



# Pepper Group Limited

Interim results as at 30 June 2016  
investor presentation

25 August 2016

# Delivering on growth in 1H16

A year since listing, Pepper's financial results are materially higher

1H16 Adjusted NPAT	<b>\$23.6m</b>	+ 41%
1H16 Statutory NPAT	<b>\$24.4m</b>	Large
CY16 AUM	<b>\$53.0bn</b>	+ 44%
1H16 fully franked dividend	<b>3cps</b>	-

## Financial performance






















\$ millions	1H15 Actual	1H16 Actual	PCP% change
<b>Total income</b>	132.6	193.9	↑ 46%
<b>Adjusted NPAT</b>	16.7	23.6	↑ 41%
<b>AUM</b>	36.8	53.0	↑ 44%
<b>Servicing AUM</b>	32.3	46.6	↑ 44%
<b>Lending AUM</b>	4.5	6.4	↑ 42%
<b>Loan originations</b>	1,224.8	2,210.5	↑ 80%
<b>FTE headcount</b>	1,339	1,677	↑ 25%

Dividend record date: 13 Sept 2016, Payment date: 5 Oct 2016

# Pepper today

A diversified lender and specialist loan servicer in global markets underserved by banks

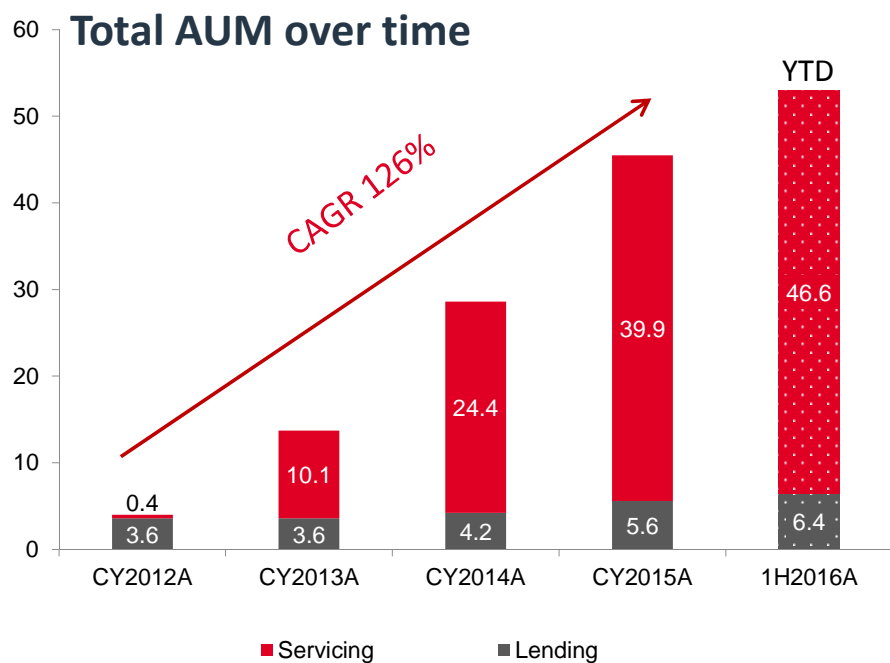


Operations	Pepper's regions		Pepper's products	AUM <sup>1</sup>
	ANZ	International		
Mortgage lending	 	   	<ul style="list-style-type: none"> <li>– Non-conforming, near prime and prime residential lending</li> <li>– Some legacy acquired prime portfolios</li> </ul>	~\$4.9bn
Consumer lending	 	  	<ul style="list-style-type: none"> <li>– Personal loans, point of sale lending, auto loans, equipment finance and credit cards</li> </ul>	~\$1.6bn
Third party servicing	 	  	<ul style="list-style-type: none"> <li>– Residential mortgages, commercial mortgages and consumer finance receivables</li> </ul>	~\$46.6bn
Advisory	 	  	<ul style="list-style-type: none"> <li>– Commercial property advisory</li> <li>– Portfolio due diligence services</li> </ul>	NA

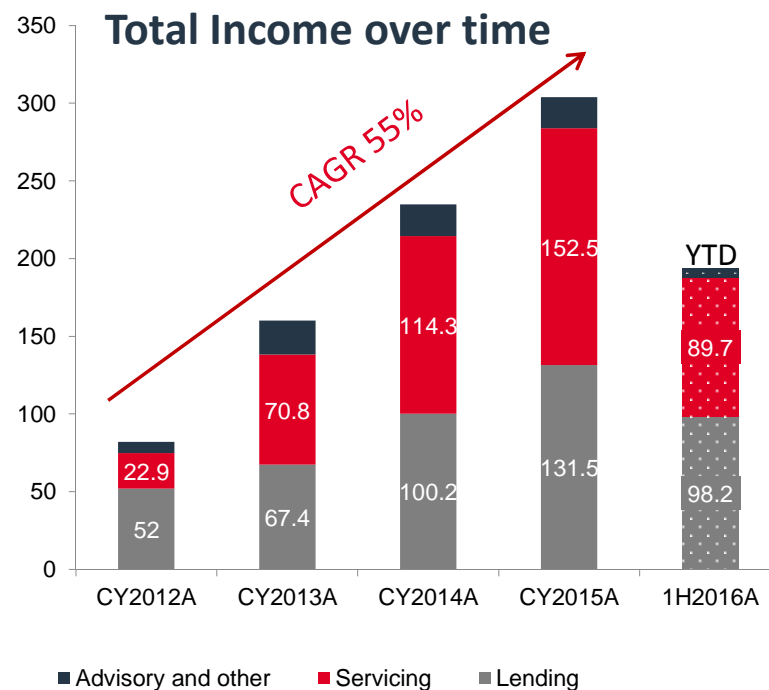
1. As at 30 June 2016

2. Excludes PrimeCredit in which Pepper holds a 12% non controlling interest

# Strong growth in 1H16 underpins Pepper's long term aspirations

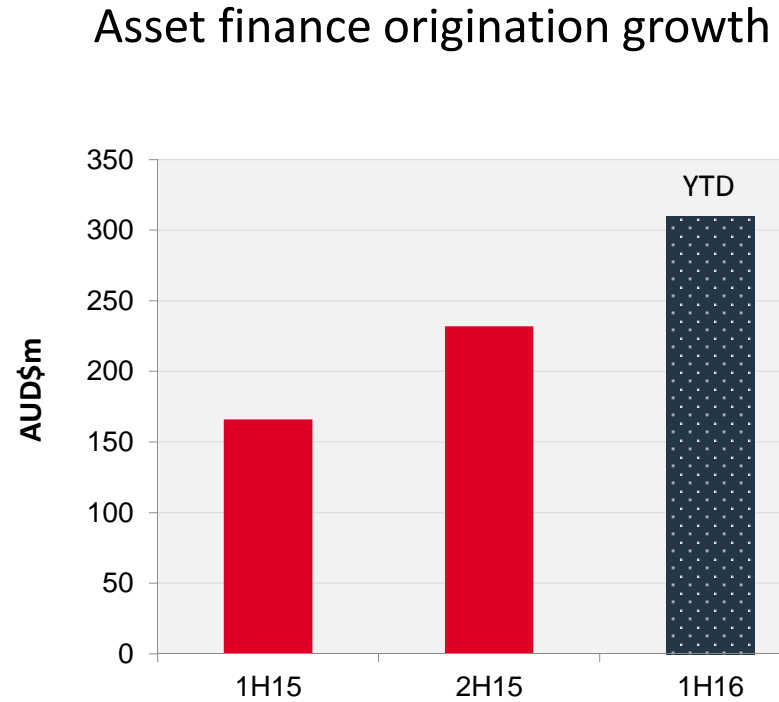
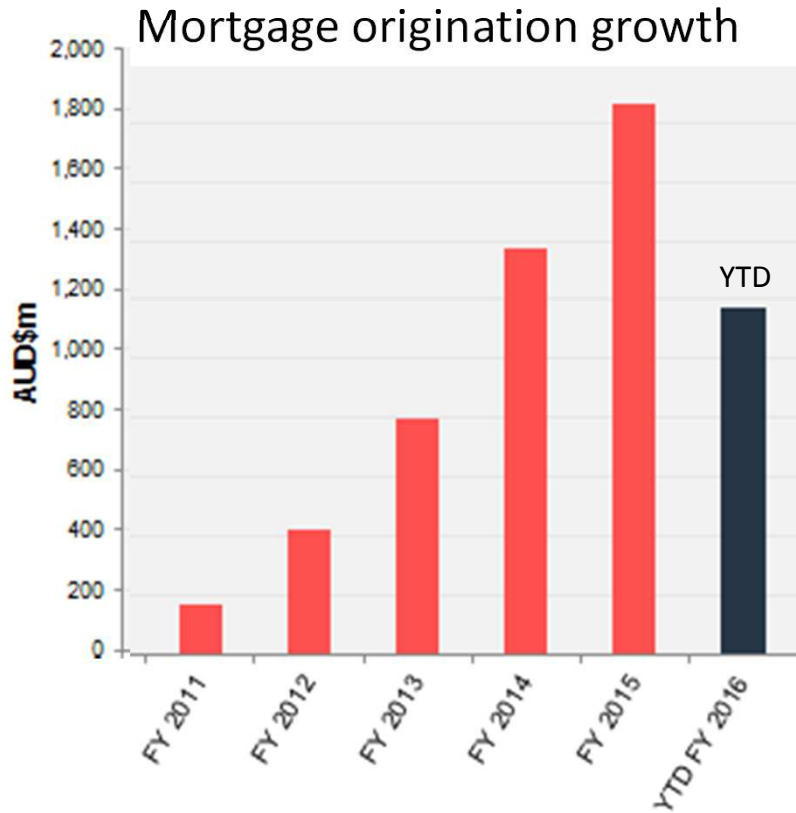


AUM up 44% PCP and 17% HOH



Strong income growth in 1H16

# Record Origination Growth in Australia



# Launch of **peppermoney**

- **Pepper Money** is our new consumer facing brand in all markets.
- It's about becoming the **world's best consumer finance brand**.
- Pepper Money positions us as a **broad-based consumer finance company**, reflecting our expanded range of products including prime and non conforming residential mortgages, auto loans and unsecured personal loans.
- Will support the Group's expansion in the **direct-to-consumer channel**.
- **Increasing brand awareness** amongst our target market through sporting team sponsorships - St Kilda football club, Western Sydney Wanderers and Pepper Stadium at Penrith



# Distribution is driving origination growth

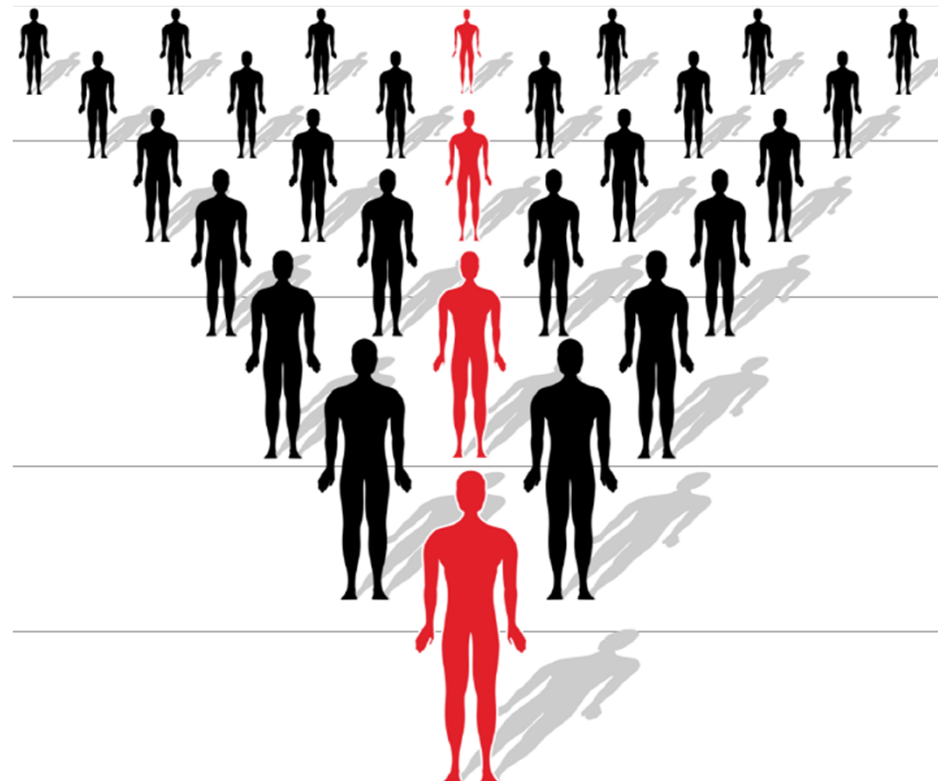
**2016 (forecast)**  
2,700 brokers

**2015**  
2,100 brokers

**2014**  
1,200 brokers

**2013**  
900 brokers

**2012**  
600 brokers

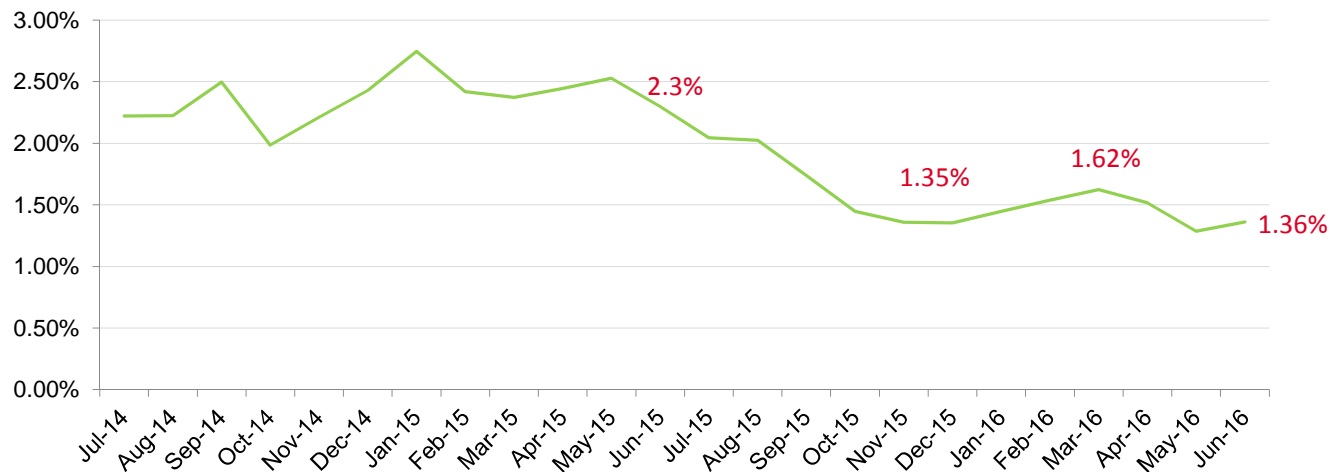


Source: Pepper Group

# Australia and New Zealand mortgage arrears

Long term trend continues in 1H16 delinquency rate

**90+ Delinquency Rate – Pepper originated prime and non-conforming mortgages**



## Pepper's collection approach

- Early detection, early resolution
- Adopts a cradle to grave collection approach
- Specialist, dedicated team – collectors relieved of administrative tasks

## Pepper's credit exposure discipline

- Ceased lending in large mining areas more than 18 months ago (eg Hunter Valley, WA, FNQ)
- Continual monitoring of housing market valuations by post code through RP Data Core Logic



# Core competencies drive strong credit performance

Our mortgage lending book has performed through the cycle as a result of our bespoke credit underwriting and loan servicing procedures and proven ability to price for risk

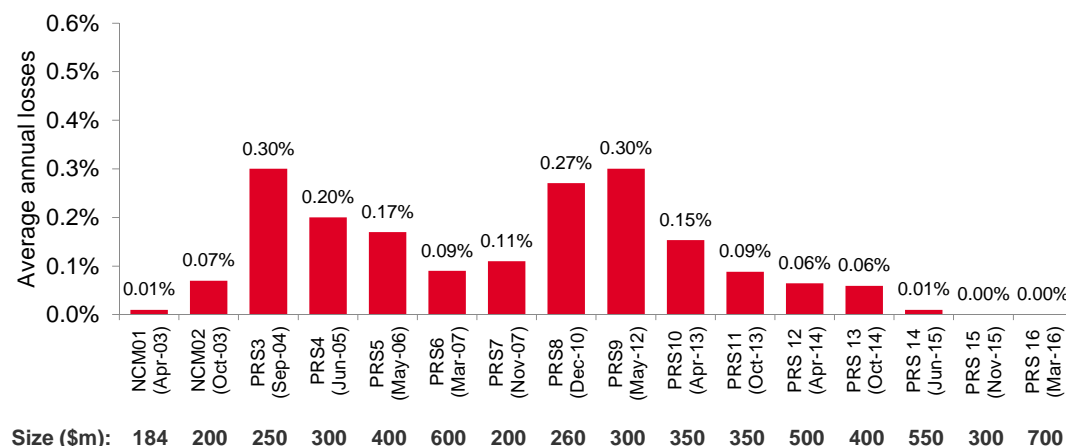
## Underwriting and risk selection criteria

- As a specialist lender, Pepper uses experienced underwriters to assess the individual characteristics of every borrower
- Using credit policies and guidelines developed over 15 years, a risk assessment is made on the appropriate loan amount, loan to value and pricing of the loan
- Pepper has enhanced underwriting and risk selection criteria since 2010, which combined with a focus on the near prime segment, has resulted in losses reducing materially over the period since

## Pepper's non-conforming loans portfolio

	Weighted Average Current LVR
Pepper originated	71.70%
Pepper acquired	60.44%
Total active portfolio	71.54%

## Annualised Cumulative losses: 0.10%



All data as of June 2016

# South Korea leading our International lending growth

## Overview

Acquired Evergreen Savings Bank in 2013

- Personal and auto loans
- Residential mortgage loans
- Retail customer deposit products

## Strategy

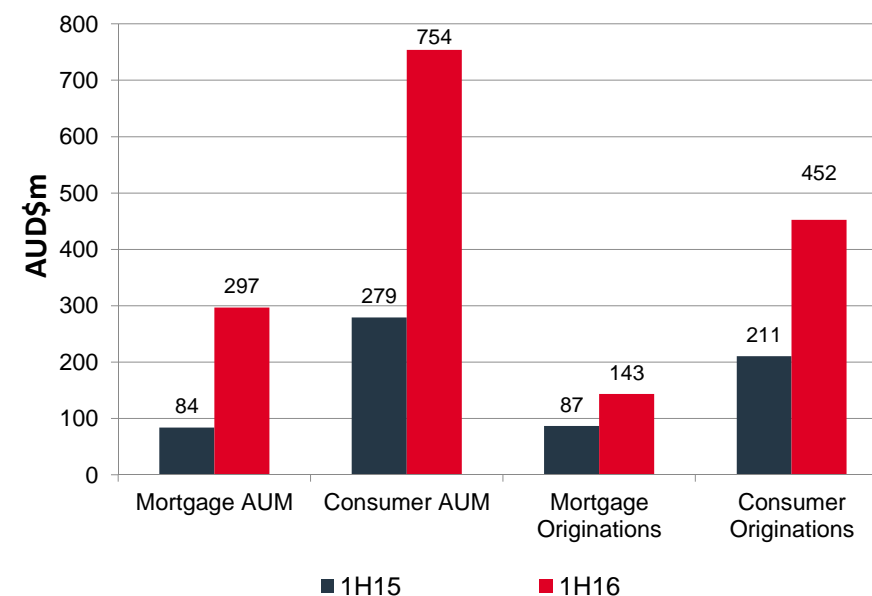
Expand residential mortgages and consumer finance

## Growth opportunities

- Build a strong platform in consumer finance segment – strong margin opportunity
- Targeting traditional retail households seeking consumer and residential finance

Headcount	1H15	1H16
FTE	174	230
DSRs (commission only)	303	420
<b>Originations</b>	<b>\$298m</b>	<b>\$595m</b>

## South Korean growth 1H15 – 1H16



# 50/50 Joint Venture with Banco Popular

Creates the 5<sup>th</sup> largest point of sale provider in the Spanish market

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- Announced a **50/50 joint venture** with Banco Popular in the Spanish consumer finance market on 29 July 2016
- Banco Popular are the 6<sup>th</sup> largest banking group in Spain
- Using **our proven point of sale technology** and Popular's **2 million customer database** and 1600+ branch network, we will create a consumer finance powerhouse in Spain
- Together we will **pursue new international consumer finance business opportunities** in Europe, Asia and the Americas
- Banco Popular to take a **5% equity stake** in Pepper as an alignment of interest
- **\$100m equity line** offered by Banco Popular is fungible and can be drawn at our discretion



# Financials

Cameron Small, CFO

# Strong growth in Income and NPAT

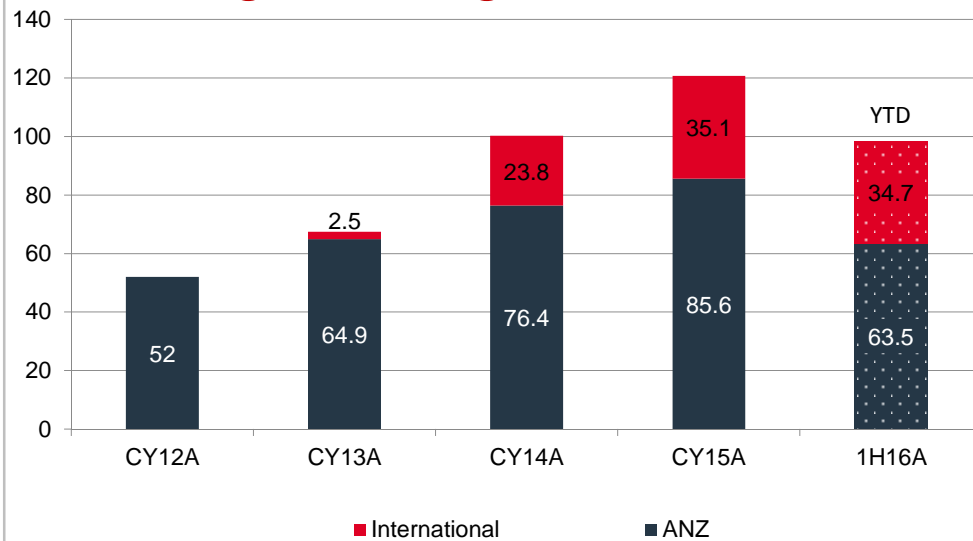
Evidence of strong organic growth in core businesses and recent new lending initiatives

\$ millions	Pro-forma	
	1H2015 Actual	1H16 Actual
<b>Income</b>		
Lending income	41.7	86.3
Loan origination fees	8.5	11.9
Servicing and loan administration fees	76.1	89.7
Advisory and other income	6.3	6.0
<b>Total income</b>	<b>132.6</b>	<b>193.9</b>
<b>Share of profit from associate</b>	<b>2.5</b>	<b>5.2</b>
Total expenses	(115.1)	(169.2)
<b>Profit before tax</b>	<b>20.0</b>	<b>29.9</b>
Income tax expense	(5.1)	(5.5)
<b>NPAT</b>	<b>14.9</b>	<b>24.4</b>
Non-controlling equity interests	0.1	-
<b>NPAT attributable to owners of the Company</b>	<b>15.0</b>	<b>24.4</b>
Acquisition Amortisation	1.7	(0.8)
<b>Adjusted NPAT</b>	<b>16.7</b>	<b>23.6</b>

# Lending a strong 1H16 contributor

Income up 96% in 12 months

## Lending revenue growth over time



## Australia

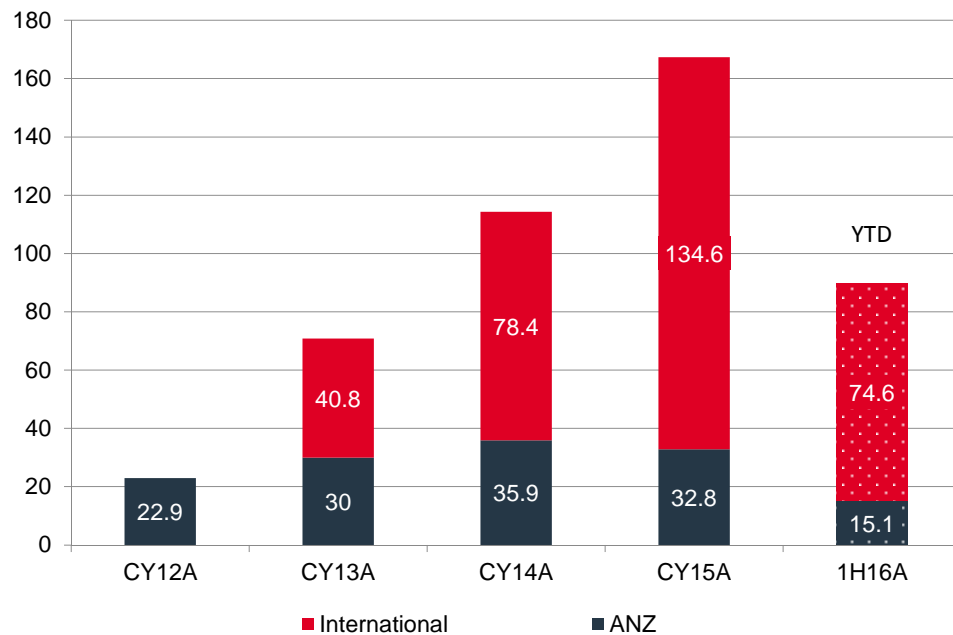
- Record origination growth in mortgages and asset finance
  - Mortgage originations of \$1.18bn YTD up 77% YOY
  - Asset finance originations of \$310m YTD up 87% YOY

## International

- Expansion of consumer loan product offering in Korea.
- Strong consumer lending activity in Spain.

# Servicing a strong 1H16 contributor

Income up 18%



## International

- Installed revenue base delivering strong results
- Lenders outsourcing their mortgage servicing is a growing trend in UK

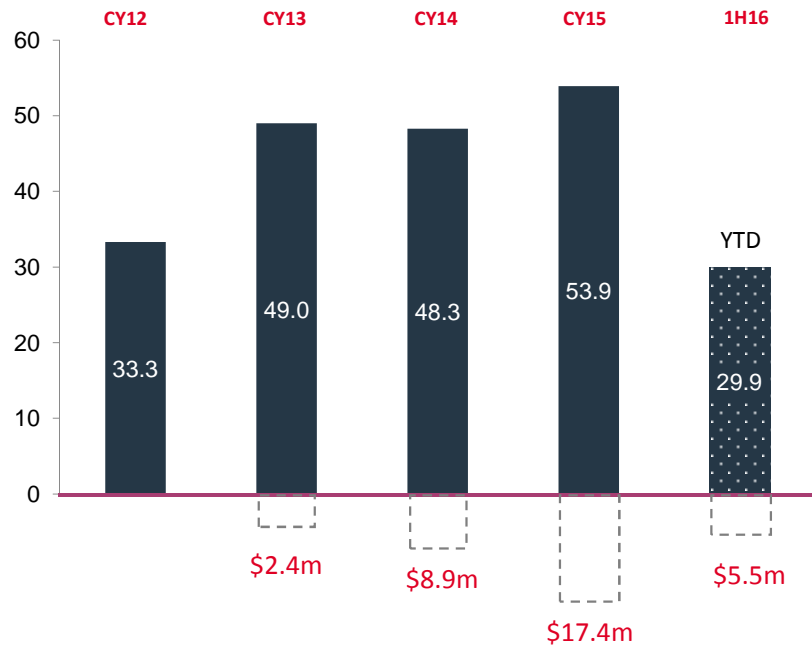
## Australia/New Zealand

- Whole loan sales increasing portfolio size and revenue
- GE mortgage portfolio in run off mode
- Excess capacity in third party servicing being redeployed to growth in new mortgage and auto lending in Australia

# Continuing investment to support future growth

Development of new lending and product initiatives

## PBT growth and investment in new business



Investment in new lending and product initiatives to support maturing businesses means PBT would have been \$5.5m higher

### Australia

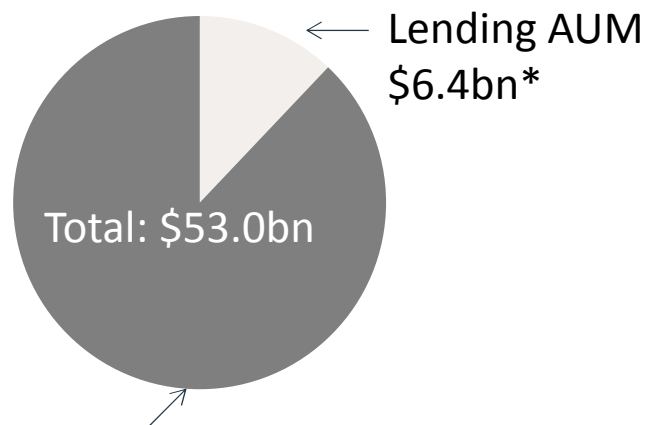
- Set up costs of unsecured personal loans
- Asset finance service capability
- Direct marketing costs (eg St Kilda sponsorship and radio advertising)

### International

- New lending in UK and Ireland



# Overview of AUM as at 30 June 2016



Servicing AUM  
\$46.6bn<sup>^</sup>

	1H16	1H15	% Δ
Loan originations	\$2,210.5m	\$1,224.8m	80%
90+ day arrears	1.36%	1.62%	(16%)

## Lending – up 6.66% from Q1 2016

- Record origination growth in the Australian residential mortgage and auto finance businesses driven by diversified distribution channels
- Strong origination run-rates continuing into 2H, particularly for Australian mortgages and auto lending and South Korean mortgage and personal lending

## Asset Servicing – up 21.35% from Q1 2016

- On boarding \$8.3 billion Lloyds Banking Group contract in Ireland markedly increased AUM in the 2<sup>nd</sup> quarter
- Incorporates impact of foreign currency translation on AUM balances

# Income and PBT – ANZ

Strong organic lending growth and continued investment in product development

\$ millions	Pro-forma	
	1H2015 Actual	1H2016 Actual
<b>Australia and New Zealand Division</b>		
Lending income	33.9	54.3
Loan origination fees	8.5	9.1
Servicing and loan administration fees	19.0	15.1
Advisory and other income	4.0	4.9
<b>Total income</b>	<b>65.4</b>	<b>83.4</b>
Commission and direct marketing expenses	(8.4)	(15.8)
Employee compensation and benefits expenses	(22.0)	(27.8)
Occupancy expenses	(1.6)	(1.8)
Professional expenses	(1.0)	(1.7)
Depreciation and amortisation expenses	(1.3)	(2.6)
General and administration expenses	(5.5)	(8.8)
<b>Profit before tax (Australia and New Zealand Division)</b>	<b>25.6</b>	<b>24.9</b>
<b>AUM</b>		
Servicing AUM	1,122.5	1,247.6
Lending AUM	4,029.2	5,184.3
<b>Loan originations</b>	<b>829.4</b>	<b>1,487.7</b>

- 1H16 PBT growth of 34% masked by \$7m servicing performance fee earned in 1H15
- Record originations in mortgages up 77% and asset finance up 87% PCP
- Impact of Whole Loan Sale on profit and loss and Lending AUM
- Ongoing investment in Direct marketing, Asset Finance, Personal Loans and IT systems

# Income and PBT - International

Strong contribution from South Korean lending book and installed revenue base in third party servicing

\$ millions	Pro forma 1H2015 Actual	1H16 Actual
<b>International Division</b>		
Lending income	7.7	31.8
Loan origination fees	-	2.8
Servicing and loan administration fees	57.0	74.7
Advisory and other income	0.6	1.0
<b>Total income</b>	<b>65.3</b>	<b>110.3</b>
<b>Share of profit from associate</b>		
	<b>2.5</b>	<b>5.2</b>
Commission and direct marketing expenses	(2.0)	(9.5)
Employee compensation and benefits expenses	(41.5)	(59.9)
Occupancy expenses	(4.2)	(4.7)
Professional expenses	(4.4)	(4.9)
Depreciation and amortisation expenses	(2.6)	(2.7)
General and administration expenses	(8.3)	(12.6)
<b>Profit before tax (International Division)</b>	<b>4.8</b>	<b>21.2</b>
<b>AUM</b>		
	<b>31,645.9</b>	<b>46,569.8</b>
Servicing AUM	31,181.3	45,317.0
Lending AUM	464.6	1,252.8
<b>Loan originations</b>	<b>395.4</b>	<b>722.8</b>

- Strong performance in South Korean lending lifting income and commissions expense. Commencement of lending in Ireland and UK
- New servicing contracts in CY15 have created an installed base in 1H16
- On boarded Irish Lloyds Banking Group servicing contract migrated during 1H16, driving headcount
- Prime Credit uplift due to reversal of amortising intangible expense ~\$2m affecting both profit from associate and acquisition amortisation – **no impact to Adjusted NPAT**

# Balance sheet strength

Free cash on  
balance  
sheet

**\$36.0m**

**Available surplus cash shown for the first time**

Net cash on  
corporate  
balance sheet

**\$271.2m**

**Corporate facility also allows for future growth**

Net assets as at  
30 June 2016

**\$424m**

**Sound net asset position**

# Statutory and pro forma balance sheet

30 June 2016

\$million	Statutory (including limited- recourse funding vehicles)	Impact of excluding limited -recourse Funding Vehicles	Pro-Forma (Excluding limited- recourse Funding Vehicles)
<b>Assets</b>			
1 Cash and cash equivalents	505.5	(234.2)	271.2
Securities	34.9	-	34.9
Derivative financial assets	8.4	(8.4)	-
Receivables	55.8	50.1	105.9
Other assets	24.6	(0.1)	24.5
Loans and advances	6,480.3	(5,395.4)	1,084.9
Deferred tax assets	15.8	(0.3)	15.4
Investments	136.6	147.5	284.1
Property, plant and equipment	13.2	-	13.2
Goodwill	22.9	-	22.9
Intangible assets	38.5	-	38.5
<b>Total assets</b>	<b>7,336.6</b>	<b>(5,438.2)</b>	<b>1,895.6</b>
<b>Liabilities</b>			
Deposits	1,173.9	-	1,173.9
Trade and other payables	26.4	(1.8)	24.6
Current tax liabilities	2.8	-	2.8
Borrowings	5,579.6	(5,481.3)	98.4
Other liabilities	110.1	41.2	151.4
Provisions	20.7	-	20.7
Deferred tax liabilities	-	-	-
<b>Total liabilities</b>	<b>6,913.4</b>	<b>(5,441.8)</b>	<b>1,471.6</b>
<b>Net assets</b>	<b>423.1</b>	<b>3.6</b>	<b>424.0</b>
<b>Equity</b>			
Issued Capital	274.9	-	274.9
Other Reserves	11.2	0.9	12.1
Retained earnings	137.4	-	137.4
<b>Total equity excl. non-controlling interests</b>	<b>423.6</b>	<b>0.9</b>	<b>424.5</b>
Non-controlling interests	(0.4)	-	(0.4)
<b>Total equity</b>	<b>423.1</b>	<b>0.9</b>	<b>424.0</b>

1

Statutory includes cash held at corporate level, as well as cash held in non-recourse Funding Vehicles as collateral for warehouse funders.

Statutory and pro forma cash also includes:

- \$128.8m of restricted cash held in Pepper Savings Bank which is unable to be transferred from South Korea
- \$106.4m held on trust as part of Pepper's day-to-day clearing and origination operations.



# Outlook

Mike Culhane – Co Group CEO

# Outlook – on track to meet full year guidance

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Subject to market conditions, and based on our expectation of funding margins remaining wide, Pepper is targeting an Adjusted NPAT of at least \$59 million for CY16. This guidance excludes the expected gain from the Spanish JV announced on 29 July 2016.

CY16 builds on CY15 momentum driven by:

- Australian monthly loan completions running at record levels in both the mortgage segment and the PAF business segment
- European servicing AUM and NPAT growth as portfolios boarded last year benefit from the full year effect as well as portfolios won last year boarded in 1H16
- Continued earnings growth in South Korea driven by increasing consumer lending volumes and balance sheet scale
- Actively pursuing new partnership and platform opportunities in Europe

# Pepper's strong growth platform

**Domestic  
originations  
via multiple  
channels  
remain at  
record levels**

**Continuing  
investment in  
new business  
opportunities**

**Installed  
revenue base  
driving third  
party servicing  
result**

**Diversified  
funding mix  
supports  
lending growth**

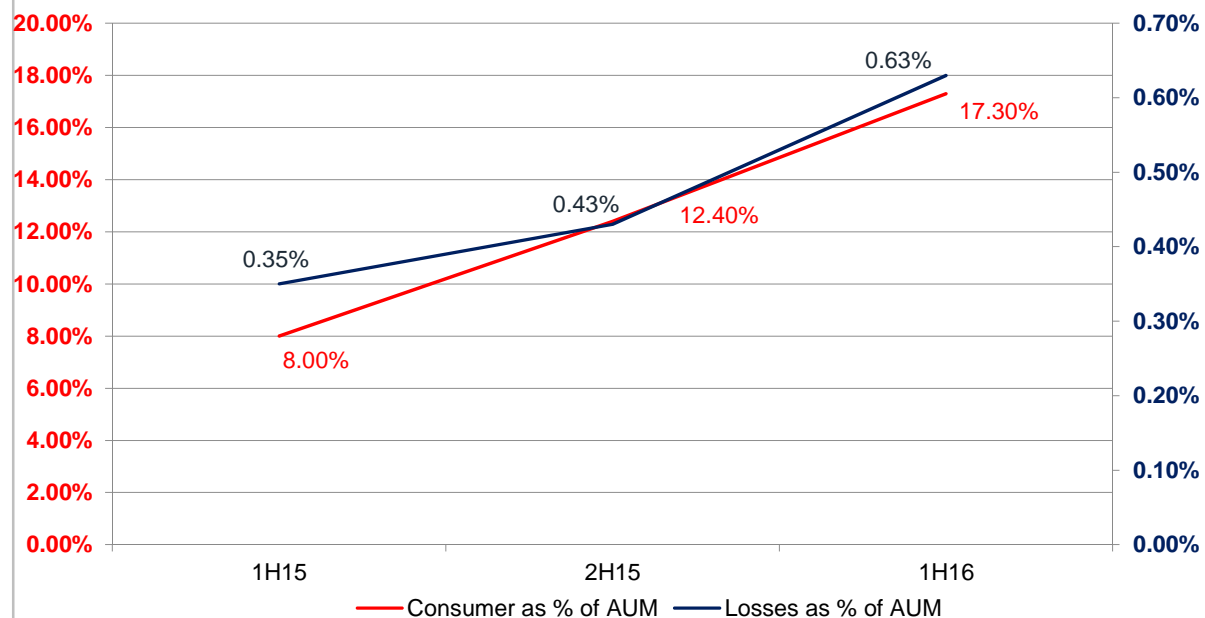
**Diversified growth and earnings across  
our lending and servicing businesses**



# Annexures

# Lending volumes and asset mix contributing to expected growth in loan loss provisions

## Loan loss provisions as a % of Lending AUM



- Changing asset mix over 12 months as increasing proportion of consumer lending relative to total Lending AUM
- Strong lending volumes in Australia and growing offshore
- Provisioning levels are in line with management expectations and historical product level loss vintage curves
- Credit policy discipline and pricing for risk methodologies are core competencies

# Statutory and adjusted NPAT reconciliation

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Pro forma financial statements

This presentation predominantly deals with pro forma financial information

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Statutory financial statements

See page 30

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Deconsolidation of Funding Vehicles  
Adjustment for timing of certain acquisitions

Better reflects the commercial realities of Pepper's business

- Pepper's ability to commercially influence trusts is limited
  - Borrowings on Funding Vehicles are limited recourse to Pepper
  - Pepper's income from Funding Vehicles is net of costs
-

# Statutory income statement

\$ millions	Statutory	
	1H2015 Actual	1H2016 Actual
<b>Revenue</b>	<b>225.3</b>	<b>326.0</b>
Share of profit from associate	0.3	5.2
Employee compensation and benefits expenses	(78.6)	(98.7)
Depreciation and amortisation expenses	(4.0)	(4.3)
Borrowing costs	(96.4)	(120.2)
Other expenses from operations	(39.9)	(78.1)
<b>Profit before tax</b>	<b>6.7</b>	<b>29.9</b>
Tax expense	(3.0)	(5.5)
<b>NPAT</b>	<b>3.7</b>	<b>24.4</b>
Non-controlling equity interests	0.1	-
<b>NPAT attributable to owners of the Company</b>	<b>3.8</b>	<b>24.4</b>

# Reconciliation of statutory and adjusted NPAT statements

\$ millions	1H15 Actual	1H16 Actual
<b>Total Income</b>		
<b>Statutory revenue</b>	<b>225.3</b>	<b>326.0</b>
<b>Adjustments to de-consolidate the Funding Vehicles</b>		
1 De-consolidation of income recorded by the limited-recourse Funding Vehicles	(146.6)	(213.0)
2 Recognition of coupon interest and distribution income received from the Funding Vehicles	41.6	66.3
Recognition of servicing and administration income received from the Funding Vehicles	9.6	21.4
<b>Subtotal: Adjustments to exclude the limited-recourse Funding Vehicles</b>	<b>(95.3)</b>	<b>(125.4)</b>
<b>Adjusted total income (excluding limited-recourse Funding Vehicles)</b>	<b>130.0</b>	<b>200.6</b>
<b>Other adjustments</b>		
3 Reporting reclassifications	1.2	(6.7)
PrimeCredit full year recognition (management fee)	1.4	-
<b>Pro forma total income</b>	<b>132.6</b>	<b>193.9</b>
<b>NPAT</b>		
<b>Statutory NPAT</b>	<b>3.7</b>	<b>24.4</b>
Net finance costs	2.9	-
Business acquisition transaction costs	2.7	-
New executive management LTI Scheme structure	(0.7)	-
Management LTI Scheme structure acceleration	5.1	-
Listed public company costs	(0.3)	-
PrimeCredit full year recognition (management fee)	1.4	-
PrimeCredit full year recognition (equity investment)	2.2	-
Offer transaction costs	-	-
Income tax effect of adjustments and effective rate	(2.1)	-
<b>Pro forma NPAT</b>	<b>14.9</b>	<b>24.4</b>

1

Recognition on a pro forma basis of income received from first-loss capital and residual income units held by Pepper in limited recourse Funding Vehicles.

On a statutory basis income recognised by Funding Vehicle is recognised within the consolidated group.

2

Represents the recognition on a pro forma basis of income received by Pepper as contracted service and management provider to the limited recourse Funding Vehicles.

On a statutory basis, the consolidation process eliminates these transactions between Pepper and the limited-recourse vehicles.

3

The net adjustment for certain items presented differently for statutory and pro forma disclosure purposes between Income and expenses eg:

- Deposit interest and loan losses
- Broker commissions

# Pro Forma and Statutory consolidated cash flows

Cash flows from operating activities remain consistent with expectations

\$ millions	Statutory 1H16	Recourse 1H16 Actual <sup>1</sup>
<b>Operating activities</b>		
Fee revenue receipts from customers	141.2	174.0
Payment to Suppliers and employees	(197.2)	(171.6)
Interest received	257.5	67.6
Interest and other finance costs paid	(137.4)	(18.4)
Income taxes paid	(5.7)	(5.7)
<b>Net operating cash flow</b>	<b>58.5</b>	<b>46.0</b>
<b>Net Investing activities</b>	<b>(916.5)</b>	<b>(463.4)</b>
<b>Net Financing activities</b>	<b>808.5</b>	<b>463.5</b>
Effects of exchange rates	(0.7)	(0.8)
<b>Net increase/(decrease) in cash</b>	<b>(50.3)</b>	<b>45.4</b>
Balance at beginning of year	555.8	225.9
<b>Balance at end of year</b>	<b>505.5</b>	<b>271.2</b>

1. Pro Forma - Statutory excluding limited recourse funding vehicles

# Pro Forma and Statutory consolidated cash flows

\$ millions	Statutory 1H16	Recourse 1H16 Actual
<b>Reconciliation of operating activities</b>		
Profit after tax	24.4	24.4
<b>Non cash expenses / (revenue)</b>		
Share of profit from associate	(5.2)	(5.2)
Taxation	7.0	7.0
Depreciation and amortisation	5.5	5.5
Securitisation deal cost amortisation	10.6	3.0
Upfront broker fee amortisation	20.4	20.4
Unearned Income amortisation	(7.9)	(7.9)
1 Loan write-offs	30.8	17.4
Management incentive expense	1.0	1.0
Employee related provisions	(4.6)	(4.6)
Management Fee ex associate	(1.8)	(1.8)
Accrued interest on deposits (Korea)	5.0	5.0
Interest rate hedge expenses	-	-
Exchange differences	1.0	0.1
<b>Cash (expenses) / revenue</b>		
Tax paid	(7.4)	(7.4)
2 Upfront broker fee paid	(37.7)	(26.0)
Unearned Income received	9.0	9.0
Broker assumption costs	(0.8)	(0.8)
<b>Movement in working capital / balance sheet items</b>		
Net operating cash flow (excl cash held on trust)	36.4	23.8
3 Cash clearing balances	22.2	22.2
<b>Net operating cash flow</b>	<b>58.5</b>	<b>46.0</b>

1

- Statutory Loan losses include limited recourse funding vehicles and South Korea. Whereas Recourse excludes limited recourse funding vehicles.

2

- Upfront payments for origination of assets in Australia and Korea. Asset Finance originations in Australia are offset in Pro Forma by funds raised in a limited recourse funding vehicle and disclosed for Statutory purposes as a Financing activity.

3

- Cash held on Trust for third parties under servicing contract arrangements. Generally settled in month after receipt.

# Statutory consolidated cash flows

\$ millions	Statutory 1H16	Recourse 1H16 Actual
<b>Investing activities</b>		
Property, plant and equipment and intangibles	(8.8)	(7.7)
Net disposal of Investments	(4.8)	(4.8)
Amounts (Advanced to) / received from related parties	(0.2)	0.2
Arrangement fees	(4.1)	(4.1)
<b>1</b> (Payment) / repayment of notes	3.2	(36.0)
(Payment) / repayment for securities	(33.7)	(33.7)
<b>2</b> Net loan advances and collections	(1,274.0)	(379.4)
Net cash outflow from disposal of subsidiaries	(0.3)	(0.3)
Investment in associate	2.4	2.4
<b>3</b> Sale of loan portfolios	403.8	-
<b>Net cash from investing activities</b>	<b>(916.5)</b>	<b>(463.4)</b>
<b>Financing activities</b>		
Proceeds from Issue of capital	-	-
<b>4</b> Proceeds from / (Repayment) of Borrowings	406.4	61.4
<b>5</b> Net increase in deposits	407.5	407.5
Dividend (paid)	(5.4)	(5.4)
<b>Net cash from financing activities</b>	<b>808.5</b>	<b>463.5</b>

1

- Investments held in limited recourse funding vehicles. Recourse balance includes investments in funding vehicles consolidated by the Pepper statutory Group.

2

- Statutory includes limited recourse funding vehicles and South Korea. Whereas Recourse excludes limited recourse funding vehicles.

3

- Whole loan sales recorded in Australia and South Korea

4

- Statutory includes draw downs to support loan growth in limited recourse vehicles whereas recourse excludes limited recourse funding vehicles.

5

- Relates exclusively to Pepper South Korea



# Glossary

Term	Inclusions
Income	
Lending income	Includes: <ul style="list-style-type: none"> <li>• Net income distributed from Pepper's Funding Vehicles as residual income and equity note coupons (distributed net of interest expenses and other Funding Vehicle costs)</li> <li>• Interest on loan notes in third party trusts</li> <li>• Net interest income on loans in South Korea</li> </ul>
Loan origination fees	Includes: <ul style="list-style-type: none"> <li>• Application fee</li> <li>• Mortgage risk fees</li> </ul>
Servicing and loan administration fees	Includes: <ul style="list-style-type: none"> <li>• Servicing and trust management fees on Pepper-originated or acquired Funding Vehicles</li> <li>• Servicing fees received from third party trusts</li> <li>• Performance fees, which accrue where trusts meet discrete performance benchmarks</li> </ul>
Advisory and other income	Includes: <ul style="list-style-type: none"> <li>• Advisory Income from Pepper Property Group</li> <li>• Advisory Income from due diligence services in Ireland</li> <li>• Management services fees from PrimeCredit</li> </ul>
Statutory and Pro forma Balance Sheet	
Cash and cash equivalents	Statutory includes cash held at corporate level, as well as cash held in non-recourse Funding Vehicles as collateral for warehouse funders. Statutory and pro forma cash also includes: <ul style="list-style-type: none"> <li>• \$128.8m of restricted cash held in Pepper Savings Bank which is unable to be transferred from South Korea</li> <li>• \$106.4m held on trust as part of Pepper's day-to-day clearing and origination operations.</li> </ul>
Deferred tax assets	Primarily relates to: <ul style="list-style-type: none"> <li>• Customer loan receivables and lease receivables held at the limited-recourse Funding Vehicle level</li> <li>• Loans and advances from Pepper Savings Bank, which are held on balance sheet (net of provisions for doubtful debts)</li> </ul>
Property, Plant and Equipment	On a statutory basis primarily relates to: <ul style="list-style-type: none"> <li>• Capitalised deal costs</li> <li>• Investments in third party Funding Vehicles held in Pepper Ireland</li> <li>• Investment property held in Pepper Savings bank</li> </ul> On a pro forma basis this item additionally recognises the investments in Pepper owned trusts

# Glossary

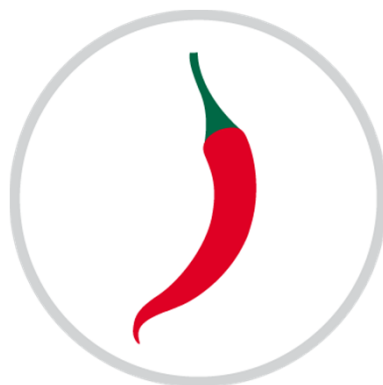
Term	Inclusions
Other liabilities	Primarily relates to: <ul style="list-style-type: none"> <li>● Drawn debt financing facilities including notes and warehouse facility funding at the limited recourse Funding Vehicles</li> <li>● Accrued interest payable to funding providers at the limited-recourse Funding Vehicle level</li> <li>● Corporate debt</li> </ul> Pro forma presentation removes borrowings held at limited-recourse Funding Vehicle level
Statutory Income Statement	
Revenue	Statutory revenue comprises the aggregate income of the consolidated Pepper group under the statutory presentation and includes: <ul style="list-style-type: none"> <li>● Gross interest income on loans</li> <li>● Servicing fees from third parties</li> <li>● Other income from third parties</li> </ul> Statutory income is not shown net of funding costs
Borrowing costs	Statutory borrowing costs consist of: <ul style="list-style-type: none"> <li>● Interest paid on corporate debt borrowed and guaranteed by Pepper</li> <li>● Interest paid by Pepper controlled limited-recourse Funding Vehicles to third party note holders and lenders</li> <li>● Excludes interest expense paid to Pepper on Funding Vehicle equity notes and units held in the PIM funds</li> </ul>

# Disclaimer

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