, expected to reach 60% by Q3 2022

Application volume through SAGE



100% migration of residential applications through SAGE by September 2022, June 2022 at +91%



Operations

Pepper Apollo – service task automation

Collections transaction effort²

26% reduction in Mortgages

41% reduction in Asset Finance

Collections Activity
4.6 FTE per month saved³

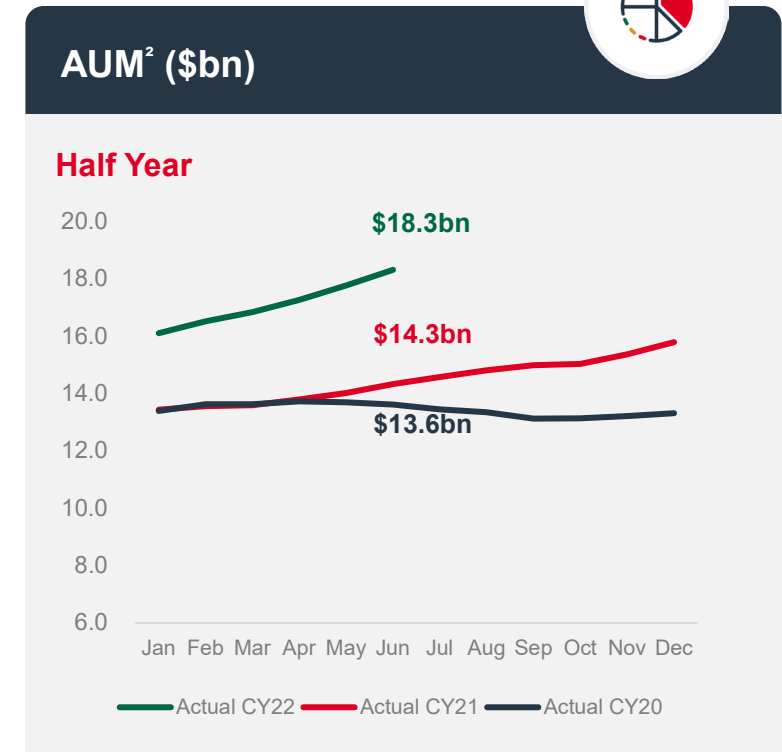
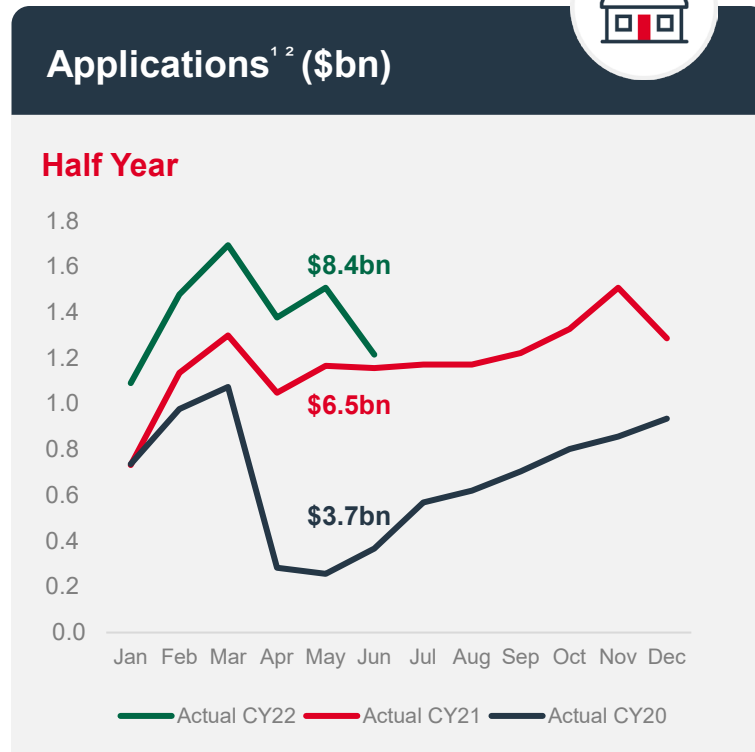
Hardship Activity
0.4 FTE per month saved³

\$28m collected⁴

Lending growth

Pepper Money has continued to deliver strong growth over 1H CY2022

Total Lending



Half One Applications

1H CY2022
\$8.4bn

1H CY2021
\$6.5bn

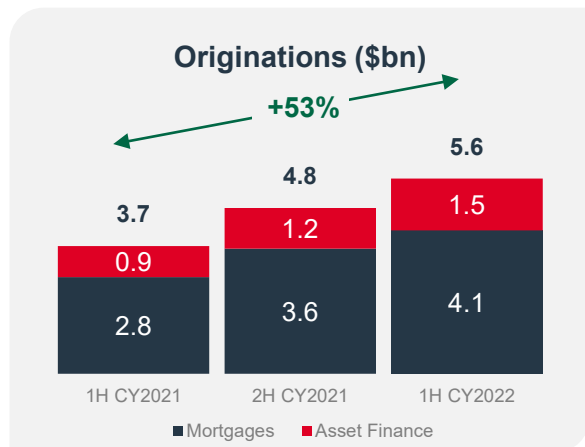
1H CY2020
\$3.7bn

Half One applications in CY2022 were **28%** above CY2021, and **126%** above CY2020.

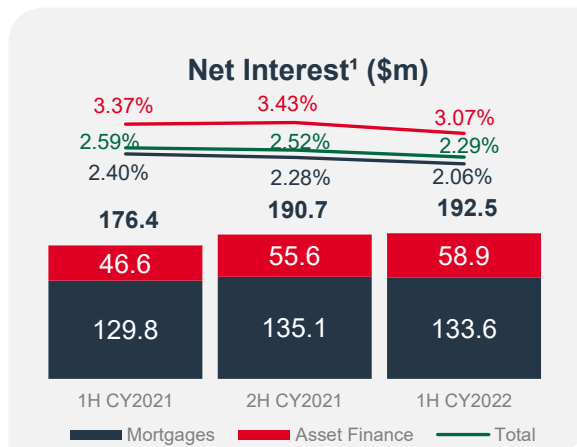
Financial performance

Pro forma

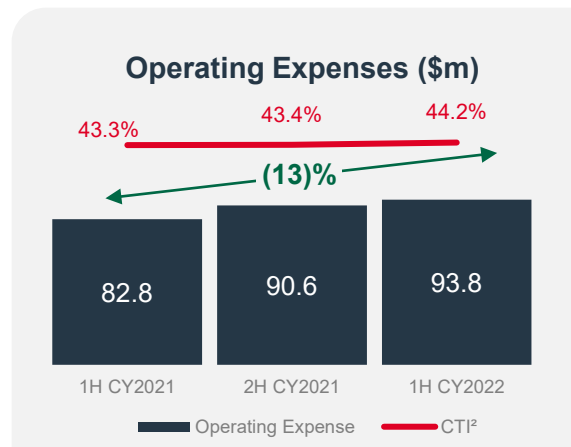
Volume



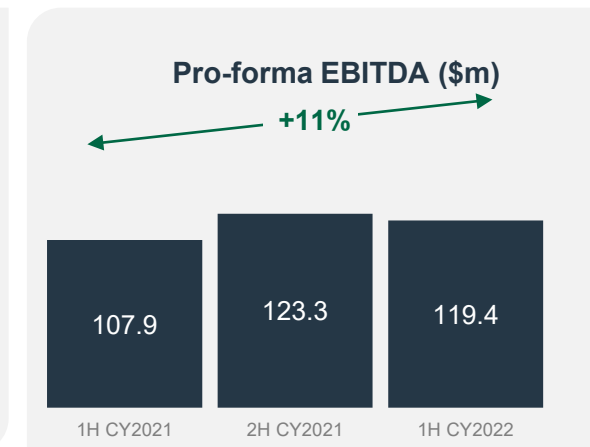
Income



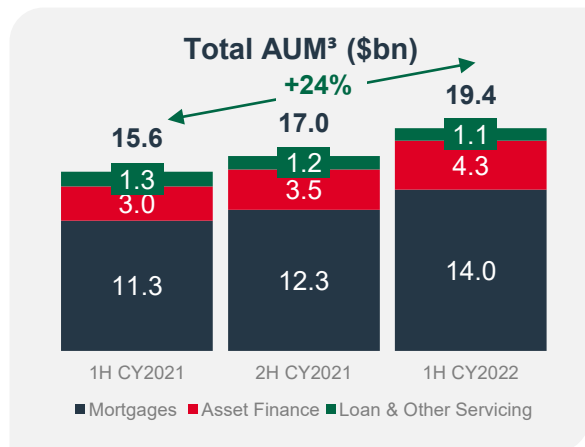
Expenses / FTE



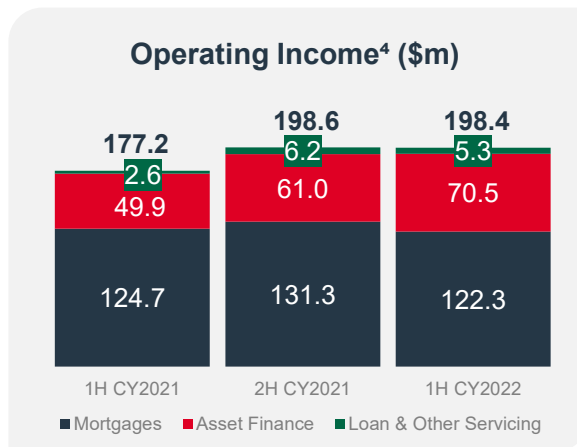
Profit



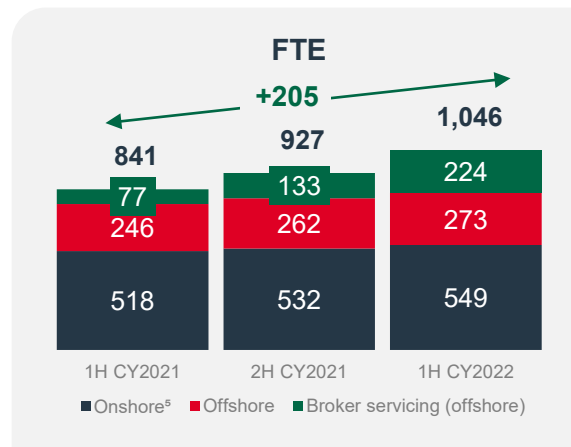
Total AUM³ (\$bn)



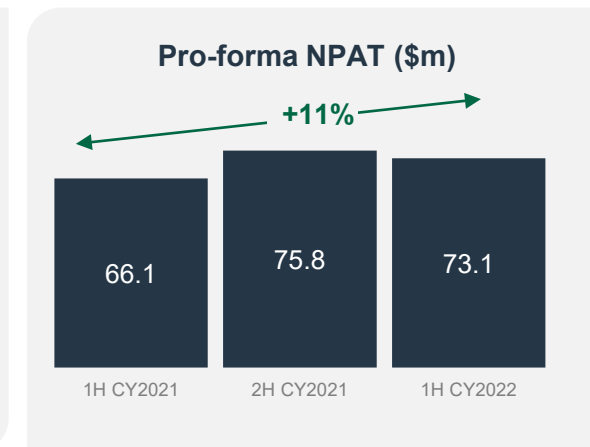
Operating Income⁴ (\$m)



FTE



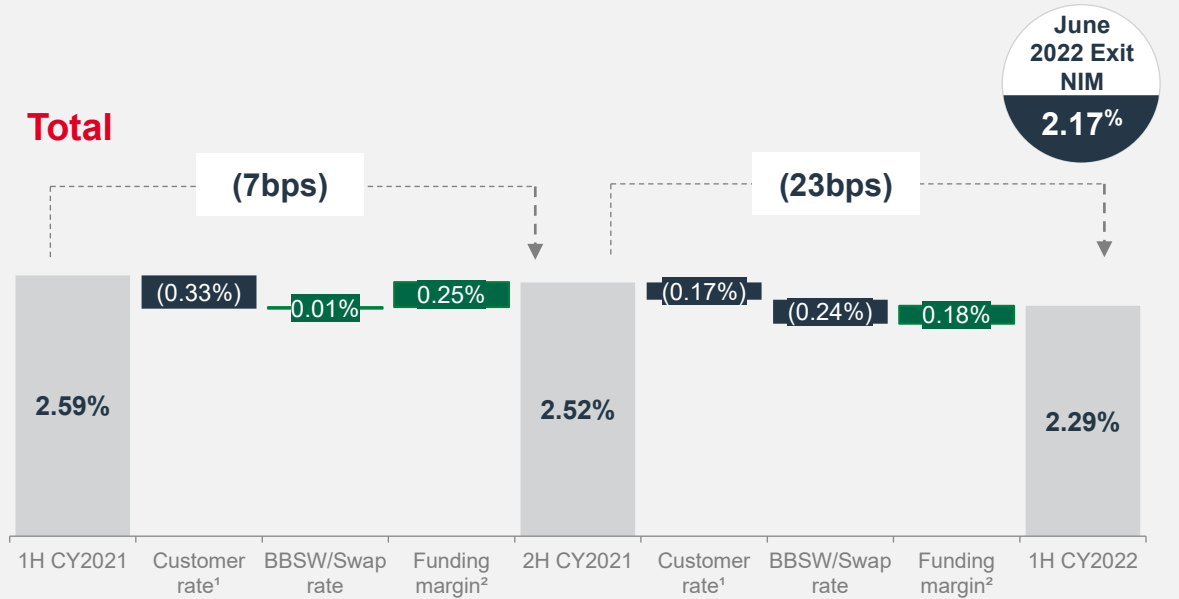
Pro-forma NPAT (\$m)



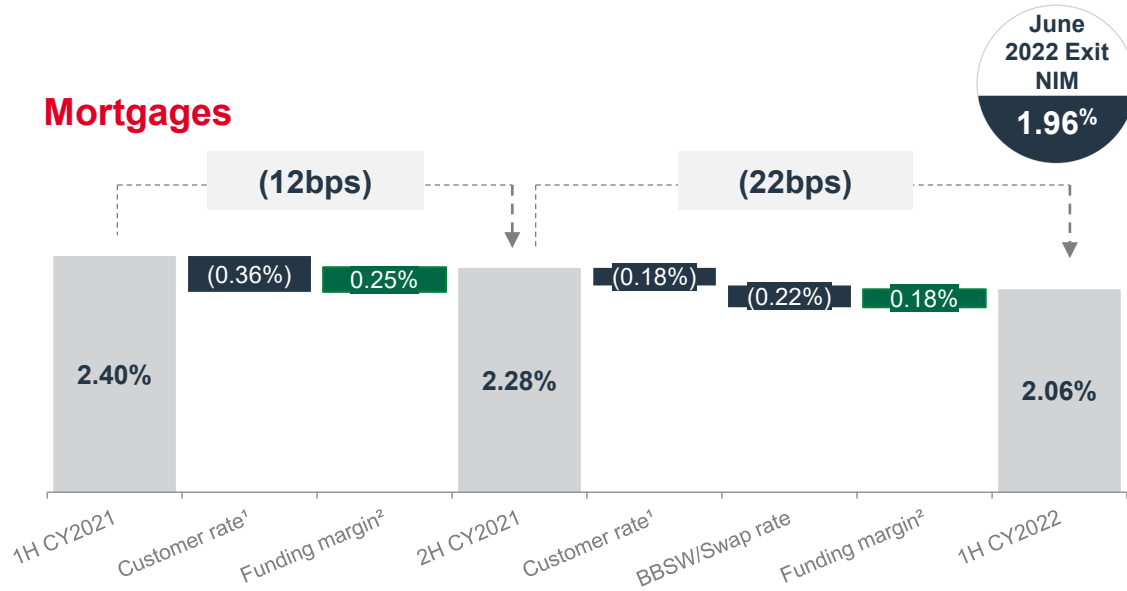
NIM movement

Recent price movements will flow through 2H CY2022

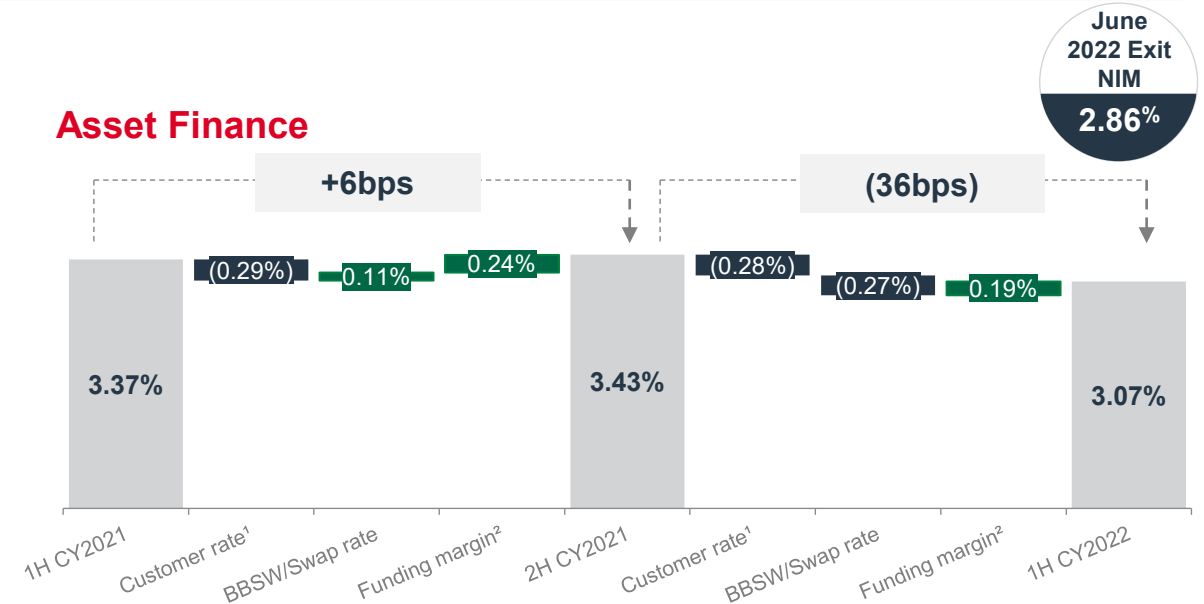
Funding margin gains mostly absorbed impacts of customer rate deterioration



Mortgages



Asset Finance



Front and back book rate rises

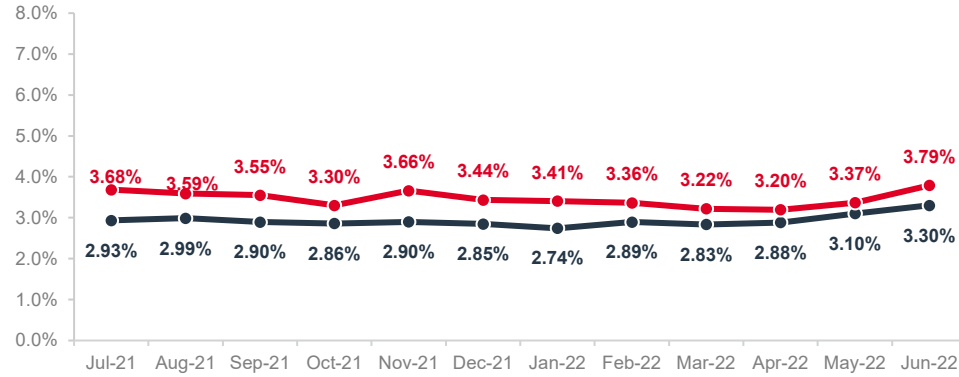
Back book

Front book

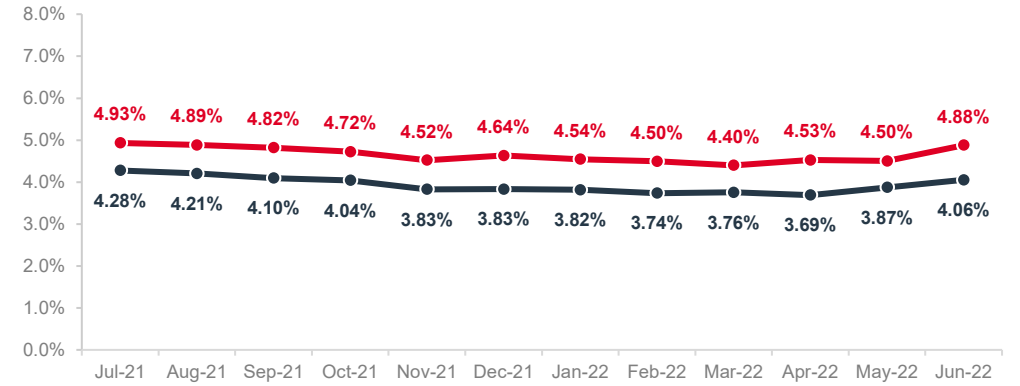
Mortgages¹



Prime Yield²



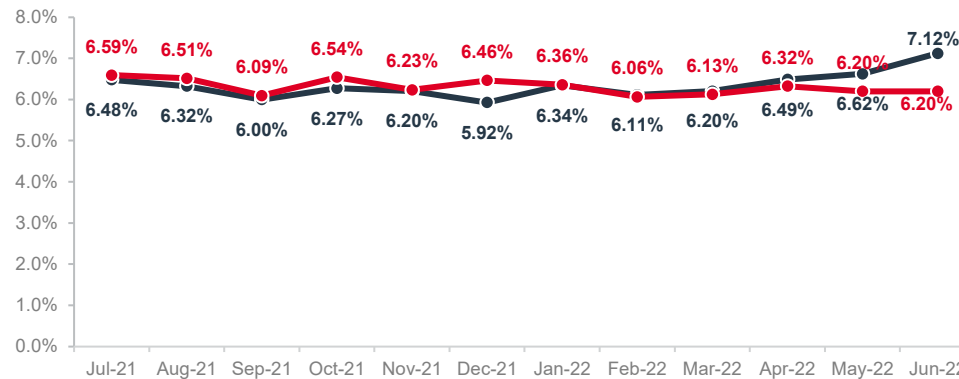
Near Prime Yield²



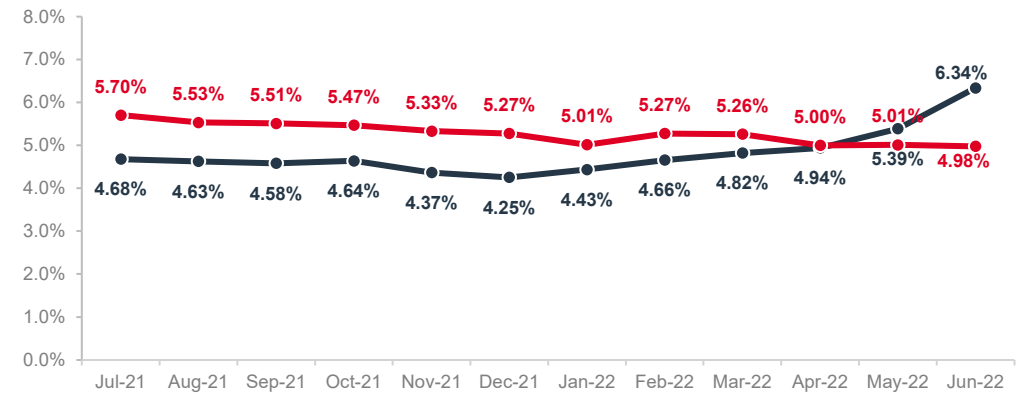
Asset Finance



Consumer Yield³



Commercial Yield³



FINANCIALS

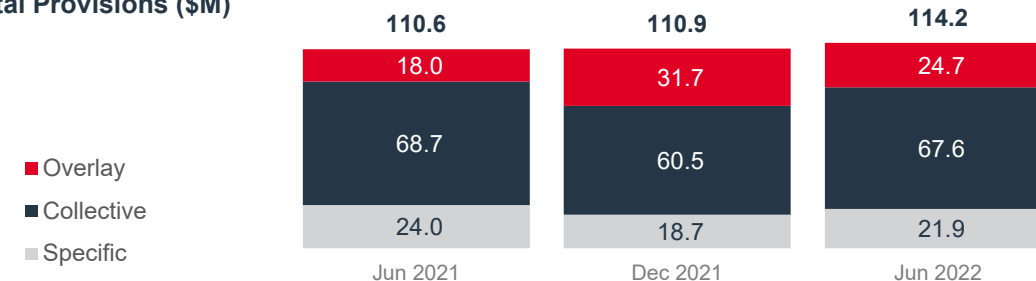
Loan loss expense & provision

Total loan loss provision as at 30 June 2022 of \$114.2 million increased from \$110.9 million in December 2021 – maintaining strong coverage in changing macroeconomic conditions.

Half Year Ending

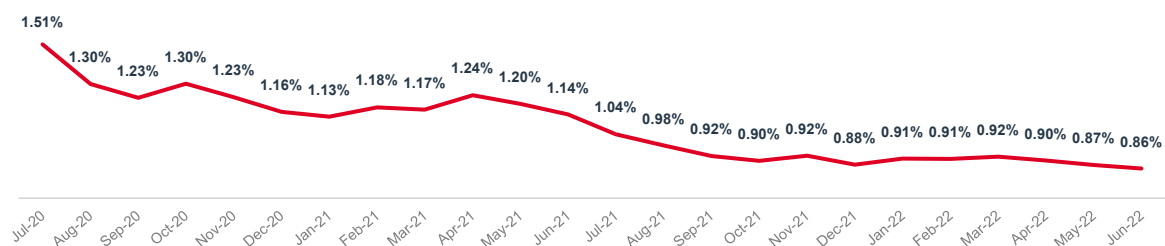
Loan loss expense \$m	Jun 2022	Dec 2021	Jun 2021
Mortgages			
Specific	1.5	0.5	0.7
Collective: base	2.0	0.0	-
Overlay	0.5	(3.0)	-
Mortgages loan loss expense	4.0	(2.5)	0.7
Asset Finance			
Specific	12.0	5.2	14.4
Collective: base	(0.0)	8.1	4.0
Overlay	(2.0)	-	(5.0)
Asset Finance loan loss expense	10.0	13.3	13.4
Loan and Other Servicing loan loss expense	(0.1)	(0.4)	-
Total			
Specific	13.4	5.4	15.1
Collective: base	2.0	8.1	4.0
Overlay	(1.5)	(3.0)	(5.0)
Total loan loss expense	13.9	10.5	14.1

Total Provisions (\$M)

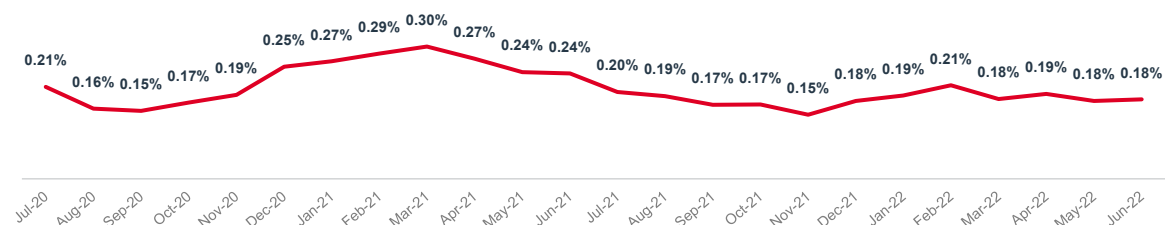


Provision Coverage¹ %	0.77%	0.70%	0.62%
Provision Coverage¹ % (ex. Overlay)	0.65%	0.50%	0.49%

Mortgage 90+ day arrears² as % of AUM³



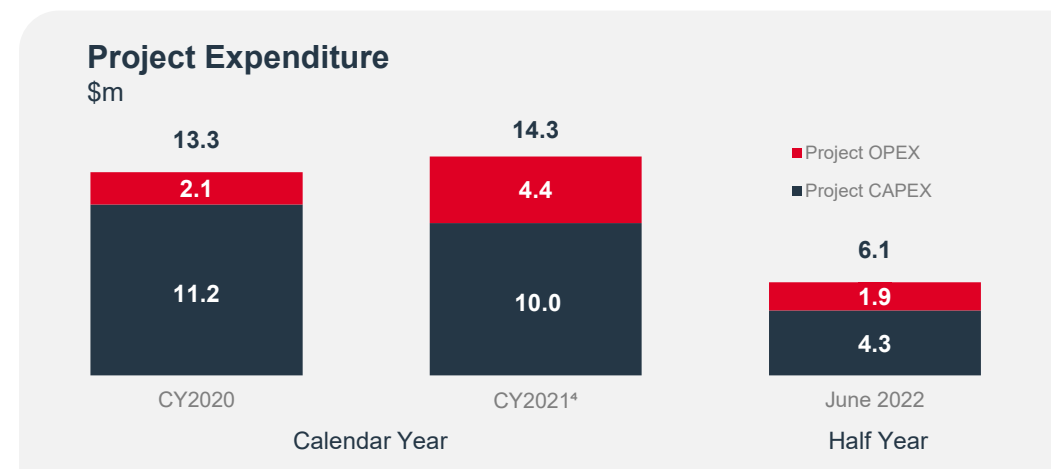
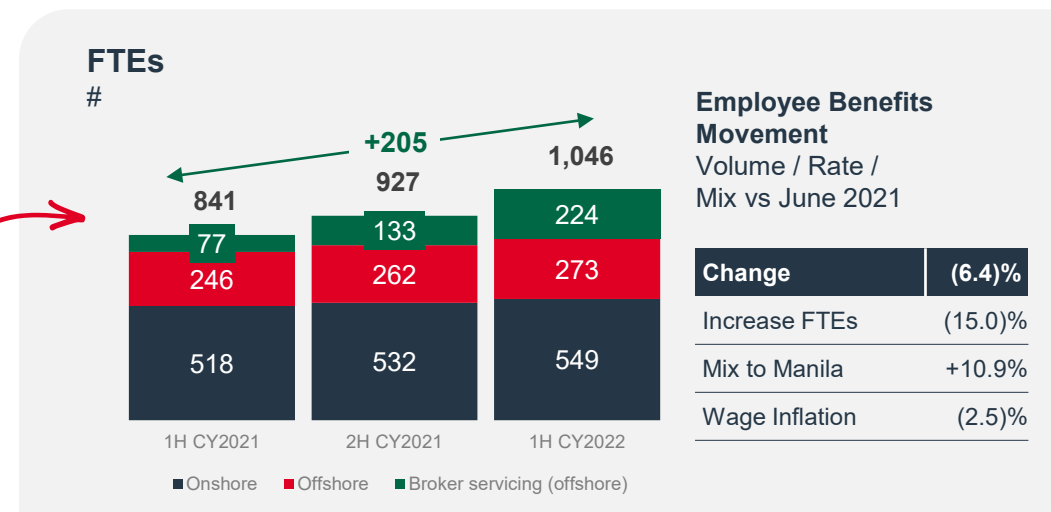
Asset Finance 90+ day arrears^{2 4} as % of AUM



Pro-forma expenses

FTE growth in Manila Shared Services was the primary driver of increased Employee benefits and Technology expense. Normalising for the write down of an equity investments Total Expenses are only 1.2% higher than 2H 2021.

\$m	Half Year Ending			Jun 2022 v Dec 2021 Change B/(W)	Jun 2022 v Jun 2021 Change B/(W)
	Jun 2022	Dec 2021	Jun 2021		
Employee benefits expense	(51.8)	(49.9)	(48.6)	(3.7%)	(6.4%)
Marketing expense	(5.7)	(6.2)	(4.5)	8.0%	(26.3%)
Technology expense	(11.5)	(10.3)	(9.6)	(11.7%)	(20.0%)
General and admin expense	(8.0)	(8.7)	(6.5)	8.1%	(23.1%)
FV gains or losses on financial assets ¹	(2.1)	0.2	(0.0)	Lge	Lge
Impairment losses on financial assets	0.0	(0.2)	0.0	100.0%	-
Total Operating Expenses	(79.1)	(75.3)	(69.3)	(5.0%)	(14.2%)
Depreciation and amortisation	(10.0)	(13.9)	(10.7)	28.2%	6.2%
Corporate interest expense	(4.7)	(1.4)	(2.9)	(231.7%)	(63.6%)
Total Expenses	(93.8)	(90.6)	(82.8)	(3.5%)	(13.3%)
Total Expenses normalised²	(91.7)	(90.6)	(82.8)	(1.2%)	(10.8%)
CTI³	44.2%	43.4%	43.3%		
<i>CTI Normalised²</i>	<i>43.2%</i>	<i>43.4%</i>	<i>43.3%</i>		



Pro-forma Metrics



Half Year Ending

	Jun 2022	Dec 2021	Jun 2021	Jun 2022 v Dec 2021 B/(W)	Jun 2022 v Jun 2021 B/(W)
Volume (\$ billion)					
Originations – Mortgages	4.1	3.6	2.8	14.5%	48.4%
Originations – Asset Finance	1.5	1.2	0.9	27.4%	67.2%
Total Originations	5.6	4.8	3.7	17.7%	53.0%
AUM lending – Mortgages	14.0	12.3	11.3	14.4%	23.9%
AUM lending – Asset Finance	4.3	3.5	3.0	21.5%	42.8%
AUM lending	18.3	15.8	14.3	15.9%	27.8%
AUM servicing	1.1	1.2	1.3	(8.4%)	(16.3%)
Total AUM	19.4	17.0	15.6	14.3%	24.2%
Income (\$ million)					
Operating income – Mortgages	122.3	131.3	124.7	(6.8%)	(1.9%)
Operating income – Asset Finance	70.5	61.0	49.9	15.6%	41.3%
Operating income – Loan and Other Servicing	5.3	6.2	2.6	(13.8%)	104.9%
Total operating income	198.4	198.6	177.2	(0.1%)	12.0%
Profitability					
Net interest margin ¹ – Mortgages	2.06%	2.28%	2.40%	(22bps)	(33bps)
Net interest margin ¹ – Asset Finance	3.07%	3.43%	3.37%	(36bps)	(30bps)
Total net interest margin¹	2.29%	2.52%	2.59%	(23bps)	(30bps)
Employee benefits expense / Total operating income	26.1%	25.1%	27.4%	(0.9%)	1.4%
Employee cost per FTE (\$'000)	104.9	113.0	122.9	7.2%	14.6%
Cost-to-income ratio ²	44.2%	43.4%	43.3%	(0.8%)	(0.9%)
<i>Cost-to-income ratio – normalised³</i>	<i>43.2%</i>	<i>43.4%</i>	<i>43.3%</i>	<i>0.2%</i>	<i>0.1%</i>
Credit Quality					
Total losses ⁴ (ex. Overlay ⁵)% AUM lending – Mortgages	0.05%	0.01%	0.01%	(4bps)	(4bps)
Total losses ⁴ (ex. Overlay ⁵)% AUM lending – Asset Finance	0.63%	0.82%	1.34%	20bps	71bps
Total losses⁴ (ex. Overlay⁵)% AUM lending	0.18%	0.18%	0.28%	-	10bps
Return					
Total operating income yield	2.4%	2.4%	2.3%	(0.1%)	0.0%
Dividend yield⁶ (annualised)	6.3%	5.5%	N/A		

Pro-forma Income Statement



Half Year Ending

\$ million	Half Year Ending			Jun 2022 v Dec 2021 B/(W)	Jun 2022 v Jun 2021 B/(W)
	Jun 2022	Dec 2021	Jun 2021		
Interest income	376.5	351.4	338.9	7.1%	11.1%
Interest expense	(184.0)	(161.0)	(162.7)	(14.3%)	(13.1%)
Net interest income from continuing operations	192.5	190.3	176.2	1.1%	9.2%
Net lending fees	8.3	7.3	5.4	14.6%	55.1%
Whole loan sales gain	4.3	5.0	4.5	(12.9%)	(4.1%)
Loan losses	(13.9)	(10.5)	(14.1)	(32.0%)	1.5%
Servicing fees and other income	7.1	6.5	5.1	9.9%	39.3%
Total operating income from continuing operations	198.4	198.6	177.2	(0.1%)	12.0%
Employee benefits expense	(51.8)	(49.9)	(48.6)	(3.7%)	(6.4%)
Marketing expense	(5.7)	(6.2)	(4.5)	8.0%	(26.3%)
Technology expense	(11.5)	(10.3)	(9.6)	(11.7%)	(20.0%)
General and administration expense	(8.0)	(8.7)	(6.5)	8.1%	(23.1%)
FV gains or losses on financial assets	(2.1)	0.2	(0.0)	(Lge)	(Lge)
Impairment losses on financial assets	-	(0.2)	-	100.0%	-
EBITDA	119.4	123.3	107.9	(3.2%)	10.6%
Depreciation and amortisation expense	(10.0)	(13.9)	(10.7)	28.2%	6.2%
Corporate interest expense	(4.7)	(1.4)	(2.9)	(231.7%)	(63.6%)
Profit before income tax from continuing operations	104.6	107.9	94.4	(3.1%)	10.9%
Income tax expense	(31.5)	(32.2)	(28.3)	1.9%	(11.6%)
Net profit after income tax from continuing operations	73.1	75.8	66.1	(3.5%)	10.6%

Balance Sheet

Statutory

Key Movement: June 2022 on December 2021

	Assets
	<p>Loan and advances</p> <p>Loans and advances reflect net growth in originations over 1H CY2022 net of provisions for loan impairments</p>
	<p>Derivative financial asset</p> <p>Net position driven by impact of rising interest rates on IRS¹ and stronger US dollar CCIRS²</p>
	Liabilities
	<p>Borrowings</p> <p>Increase in note borrowings to fund book growth, coupled with CDF drawdowns of \$95m, to part fund Stratton acquisition and corporate tax payment.</p> <p>A Senior floating rate note of \$25m was settled in May 2022 as part of the funding strategy of mezzanine drawdowns on the warehouses.</p>
	Equity
	<p>Retained Earnings</p> <p>Retained earnings reflect sustained profit growth in the business for 1H CY2022 net of CY2021 final dividend paid April CY2022.</p>

Balance as at	Jun 2022 \$M	Dec 2021 \$M	Jun 2021 \$M
Assets			
Cash and cash equivalents	1,265.9	1,309.2	836.7
Receivables	10.1	9.4	19.2
Loans and advances	18,384.1	15,819.8	14,339.7
Derivative financial assets	137.9	23.7	3.9
Other financial assets	19.8	23.0	18.5
Other assets	8.8	7.5	7.6
Deferred tax assets	-	37.5	49.1
Property, plant and equipment	9.3	6.6	10.5
Intangible assets	29.0	31.5	35.0
Total assets	19,864.9	17,268.2	15,320.2
Liabilities			
Trade payables	13.7	11.2	10.9
Current tax	13.0	39.2	24.3
Provisions	23.3	26.8	21.4
Borrowings	19,030.8	16,517.2	14,655.3
Derivative liabilities	9.7	17.5	43.7
Other liabilities	17.5	19.9	31.3
Deferred tax liabilities	1.1	-	-
Total liabilities	19,109.1	16,631.8	14,786.9
Total net assets	755.8	636.4	533.3
Equity			
Issued capital	729.6	729.3	729.3
Other reserves	98.8	12.4	(15.6)
Retained earnings	(72.6)	(105.3)	(180.4)
Total equity attributable to owners of Pepper Money Limited	755.8	636.4	533.3
Total equity	755.8	636.4	533.3

Stratton fast start to integration

Stratton completed 1 July 2022. Since then strong progress made on business integration. Revenue and cost synergies have commenced with value realisation from Q4 CY2022. Stratton will be consolidated under the Asset Finance segment from 2H 2022.



Synergies:

Mortgages referral:

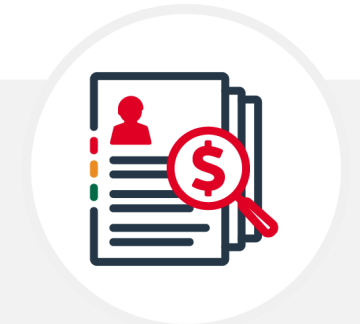
- Spot and Refer arrangements in place and operations

Product uplift:

- Asset finance white label opportunity analysis completed

Cost efficiencies:

- Supplier
- Real estate



Integration is well progressed:

Systems

- Cyber & Security
- Finance: general ledger, accounts payable, management reporting

People

- Relocation to combined sites

Process

- Risk and compliance frameworks
- Policies and procedures

Adapting to ever changing market conditions

What we have done to date

Delivered record originations



Grew above systems



Double digit AUM growth



Strong Credit quality



Productivity gains – investment for scaled growth

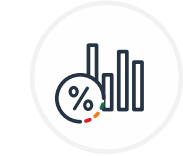


Funding \$11.0bn – capacity up 11%



Our focus continues to be

Margin management



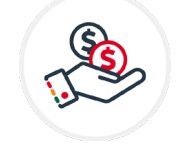
Efficient ROI from investments / capital allocation



Employee Engagement 10% high performing companies globally



Strong capital position



Leverage and build on Stratton



Product diversification
Fixed rates SMSF
New Zealand



Questions & Answers

peppermoney

Thank you

on behalf of all of Pepper Money

Appendices

Large addressable market

We have gained share

Mortgage Market grew in 1H CY2022

Commercial Asset Finance Market has contracted marginally since CY2021 mainly due to seasonality typically observed in 1Q each year

Pepper Money grew share in Asset Finance and in a rapidly expanding Mortgage market



June 2022

Mortgages

Asset Finance

Total Addressable Market (AUM)

\$2,421bn¹

\$180bn

88% Conforming
12%² Non-Conforming

Consumer: \$60bn⁴
Commercial: \$122bn⁵

Pepper Money's Market Share (closing AUM)

~0.6%³

~2.4%⁶

Targeted Customer Segments

- First home buyers
- SME/self employed (e.g. including casual and gig economy)
- Minor adverse credit event in history (e.g. late utilities bill)
- Credit history impacted by "life event" (e.g. divorce)

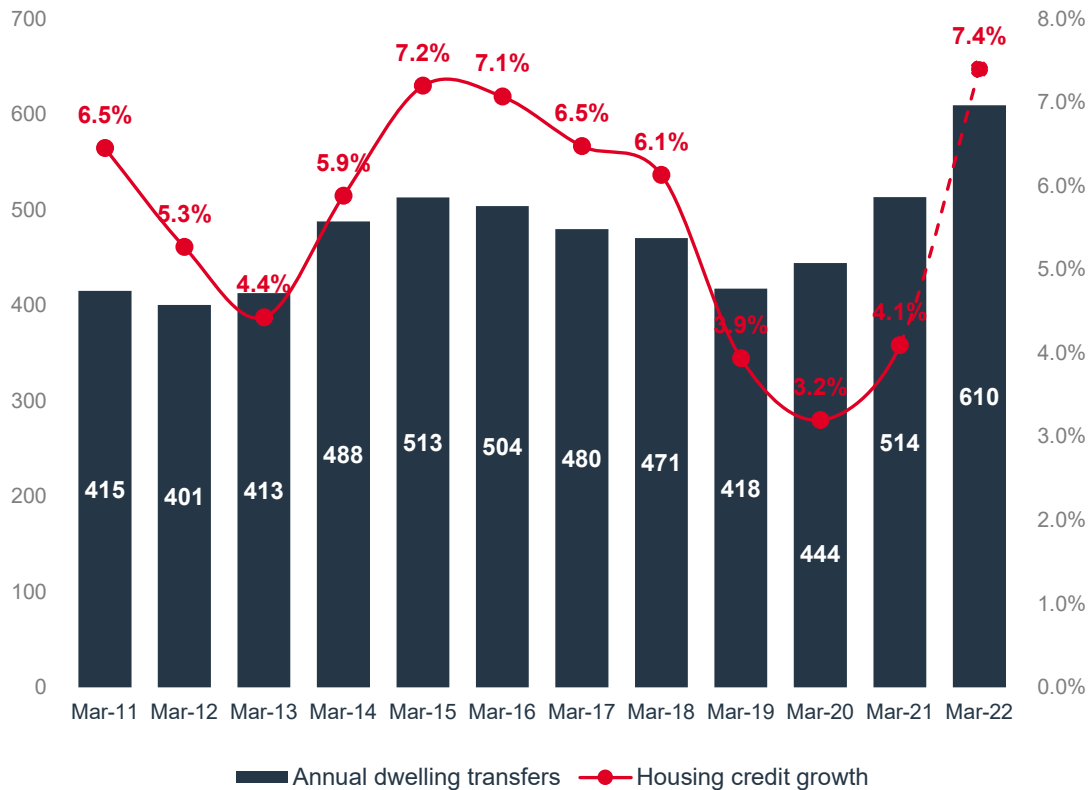
- Used cars
- Caravans
- Commercial vehicles
- Novated lease
- Small to medium business equipment

Notes: 1. Combination of Australia and New Zealand mortgage markets as at June 2022 (Total housing credit, RBA D2 Lending and credit aggregates (including owner-occupier housing credit and investor housing credit)); Housing, RBNZ C5 Sector lending (registered banks and non-bank lending institutions), June 2022, converted at an assumed exchange rate of NZD:AUD = 0.9331). 2. Independent research conducted by Fifth Dimension Research and Consulting in March 2021. 3. Represents Pepper Money's Mortgages AUM as at 30 June 2022 (closing) as a proportion of Total housing credit. 4. New household loan commitments for purchase of road vehicles, other transport vehicles and equipment, New household loan commitments, ABS 5601.0 Lending Indicators Table 27, July 2021 – June 2022 (published August 2022). Assumes market size is approximately 4x lending commitments for last 12 months. 5. New business loan commitments, finance lease and fixed term, purchase of vehicles, plant and equipment, ABS 5601.0 Table 29, 31 and 33, July 2021 – June 2022 (published August 2022). Assumes market size is approximately 4x lending commitments for last 12 months. 6. Represents Pepper Money's Asset Finance AUM as at 30 June 2022 (closing) as a proportion of total consumer and commercial motor and equipment financing.

Housing activity remains elevated in Australia

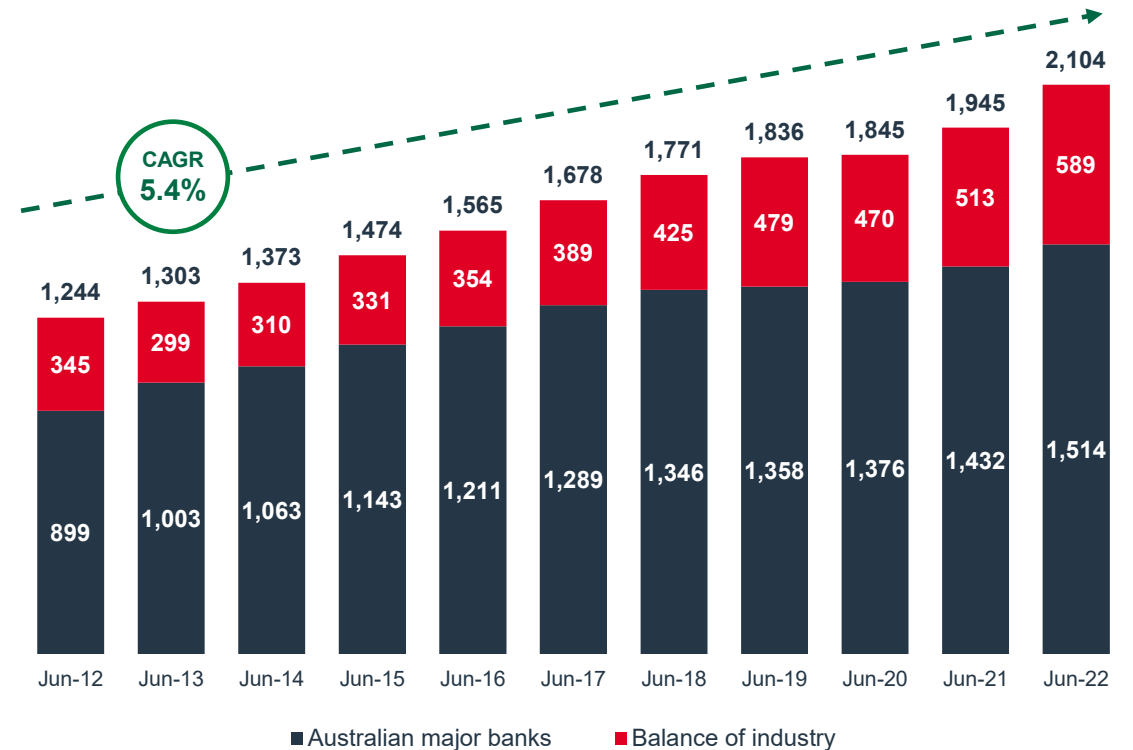
Housing activity remains robust

Annual dwelling transfers and 12-month credit growth – housing¹ ('000)



Supporting growth in credit

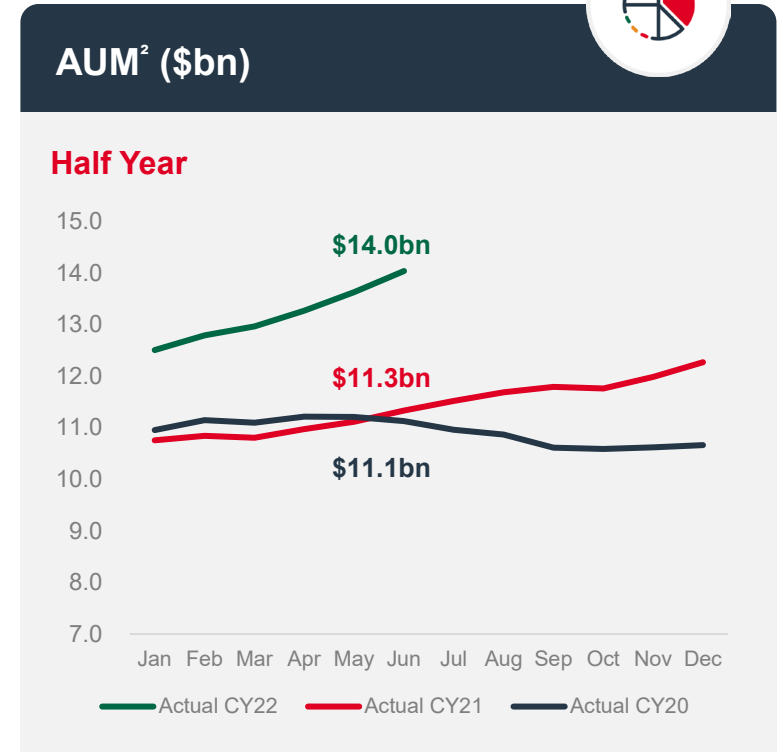
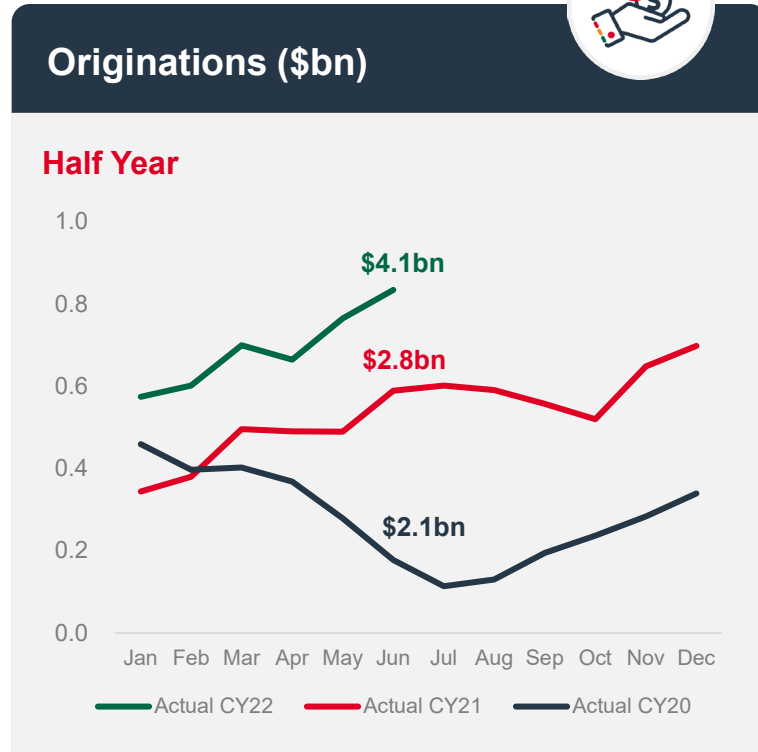
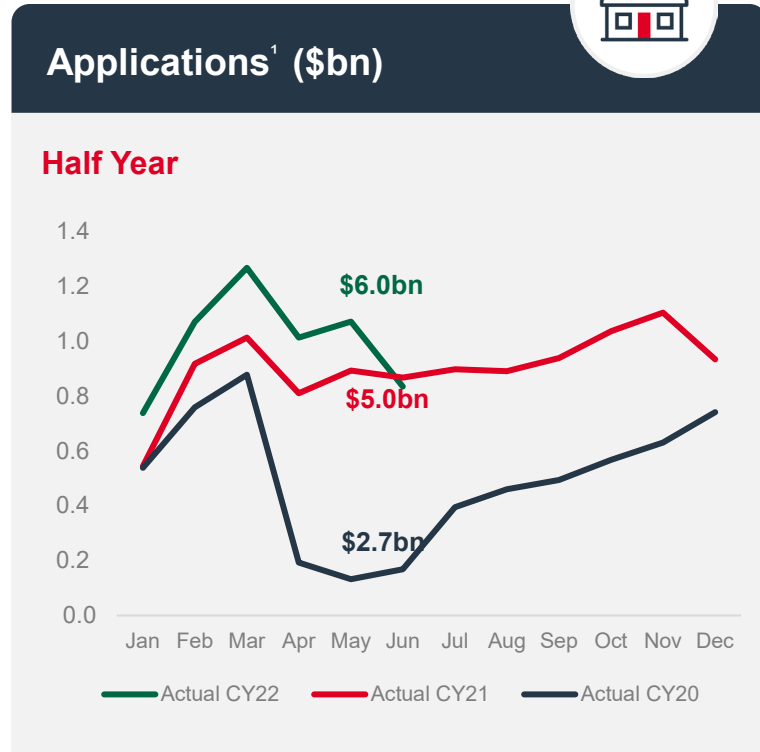
Credit outstanding to Australian households for owner-occupied and investor housing² (\$bn)



Notes: 1. ABS 6432.0 Total Value of Dwellings: Tables 2. Median Price and Number of Transfers (Capital City and Rest of State), March 2011 – March 2022 (released June 2022). RBA D1 Growth in selected financial aggregates, March 2011 – March 2022 (released June 2022). 2. Total housing credit, RBA D2 Lending and credit aggregates (including owner-occupier housing credit and investor housing credit), June 2012 – June 2022 (released August 2022). Major Australian Banks housing credit, APRA monthly authorised deposit-taking institution statistics (including owner-occupier housing credit and investor housing credit), June 2012 – June 2022 (released August 2022).

Mortgage originations grew 48% and AUM 24% in the first half

Mortgages



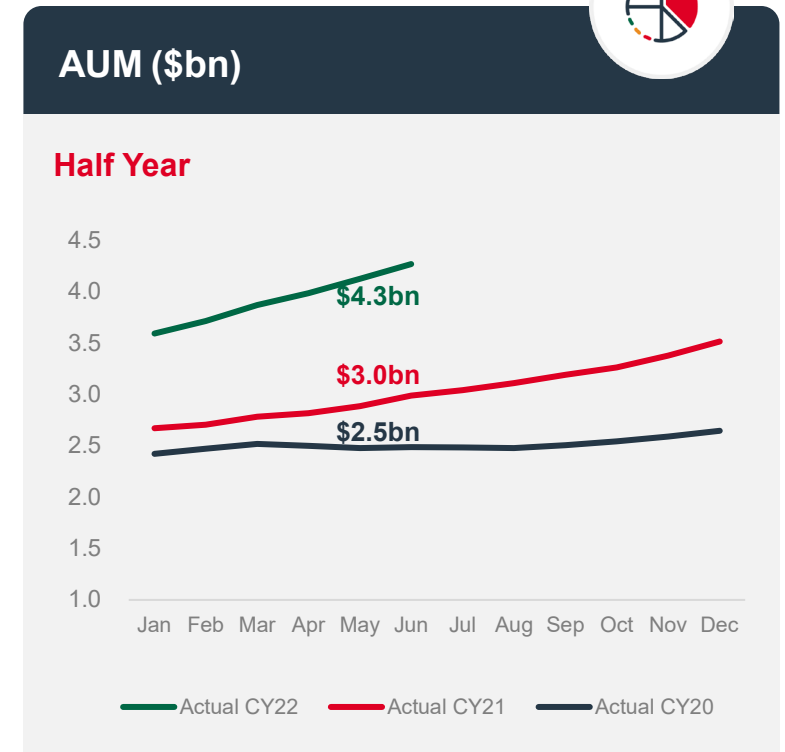
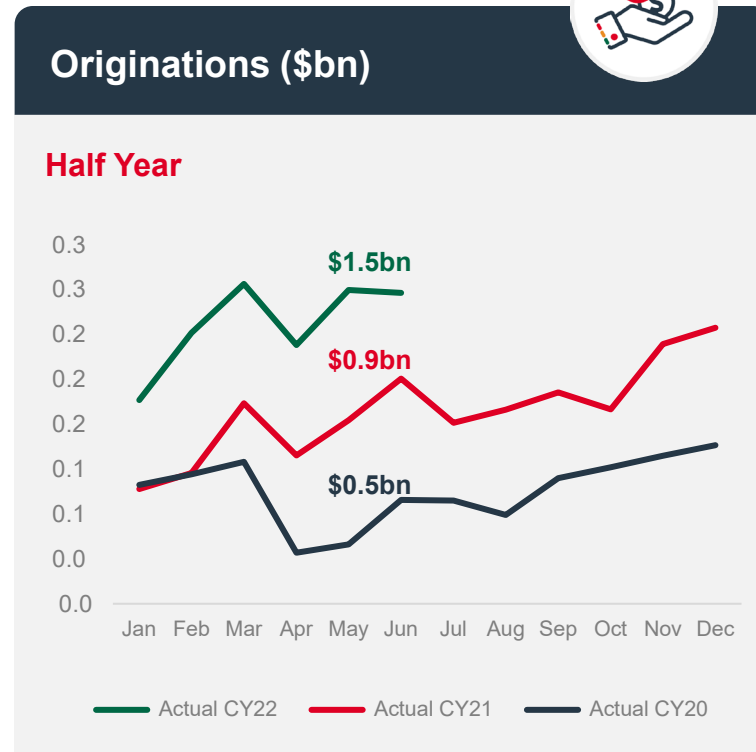
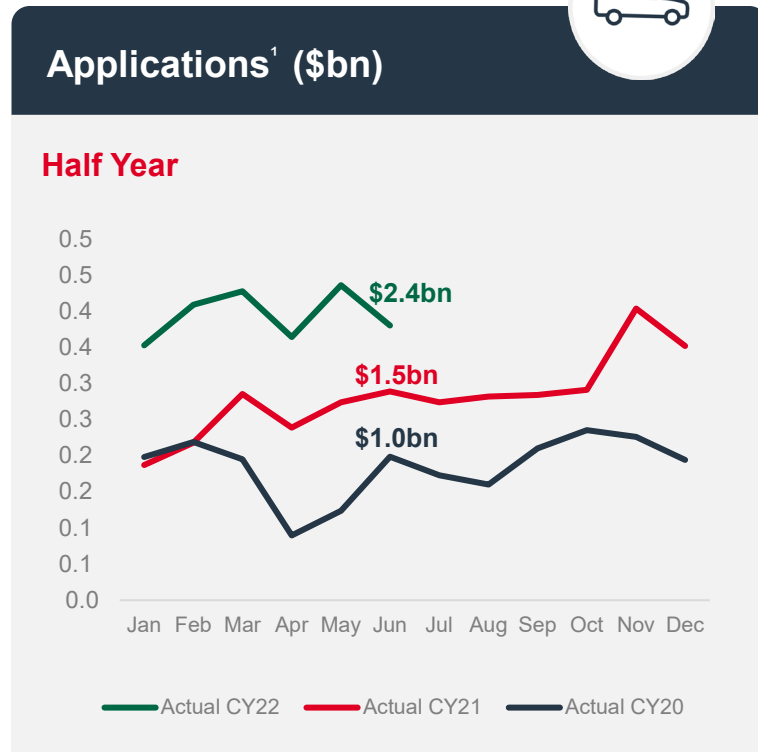
Half One Applications

1H CY2022	1H CY2021	1H CY2020
\$6.0bn	\$5.0bn	\$2.7bn

Half one applications in CY2022 were **19%** above CY2021, and **124%** above CY2020.

Asset Finance originations grew 67% and AUM 43% in the first half

Asset Finance



Half One Applications

1H CY2022
\$2.4bn

1H CY2021
\$1.5bn

1H CY2020
\$1.0bn

Half one applications in CY2022 were **59%** above CY2021, and **132%** above CY2020.

Statutory Income statement



\$m	Half year ending			Change B/(W)
	1H 2022	2H 2021	1H 2021	1H 2022 v 1H 2021
Interest income	376.5	351.4	338.9	11.1%
Interest expense	(184.0)	(161.0)	(162.7)	(13.1%)
Net interest income from continuing operations	192.5	190.4	176.2	9.3%
Lending fee income	36.1	31.6	28.3	27.6%
Lending expense	(27.8)	(24.4)	(22.8)	(21.9%)
Whole loan sales gain	4.3	5.0	4.5	(4.4%)
Loan losses	(13.9)	(10.5)	(14.1)	1.4%
Servicing fees and other income	7.2	6.5	5.1	41.2%
Total operating income from continuing operations	198.4	198.6	177.2	12.0%
Employee benefits expense	(51.8)	(49.9)	(48.4)	(7.0%)
Marketing expense	(5.7)	(6.3)	(4.5)	(26.7%)
Technology expense	(11.5)	(10.3)	(9.6)	(19.8%)
General and administration expense	(8.9)	(8.2)	(17.4)	48.9%
Fair value gains or losses on financial assets	(2.1)	0.2	-	(Lge)
Impairment losses on financial assets	-	(0.3)	-	-
Depreciation and amortisation expense	(10.0)	(13.8)	(10.7)	6.5%
Corporate interest expense	(4.7)	(3.6)	(6.7)	29.9%
Operating expenses from continuing operations	(94.7)	(92.2)	(97.3)	2.7%
Profit before income tax from continuing operations	103.7	106.4	79.9	29.8%
Income tax expense	(31.5)	(31.7)	(23.9)	(31.8%)
Net profit after income tax from continuing operations	72.2	74.7	56.0	28.9%
Profit/(loss) from discontinued operations	-	-	182.2	-
Net profit/(loss) after income tax	72.2	74.7	238.2	(69.2%)

Glossary & Disclaimer

Glossary of Terms

Annualised Dividend Yield: dividend yield based on average share price from time of 1 January 2022 to 30 June 2022.

AUM – lending (closing): assets under management originated and serviced (securitised and Pepper Money balance sheet lending).

AUM – servicing (closing): assets under management for portfolios of third parties which are serviced by Pepper Money.

Capital expenditure: includes investment in property and equipment and intangible software and licensed assets.

Conditional Prepayment Rate (CPR): an estimate of the percentage of a loan pool's principal that is likely to be paid off prematurely.

Cost to Income (CTI) ratio: total operating expenses including depreciation and amortisation and corporate interest expense divided by total operating income before loan losses.

EBITDA: earnings before corporate interest expense, including the interest charge associated with AASB 16, income tax expense, depreciation (including the right of use asset recognised under AASB 16 relating to premise leases) and amortisation.

Employee cost per FTE: employee benefits expenses for the relevant period, annualised, divided by average full-time

equivalent.

Employee benefits expense/Total operating income: employee benefits expenses divided by total operating income.

FTE: full time equivalent employee.

Net interest income: interest charged on loans provided to borrowers (Mortgages and Asset Finance), income from Mortgage Risk Fee (MRF) / Loan Protection Fee (LPF), loan premium revenue and the funding costs and facility establishment costs associated with the debt raised to fund these assets. The net interest income is calculated using the Effective Interest Rate (EIR) which includes certain fees and costs incurred which are integral in bringing the loans or associated debt to account (such as upfront Distribution Partner commissions).

Net interest margin (NIM): Net interest income divided by average lending AUM for the relevant period, expressed on an annualised basis.

NPAT: net profit after tax.

Originations: new loans originated during the period.

PCP: refers to prior comparative period being the six months to June 2021 in this presentation.

Total losses % average lending AUM: excluding Post Model Overlay loan loss expense divided by average lending

AUM for the relevant period, expressed on an annualised basis.

Total Operating Income: includes net interest income, lending fee income, lending expenses, Whole loan sales gain, loan losses and servicing fees and other income.

Total Operating Income yield: total operating income divided by average lending and servicing AUM for the relevant period.

90+ days past due % closing lending AUM: loans where borrowers have not made the full payment of interest or principal for an amount exceeding 3 monthly instalments, divided by closing lending AUM.

Disclaimer

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