

peppermoney



Investor Presentation CY2022 Results

23 February 2023

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

CY2022

Highlights



Volume

Total Originations

\$9.6bn

↑ 14% PCP¹

Total AUM

\$19.2bn

↑ 13% PCP

Systems growth²

2x Mortgages

35x Asset Finance



Profitability

Pro-forma NPAT³

\$142.0m

↑ 0.1% PCP

Statutory NPAT⁴

\$140.5m

↑ 8% PCP



Funding

Public securitisations

\$5.0bn

↑ 6% PCP

Warehouse capacity

\$11.3bn

↑ 14% PCP



Shareholders

Fully franked final dividend

5.1

cents per share

CY2022 fully franked dividends

10.5

cents per share

Annualised yield⁵

6.3%

Versus 5.5% CY2021

Given the strategy to **drive volume** to support AUM growth in 1H CY2022, Pepper Money delivered **strong business results** for CY2022, as the market slowed over the latter part of the year.



Customers⁶

New to Pepper

77,214

↑ 29% PCP



Our Community

Pepper "Shout Out"

300 & 58

Nominations Awards



Our People

Engagement⁷

78

↑ Top 10% companies globally

Pepper Giving

>\$200k

to support charities and communities

Pepper's mission is to help people succeed

We have created a broad range of solutions that deliver value to our customers



Our pillars support our mission



Our success is possible because our values are at the heart of our brand...



...and the strength of our core competencies

Mission

We help people succeed.

Focus

We focus on the underserved and undervalued segments.

Pillars



Customer

Business

People

Brand

Values

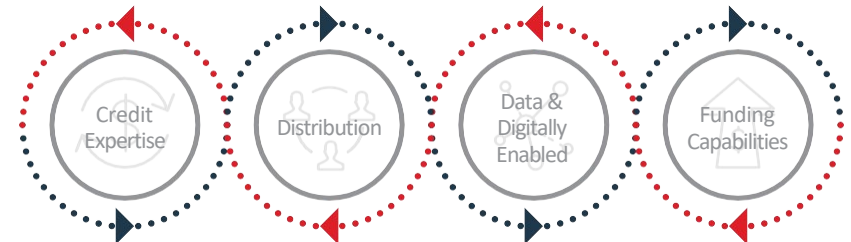


Can do

Balanced

Real

Core Competencies

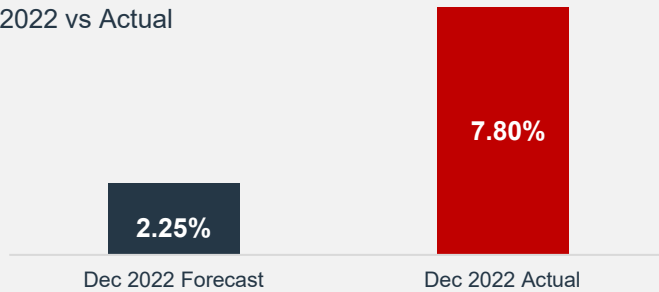


Challenging operating environment

Inflation taking everyone by surprise¹

1

CY2022 Inflation
RBA forecast for December
2022 vs Actual



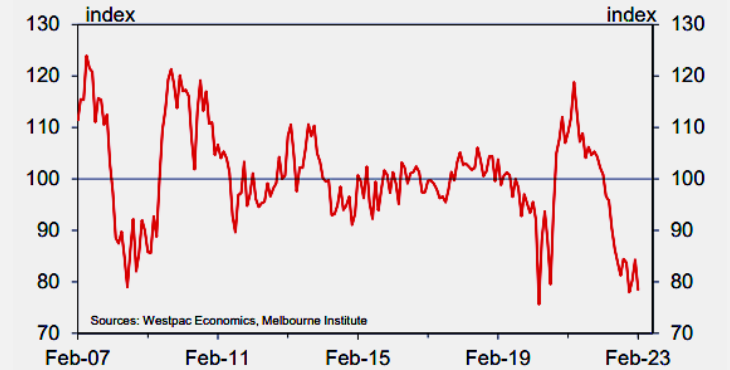
Rapidly rising interest rates²

2



Consumer confidence³ has fallen deeply

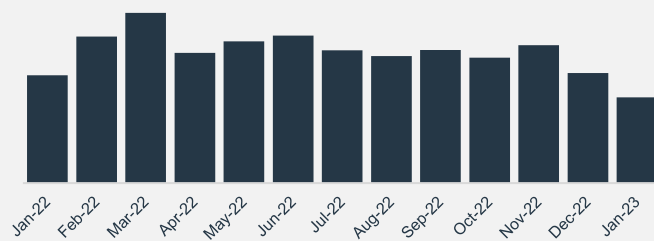
3



Mortgage volumes have fallen

4

Mortgage enquiry volume⁴



Jan on Jan change: (21)%
QTR on QTR change: (13)%
LTM mvt: (14)%

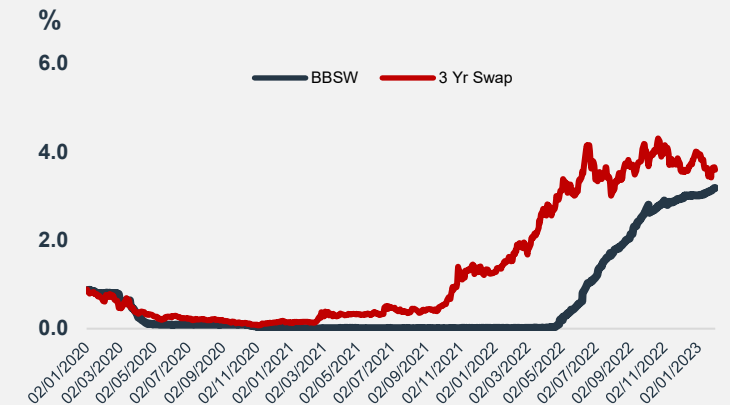
...as have property prices

5

Indexed 31 December 2022	Change in dwelling values ⁵		
	Month	Quarter	Annual
Sydney	-1.4%	-4.0%	-12.1%
Melbourne	-1.2%	-2.9%	-8.1%
Brisbane	-1.5%	-5.4%	-1.1%
Adelaide	-4%	-1.0%	10.1%
Perth	0.1%	0.0%	3.6%
Hobart	-1.9%	-4.9%	-6.9%
Darwin	-0.5%	-1.1%	4.3%
Canberra	-1.2%	-3.3%	-3.3%
National	-1.1%	-3.3%	-5.3%

Volatility in swap rates⁶ impacting COF

6

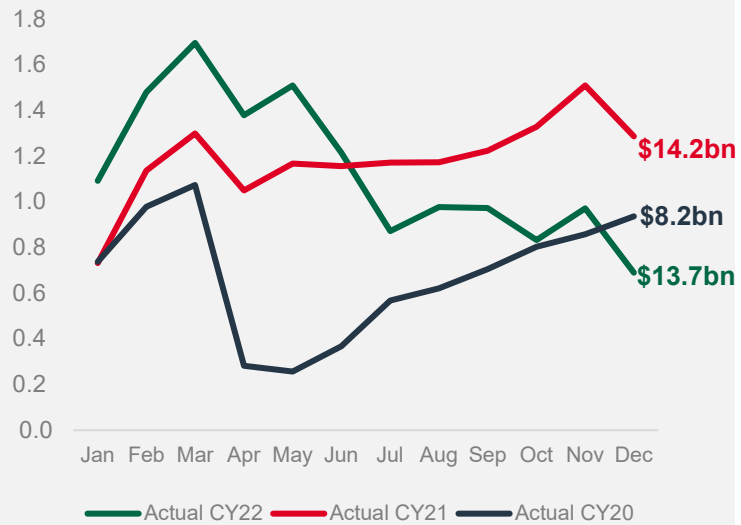


Lending growth



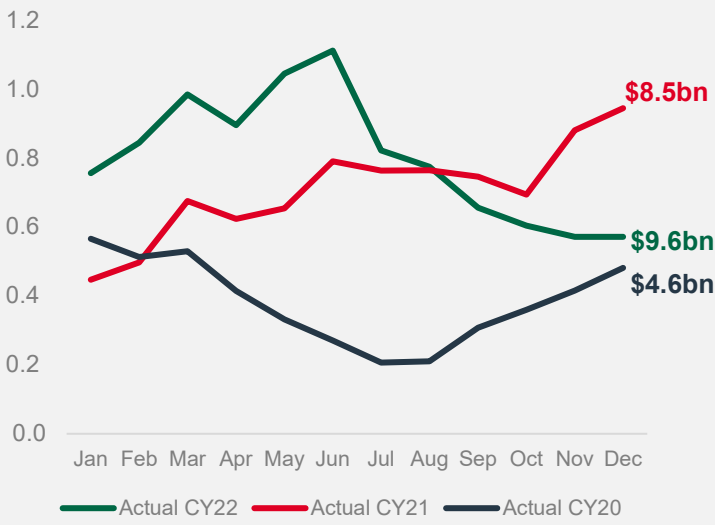
Applications^{1,2} (\$bn)

Calendar Year



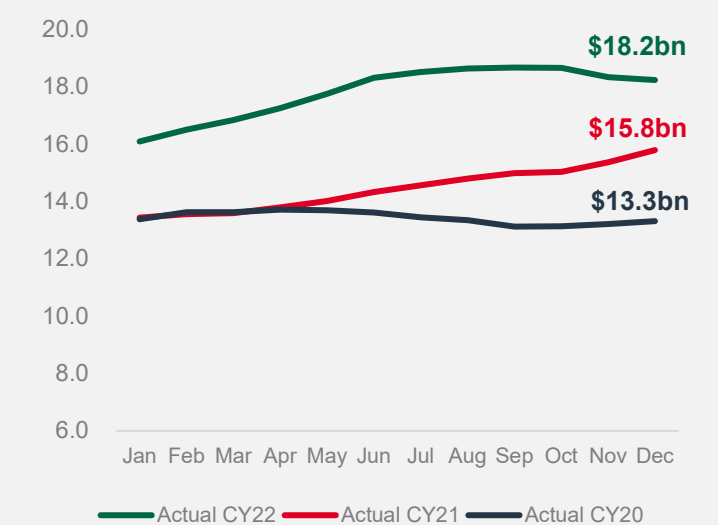
Originations² (\$bn)

Calendar Year



Lending AUM² (\$bn)

Calendar Year



Half on half Applications

2H CY2022
\$5.3bn

1H CY2022
\$8.4bn

2H CY2021
\$7.7bn

1H CY2021
\$6.5bn



Outpaced the market

December 2022

\$2,660bn

Total Addressable Market (AUM)

Mortgages

\$2,478bn¹

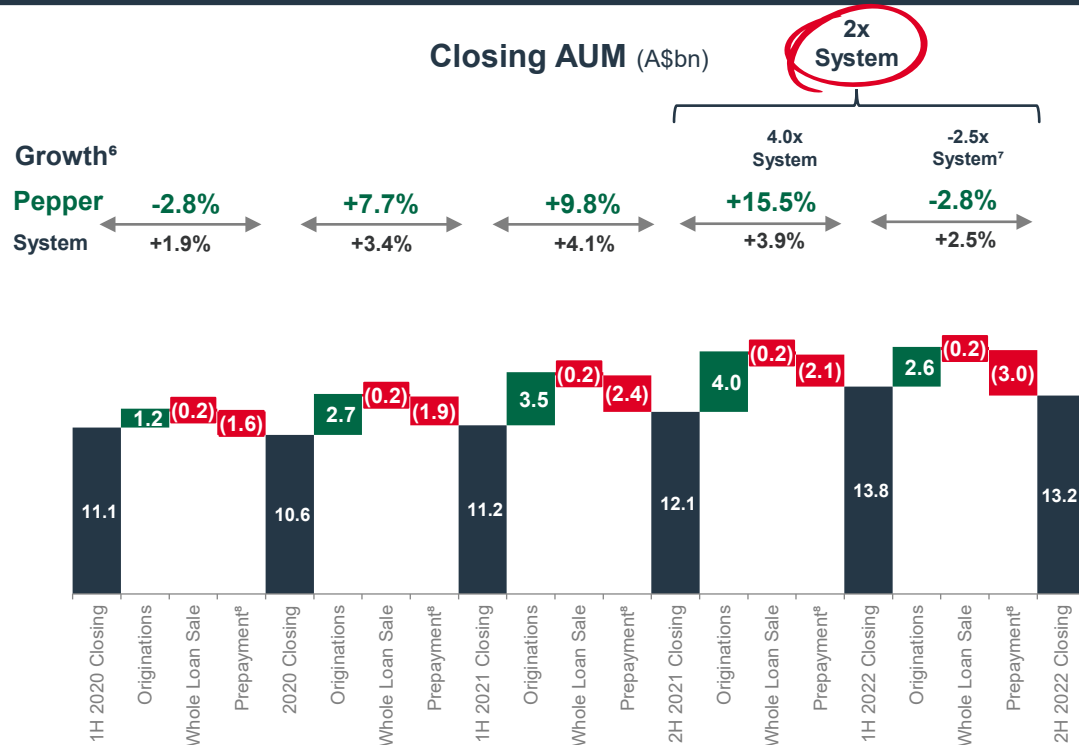
Conforming: 88%
Non-Conforming: 12%²

Asset Finance

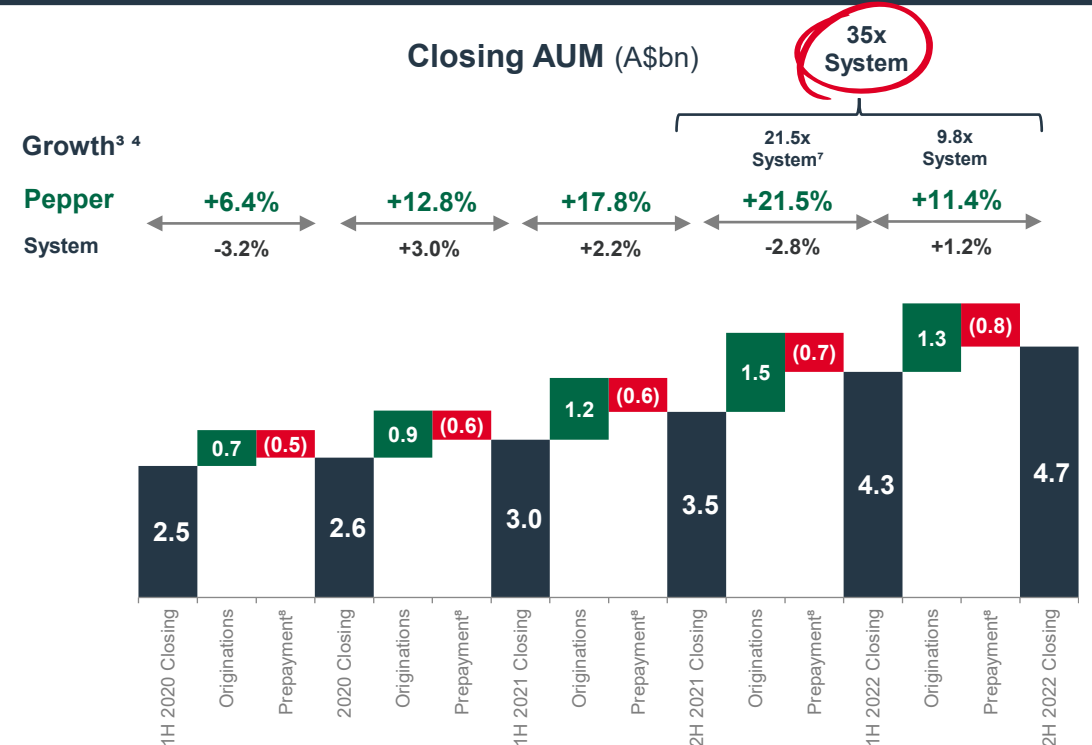
\$182bn

Consumer: \$60bn³
Commercial: \$122bn⁴

Mortgages⁵ AUM Walk



Asset Finance AUM Walk

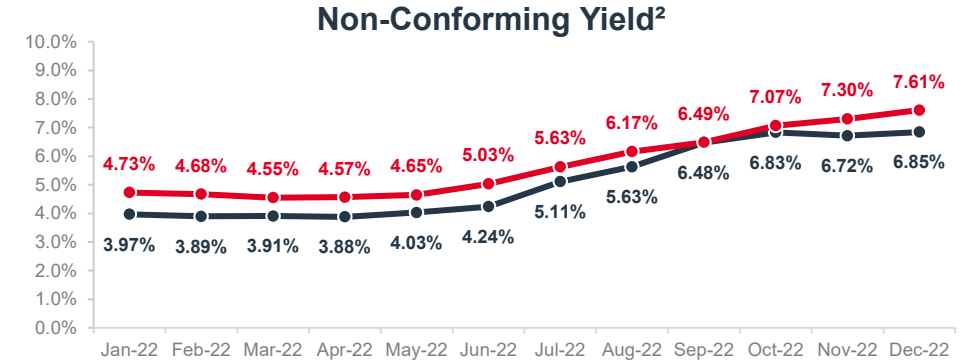
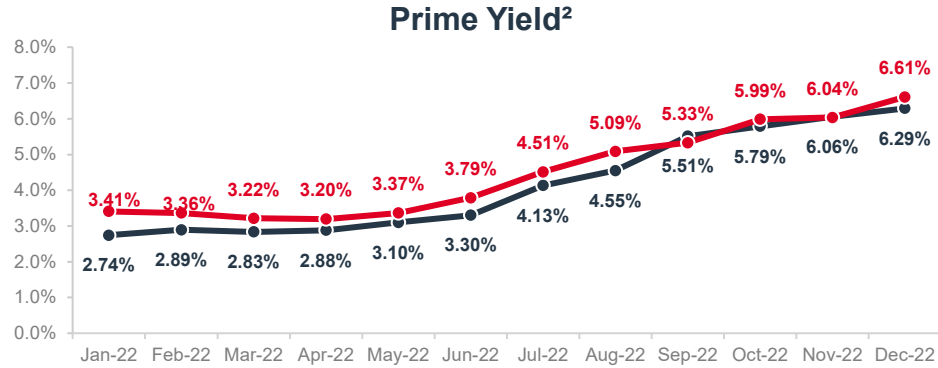


Notes: 1. Combination of Australia and New Zealand mortgage markets as at December 2022 (Total housing credit, RBA D2 Lending and credit aggregates (including owner-occupier housing credit and investor housing credit)); Housing, RBNZ C5 Sector Lending (registered banks and non-bank lending institutions), December 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, January 2022 – December 2022 (published February 2023). 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, January 2022 – December 2022 (published February 2023). Assumes market size is approximately 4x lending commitments for last 12 months. 5. Australian mortgages including Commercial Real Estate. 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. Negative growth is assumed zero for growth comparison. 8. Includes scheduled repayments.

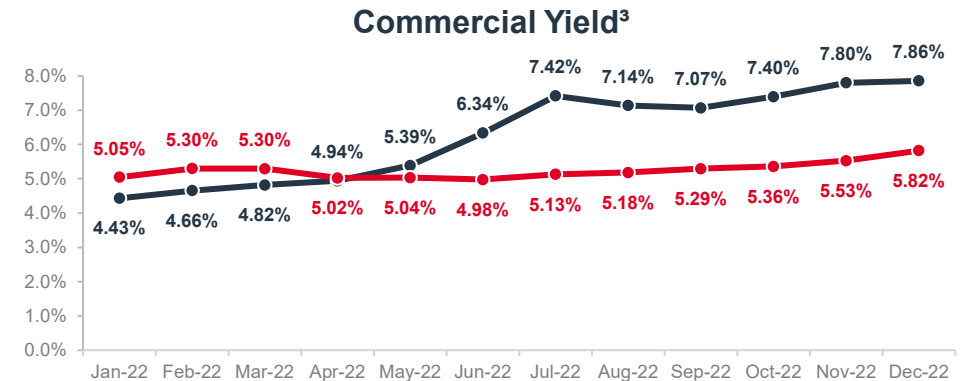
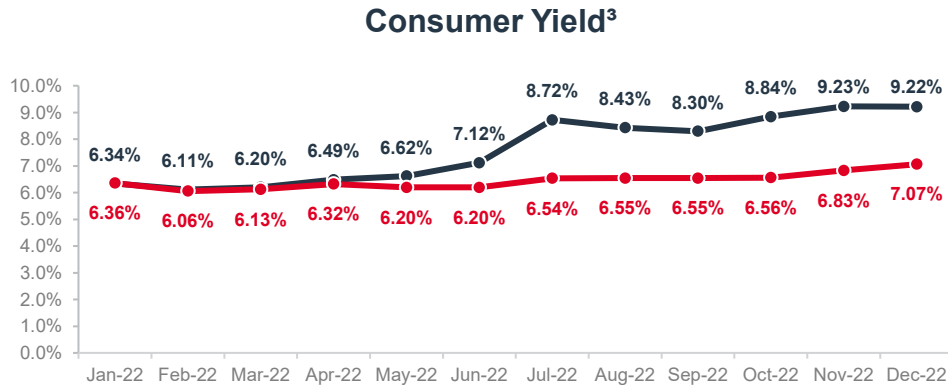
Managing rate rises | front book and portfolio rate changes

Portfolio —●—
Front book —●—

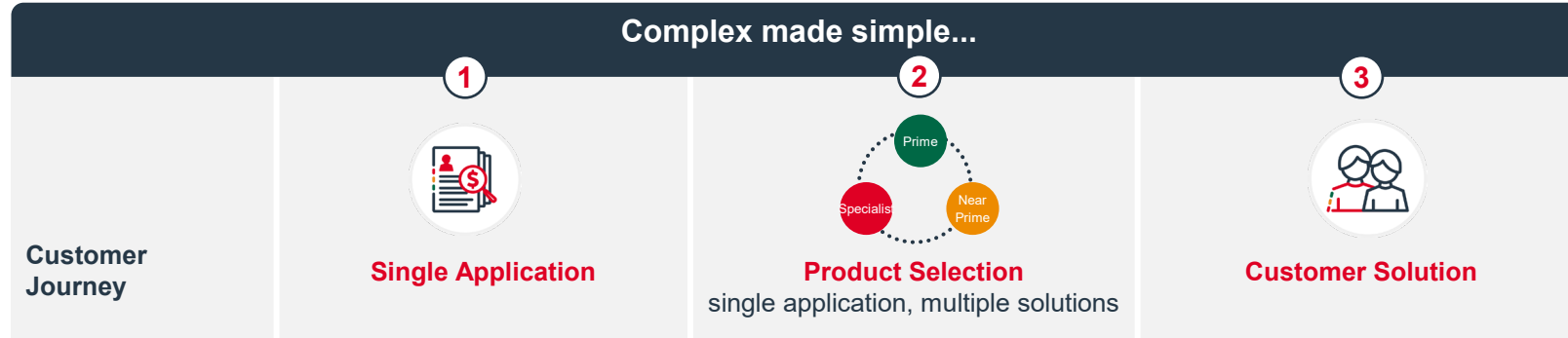
Mortgages¹



Asset Finance



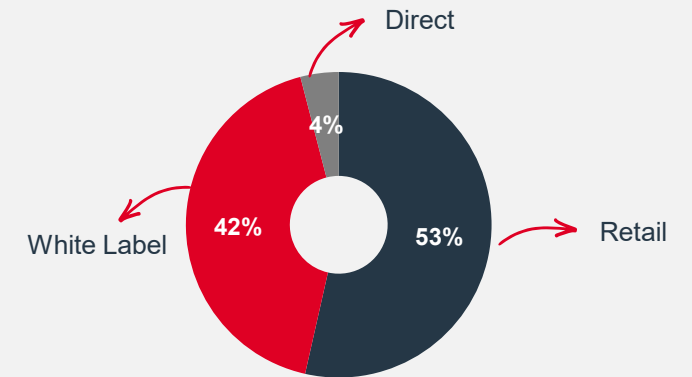
Customer Solutions | Mortgages CY2022



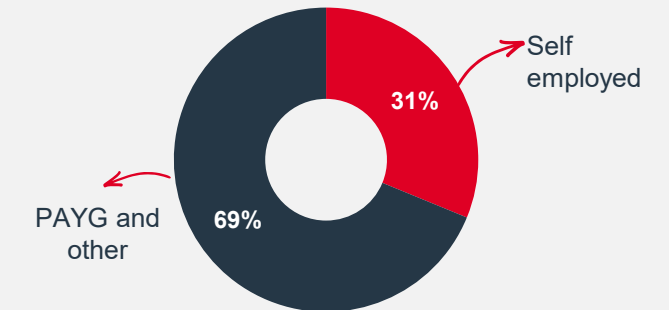
CY2022	Conforming		Non-Conforming	
Product Risk Tiers	Prime Borrowers with a clear credit history	Near prime Borrowers who have had a minor adverse credit event	Specialist Borrowers whose credit history is impacted by a "life event"	
Originations¹ composition	52%	43%	5%	
Originations¹	\$3.6bn	\$2.9bn	\$0.4bn	
Growth on PCP	-4%	+26%	-4%	
AUM Close²	\$6.6bn	\$5.5bn	\$1.3bn	
Growth on PCP	+7%	+18%	-3%	
Weighted Average Interest Rate³	6.6%	7.3%	8.1%	

Asset Type Composition ¹	Single Dwelling	Low-Density Units	Townhouse / Villa	Vacant Land	Commercial / Industrial
	78%	7%	7%	6%	2%

CY2022 Originations by **Distribution channel**¹



CY2022 Originations by **Employment Type**⁴



CY2022 AUM (close)
Weighted Average Indexed LVR⁵

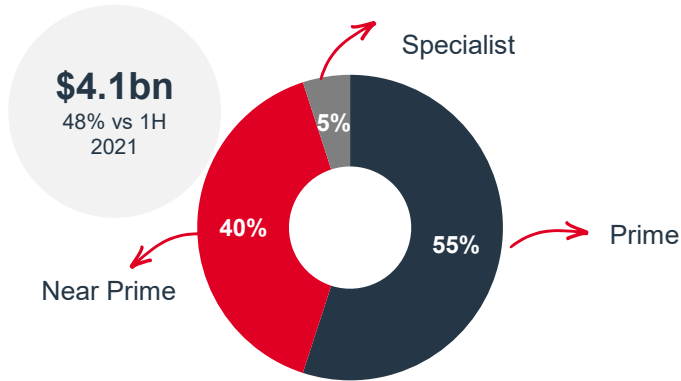


Notes: 1. Based on originations (\$) for the twelve months to 31 December 2022 including Commercial Real Estate and New Zealand mortgages. 2. Closing AUM balance as at 31 December 2022 including Commercial Real Estate and New Zealand mortgages. 3. Based on mortgages portfolio closing AUM as at 31 December 2022, including Commercial Real Estate and New Zealand mortgages. 4. Based on origination (#) for the twelve months to 31 December 2022 for Australian residential mortgages only. 5. Current loan value divided by the indexed property value (CoreLogic) for the Australian residential mortgage portfolio. Weighted average based on closing AUM as at 31 December 2022.

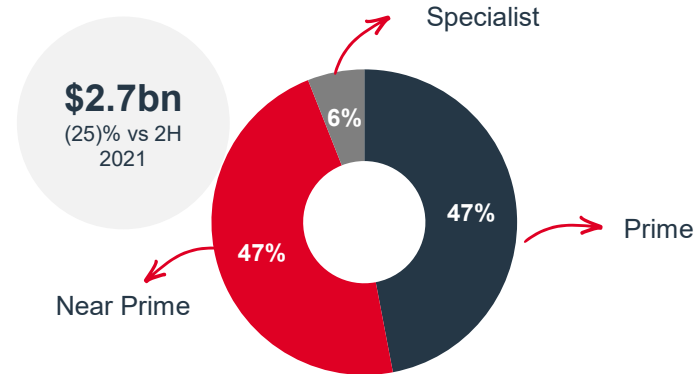
Customer Solutions | Mortgages 1H vs 2H CY2022

Originations by Product

1H CY2022 Originations¹



2H CY2022 Originations²



Weighted Average Indexed LVR³

1H CY2022 AUM (close)

54%

61% as at June 2021



2H CY2022 AUM (close)

58%

56% as at December 2021



Weighted Interest Rate⁴

1H CY2022 (close)

	Portfolio	Front Book ⁵
Prime	4.2%	3.9%
Near Prime	5.1%	4.6%
Specialist	6.0%	6.0%

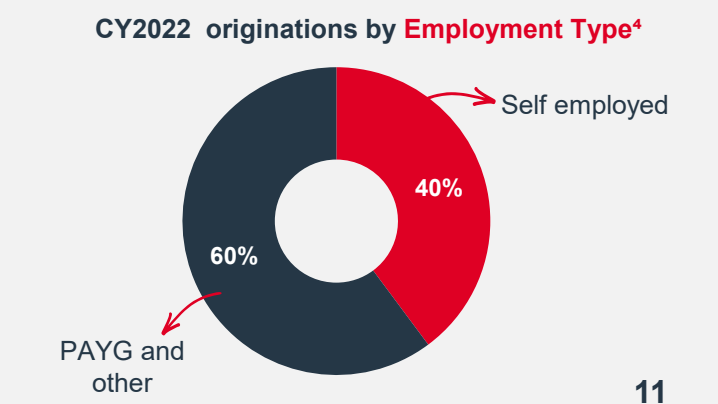
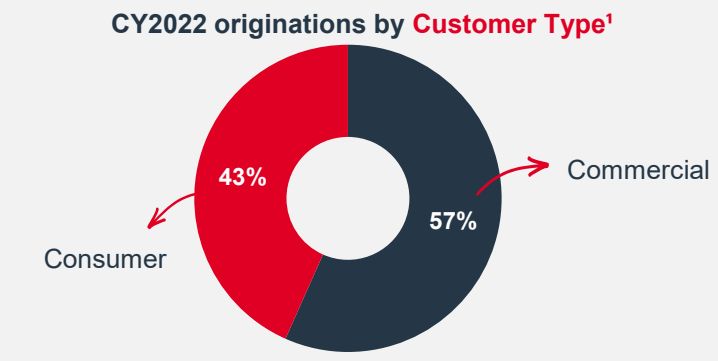
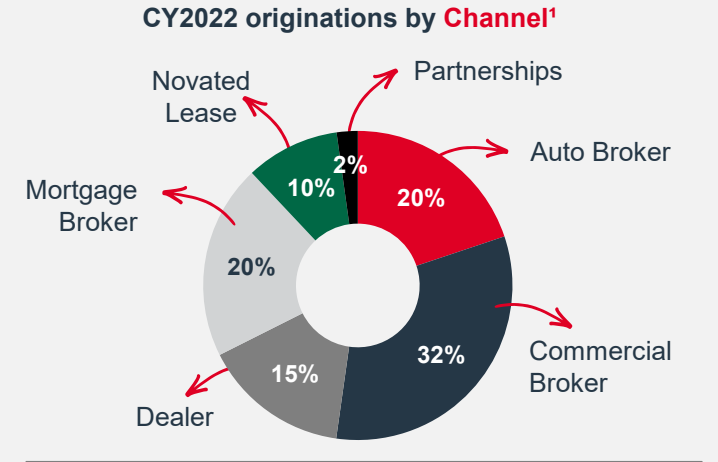
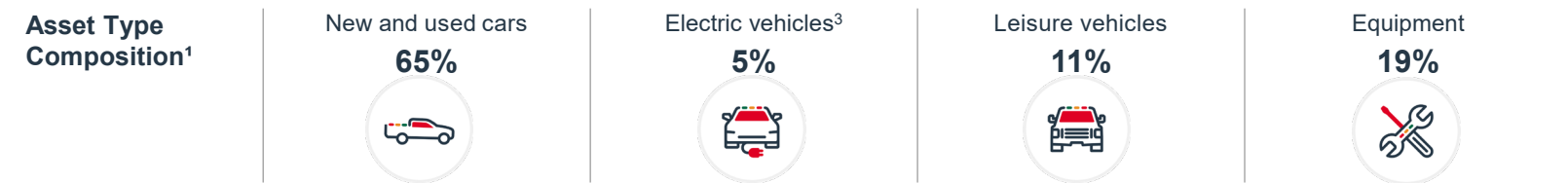
2H CY2022 (close)

	Portfolio	Front Book ⁶
Prime	6.6%	6.5%
Near Prime	7.3%	7.1%
Specialist	8.1%	8.4%

Customer Solutions | Asset Finance CY2022



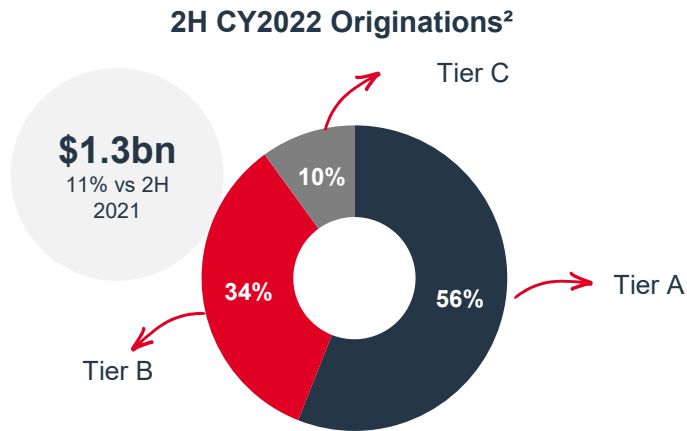
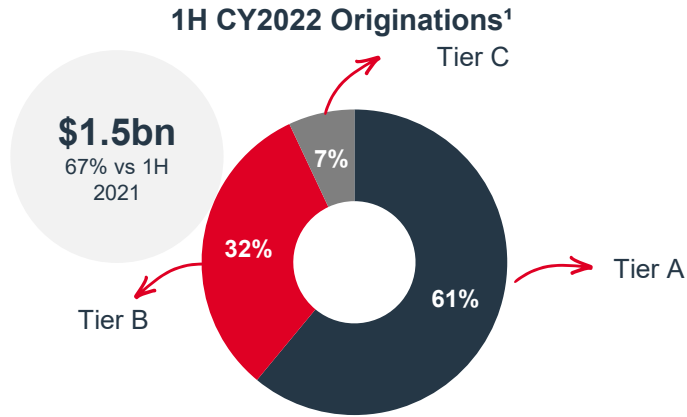
CY2022			
Product Risk Tiers	Tier A	Tier B	Tier C
	Owns property Stable employment Clear credit history	Long term renter New to job Clear credit history	Long term renter Unstable employment Previous defaults Limited credit history
Originations ¹ Composition	59%	33%	9%
Originations ¹	\$1.6bn	\$0.9bn	\$0.2bn
Growth on PCP	+40%	+27%	+36%
AUM close ²	\$2.7bn	\$1.6bn	\$0.5bn
Growth on PCP	+36%	+36%	+28%
Weighted Average Interest Rate ²	6.9%	9.0%	12.9%



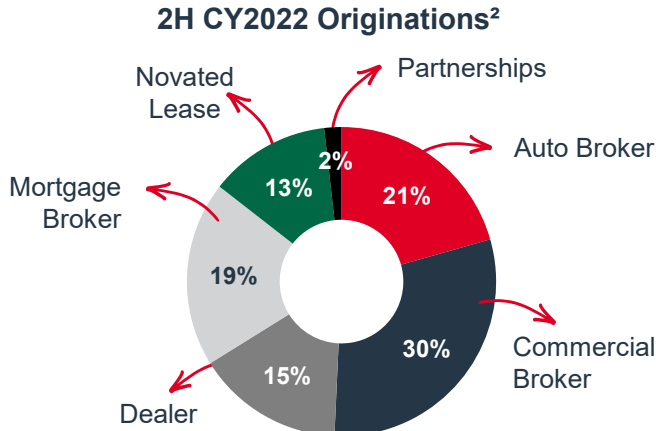
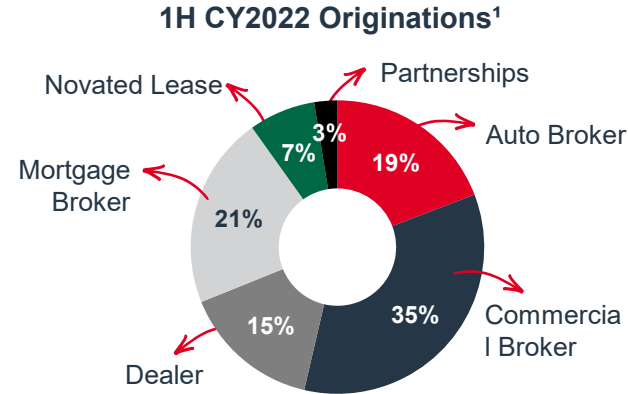
Note: 1. Based on originations (\$) for the twelve months to 31 December 2022. 2. Based on closing AUM as at 31 December 2022. 3. Electric vehicles include both fully electric and hybrid. 4. Based on originations (#) for the twelve months to 31 December 2022.

Customer Solutions | Asset Finance 1H vs 2H CY2022

Originations by Product



Originations by Channel



Weighted Interest Rate³

1H CY2022 (close)

	Portfolio	Front Book ⁴
Tier A	6.9%	6.2%
Tier B	8.9%	8.5%
Tier C	12.8%	12.4%

2H CY2022 (close)

	Portfolio	Front Book ⁵
Tier A	6.9%	8.6%
Tier B	9.0%	10.7%
Tier C	12.9%	14.2%

Funding performance

In excess of

\$33.2bn²

across 54 transactions
2003 to December 2022

Non-Conforming RMBS

\$20.5bn

Prime RMBS

\$9.4bn

ABS

\$3.3bn

Warehouses

A\$11.3bn
total capacity

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

18
facilities

Capacity up 14%
31 December 2022 vs
31 December 2021

Securitisation

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

100+⁴
investors

A\$36.1bn⁵
Total Issuance

Called every note
at first available
call date

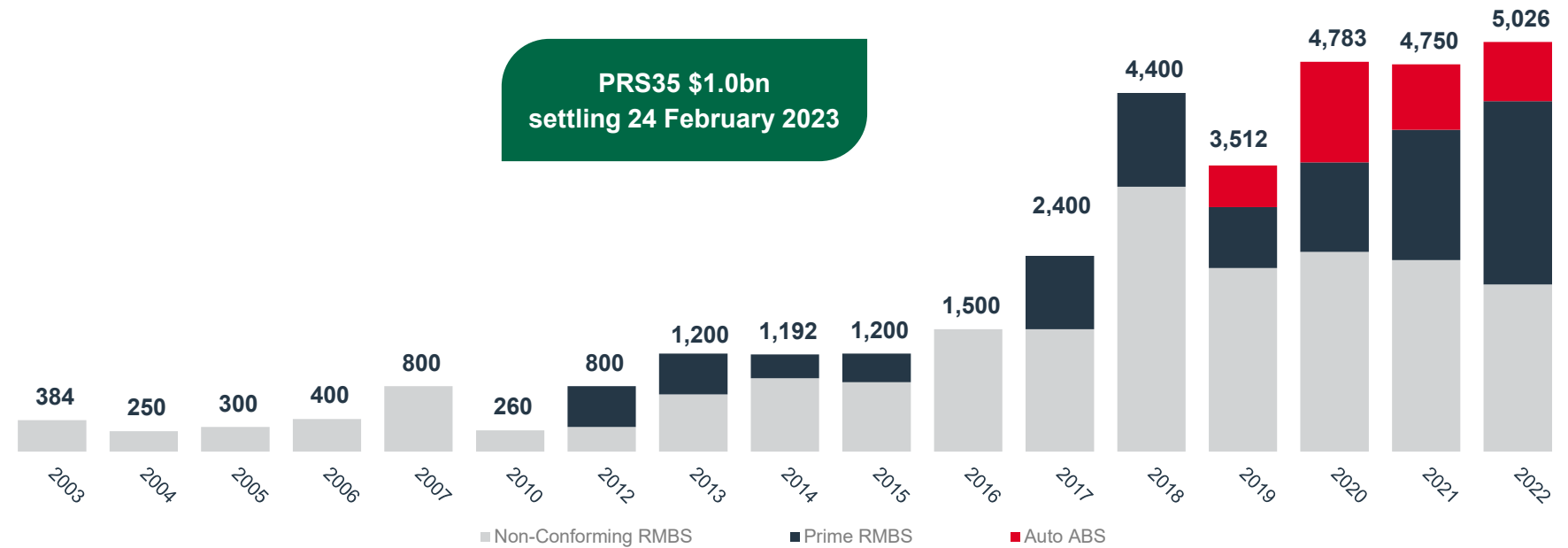
Whole loan sales / private term issuances

A\$7.1bn+
total funding

16
counter-parties

Cumulative Deal Size

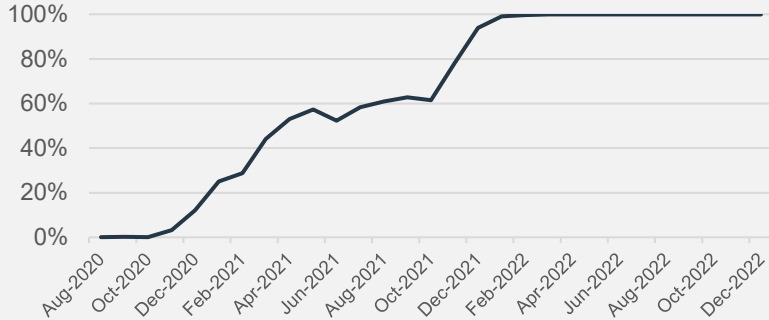
Per Year (A\$ M)



Technology delivering scale & efficiency

ASSET FINANCE

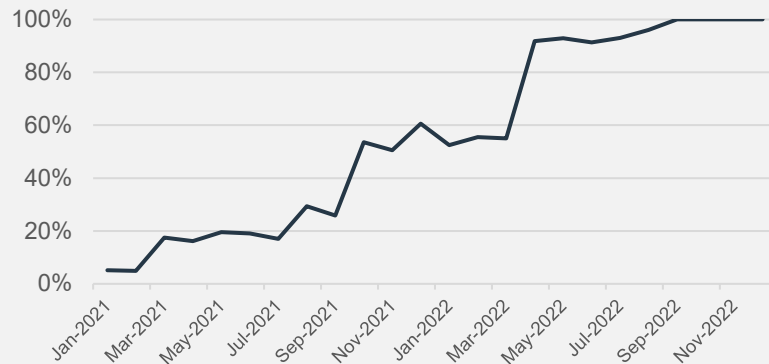
Volume through SOLANA



Hit 100% in March 2022. 1H 2022 Auto-approval pass rate at 42%, 2H 2022 increased to 47%

MORTGAGES

Application volume through SAGE



100% migration of residential applications through SAGE since September 2022



Integrated Digital Platform

Operations

Pepper Apollo – service task automation

Collections transaction effort¹

26% reduction in Mortgages

41% reduction in Asset Finance

Collections Activity
4.6 FTE per month saved²

Hardship Activity
0.4 FTE per month saved²

\$46m collected³

SCALE

Our sustainability focus

Our People

Engagement

78
Top 10% companies globally

Diversity

55% Female
45% Male

We are committed to fostering an environment that supports a safe, healthy, diverse and inclusive workplace where talent thrives.

Our Community

Pepper “Shout Out”

300 Nominations
58 Awards

Pepper Giving

>\$200k
to support charities and communities

We partner with community-based organisations that share our values of diversity and inclusion and that make a difference in areas of the community.



Economic performance

Pro-forma NPAT

\$142m
0.1% PCP

CY2022 fully franked dividends

10.5
cents per share

We are committed to responsible business practices. Our system of governance fosters a culture of accountability and creates sustainable long term value for our investors and capital partners.

Environment

Healthier planet

7 Hectares of trees planted

Green Bond

\$330m

We recognise the importance of how making positive changes in how we run the business can reduce our impact on the environment.

Financial performance

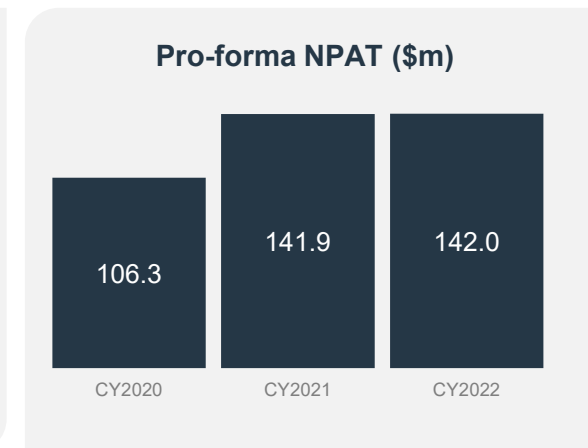
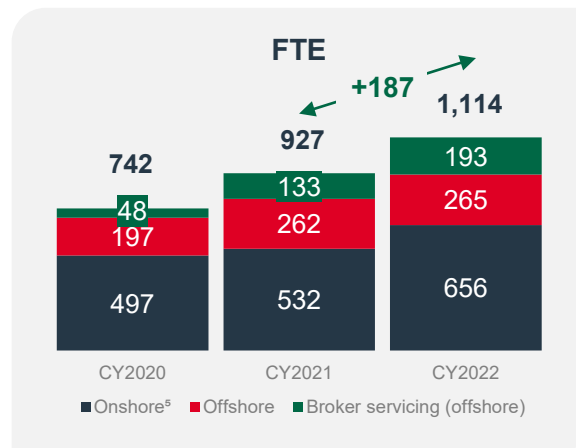
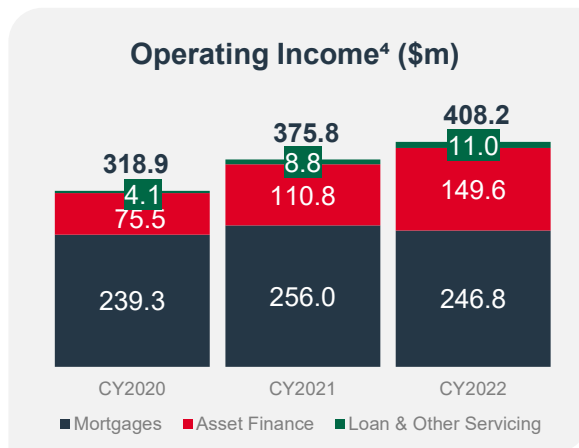
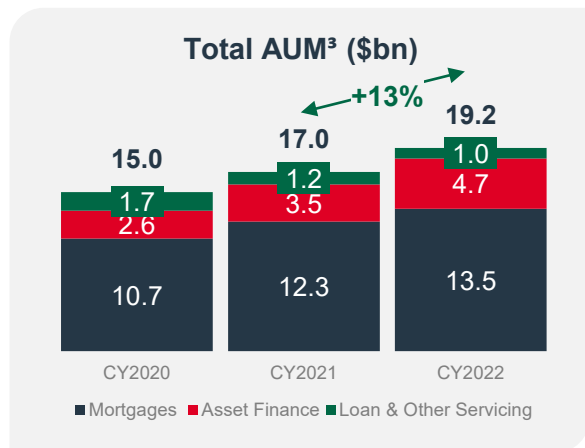
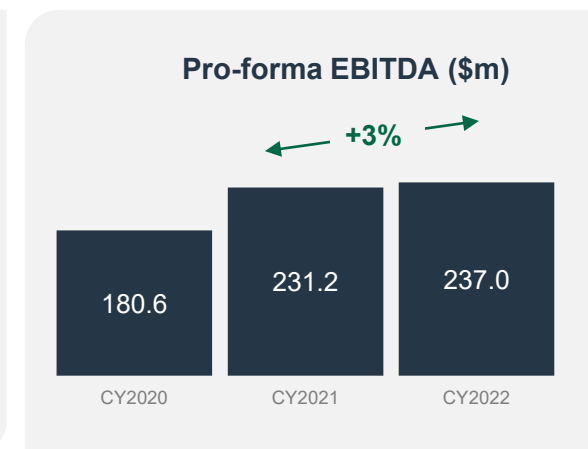
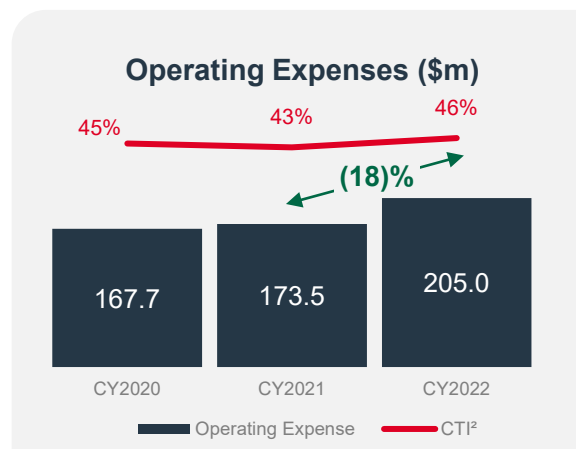
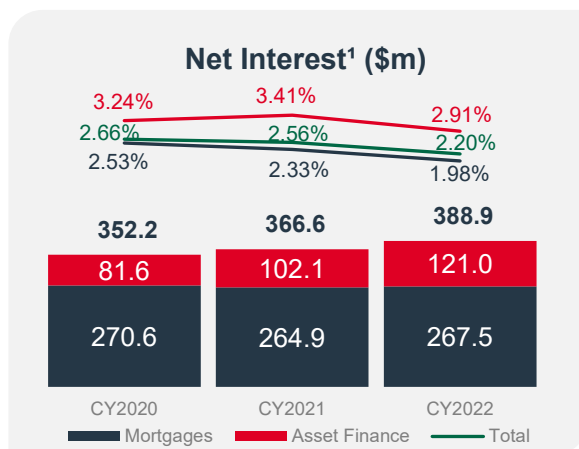
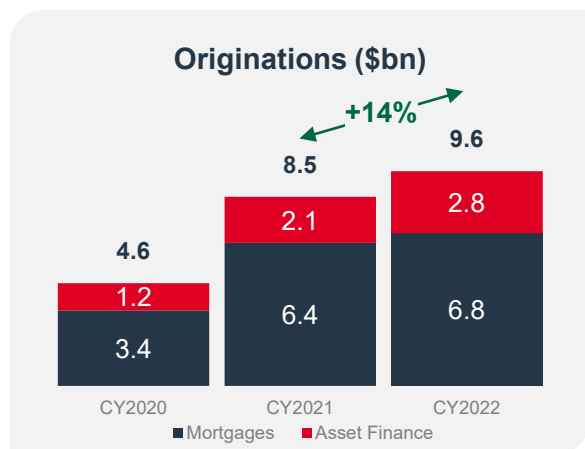
Pro-forma

Volume

Income

Expenses / FTE

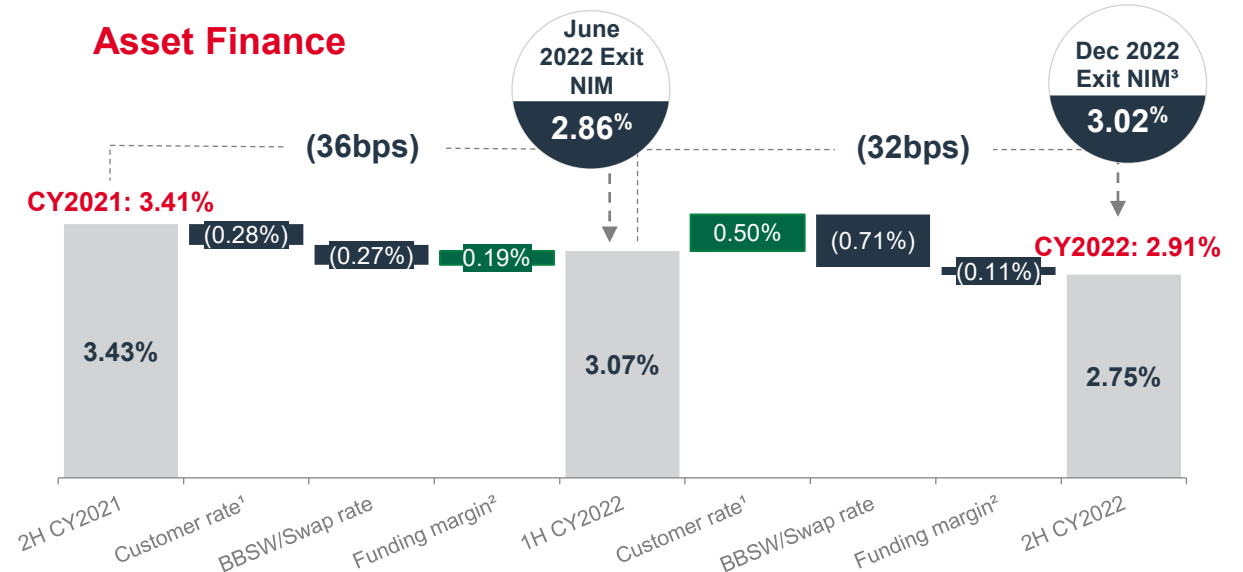
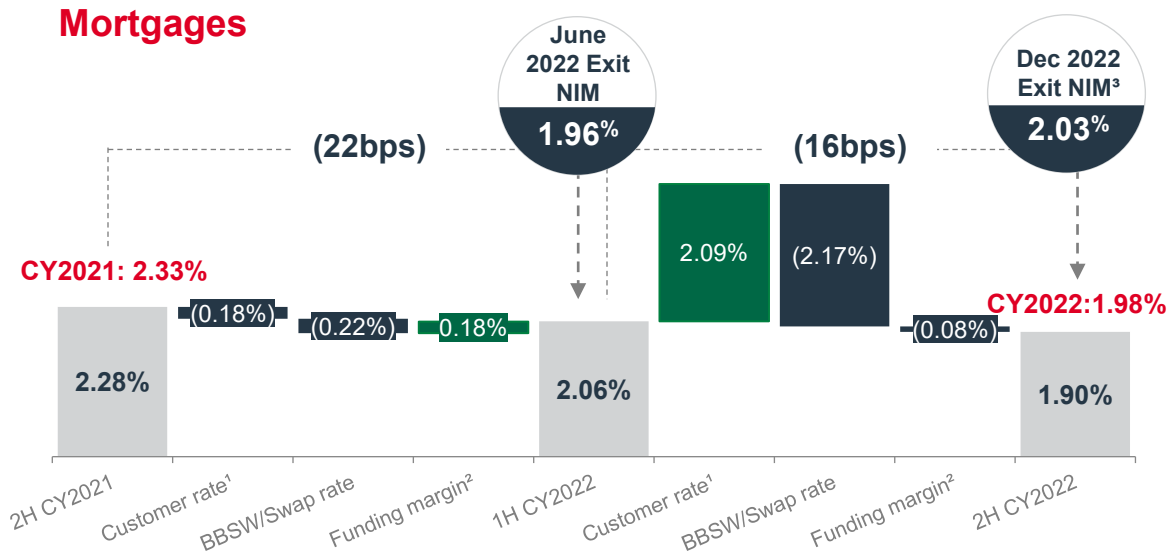
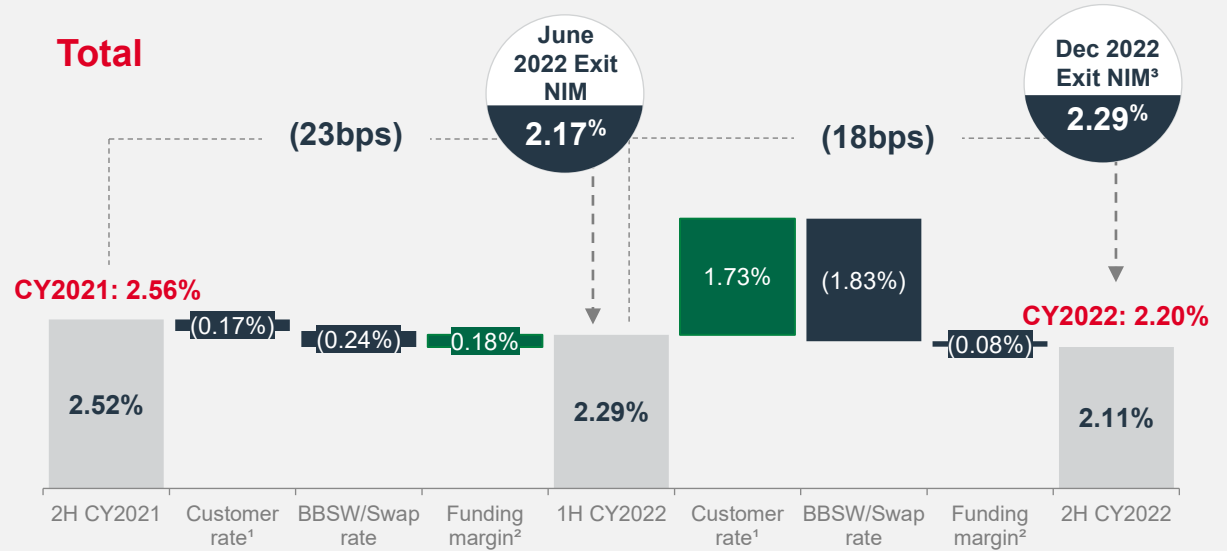
Profit



NIM movement

Substantial increases in funding cost, particularly in 2H, largely offsets customer repricing activity

NIM is showing improvement in December month given customer rate increases

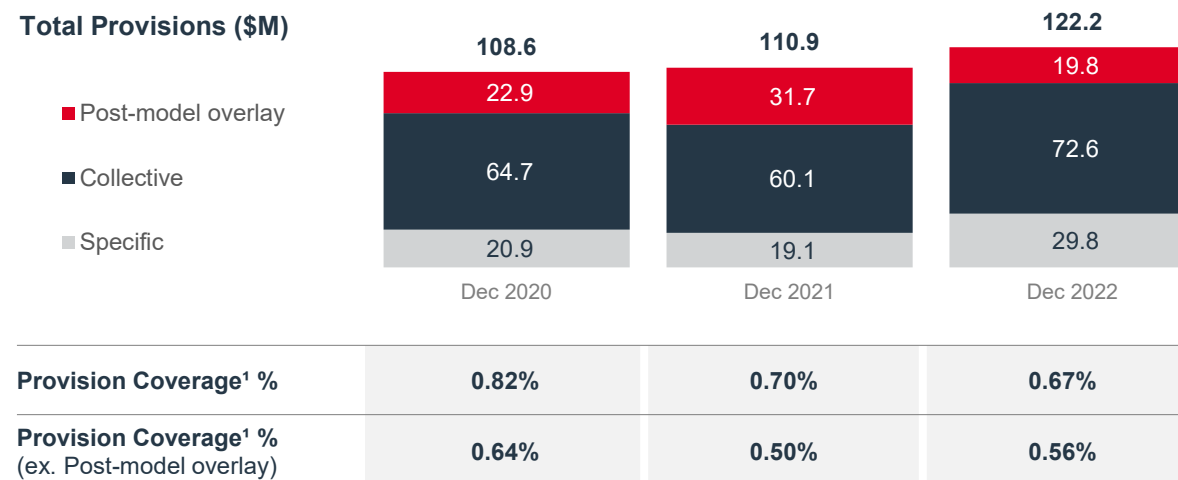


Loan loss expense & provision

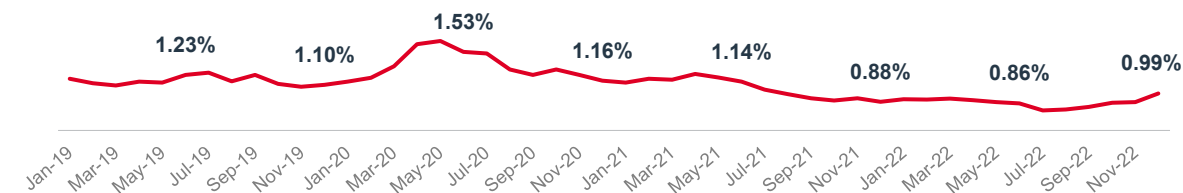
Total loan loss provision as at 31 December 2022 of \$122.2 million increased from \$110.9 million in December 2021 – maintaining strong coverage in changing macroeconomic conditions

Loan loss expense \$ M	Calendar Year Ending		
	2020	2021	2022
Mortgages			
Specific	(4.7)	(1.2)	(2.7)
Collective: base	(0.7)	0.0	(3.9)
Post-model overlay	(15.8)	3.0	-
Mortgages loan loss expense	(21.2)	1.7	(6.6)
Asset Finance			
Specific	(25.4)	(19.6)	(30.2)
Collective: base	(2.4)	(12.1)	(8.6)
Post-model overlay	(7.2)	5.0	11.9
Asset Finance loan loss expense	(35.0)	(26.7)	(26.9)
Loan and Other Servicing loan loss expense	(0.5)	0.4	0.2
Total			
Specific	(30.6)	(20.5)	(32.7)
Collective: base	(3.1)	(12.1)	(12.5)
Post-model overlay	(22.9)	8.0	11.9
Total loan loss expense	(56.7)	(24.6)	(33.3)

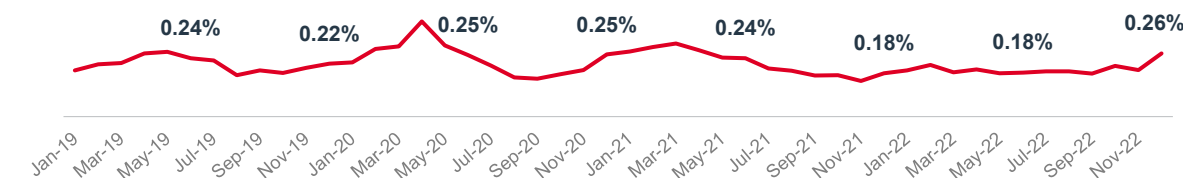
Total Provisions (\$M)



Mortgage 90+ day arrears² as % of AUM³



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

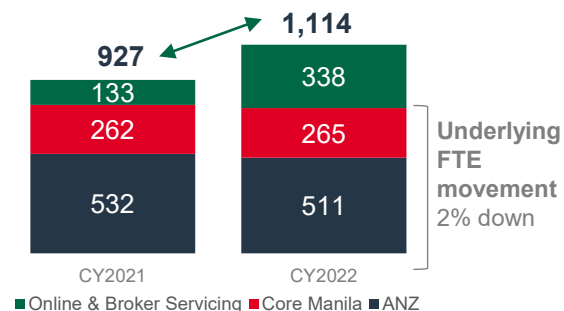


Pro-forma¹ expenses

\$ M	Calendar Year		Change B/(W)
	2022	2021	
Employee benefits expense	(113.9)	(98.6)	(16%)
Marketing expense	(13.8)	(10.8)	(28%)
Technology expense	(23.8)	(19.9)	(20%)
General and admin expense	(17.7)	(15.3)	(16%)
FV gains or losses on financial assets ²	(2.1)	0.2	Lge
Impairment losses on financial assets	0.0	(0.2)	100%
Total Operating Expenses	(171.3)	(144.6)	(18%)
Depreciation and amortisation	(20.4)	(24.6)	17%
Corporate interest expense	(13.3)	(4.3)	(209%)
Total Expenses	(205.0)	(173.5)	(18%)
Total Expenses normalised³	(186.2)	(173.5)	(7%)
CTI⁴	46%	43%	(3%)
<i>CTI Normalised^{3, 4}</i>	<i>44%</i>	<i>43%</i>	<i>(1%)</i>

FTE movement

Year end CY2022 v CY2021



Employee Benefits: Core

CY2022 v CY2021

	% Increase	Cost per FTE (\$000) CY2022
ANZ	2%	\$(179.3)
Core Manila	23%	\$(23.8)
Underlying	3%	\$(127.1)

Other key costs movements

Drivers of change

	2022	2021	% change B/(W)
Marketing as % Total operating income	3%	3%	1%
Technology expense per FTE (\$000)	(21.4)	(21.5)	0%
General and admin expense: Occupancy (\$M)	(17.7)	(15.3)	(16%)
Depreciation & Amortisation: SaaS / shift to cloud (\$M)	(20.4)	(24.6)	17%

Pro-forma Metrics



	Calendar Year		
	2022	2021	Change B/(W)
Volume (\$ billion)			
Originations – Mortgages	6.8	6.4	7%
Originations – Asset Finance	2.8	2.1	35%
Total Originations	9.6	8.5	14%
AUM lending – Mortgages	13.5	12.3	10%
AUM lending – Asset Finance	4.7	3.5	35%
AUM lending	18.2	15.8	15%
AUM servicing	1.0	1.2	(16%)
Total AUM	19.2	17.0	13%
Income (\$ million)			
Operating income – Mortgages	246.8	256.0	(4%)
Operating income – Asset Finance	149.6	110.8	35%
Operating income – Loan and Other Servicing	11.0	8.8	25%
Operating income – Corporate	0.7	0.1	Lge
Total operating income	408.2	375.8	9%
Profitability			
Net interest margin ¹ – Mortgages	1.98%	2.33%	(35bps)
Net interest margin ¹ – Asset Finance	2.91%	3.41%	(50bps)
Total net interest margin¹	2.20%	2.56%	(36bps)
Employee benefits expense / Total operating income	28%	26%	(2%)
Employee cost per average FTE (\$'000)	105.0	116.2	10%
Cost-to-income ratio ²	46%	43%	(3%)
<i>Cost-to-income ratio – normalised³</i>	<i>44%</i>	<i>43%</i>	<i>(1%)</i>
Credit Quality			
Total losses ⁴ (ex. Overlay ⁵)% AUM lending – Mortgages	0.05%	0.01%	(4bps)
Total losses ⁴ (ex. Overlay ⁵)% AUM lending – Asset Finance	0.80%	1.06%	26bps
Total losses⁴ (ex. Overlay⁵)% AUM lending	0.22%	0.23%	1bps
Return			
Total operating income yield	2.3%	2.4%	(0%)
Dividend yield⁶ (annualised)	6.3%	5.5%	

Pro-forma Income Statement



\$ M	Calendar Year		
	2022	2021	Change B/(W)
Interest income	955.4	690.3	38%
Interest expense	(566.5)	(323.7)	(75%)
Net interest income from continuing operations	388.9	366.6	6%
Net lending fees	15.3	12.7	21%
Whole loan sales gain	8.2	9.5	(14%)
Loan losses	(33.3)	(24.6)	(35%)
Servicing fees and other income	29.1	11.6	151%
Total operating income from continuing operations	408.2	375.8	9%
Employee benefits expense	(113.9)	(98.6)	(16%)
Marketing expense	(13.8)	(10.8)	(28%)
Technology expense	(23.8)	(19.9)	(20%)
General and administration expense	(17.7)	(15.3)	(16%)
FV gains or losses on financial assets	(2.1)	0.2	(Lge)
Impairment losses on financial assets	0.0	(0.2)	100%
EBITDA	237.0	231.2	3%
Depreciation and amortisation expense	(20.4)	(24.6)	17%
Corporate interest expense	(13.3)	(4.3)	(209%)
Profit before income tax from continuing operations	203.2	202.3	0%
Income tax expense	(61.2)	(60.4)	(1%)
Net profit after income tax from continuing operations	142.0	141.9	0%
<i>Equity holders of Pepper Money Limited</i>	<i>142.5</i>	<i>141.9</i>	<i>0%</i>
<i>Non-controlling interest</i>	<i>(0.5)</i>	<i>-</i>	<i>-</i>

Balance Sheet

Statutory

Key Movement: December 2022 on December 2021

Loan and advances

Loans and advances reflect net growth in originations over CY2022 net of provisions for loan impairments

Derivative financial asset

Net position driven by impact of rising interest rates on IRS¹ and stronger US dollar CCIRS²

Goodwill and intangibles

\$98.2 million of goodwill related to Stratton acquisition, \$21.0 million acquired intangibles of brand and net \$4.2 million of customer rights, partly offset by a reduction in software amortisation

Borrowings

Increase in note borrowings to fund book growth, coupled with CDF drawdowns and associated interest accrued in the period of \$146.2 million and to part fund Stratton acquisition and corporate tax payment.

A Senior floating rate note of \$25.0 million was settled in May 2022 and a Subordinated debt of \$25.0 million was settled in December 2022.

Retained Earnings

Retained earnings reflect sustained profit growth in the business for CY2022 net of dividends paid in the year.

Balance as at	Dec 2022 \$M	Dec 2021 \$M
Assets		
Cash and cash equivalents	1,243.6	1,309.2
Receivables	10.3	9.4
Loans and advances	18,327.8	15,819.8
Derivative financial assets	134.0	23.7
Other financial assets	19.4	23.0
Other assets	9.0	7.5
Deferred tax assets	4.0	37.5
Property, plant and equipment	19.0	6.6
Goodwill and intangibles	152.3	31.5
Total assets	19,919.4	17,268.2
Liabilities		
Trade payables	13.4	11.2
Current tax	24.5	39.2
Provisions	24.8	26.8
Borrowings	18,979.2	16,517.2
Derivative liabilities	3.3	17.5
Other liabilities	22.8	19.9
Deferred tax liabilities	10.1	-
Total liabilities	19,078.1	16,631.8
Total net assets	841.3	636.4
Equity		
Issued capital	729.6	729.3
Other reserves	99.8	12.4
Retained earnings	(27.5)	(105.3)
Total equity attributable to owners of Pepper Money Limited	801.9	636.4
Non-controlling interests	39.4	-
Total equity	841.3	636.4

Outlook | navigating a challenging environment



Short term trends remain challenging

Challenging time for customers: rates / inflation

Mortgage market: growth and competition

Capital market / Cost of funds: stabilising towards back end of CY2023



Pepper Money has the capabilities to respond

Well provisioned. Proactive approach to customer care.

Diversified portfolio – Asset Finance. Broad product range in both Mortgages and Asset Finance.

PRS 35 upsize to \$1bn. Capacity to flex between volume and margin.

Capital position



Medium term trends should improve

Inflation reducing

Immigration returning

Mortgage market growth stabilising

Capital markets stronger



Pepper Money has the capabilities to capitalise

Scaled for growth

Investment in core platforms ongoing

Product development / customer life cycle / segment

Distribution footprint and new partnerships

Investor support. New investors.

Why Pepper Money succeeds

A leader in non-bank finance with an established and **proven track record through-the-cycle**

Strong **growth record** and **underlying momentum in a \$2.7 trillion¹** total addressable lending market

Robust funding, **significant warehouse capacity** provided by **20+ funders across a deep global investor base of 100+ investors**

Digitally-enabled distribution tools, allowing brokers to help people succeed with confidence

Strong **through-the-cycle** credit performance, underpinned by a robust risk framework and **22+ years** of loan performance data that drives **disciplined returns**

Diversified portfolio between **Mortgages** (60%), **Asset Finance** (37%) and **Loan & Other Servicing** (3%)² and **broad products range** – Prime, Non Conforming, Consumer & Commercial

22+ years of **purpose-built historical data** provides **insights** from which the business has grown

Strong, experienced, tenured management team with proven record of success



Questions & Answers

Appendices

A1	Addressable market
A2	Australian housing market activity
A3	Segment overview
A4	Mortgages applications, originations, AUM
A5	Mortgage customer solutions 1H CY2022
A6	Mortgages customer solutions 2H CY2022
A7	Asset Finance applications, originations, AUM
A8	Asset Finance customer solutions 1H CY2022
A9	Asset Finance customer solutions 2H CY2022
A10	NIM Movement CY2022
A11	Statutory Income Statement

Large addressable market

Subdued market conditions

Mortgage Market expanded modestly, reflecting slowed activity in 2H 2022.

Asset Finance Market has contracted since CY2021 mostly in the commercial space with consumer remaining largely unchanged

Pepper Money **grew** share in Asset Finance and Mortgages versus PCP despite challenging market conditions



December 2022

Mortgages

Asset Finance

Total Addressable Market (AUM)

\$2,478bn¹

88% Conforming
12%² Non-Conforming

\$182bn

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

Pepper Money's Market Share (closing AUM)

~0.5%³ 

~2.6%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)

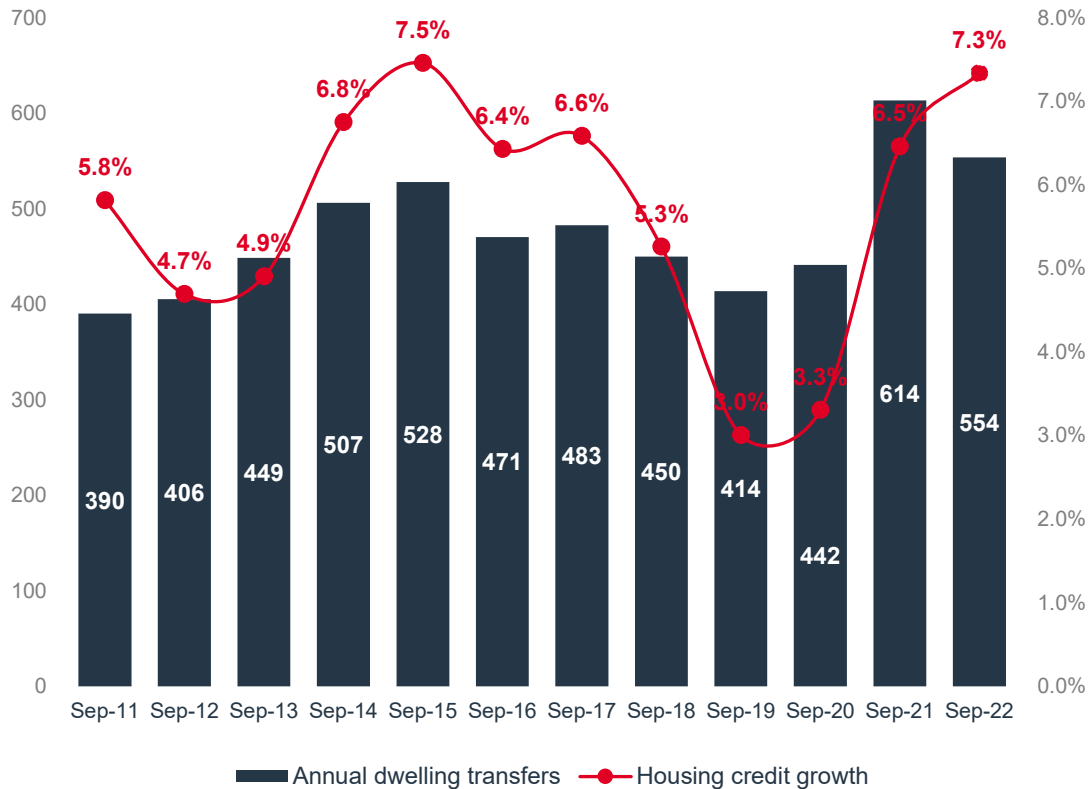
- Used cars
- Caravans
- Commercial vehicles
- Novated lease
- Small to medium business equipment
- Transition to electric vehicles

Notes: 1. Combination of Australia and New Zealand mortgage markets as at December 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), December 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 31 December 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, January 2022 – December 2022 (published February 2023). 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, January 2022 – December 2022 (published February 2023). Assumes market size is approximately 4x lending commitments for last 12 months. 6. Represents Pepper Money's Asset Finance AUM as at 31 December 2022 (closing) as a proportion of total consumer and commercial motor and equipment financing.

Australian housing activity

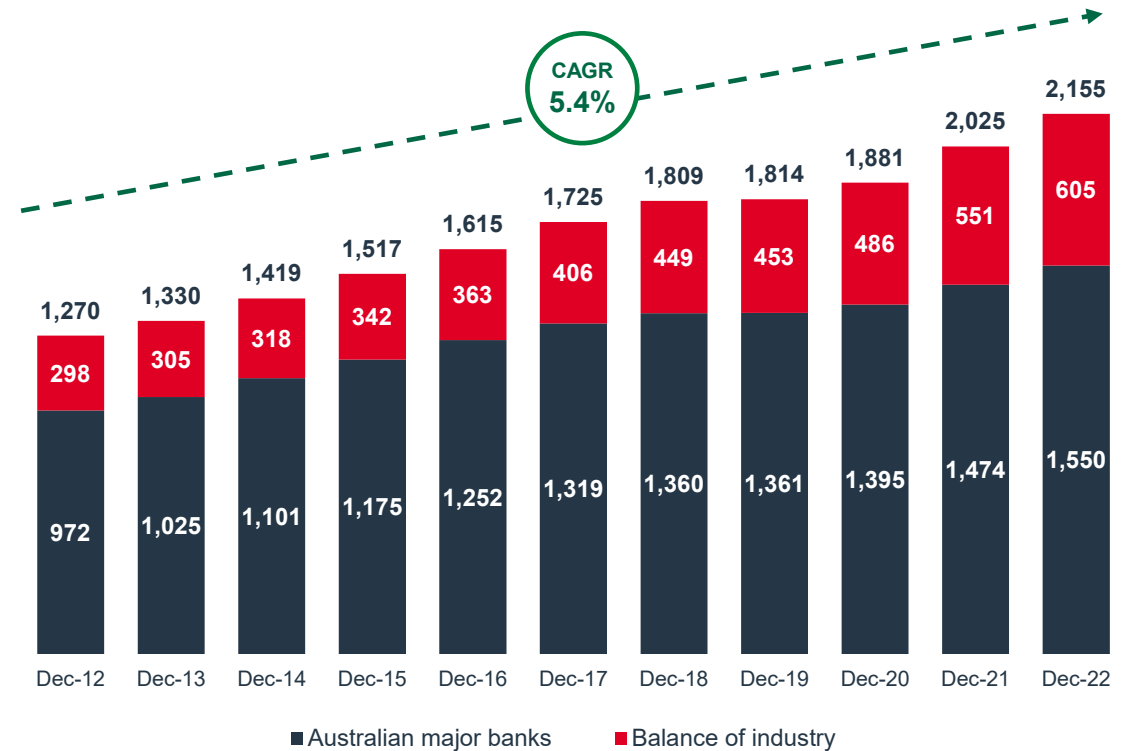
Housing activity

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






Growth in credit

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



Segment overview

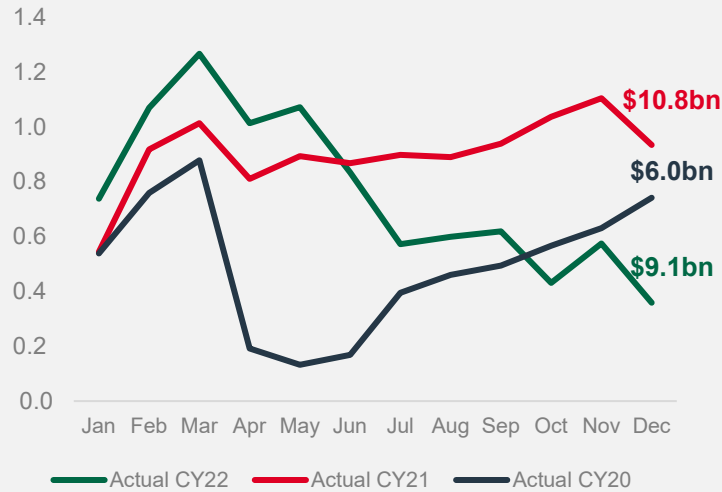
Segment	Mortgages 	Asset Finance 	Loan & Other Servicing 					
Description	<ul style="list-style-type: none"> Finance residential home loans in Australia and New Zealand and small balance commercial real estate loans in Australia 	<ul style="list-style-type: none"> Finance a range of asset types Focus on underserved segments (for example, consumer used cars) 	<ul style="list-style-type: none"> Independent loan servicing provider Broker servicing for Mortgage Aggregators 					
Products	<ul style="list-style-type: none"> Conforming: Prime Non-Conforming: Near Prime and Specialist 	<ul style="list-style-type: none"> Consumer Commercial Novated Leasing 	<ul style="list-style-type: none"> Residential home loans servicing Personal loans servicing Broker servicing 					
Originations (CY2022)	\$6.8 billion +7% PCP	\$2.8 billion +35% PCP						
Originations Mix (CY2022)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Prime 52%</td> <td style="width: 50%; text-align: center;">Non Conforming 48%</td> </tr> </table>	Prime 52%	Non Conforming 48%	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Tier A 59%</td> <td style="width: 33%; text-align: center;">Tier B 33%</td> <td style="width: 33%; text-align: center;">Tier C 9%</td> </tr> </table>	Tier A 59%	Tier B 33%	Tier C 9%	
Prime 52%	Non Conforming 48%							
Tier A 59%	Tier B 33%	Tier C 9%						
AUM (December 2022 close)	\$13.5 billion +10% PCP	\$4.7 billion +35% PCP	\$1.0 billion (16)% PCP					
NIM % (CY2022)	1.98% (35) bps PCP	2.91% (50) bps PCP						
Operating Income (CY2022)	\$246.8 million (4)% PCP	\$149.6 million +35% PCP	\$11.0 million +25% PCP					
Accredited: Active: Brokers / Partners (CY2022)	20,561 5,214	1,996 1,247						

Mortgages



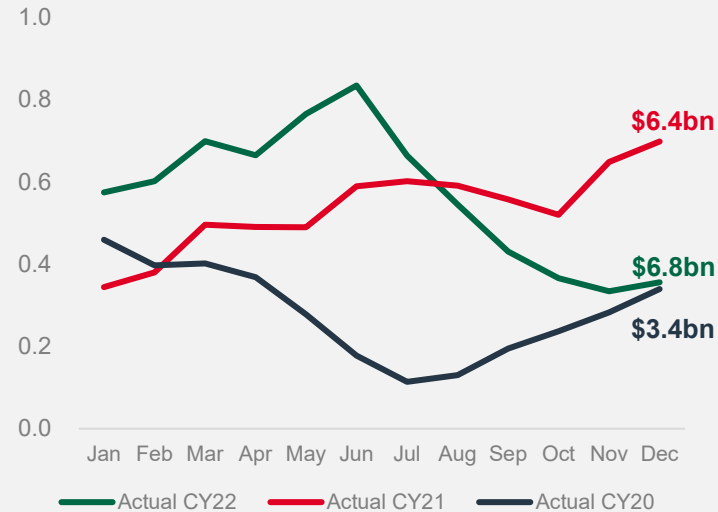
Applications¹ (\$bn)

Calendar Year



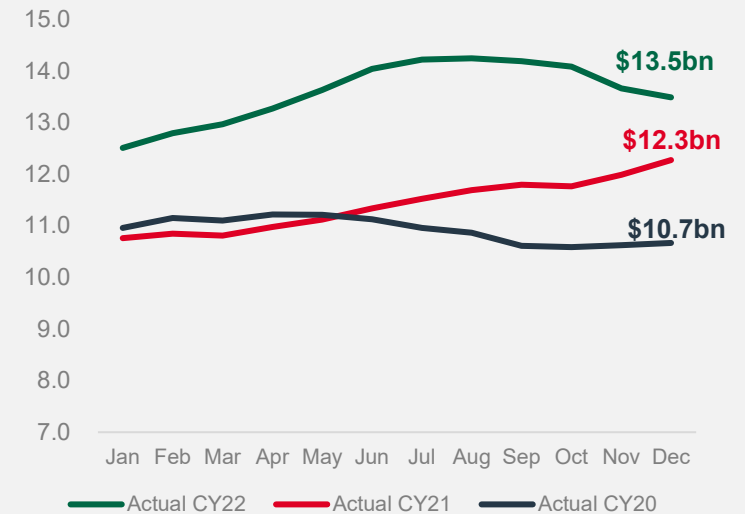
Originations (\$bn)

Calendar Year



Lending AUM² (\$bn)

Calendar Year



Half on half Applications

**2H CY2022
\$3.1bn**

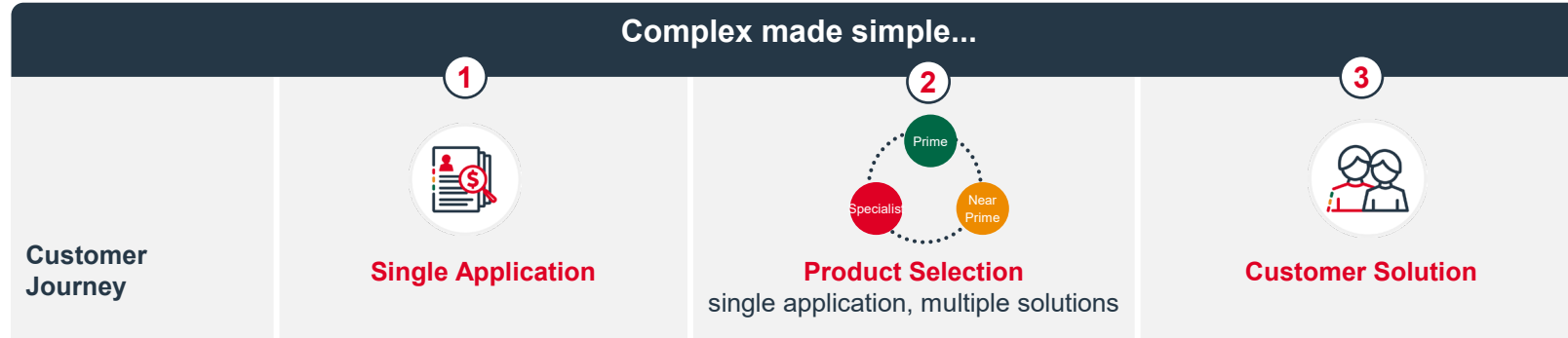
**1H CY2022
\$6.0bn**

**2H CY2021
\$5.8bn**

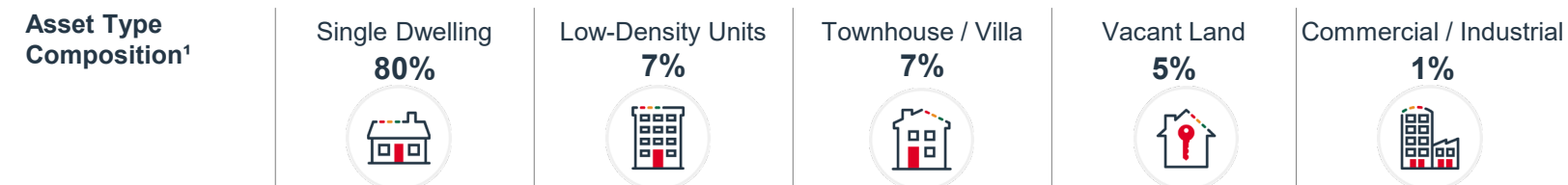
**1H CY2021
\$5.0bn**



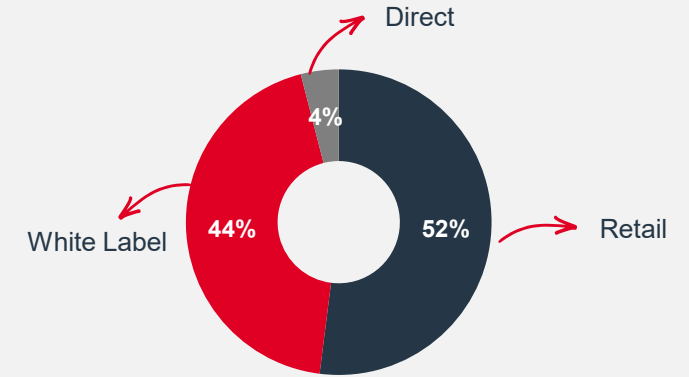
Customer Solutions| Mortgages 1H CY2022



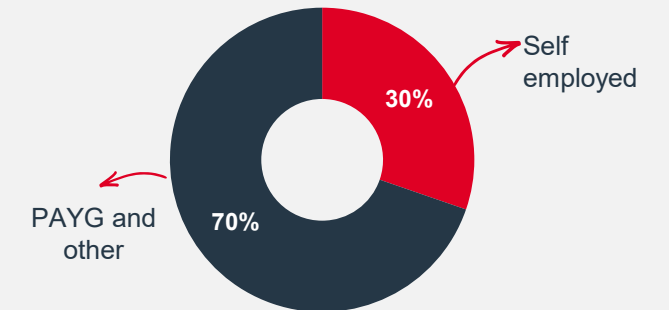
1H CY2022	Conforming		Non-Conforming
Product Risk Tiers	Prime Borrowers with a clear credit history	Near prime Borrowers who have had a minor adverse credit event	Specialist Borrowers whose credit history is impacted by a "life event"
Originations¹ composition	55%	40%	5%
Originations¹	\$2.3bn	\$1.7bn	\$0.2bn
Growth on PCP	+43%	+62%	+23%
AUM Close²	\$7.2bn	\$5.5bn	\$1.4bn
Growth on PCP	+27%	+27%	+3%
Weighted Average Interest Rate³	4.2%	5.1%	6.0%



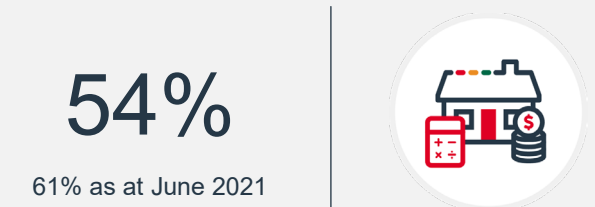
2H CY2022 Originations by **Distribution channel**¹



2H CY2022 Originations by **Employment Type**⁴

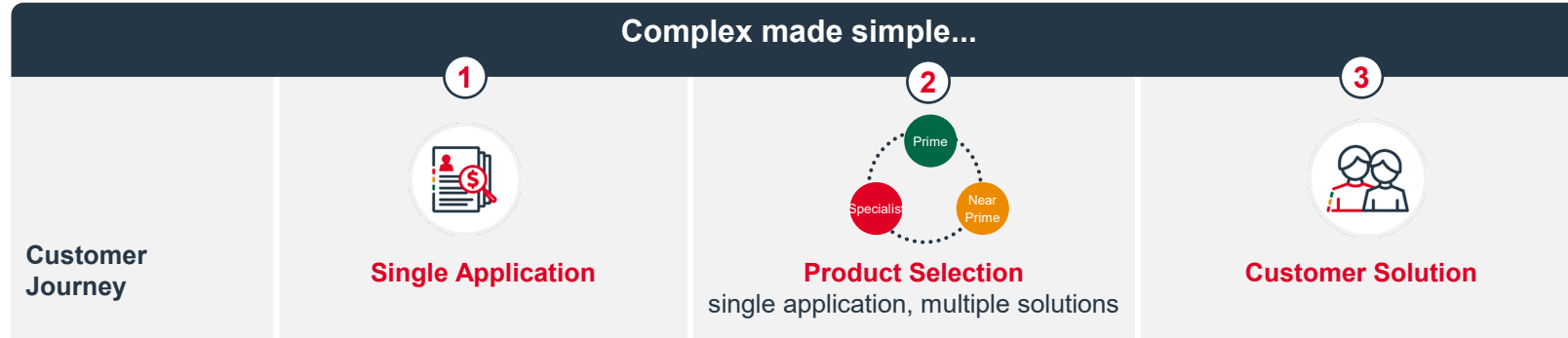


2H CY2022 AUM (close)
Weighted Average Indexed LVR⁵

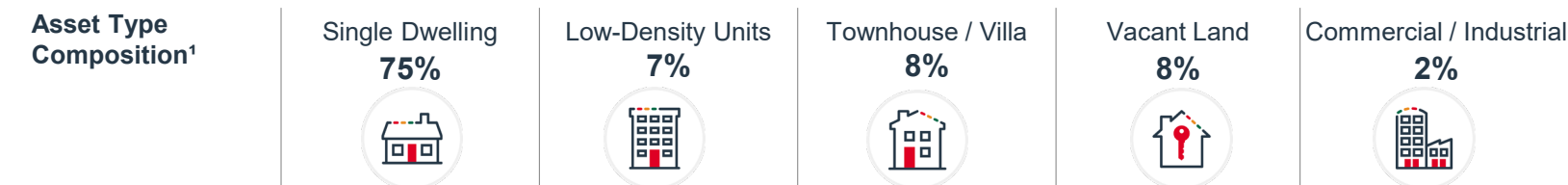


Notes: 1. Based on originations (\$) for the six months to 30 June 2022 including Commercial Real Estate and New Zealand mortgages. 2. Closing AUM balance as at 30 June 2022 including Commercial Real Estate and New Zealand mortgages. 3. Based mortgages portfolio closing AUM as at 30 June 2022, including Commercial Real Estate and New Zealand mortgages. 4. Based on origination (#) for the six months to 30 June 2022 for Australian residential mortgages only. 5. 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.

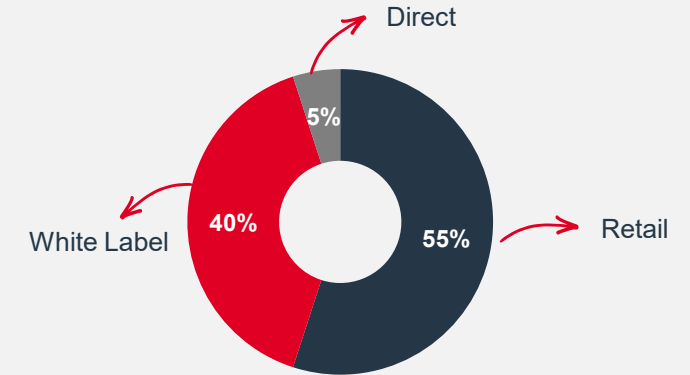
Customer Solutions| Mortgages 2H CY2022



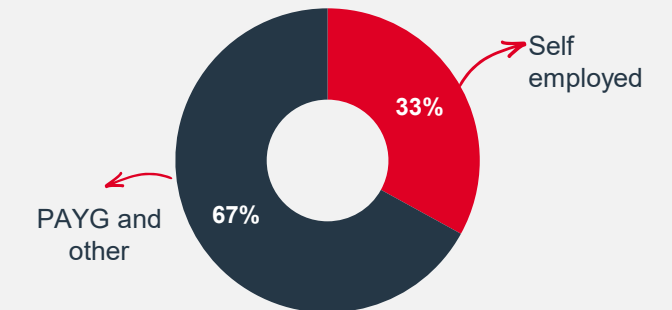
2H CY2022	Conforming		Non-Conforming
Product Risk Tiers	Prime Borrowers with a clear credit history	Near prime Borrowers who have had a minor adverse credit event	Specialist Borrowers whose credit history is impacted by a "life event"
Originations¹ composition	47%	47%	6%
Originations¹	\$1.3bn	\$1.3bn	\$0.2bn
Growth on 1H	-44%	-24%	-16%
AUM Close²	\$6.6bn	\$5.5bn	\$1.3bn
Growth on 1H	-7%	-	-5%
Weighted Average Interest Rate³	6.6%	7.3%	8.1%



2H CY2022 Originations by **Distribution channel**¹



2H CY2022 Originations by **Employment Type**⁴



2H CY2022 AUM (close)
Weighted Average Indexed LVR⁵



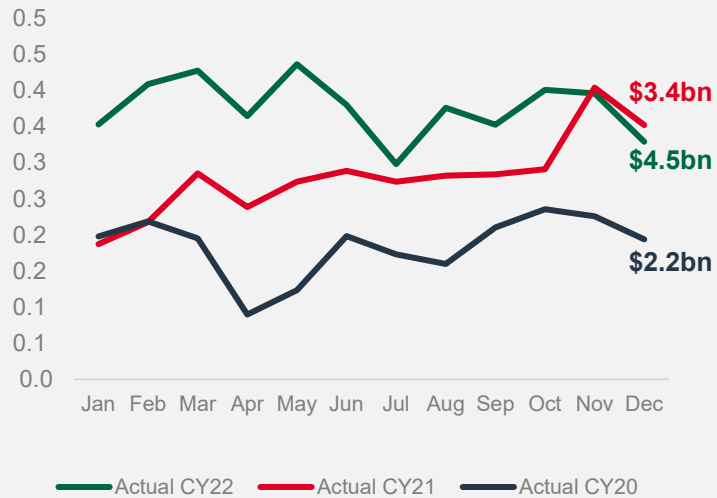
Notes: 1. Based on originations (\$) for the six months to 31 December 2022 including Commercial Real Estate and New Zealand mortgages. 2. Closing AUM balance as at 31 December 2022 including Commercial Real Estate and New Zealand mortgages. 3. Based on mortgages portfolio closing AUM as at 31 December 2022, including Commercial Real Estate and New Zealand mortgages. 4. Based on origination (#) for the six months to 31 December 2022 for Australian residential mortgages only. 5. Current loan value divided by the indexed property value (CoreLogic) for the Australian residential mortgage portfolio. Weighted average based on closing AUM as at 31 December 2022.

Asset Finance



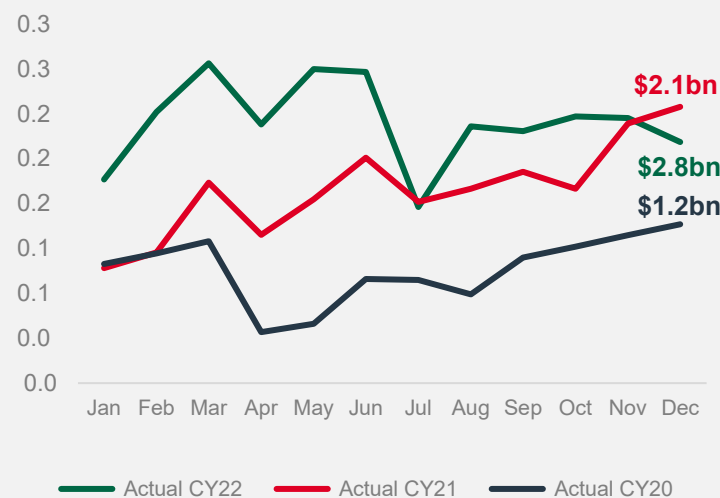
Applications¹ (\$bn)

Calendar Year



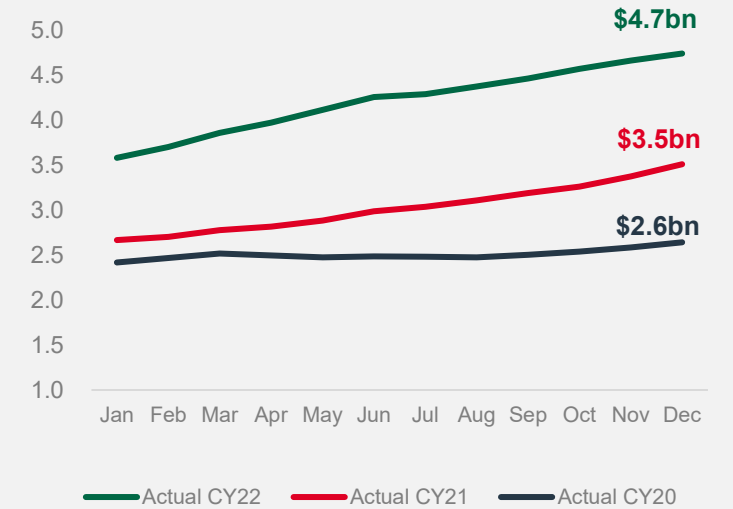
Originations (\$bn)

Calendar Year



Lending AUM (\$bn)

Calendar Year



Half on half Applications

2H CY2022
\$2.2bn

1H CY2022
\$2.4bn

2H CY2021
\$1.9bn





1H CY2021
\$1.5bn



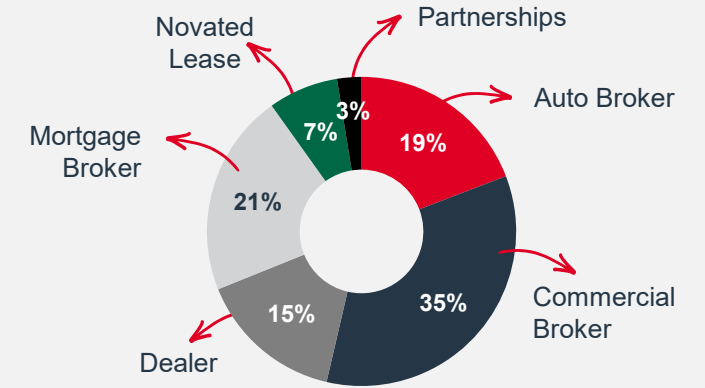
Customer Solutions | Asset Finance 1H CY2022



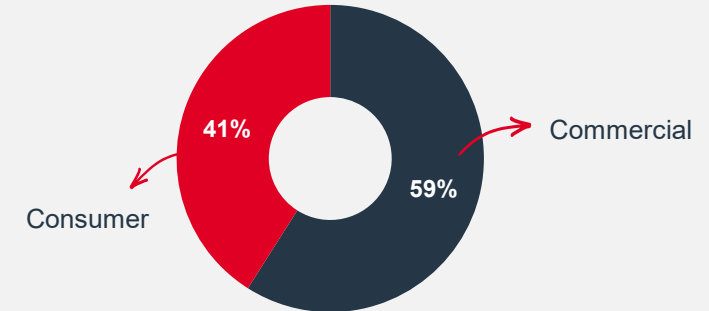
1H CY2022	Automated approval within seconds		
Product Risk Tiers	Tier A	Tier B	Tier C
	Owns property Stable employment Clear credit history	Long term renter New to job Clear credit history	Long term renter Unstable employment Previous defaults Limited credit history
Origination ¹ Composition	61%	32%	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%

Asset Type Composition ¹	New and used cars	Electric vehicles ³	Leisure vehicles	Equipment
	66%	3%	10%	21%
				

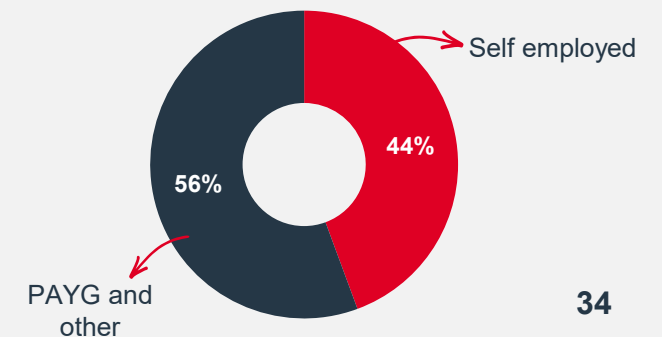
1H CY2022 originations by Channel¹



1H CY2022 originations by Customer Type¹



1H CY2022 originations by Employment Type⁴

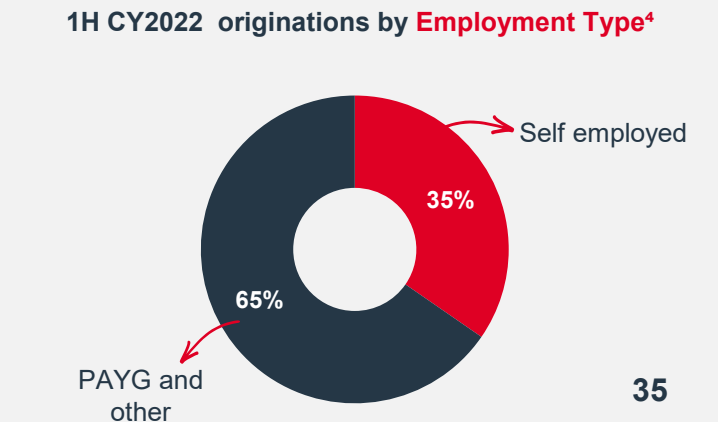
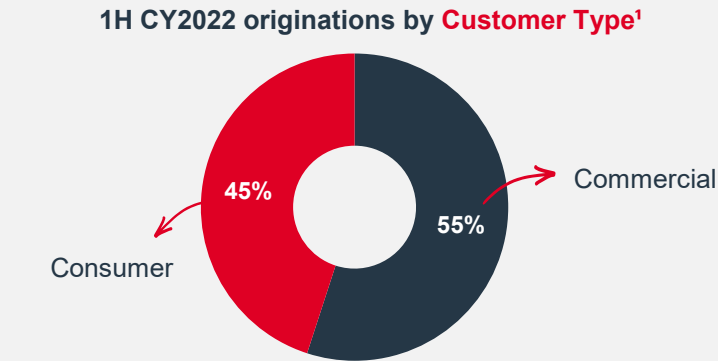
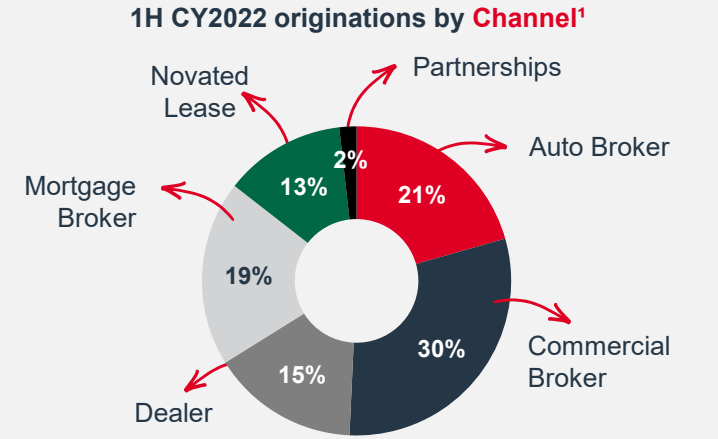


Customer Solutions | Asset Finance 2H CY2022



2H 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
Origination¹ Composition	56%	34%	10%
Origination¹	\$0.7bn	\$0.4bn	\$0.1bn
Growth on 1H	-21%	-7%	+24%
AUM close²	\$2.7bn	\$1.6bn	\$0.5bn
Growth on 1H	+10%	+13%	+15%
Weighted Average Interest Rate²	6.9%	9.0%	12.9%

Asset Type Composition ¹	New and used cars	Electric vehicles ³	Leisure vehicles	Equipment
	64%	7%	11%	18%

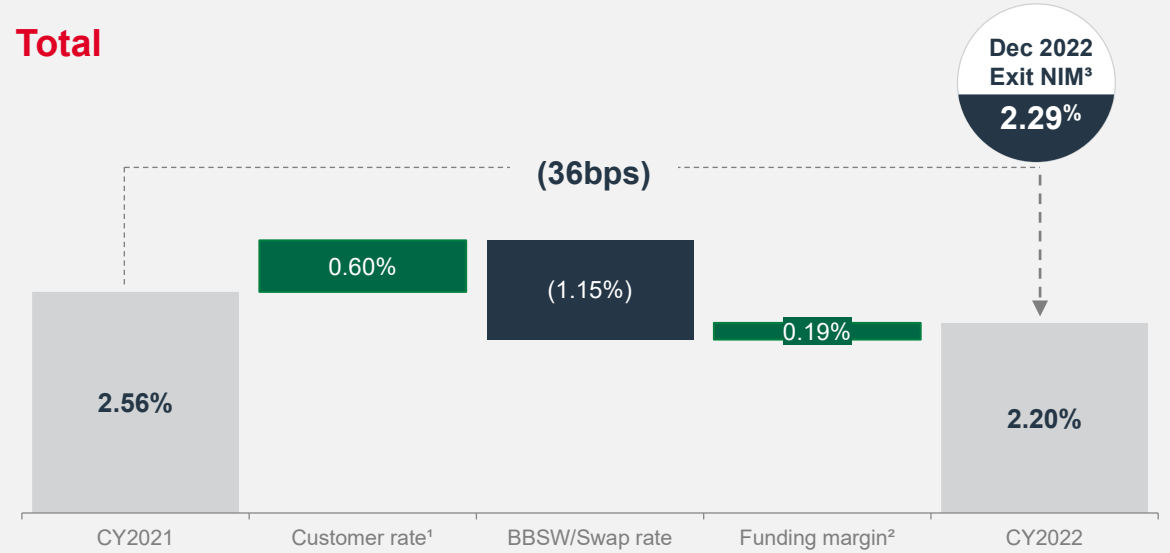


NIM movement Full Year

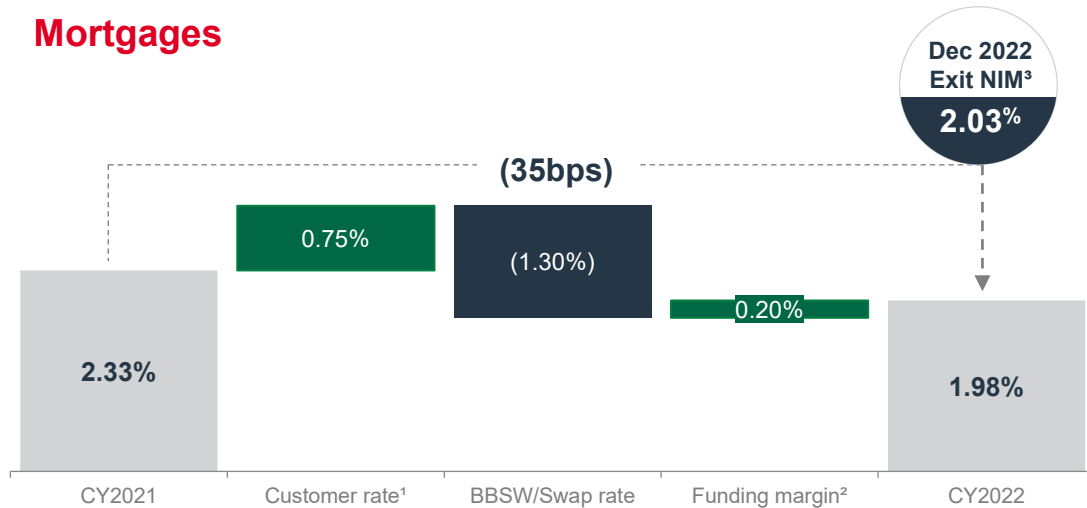
Substantial increases in funding cost, particularly in 2H largely offsets customer repricing activity

NIM is showing improvement in December month given customer rate increases

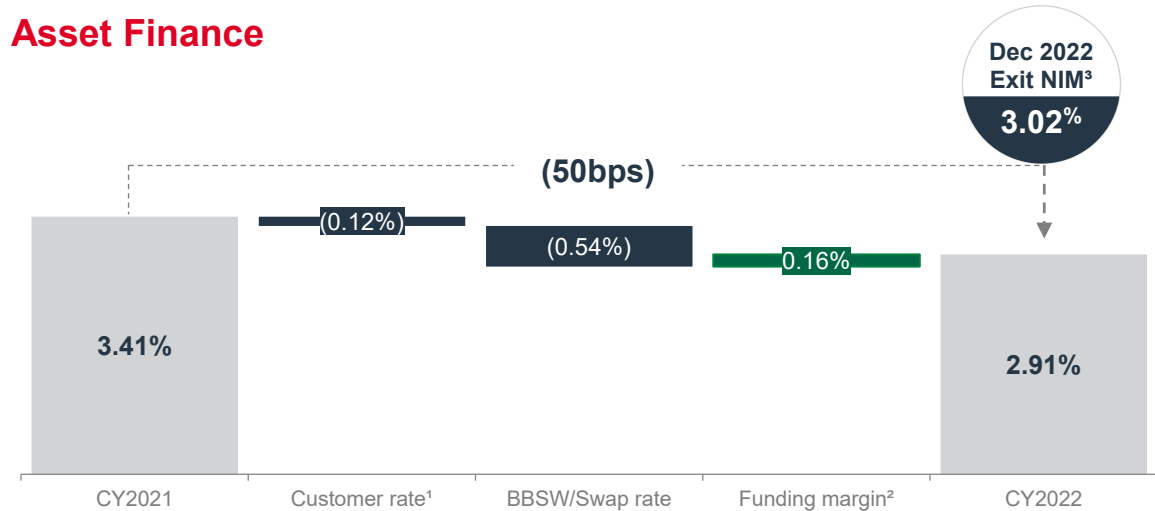
Total



Mortgages



Asset Finance



Statutory Income statement



\$ M	Calendar Year	
	2022	2021
Interest income	955.4	690.3
Interest expense	(566.5)	(323.7)
Net interest income from continuing operations	388.9	366.6
Lending fee income	71.0	59.9
Lending expense	(55.7)	(47.2)
Whole loan sales gain	8.2	9.5
Loan losses	(33.3)	(24.6)
Servicing fees and other income	29.1	11.6
Total operating income from continuing operations	408.2	375.8
Employee benefits expense	(113.9)	(98.3)
Marketing expense	(13.8)	(10.8)
Technology expense	(23.8)	(19.9)
General and administration expense	(19.2)	(25.6)
Fair value (losses)/gains on financial assets	(2.1)	0.2
Impairment losses on financial assets	-	(0.3)
Depreciation and amortisation expense	(20.4)	(24.5)
Corporate interest expense	(13.3)	(10.3)
Operating expenses from continuing operations	(206.5)	(189.5)
Profit before income tax from continuing operations	201.7	186.3
Income tax expense	(61.2)	(55.6)
Net profit after income tax from continuing operations	140.5	130.7
Profit from discontinued operations	-	182.2
Net profit after income tax	140.5	312.9
Attributable to equity holders of Pepper Money Limited	141.0	312.9
Attributable to non-controlling interests	(0.5)	-

Glossary & Disclaimer

Glossary of Terms

Annualised Dividend Yield: dividend yield based on average share price from time of 1 January 2022 to 31 December 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, 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.

NPAT: net profit after tax.

Originations: new loans originated during the period.

PCP: refers to prior comparative period being the year to December 2021 in this presentation.

Pro forma NPAT: . Pro-forma pre-tax adjustments for CY2022 of \$(1.5) million are one-off in nature as they relate to the acquisition of Stratton Finance Pty Ltd completed 1 July 2022. CY2021 total \$(16.1) million, Pro-forma pre-tax adjustments relate to the IPO. Pro-forma NPAT from continuing operation

Total losses(ex. Overlay)% average lending AUM: excluding management overlay loan loss expense divided by average lending AUM for the relevant period.

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.

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Thank you

on behalf of all of Pepper Money

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For more information visit
www.pepper.com.au

Investor Relations

Reunion Capital Partners

Gordon Livingstone

M +61 (0) 417 695 138

E glivingstone@reunioncapital.com.au

Media Relations

Domestique Consulting

Helen Karlis

M +61 (0) 419 593 348/

E helen@domestiqueconsulting.com.au

Celia Moore

M +61 (0) 432 344 069

E celia@domestiqueconsulting.com.au