

23 May 2017

Chairman's address to the AGM

Welcome to the Pepper Group AGM

With a 26% growth in Adjusted Net Profit After Tax to \$61.0m, Pepper Group ensured that its track record of delivering double digit profit growth continued once more in 2016.

This is the 2nd year since listing and the 4th successive year since 2012 where such momentum has been delivered.

Total Assets Under Management grew 15% to \$52.4 billion at year's end, comprising \$7.0bn in lending assets and \$45.4bn in assets that we service on behalf of other institutions.

This result can be attributed to the strong organic growth as a result of record mortgage and consumer lending originations in our key growth markets of Australia and South Korea, alongside the contribution from our third party servicing markets across Europe.

In line with Pepper Group's dividend policy, shareholders received 2 fully franked dividends totalling 8.4 cents per share for the 2016 calendar year, after Directors declared a 3 cents per share dividend for the six months to 30 June 2016, and 5.4 cents per share for the 6 months to 31 December 2016.

In all of the countries where we lend, we often assist customers when the banks won't, and we can do this because we have developed proprietary credit processes and have adopted a risk based pricing methodology simply through getting to know customers' individual circumstances intimately.

It is this lending expertise that allows us to also manage and administer both performing and non-performing loan books on behalf of other banks, financial institutions and fund managers.

Since 2012, we have deliberately set out to broaden Pepper's reach beyond Australia. First we identified countries with obvious future growth prospects that for varying reasons were experiencing some form of dysfunction at the time. Then, unlike most Australian companies who move offshore, we hired teams of people with deep experience in that country, and

provided them with the financial and operational resources to create a new lending or servicing business in that jurisdiction.

As a result, over the past 4 years, Pepper has deliberately reinvested meaningful and growing amounts of its profits back into the business in order to support future growth. By fostering new products in our existing markets and kick starting lending initiatives across the globe, we are building a sustainable business for all stakeholders that can adapt its service offering to suit the economic cycle.

A proof point of this investment is Pepper Savings Bank in South Korea. In 2013, we identified and purchased a small Mutual Savings Bank which we renamed Pepper Savings Bank. By implementing our pricing for risk methodology across its product suite and investing in lending growth, we have transformed this business such that it contributed revenues in excess of \$76m to the group's financial outcome in 2016.

We expect that over time, our residential mortgage and consumer lending businesses in the UK, Ireland and Spain will follow a similar path to that of South Korea. In particular, we see the next business to emerge as a strong contributor to Pepper's financial outcome will be the lending business in the UK. This contribution is not expected until 2018 - however the opportunity is obvious when you consider that we have only just begun lending in the United Kingdom, there is ample space in the market for specialised lending and the country has a population of approximately 65 million people.

As I outlined in the Annual Report, in late March 2017, the Board of Pepper Group resolved to consolidate the group's leadership structure under Group CEO Mike Culhane. This decision led to the departure of Patrick Tuttle. I would again like to take this opportunity to pay tribute to Patrick's significant contribution to Pepper's growth over the past 16 years. Patrick joined Pepper as CFO and Treasurer in 2001, before being appointed as Co-Group CEO in 2011, alongside Mike Culhane.

Together they oversaw 7 years of substantial and sustained growth. We acknowledge that Patrick has been instrumental in both the Australian and international growth of Pepper, and the ASX listing in 2015. On behalf of the Board I would like to thank Patrick for his very significant contribution and wish him all the very best in his future endeavours.

Pepper global leadership team remains strong and is highly experienced. The Board and I are confident that they will continue to successfully deliver on our strategy under Mike's leadership.

Turning to the future, we are focussed on building a global diversified financial services business that can prosper regardless of the economic cycle – when conditions are strong, lending is the main contributor to our profits, and when the economic cycle contracts, we have ensured that asset servicing, where we administer our own portfolios and those of others, can support the group financially.

In 2017, we can already see new opportunities on the horizon for Pepper Group. Our future growth will be underpinned by the strong gains experienced to date in Australia and Asia. We will seek to support ongoing lending growth in all of our markets including in Ireland and the UK where we have only recently started lending. We also expect to build on the installed revenue base in our third party servicing operations across Europe.

Finally, I would like to thank the global executives and all employees at Pepper for their dedication and energy. Without their efforts and skills we would not be in the position we are today to expand our existing products and services, and look confidently for new opportunities.

Thank you.