

17 March 2016

Pepper Group reaches agreement on \$400 million Whole Loan Sale of Residential Mortgage Portfolio

Pepper Group Limited, (Pepper) (ASX:PEP) announces that it has agreed contractual terms on a whole loan sale transaction in Australia comprising a portfolio of \$400 million of residential mortgage loans. It is the first such transaction conducted by Pepper in 2016 and the Company expects it will likely execute further deals over the remainder of the year, subject to acceptable terms and conditions.

As an alternative to securitisation in the debt capital markets, and in order to further diversify its sources of funding, Pepper from time to time sells portfolios of loans. This results in a transfer of the economic ownership of the relevant loan portfolio from Pepper to the whole loan buyer.

Whole loan sales are in addition to Pepper's regular issuances in the Residential Mortgage-Backed Securities (RMBS) markets through its Pepper Residential Securities (PRS) program for non-conforming residential mortgages and the Pepper Prime Trust (PPT) program for prime residential mortgages.

Commenting on the transaction, Pepper's Co-Group CEO, Patrick Tuttle, said "Whole loan sales are an important source of funding for Pepper as they provide us with valuable diversification outside of our regular securitisation programs, as well as delivering attractive, profitable returns on the loan portfolios sold." Tuttle added, "This funding diversification is particularly relevant during periods of debt market volatility, as is currently being experienced, where RMBS margins have widened from 2015 levels".

Mike Culhane, Pepper's Co-Group CEO continued, "Since the Company's inception in 2001 Pepper has completed a number of whole loan transactions, both here in Australia and offshore, with a range of institutional buyers and which deliver a dual benefit of broadening our funding base and reducing our reliance on the public debt capital markets."

Pepper's ability to raise significant volumes of senior debt, mezzanine debt and "first loss" equity for funding its loan assets has been consistently demonstrated over the last 15 years, evidenced by the significant platform acquisitions and repeat term securitisations it has completed in Australia and overseas during that period.

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About Pepper Group Limited

Pepper Group Limited (Pepper) is a specialist residential mortgage and consumer lender and loan servicer, operating in targeted market segments in Australia and internationally, many of which are underserved by traditional bank and other prime lenders. Pepper was established in 2000 and commenced lending as a specialist residential mortgage lender in the Australian market in March 2001. Pepper offers a broad range of lending products including residential mortgages, auto and equipment finance, point-of-sale finance and personal loans. Pepper also provides loan servicing for its own products as well as for third parties across residential mortgages, consumer unsecured and secured loans and commercial real estate (CRE) backed loans. Pepper has become a specialist lending and loan servicing group through a combination of organic growth and targeted acquisitions across Australia, New Zealand, Ireland, the United Kingdom, Spain, South Korea, and Hong Kong and China through its 12% equity interest in PrimeCredit.

At 31 December 2015, Pepper had \$45.5 billion of assets under management (AUM).