

peppermoney

Investor Presentation

2023 Half Year Results

23 August 2023



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



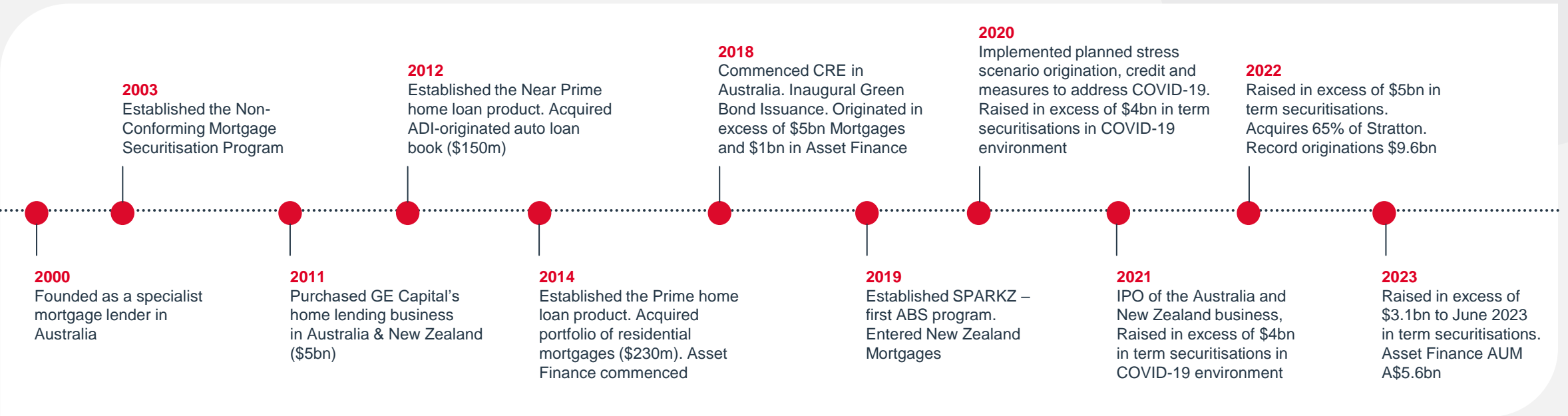
MARIO REHAYEM

Chief Executive Officer

THERESE MCGRATH











Chief Financial Officer

Pepper Money over time



Highlights

Resilient AUM. Record performance from Asset Finance offsetting impact of market conditions on Mortgage originations. **Strong credit performance** across all asset classes.

 New Customers	 Originations	 Total AUM³	 Net Interest Margin	 Credit Quality Loan Loss ⁵ % AUM	 Discipline growth Core FTE/Expense	 Profitability Pro-forma NPAT ⁸	 Interim Dividend Fully franked
<p>43,165</p> <p>Up 11% PCP¹</p>	<p>\$3.5bn</p> <p>(38)% PCP</p>	<p>\$18.9bn</p> <p>(2)% June 2022 (1)% December 2022</p>	<p>2.06%</p> <p>Down (23)bps on PCP Down (5)bps on 2H 2022⁴</p>	<p>0.28%</p> <p>Versus 0.26% December 2022</p>	<p>7%</p> <p>reduction of Core FTE⁶ vs PCP</p>	<p>\$52.0m</p> <p>Down (29)% PCP</p>	<p>3.5</p> <p>cents per share</p>
<ul style="list-style-type: none"> • Helping customers succeed • 409,297² customers helped 	<p>Asset Finance record growth \$1.8bn</p> <p> Up 19% on PCP</p> <p>Mortgages impacted by market conditions \$1.7bn</p> <p> Down (58)% on PCP</p>	<ul style="list-style-type: none"> • AUM stable – portfolio diversification • Offsetting Mortgage accelerated attrition through record growth in Asset Finance 	<ul style="list-style-type: none"> • NIM compression stabilising • Customer rate increases offsetting higher funding costs 	<ul style="list-style-type: none"> • Credit performance strong • 20bps increase mix – Asset Finance growth • 90+ Arrears better than long term average and trending down • Strong provision coverage retained 	<p>Core FTE costs up (3)% on PCP</p> <p>Total Expenses⁷ increase 30% on PCP due to annualisation of prior period acquisition</p>	<p>Asset Finance record performance</p> <p>Impacted by:</p> <ul style="list-style-type: none"> • adverse mortgage market; • cost annualisation prior period acquisition; and • Corporate Interest 	<ul style="list-style-type: none"> • 30% payout ratio • Managing capital for future growth

Portfolio performance



Mortgages

Segment

Originations 1H 2023
(vs PCP / 2H 2022)

\$1.7 billion
(58)% PCP | (36)% 2H 2022

Originations Mix 1H 2023

Prime	Near Prime	Specialist
35%	58%	7%

AUM June 2023 Close
(vs PCP / 2H 2022)

\$12.4 billion
(12)% PCP | (8)% 2H 2022

AUM Mix

Prime	Near Prime	Specialist
46%	44%	10%

Net Interest Margin¹ %
(vs PCP / 2H 2022)

1.83%
(23)bps PCP | (7)bps 2H 2022

Operating Income
(vs PCP / 2H 2022)

\$107.9 million
(12)% PCP | (13)% 2H 2022

Loan Losses² % AUM
(vs PCP / 2H 2022)

0.04%
+1bps PCP | flat to 2H 2022



Asset Finance

\$1.8 billion
+19% PCP | +37% 2H 2022

Tier A	Tier B	Tier C
63%	28%	9%

\$5.6 billion
+32% PCP | +19% 2H 2022

Tier A	Tier B	Tier C
59%	32%	9%

2.62%
(45)bps PCP | (12)bps 2H 2022

\$80.3 million
+14% PCP | +1% 2H 2022

1.04%
(41)bps PCP | (10)bps 2H 2022



Loan & Other Servicing

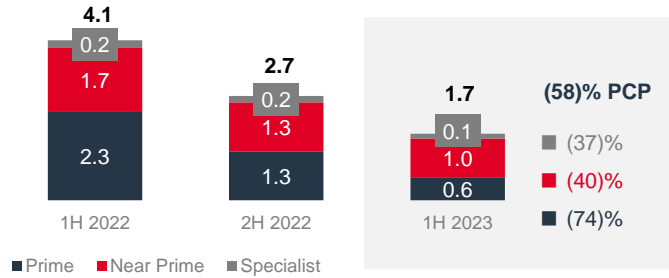
\$0.9 billion
(15)% PCP | (7)% 2H 2022

\$4.4 million
(17)% PCP | (22)% 2H 2022

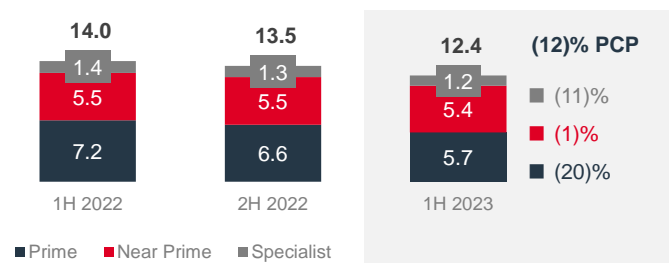
Mortgages

VOLUME

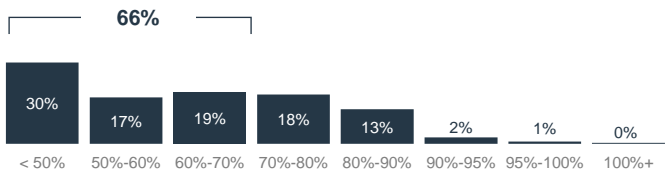
Originations by Product (\$bn)



AUM by Product (\$bn)



Indexed LVR (Australia)



INCOME

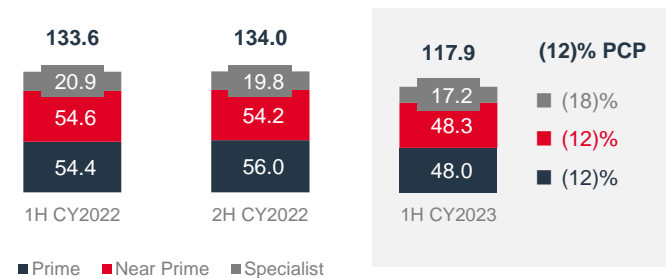
Weighted Interest Rates¹ (%)

	1H 2022	2H 2022	1H 2023
Prime	3.9%	6.5%	7.3%
Near Prime	4.6%	7.1%	7.8%
Specialist	6.0%	8.4%	9.1%

Net Interest Margin (%)

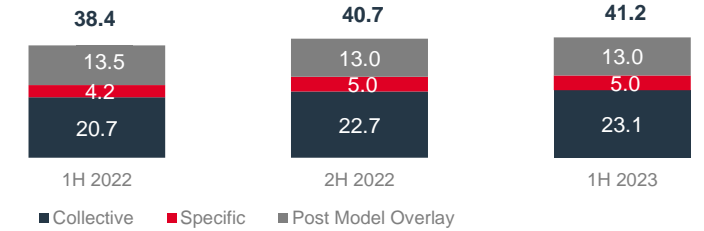
	1H 2022	2H 2022	1H 2023
Customer rate ²	4.08%	6.18%	7.57%
BBSW	(0.23)%	(2.40)%	(3.56)%
Funding margin	(1.79)%	(1.87)%	(2.17)%
Net interest margin	2.06%	1.90%	1.83%

Net Interest Income by Product³ (\$m)

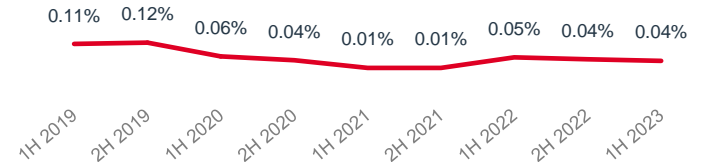


CREDIT QUALITY

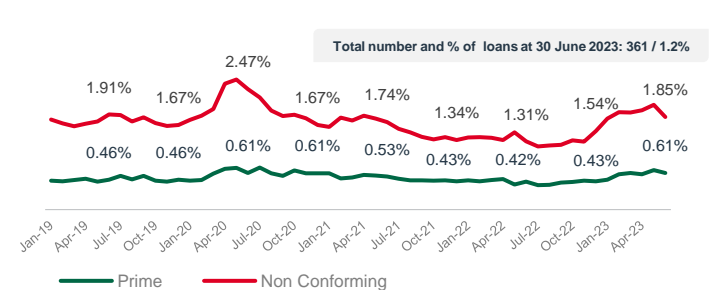
Loan Loss Provision (\$m)



Total loss⁴ % AUM



Mortgages 90+ day arrears⁵ as % of AUM

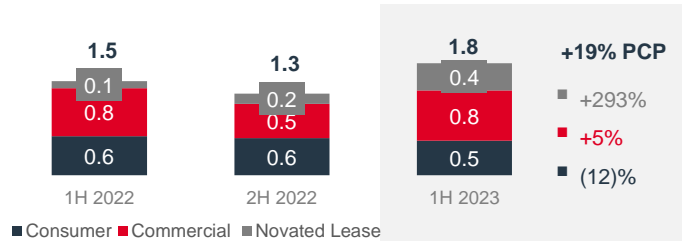


Notes: 1. Origination for the six months in each half including Commercial Real Estate and New Zealand mortgages, based on closing balance in the half. 2. Customer rate includes borrower rate, distribution cost and risk fees. 3. New Zealand and Commercial Real Estate net interest income not shown in the bar graph due to materiality but included in the total. 4. Six months loan loss expense divided by average lending AUM for the relevant period annualised by days, excluding Post Model Overlay. 5. Including Commercial Real Estate and New Zealand, excluding COVID hardship loans.

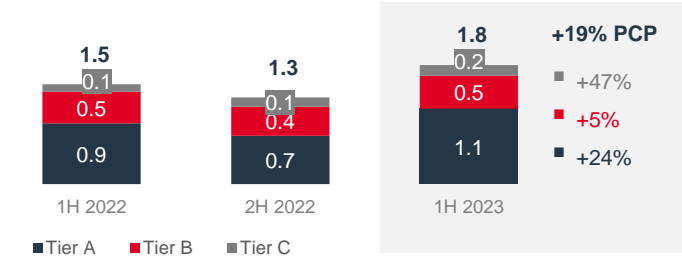
Asset Finance

VOLUME

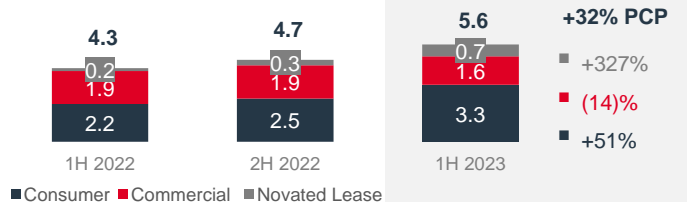
Originations by Product (\$bn)



Originations by Risk Tier (\$bn)



AUM by Product (\$bn)



INCOME

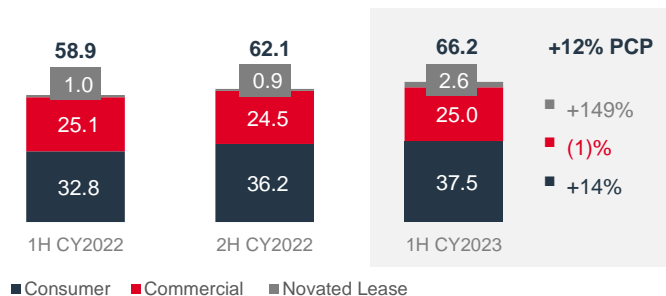
Weighted Interest Rates¹ (%)

	1H 2022	2H 2022	1H 2023
Tier A	6.2%	8.6%	8.8%
Tier B	8.5%	10.7%	11.2%
Tier C	12.4%	14.2%	14.5%

Net Interest Margin (%)

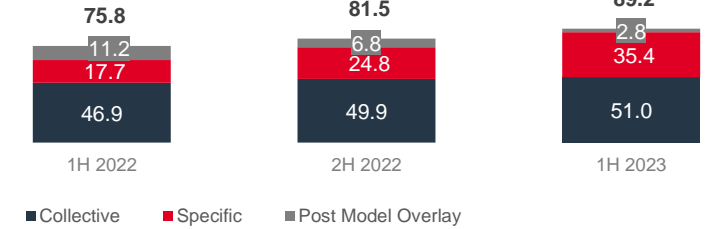
	1H 2022	2H 2022	1H 2023
Customer rate ²	5.84%	6.33%	7.01%
Swap	(1.01)%	(1.72)%	(2.33)%
Funding margin	(1.75)%	(1.87)%	(2.06)%
Net interest margin	3.07%	2.75%	2.62%

Net Interest Income by Product³ (\$m)

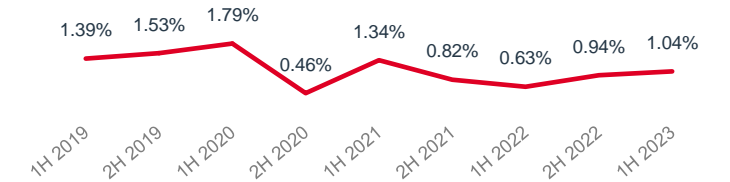


CREDIT QUALITY

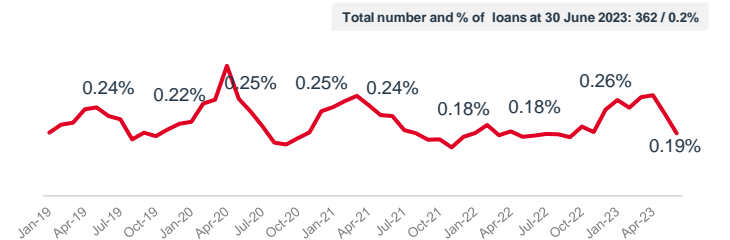
Loan Loss Provision (\$m)



Total loss⁴ % AUM



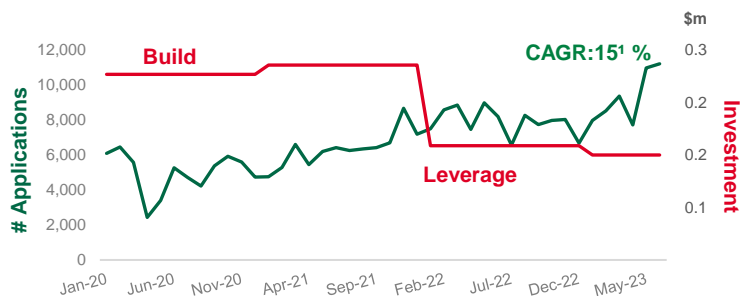
Asset Finance 90+ day arrears⁵ as % of AUM



Technology stack driving scale & efficiency

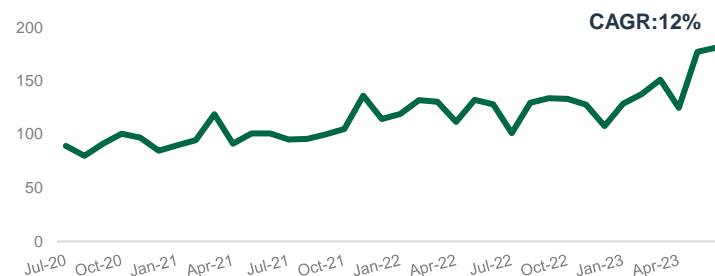
As **Asset Finance performance** demonstrates – purpose-built technology solution is delivering scaled growth, ongoing productivity, while delivering on partner and customer promise

Constant investment in the tech stack delivering scale...



...driving productivity

Applications per FTE²



...delivered material gain in customer satisfaction

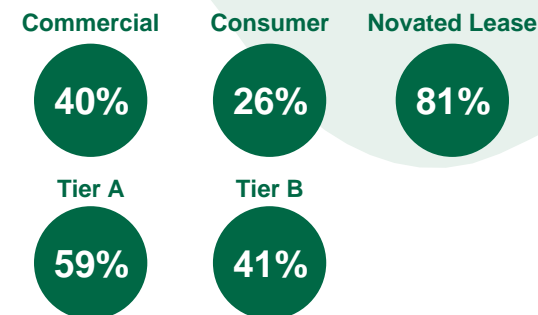
Time until cash - time from approval to settlement



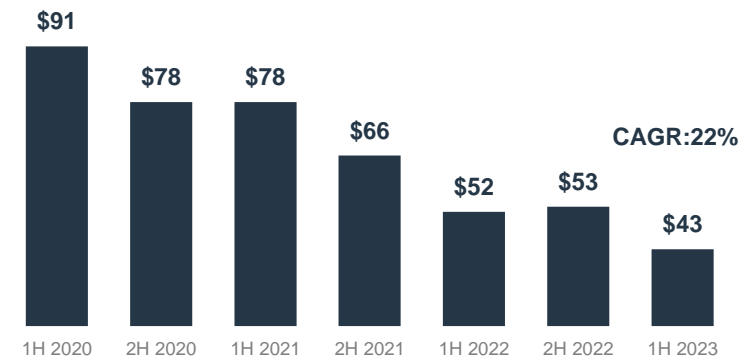
Average for 1H 2023

...reducing the dependency on FTES

Automated Loan Approvals³: June 2023



...materially reduced cost per application



...has improved the partner experience⁴

"Improvements to systems and tech have turned Pepper into an industry leader in technology, with a collaborative, relationship based approach, and introducers want Pepper to succeed. In a rate-sensitive environment, Pepper can push forward in pricing or increasing consistency, speed, flexibility and growing appetite particularly in commercial deals where there is greatest strength..."

"...Pepper is the front runner, in the lead. Everyone is chasing Pepper

"...fast approval process, everything electronic, a system you can plug in a few details and get approval within half an hour. Speed and efficiency

Funding performance

In excess of
\$36.3bn²
 across 58 transactions
 from 2003 to June 2023

Non-Conforming RMBS
\$22.8bn

Prime RMBS
\$9.4bn

ABS
\$4.0bn

Warehouses

A\$10.3bn³
 total capacity

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

19
 facilities

Capacity down (6)%
 30 June 2023 vs
 31 December 2022

Securitisation

4 Public Platforms⁴
 (PRS, Pepper Prime,
 Sparkz, Pepper Social)

100+⁶
 investors

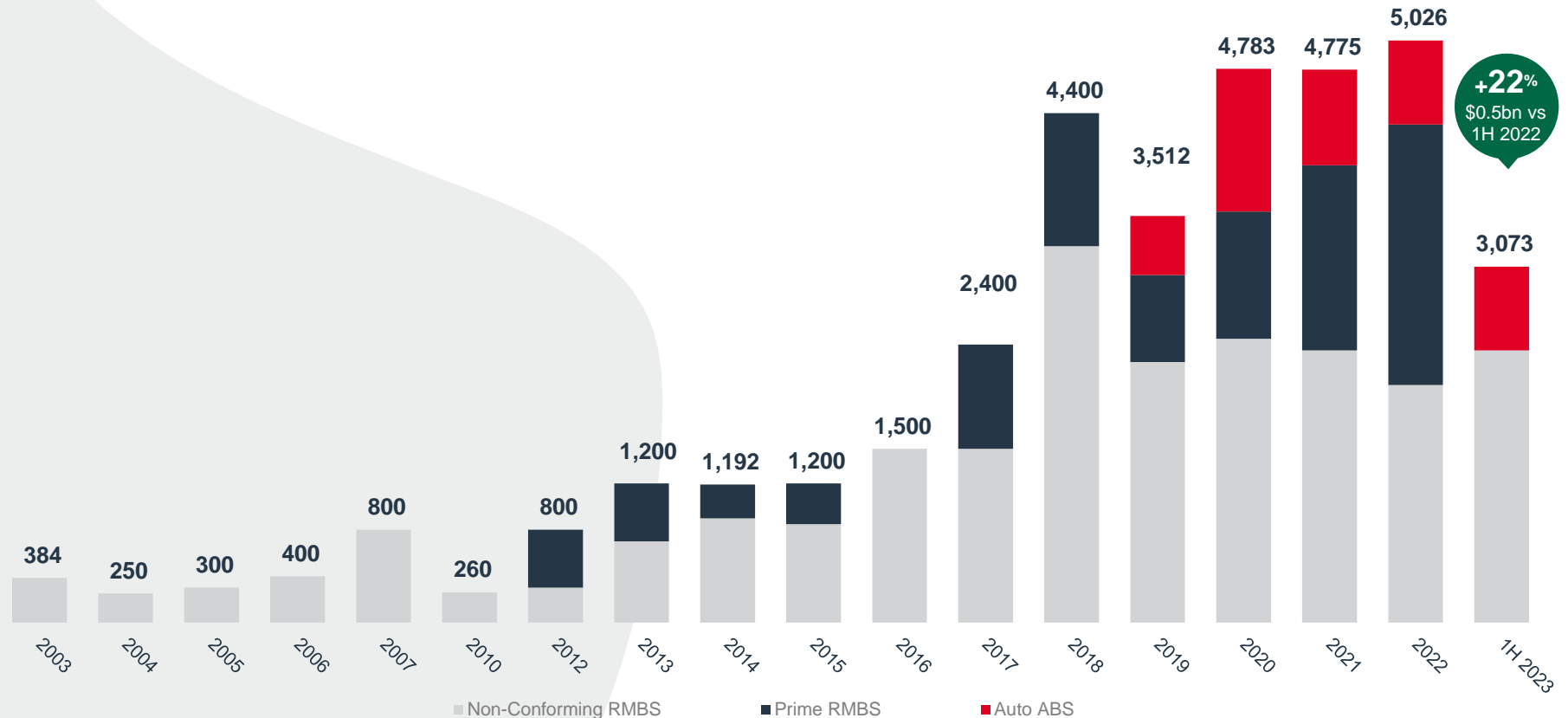
A\$39.3bn⁵
 Total Issuance

Called every note
 at first available call
 date

Whole loan sales / private term issuances

A\$8.0bn+
 total funding

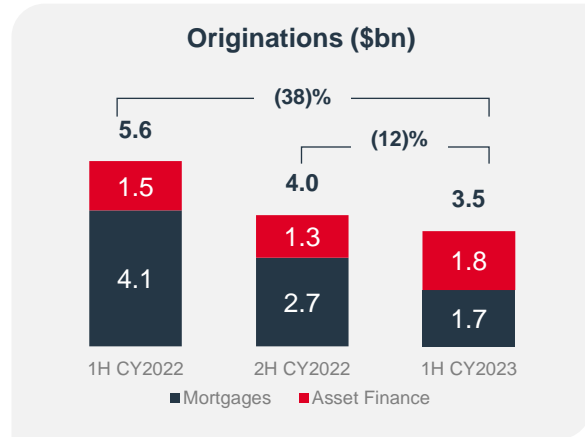
20
 counter-parties



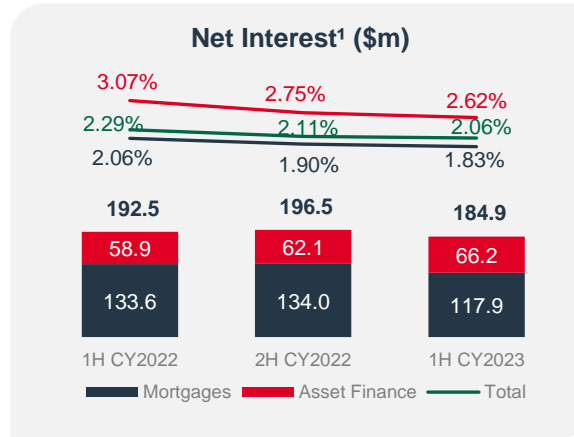
Financial performance

Pro-forma

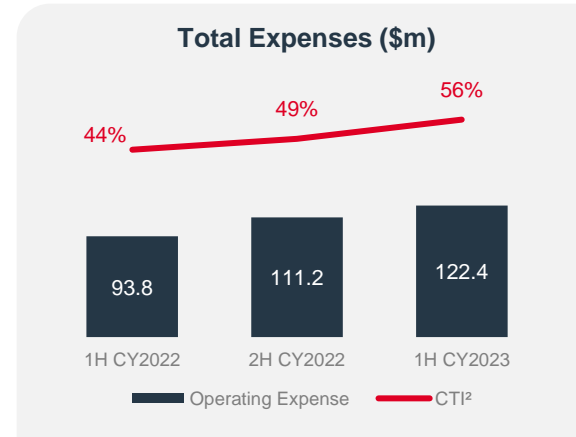
Volume



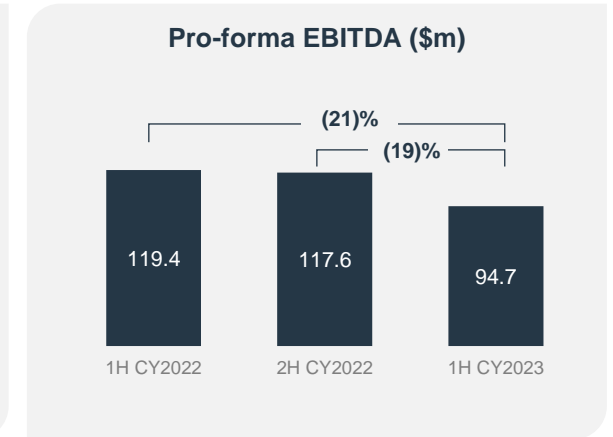
Income



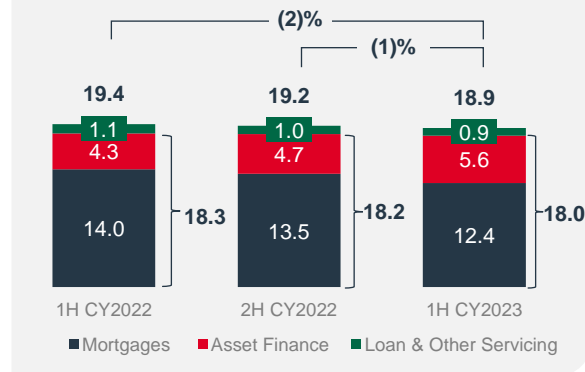
Expenses / FTE



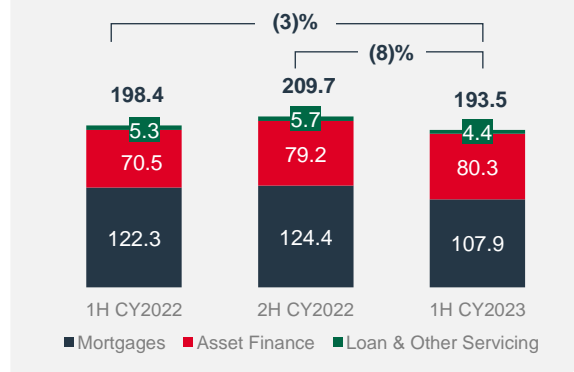
Profit



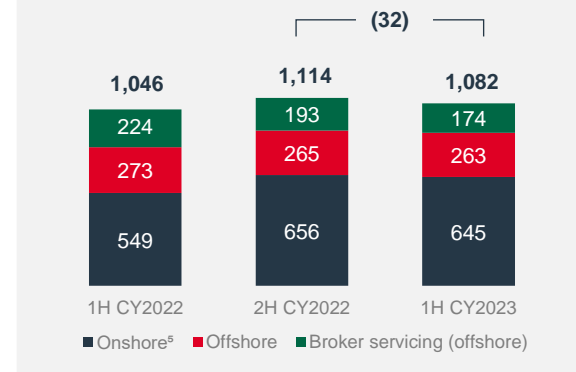
Total AUM³ (\$bn)



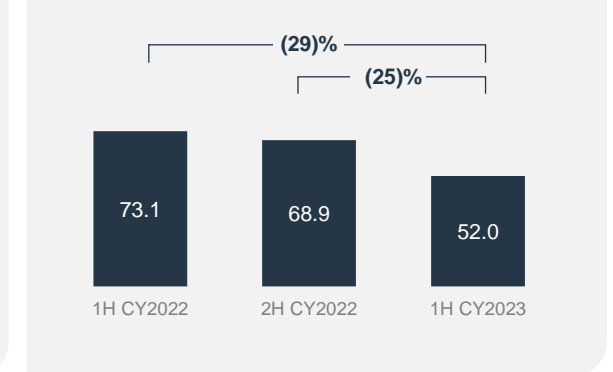
Operating Income⁴ (\$m)



FTE



Pro-forma NPAT (\$m)



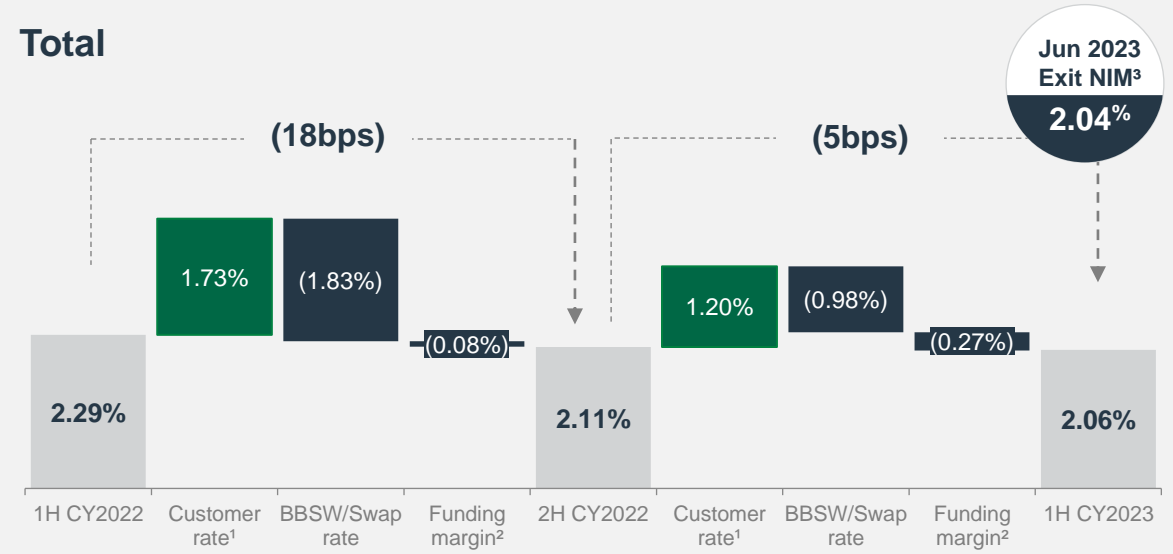
Notes: 1. Loan and Other Servicing and Corporate segment net interest income not displayed in the bar chart as not material but included in the total. 2. Cost To Income ratio defined as: Total Operating Expenses (including Depreciation, Amortisation and Corporate Interest) divided by Total Operating Income before loan losses. 3. Figures displayed are Closing AUM. 4. Total Operating Income - Corporate segment not shown as not material but included in the total. 5. Onshore FTE include staff in New Zealand.

NIM movement

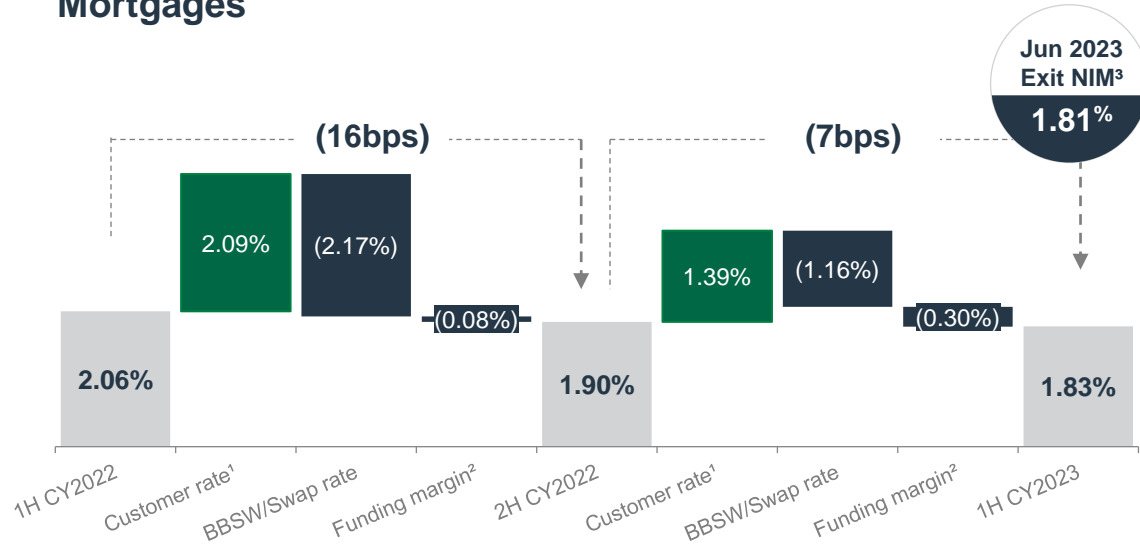
NIM compression
stabilising as increased funding costs largely offset by customer rate increases.

Marginal variance
between customer and funding due to timing of price increase versus OCR movement.

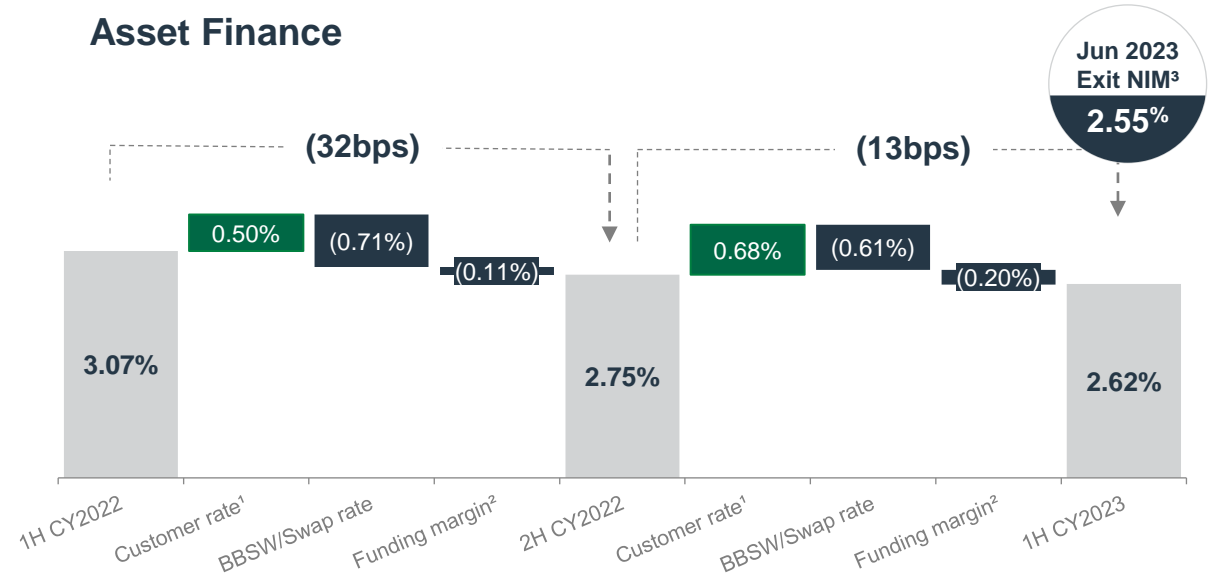
Total



Mortgages



Asset Finance



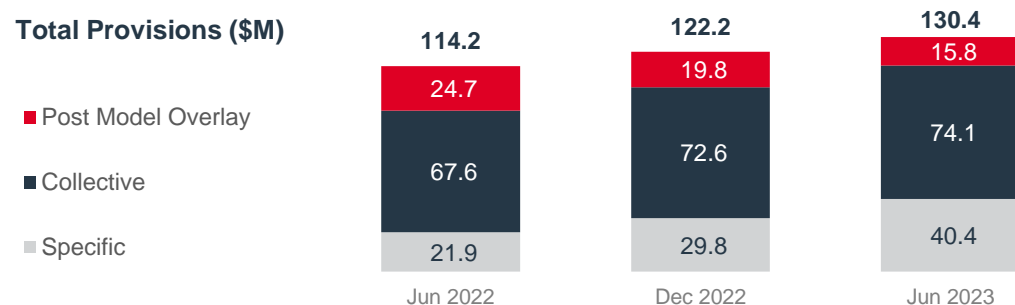
FINANCIALS

Loan loss expense & provision

Total loan loss provision as at 30 June 2023 of \$130.4 million increased from \$122.2 million in December 2022 – maintaining strong coverage

Loan loss expense \$ M	Half Year Ending		
	Jun 2023	Dec 2022	Jun 2022
Mortgages			
Specific	(2.0)	(1.3)	(1.5)
Collective: base	(0.5)	(1.9)	(2.0)
Post-model overlay	-	0.5	(0.5)
Mortgages loan loss expense	(2.5)	(2.7)	(4.0)
Asset Finance			
Specific	(25.1)	(18.2)	(12.0)
Collective: base	(1.1)	(3.1)	(5.5)
Post-model overlay	4.0	4.4	7.5
Asset Finance loan loss expense	(22.2)	(16.8)	(10.0)
Loan and Other Servicing loan loss expense	0.1	0.1	0.1
Total			
Specific	(27.1)	(19.4)	(13.4)
Collective: base	(1.6)	(5.0)	(7.5)
Post-model overlay	4.0	4.9	7.0
Total loan loss expense	(24.7)	(19.4)	(13.9)

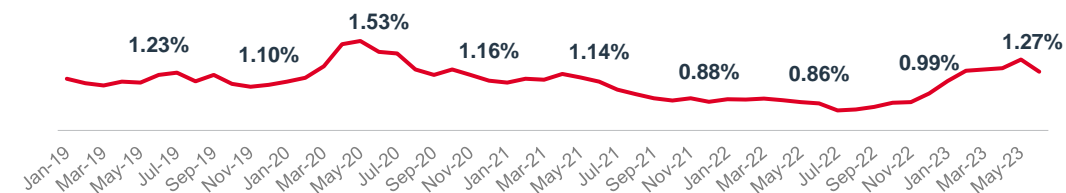
Total Provisions (\$M)



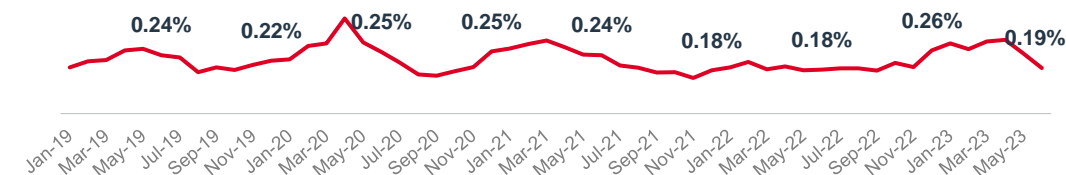
Provision Coverage¹ %

Period	Provision Coverage ¹ %	Provision Coverage ¹ % (ex. Post Model overlay)
Jun 2022	0.62%	0.49%
Dec 2022	0.67%	0.56%
Jun 2023	0.72%	0.64%

Mortgage 90+ day arrears^{2 3} as % of AUM



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

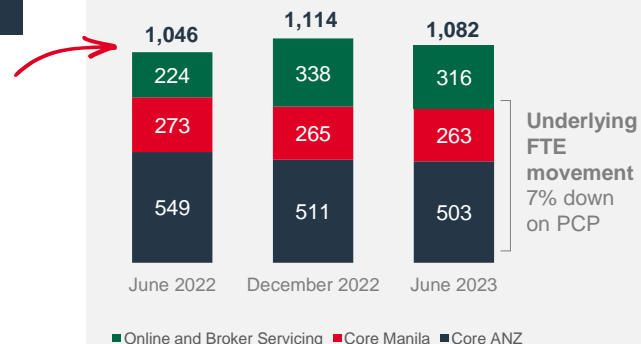


Pro-forma expenses

Half Year Ending

\$ M	Half Year Ending			Jun 2023 v Dec 2022 Change B/(W)	Jun 2023 v Jun 2022 Change B/(W)
	Jun 2023	Dec 2022	Jun 2022		
Employee benefits expense	(65.0)	(62.2)	(51.8)	(5%)	(26%)
Marketing expense	(7.8)	(8.1)	(5.7)	3%	(37%)
Technology expense	(12.1)	(12.3)	(11.5)	1%	(5%)
General and admin expense	(9.6)	(9.6)	(8.0)	0%	(19%)
FV gains or losses on financial assets	(4.3)	0.0	(2.1)	-	(108%)
Impairment losses on financial assets	-	-	-	-	-
Total Operating Expenses	(98.8)	(92.1)	(79.1)	(7%)	(25%)
Depreciation and amortisation	(11.9)	(10.5)	(10.0)	(14%)	(19%)
Corporate interest expense	(11.7)	(8.6)	(4.7)	(36%)	(148%)
Total Expenses	(122.4)	(111.2)	(93.8)	(10%)	(30%)

FTE movement Half year end



Employee Benefits: Movement 1H 2023 vs PCP

\$ M	1H 2023	1H 2022	% Change B/(W)
Core ANZ	(48.8)	(47.5)	(3%)
Core Manila	(3.2)	(3.0)	(9%)
Core	(52.0)	(50.5)	(3%)
Online/Broker	(13.0)	(1.3)	(Lge)
Total	(65.0)	(51.8)	(26%)

Other key costs movements Versus 2H 2022

Drivers of Change	1H 2023	2H 2022	% change B/(W)
Employee Expenses per FTE (\$000)	(60.1)	(55.8)	(7.7%)
Marketing as % Total operating income	(4.2%)	(4.1%)	(0.1%)
Technology expense per FTE (\$000)	(11.2)	(11.0)	(1.9%)
Corporate Interest \$ M	(11.7)	(8.6)	(35.7%)

Pro-forma Metrics



Half Year Ending

	Jun 2023	Dec 2022	Jun 2022	Jun 2023 v Dec 2022 B/(W)	Jun 2023 v Jun 2022 B/(W)
Volume (\$ Billion)					
Originations – Mortgages	1.7	2.7	4.1	(36%)	(58%)
Originations – Asset Finance	1.8	1.3	1.5	37%	19%
Total Originations	3.5	4.0	5.6	(12%)	(38%)
AUM lending – Mortgages	12.4	13.5	14.0	(8%)	(12%)
AUM lending – Asset Finance	5.6	4.7	4.3	19%	32%
AUM lending	18.0	18.2	18.3	(1%)	(1%)
AUM servicing	0.9	1.0	1.1	(7%)	(15%)
Total AUM	18.9	19.2	19.4	(1%)	(2%)
Income (\$ Million)					
Operating income – Mortgages	107.9	124.4	122.3	(13%)	(12%)
Operating income – Asset Finance	80.3	79.2	70.5	1%	14%
Operating income – Loan and Other Servicing	4.4	5.7	5.3	(22%)	(17%)
Operating income – Corporate	0.9	0.5	0.3	87%	222%
Total operating income	193.5	209.7	198.4	(8%)	(3%)
Profitability					
Net interest margin ¹ – Mortgages	1.83%	1.90%	2.06%	(7bps)	(23bps)
Net interest margin ¹ – Asset Finance	2.62%	2.75%	3.07%	(12bps)	(45bps)
Total net interest margin¹	2.06%	2.11%	2.29%	(5bps)	(23bps)
Employee benefits expense / Total operating income	34%	30%	26%	(4%)	(8%)
Employee cost per average FTE (\$'000)	118.2	115.1	104.9	(3%)	(13%)
Cost-to-income ratio ²	56%	49%	44%	(7%)	(12%)
Credit Quality					
Total losses ³ (ex. Overlay ⁴)% AUM lending – Mortgages	0.04%	0.04%	0.05%	1bps	1bps
Total losses ³ (ex. Overlay ⁴)% AUM lending – Asset Finance	1.04%	0.94%	0.63%	(10bps)	(41bps)
Total losses³ (ex. Overlay⁴)% AUM lending	0.28%	0.26%	0.18%	(2bps)	(10bps)
Return					
Total operating income yield	2.2%	2.3%	2.4%	(0.1%)	(0.2%)

Pro-forma Income Statement



\$ M	Half Year Ending				
	Jun 2023	Dec 2022	Jun 2022	Jun 2023 v Dec 2022 B/(W)	Jun 2023 v Jun 2022 B/(W)
Interest income	664.3	579.0	376.5	15%	76%
Interest expense	(479.4)	(382.5)	(184.0)	(25%)	(161%)
Net interest income from continuing operations	184.9	196.5	192.5	(6%)	(4%)
Net lending fees	9.8	6.9	8.3	42%	17%
Whole loan sales gain	3.1	3.8	4.3	(20%)	(29%)
Loan losses	(24.7)	(19.4)	(13.9)	(27%)	(78%)
Servicing fees and other income	20.4	22.0	7.1	(7%)	186%
Total operating income from continuing operations	193.5	209.7	198.4	(8%)	(3%)
Employee benefits expense	(65.0)	(62.2)	(51.8)	(5%)	(26%)
Marketing expense	(7.8)	(8.1)	(5.7)	3%	(37%)
Technology expense	(12.1)	(12.3)	(11.5)	1%	(5%)
General and administration expense	(9.6)	(9.6)	(8.0)	0%	(19%)
FV gains or losses on financial assets	(4.3)	-	(2.1)	-	(108%)
Impairment losses on financial assets	-	-	-	-	-
EBITDA	94.7	117.6	119.4	(19%)	(21%)
Depreciation and amortisation expense	(11.9)	(10.5)	(10.0)	(14%)	(19%)
Corporate interest expense	(11.7)	(8.6)	(4.7)	(36%)	(148%)
Profit before income tax from continuing operations	71.1	98.6	104.6	(28%)	(32%)
Income tax expense	(19.1)	(29.7)	(31.5)	36%	39%
Net profit after income tax from continuing operations	52.0	68.9	73.1	(25%)	(29%)
Equity holders of Pepper Money Limited	53.0	69.4	73.1	(24%)	(28%)
Non-controlling interest	(1.0)	(0.5)			

Balance Sheet

Statutory

Key Movement: June 2023 on December 2022

ASSETS

Loan and advances

Loans and advances reflect movement in assets under management net of provisions for loan impairments and whole loan sale of \$150.4m executed in June 2023.

Derivative financial asset

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

Property, plant and equipment

Increase in right of use asset from renewal of head office lease.

Goodwill and intangibles

Addition of \$2.0m work in progress assets in the half offset by software amortisation expense \$(6.7)m and amortisation of acquired customer relationship asset \$(0.5)m.

LIABILITIES

Borrowings

Decrease in note borrowings in line with movement in assets under management. \$10.0m additional drawdown in the Corporate Debt Facility and increase in capitalised deal costs.

EQUITY

Retained Earnings

Retained earnings reflect sustained profit growth in the business for 1H 2023 net of dividends paid in the half.

Balance as at	Jun 2023 \$M	Dec 2022 \$M	Jun 2022 \$M
Assets			
Cash and cash equivalents	1,110.6	1,243.6	1,265.9
Receivables	15.5	10.3	10.1
Loans and advances	18,129.3	18,327.8	18,384.1
Derivative financial assets	140.9	134.0	137.9
Other financial assets	19.6	19.4	19.8
Other assets	10.1	9.0	8.8
Deferred tax assets	4.0	4.0	-
Property, plant and equipment	31.7	19.0	9.3
Goodwill and intangibles	147.1	152.3	29.0
Total assets	19,608.8	19,919.4	19,864.9
Liabilities			
Trade payables	11.9	13.4	13.7
Current tax	7.9	24.5	13.0
Provisions	23.2	24.8	23.3
Borrowings	18,644.2	18,979.2	19,030.8
Derivative liabilities	4.3	3.3	9.7
Other liabilities	32.4	22.8	17.5
Deferred tax liabilities	8.4	10.1	1.1
Total liabilities	18,732.2	19,078.1	19,109.1
Total net assets	876.5	841.3	755.8
Equity			
Issued capital	729.6	729.6	729.6
Other reserves	105.1	99.8	98.8
Retained earnings	3.2	(27.5)	(72.6)
Total equity attributable to owners of Pepper Money Limited	838.1	801.9	755.8
Non-controlling interests	38.4	39.4	-
Total equity	876.5	841.3	755.8

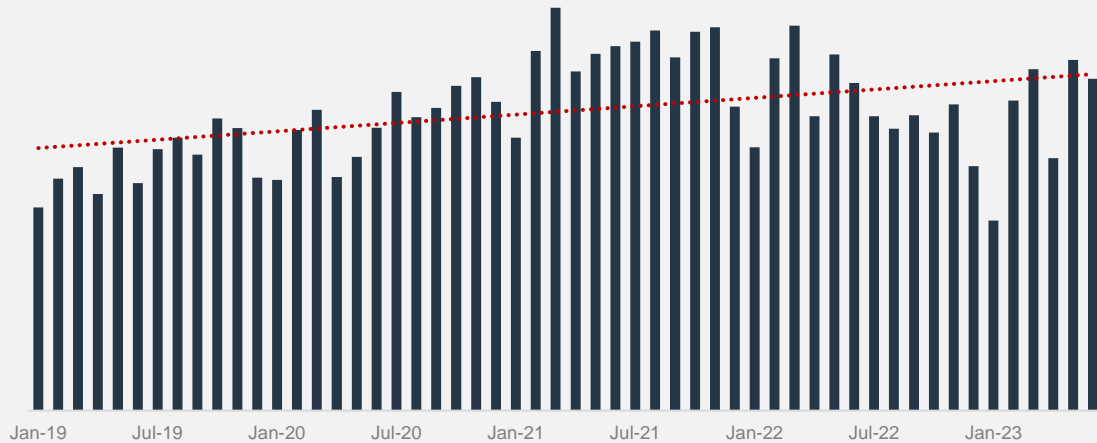
Notes: 1. IRS – interest rate swaps. 2. CCIRS – cross currency interest rate swaps

Market update: enquires

Market enquiry volume: Mortgages¹

While mortgage enquiry volume has been lowest since the early days of COVID-19, volumes are starting to recover

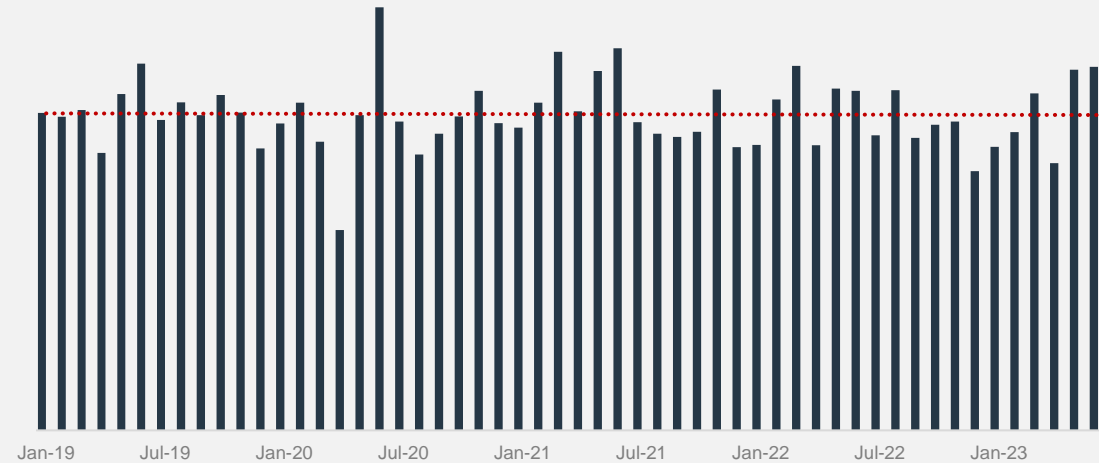
Enquires



Market enquiry volume: Asset Finance²

Asset Finance enquiry volumes have followed seasonal trends with peaks at tax year ends (Commercial)

Enquires



Outlook



Improving Outlook

Inflation starting to moderate:
demand side

Interest rate approaching terminal

Low unemployment

Return of immigration



Still on watch

Inflation pressure: service side
trends

Credit tightening

More rate rises still to come?
Impact on loan performance

Pepper Money is prepared



Managed customers through 12 rate rises to date – credit performance inside expectations and long term averages



Steady investment – demonstrated scaled processes and technology



Funding headroom to capitalise as growth returns



New product development: SMSF Mortgages launched / pipeline strong



Disciplined capital management – funded Asset Finance growth, can fund further initiatives

Pepper Money... navigating the cycles

Pepper Money has the capabilities to respond

EXPERIENCE

23+ years of managing through multiple economic cycles

Proprietary **data and analytics**: cascading credit model

Risk based approach: customer or collateral – never both

Strength of our **funding** and **investor relations**

DIVERSIFIED

Breadth of product range: prime, near prime clear, near prime, commercial real estate, consumer, novated, commercial

Business diversification: Lending - Mortgages, Asset Finance. Servicing. Online broking

Demonstrated by our performance

Credit quality consistent with our expectations

Well provisioned \$130.4m and a coverage ratio 0.72%

Managed customers through 12 rate rises – **90+ day arrears inside long term averages**

\$3.1 billion raised from 4 public securitisation deals

Non Conforming Mortgages: 65% origination mix

Novated Lease originations growth +293% vs PCP

Asset Finance: 19% originations growth vs PCP

Resilient AUM: Total \$19bn

Questions & Answers

peppermoney

Thank you

on behalf of all of Pepper Money

Appendices

Addressable market

June 2023

Total
Addressable
Market (AUM)

Pepper Money's
Market Share
(closing AUM)

Targeted
Customer
Segments



Mortgages

\$2,533bn¹

Conforming: 88%
Non-Conforming: 12%²

↓ ~0.5%³

- 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)



Asset Finance

\$198bn

Consumer: \$60bn⁴
Commercial: \$138bn⁵

↑ ~2.8%⁶

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

Notes: 1. Combination of Australia and New Zealand mortgage markets at June 2023 (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 at 30 June 2023 (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 2022 – June 2023 (published August 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, July 2022 – June 2023 (published August 2023). Assumes market size is approximately 4x lending commitments for last 12 months. 6. Represents Pepper Money's Asset Finance AUM at 30 June 2023 (closing) as a proportion of total consumer and commercial motor and equipment financing.

Systems growth

June 2023

\$2,731bn

Total Addressable Market (AUM)

Mortgages

\$2,533bn¹

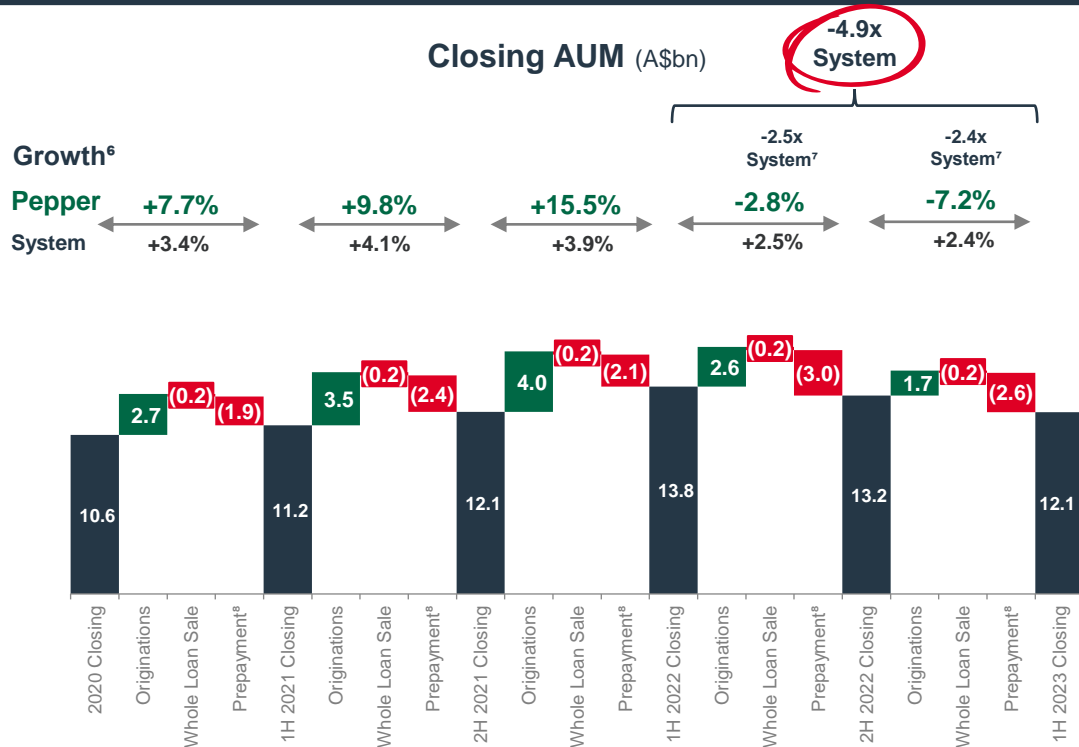
Conforming: 88%
Non-Conforming: 12%²

Asset Finance

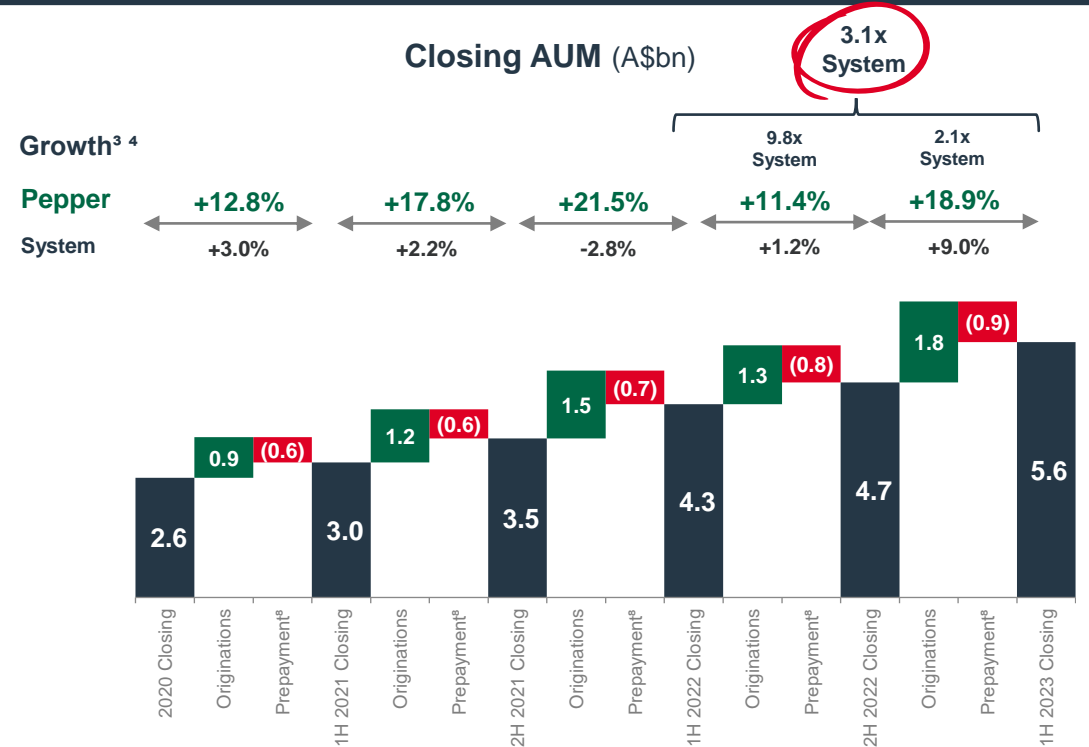
\$198bn

Consumer: \$60bn³
Commercial: \$138bn⁴

Mortgages⁵ AUM Walk



Asset Finance AUM Walk



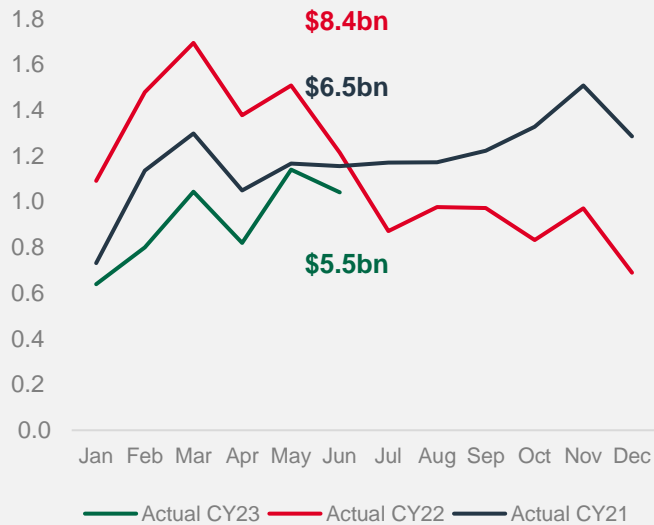
Notes: 1. Combination of Australia and New Zealand mortgage markets as at June 2023 (Total housing credit, RBA D2 Lending and credit aggregates (including owner-occupier housing credit and investor housing credit)); Housing, RBNZ C5 Sector lending (registered banks and non-bank lending institutions), June 2023, 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 2022 – June 2023 (published August 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, July 2022 – June 2023 (published August 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.

Lending growth



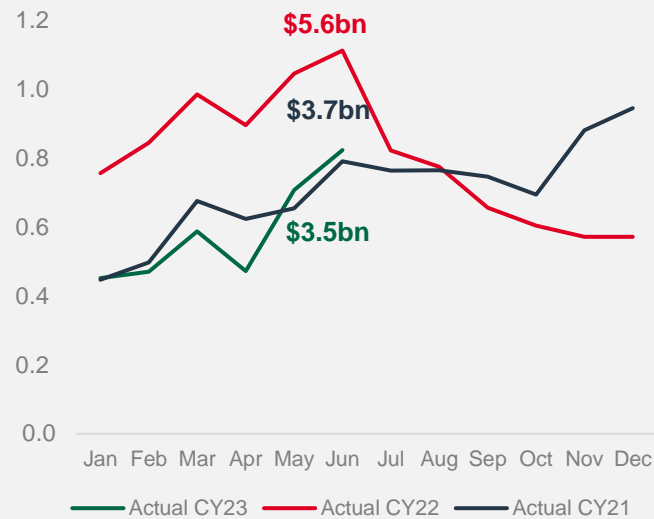
Applications^{1,2} (\$bn)

Half year



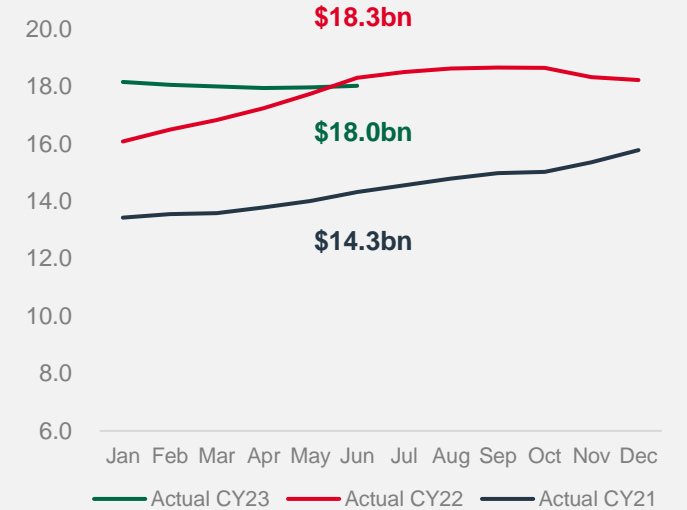
Originations² (\$bn)

Half year



Lending AUM² (\$bn)

Half Year



Half One Applications

1H CY2023
\$5.5bn

1H CY2022
\$8.4bn

1H CY2021
\$6.5bn



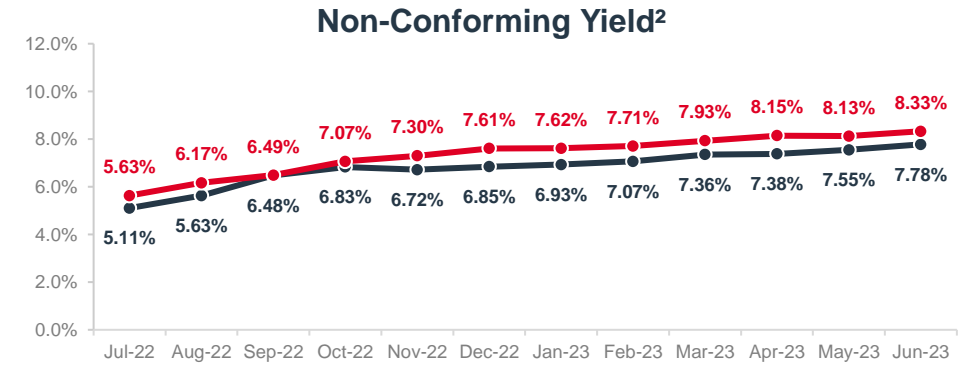
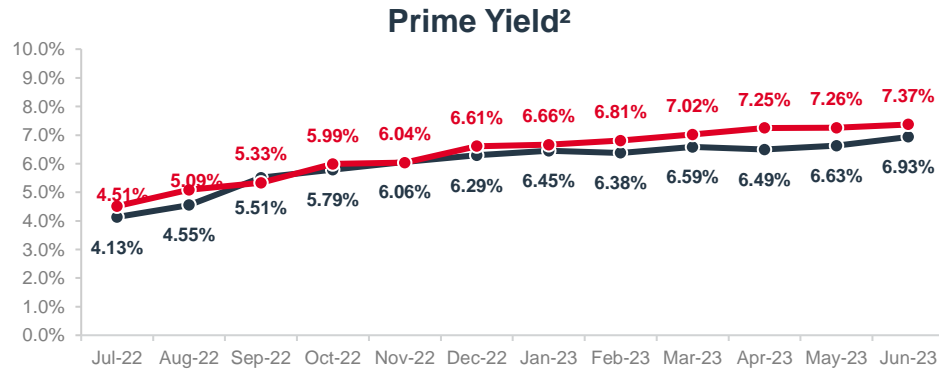
Half one applications in CY2023 were **(34)%** below 1H CY2022, and **(16)%** below 1H CY2021.



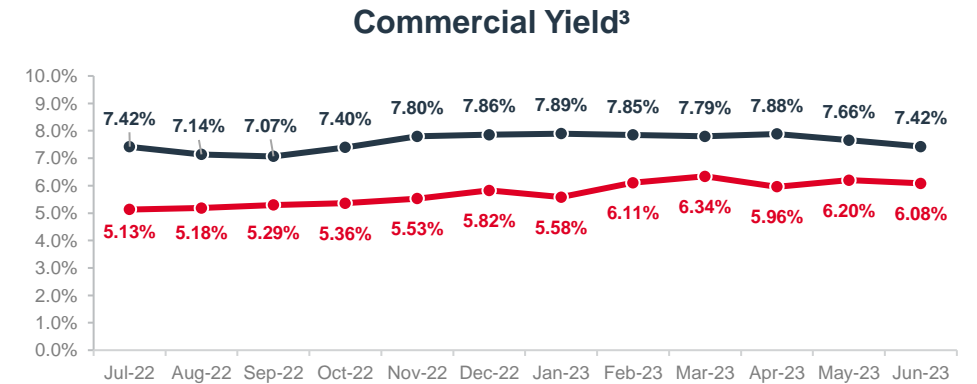
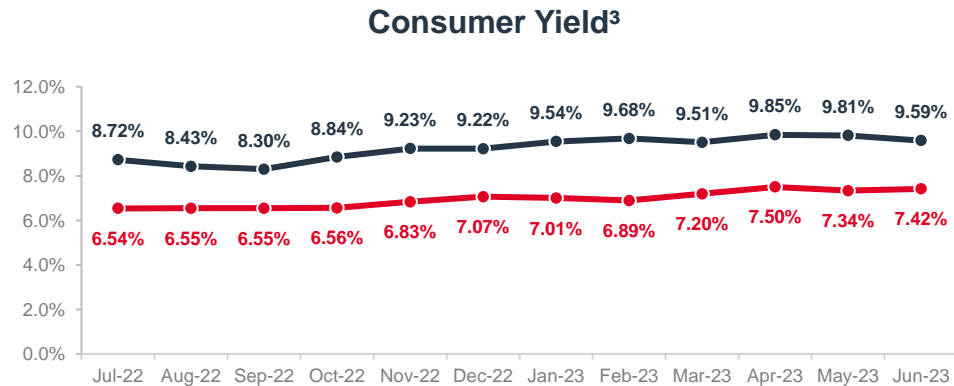
Managing rate rises | front book and portfolio rate changes

Portfolio —●—
Front book —●—

Mortgages¹

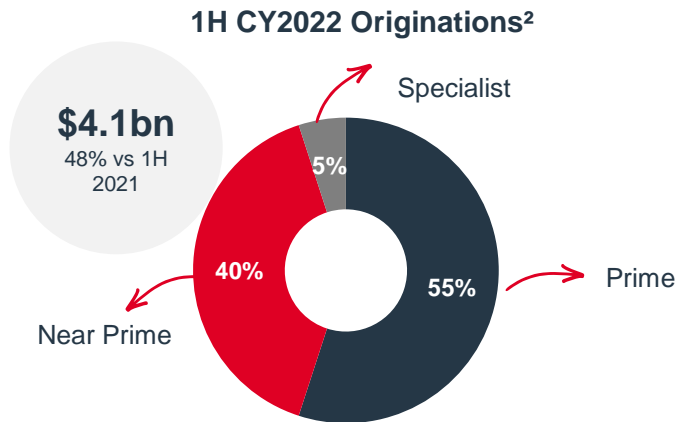
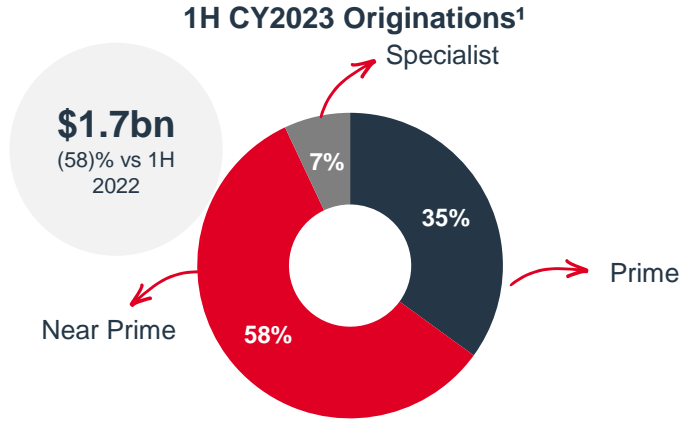


Asset Finance



Customer Solutions | Mortgages 1H CY2023 vs 1H CY2022

Originations by Product



Weighted Average Indexed LVR³

1H CY2023 AUM (close)

60%
54% as at June 2022



1H CY2022 AUM (close)

54%
61% as at June 2021



Weighted Interest Rate⁴

1H CY2023 (close)

	Portfolio	Front Book ⁵
Prime	7.4%	7.3%
Near Prime	8.1%	7.8%
Specialist	8.9%	9.1%

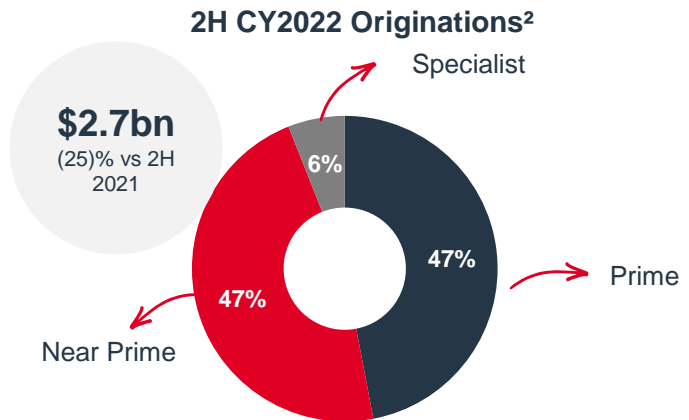
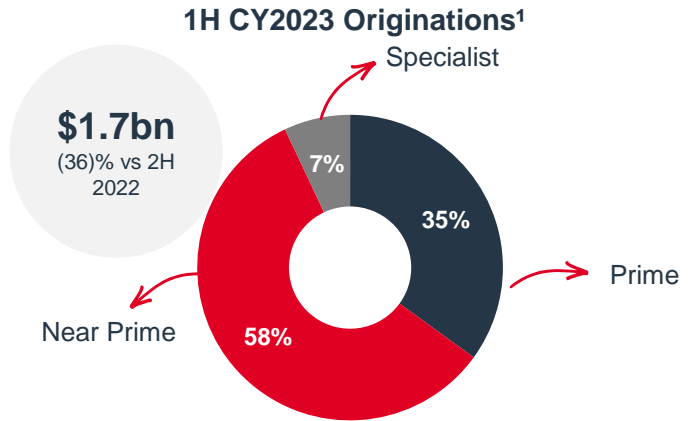
1H CY2022 (close)

	Portfolio	Front Book ⁶
Prime	4.2%	3.9%
Near Prime	5.1%	4.6%
Specialist	6.0%	6.0%

Notes: 1. Based on originations (\$) for the six months to 30 June 2023 including Commercial Real Estate and New Zealand mortgages. 2. Based on originations (\$) for the six months to 30 June 2022 including Commercial Real Estate and New Zealand mortgages. 3. Current loan value divided by the indexed property value (CoreLogic) for the Australian residential mortgage portfolio. Weighted average based on closing AUM for the relevant period indicated. 4. Based on mortgages portfolio closing AUM for the relevant period, including Commercial Real Estate and New Zealand mortgages. 5. Origination for the six months to 30 June 2023 including Commercial Real Estate and New Zealand mortgages, based on 30 June 2023 closing balance. 6. Origination for the six months to 30 June 2022 including Commercial Real Estate and New Zealand mortgages, based on 30 June 2022 closing balance.

Customer Solutions | Mortgages 1H CY2023 vs 2H CY2022

Originations by Product



Weighted Average Indexed LVR³

1H CY2023 AUM (close)

60%

58% as at December 2022



2H CY2022 AUM (close)

58%

56% as at December 2021



Weighted Interest Rate⁴

1H CY2023 (close)

	Portfolio	Front Book ⁵
Prime	7.4%	7.3%
Near Prime	8.1%	7.8%
Specialist	8.9%	9.1%

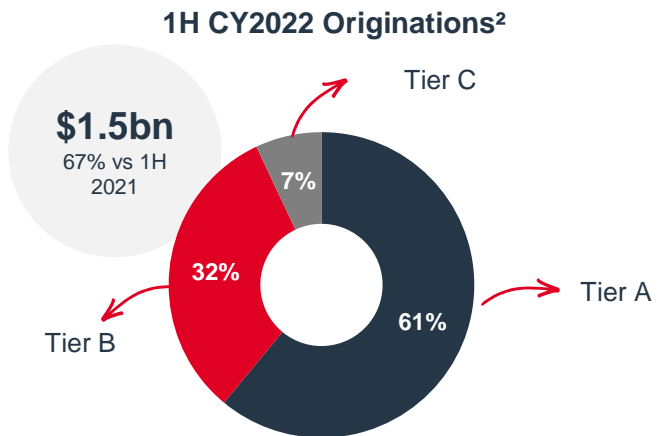
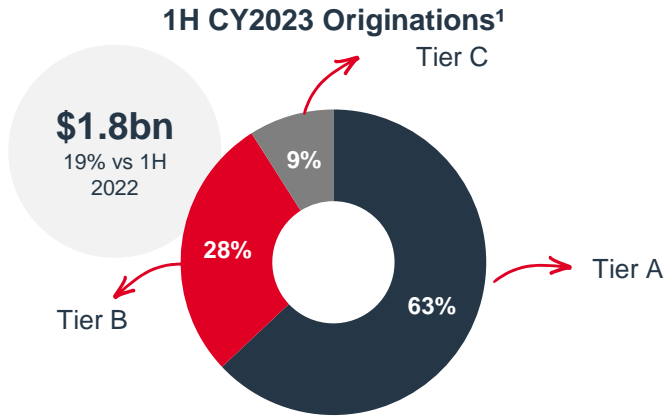
2H CY2022 (close)

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

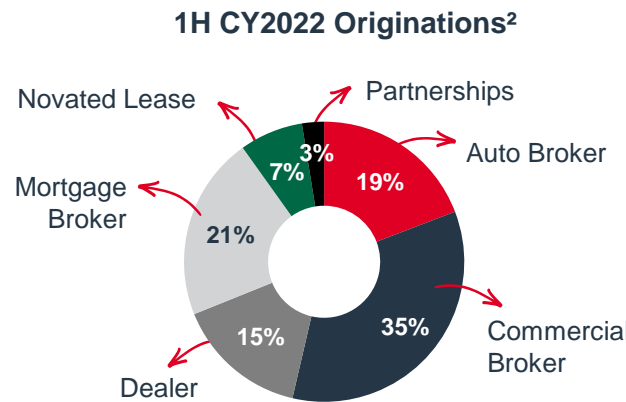
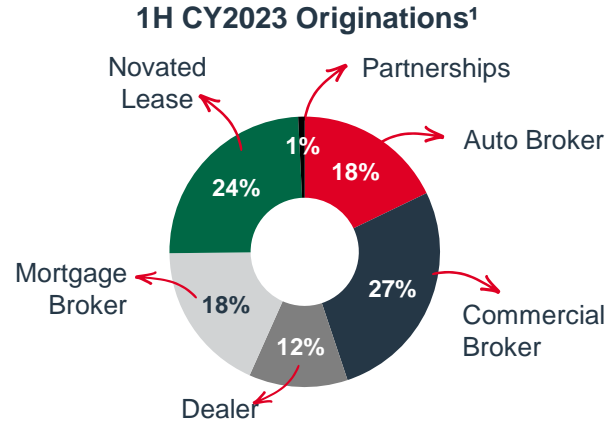
Notes: 1. Based on originations (\$) for the six months to 30 June 2023 including Commercial Real Estate and New Zealand mortgages. 2. Based on originations (\$) for the six months to 31 December 2022 including Commercial Real Estate and New Zealand mortgages. 3. Current loan value divided by the indexed property value (CoreLogic) for the Australian residential mortgage portfolio. Weighted average based on closing AUM for the relevant period indicated. 4. Based on mortgages portfolio closing AUM for the relevant period, including Commercial Real Estate and New Zealand mortgages. 5. Origination for the six months to 30 June 2023 including Commercial Real Estate and New Zealand mortgages, based on 30 June 2023 closing balance. 6. Origination for the six months to 31 December 2022 including Commercial Real Estate and New Zealand mortgages, based on 31 December 2022 closing balance.

Customer Solutions | Asset Finance 1H CY2023 vs 1H CY2022

Originations by Product



Originations by Channel



Weighted Interest Rate³

1H CY2023 (close)

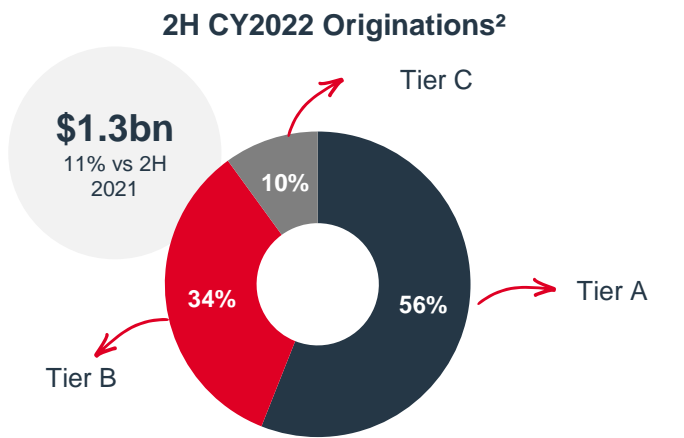
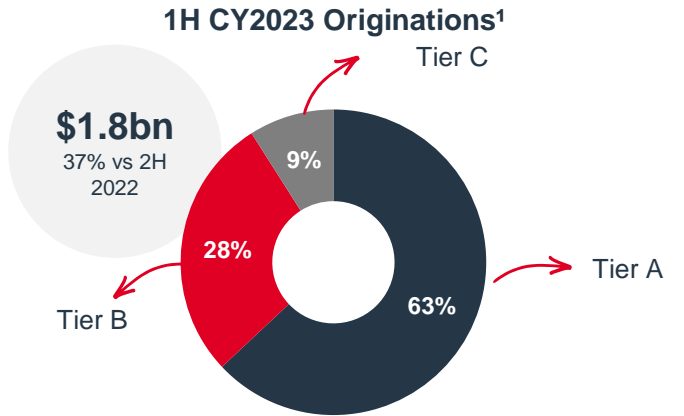
	Portfolio	Front Book ⁴
Tier A	7.5%	8.8%
Tier B	9.6%	11.2%
Tier C	13.4%	14.5%

1H CY2022 (close)

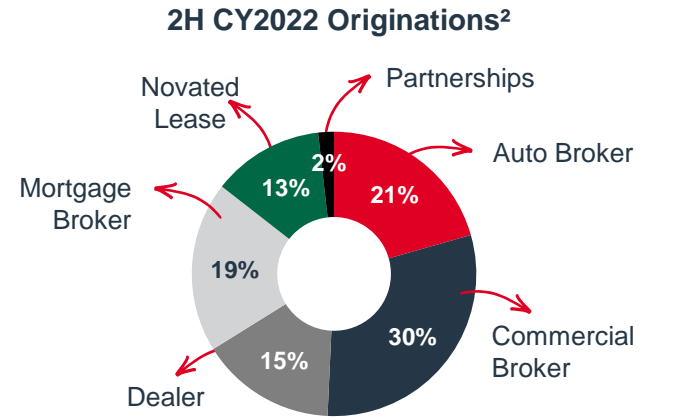
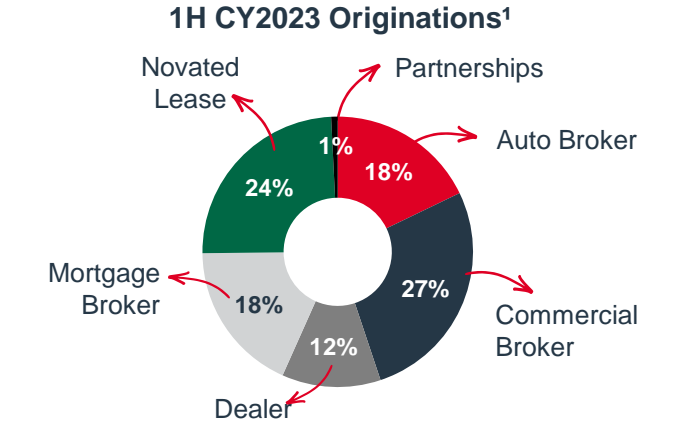
	Portfolio	Front Book ⁵
Tier A	6.9%	6.2%
Tier B	8.9%	8.5%
Tier C	12.8%	12.4%

Customer Solutions | Asset Finance 1H CY2023 vs 2H CY2022

Originations by Product



Originations by Channel



Weighted Interest Rate³

1H CY2023 (close)

	Portfolio	Front Book ⁴
Tier A	7.5%	8.8%
Tier B	9.6%	11.2%
Tier C	13.4%	14.5%

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%

Statutory Income statement



\$ M	Half Year Ending		
	June 2023	December 2022	June 2022
Interest income	664.3	578.9	376.5
Interest expense	(479.4)	(382.5)	(184.0)
Net interest income from continuing operations	184.9	196.4	192.5
Lending fee income	37.0	34.9	36.1
Lending expense	(27.2)	(27.9)	(27.8)
Whole loan sales gain	3.1	3.9	4.3
Loan losses	(24.7)	(19.4)	(13.9)
Servicing fees and other income	20.4	21.9	7.2
Total operating income from continuing operations	193.5	209.8	198.4
Employee benefits expense	(65.0)	(62.1)	(51.8)
Marketing expense	(7.8)	(8.1)	(5.7)
Technology expense	(12.1)	(12.3)	(11.5)
General and administration expense	(9.6)	(10.3)	(8.9)
Fair value (losses)/gains on financial assets	(4.3)	(0.0)	(2.1)
Depreciation and amortisation expense	(11.9)	(10.4)	(10.0)
Corporate interest expense	(11.7)	(8.6)	(4.7)
Operating expenses from continuing operations	(122.4)	(111.8)	(94.7)
Profit before income tax from continuing operations	71.1	98.0	103.7
Income tax expense	(19.1)	(29.7)	(31.5)
Net profit after income tax from continuing operations	52.0	68.3	72.2
Net profit after income tax			
Attributable to equity holders of Pepper Money Limited	53.0	68.8	72.2
Attributable to non-controlling interests	(1.0)	(0.5)	0.0

Glossary & Disclaimer

Disclaimer

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This Presentation contains summary information about Pepper Money Limited (ACN 094 317 665) (**Pepper Money**) and its activities and is current only as at the date of this Presentation (unless specified otherwise). The material in this Presentation is given for informational purposes only, is in summary form and does not purport to be complete. It does not purport to summarise all information that an investor should consider when making an investment decision. It is intended to be read by a professional analyst audience in conjunction with Pepper Money's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (**ASX**), which are available at www.asx.com.au.

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Glossary of Terms

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.

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 six months to June 2022 in this presentation.

Pro forma NPAT: Pro-forma pre-tax adjustments for 1H CY2023 \$Nil (1H CY2022 of \$(0.9) million - one-off in nature as they relate to the acquisition of Stratton Finance Pty Ltd completed 1 July 2022)

Total losses(ex. Overlay)% average lending AUM: excluding Post Model 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.

peppermoney

For more information visit
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