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Pepper Upsizes and Prices \$800 million Non-Conforming RMBS Issue

Pepper Group Limited (Pepper) (ASX:PEP) today priced its \$800 million Pepper Residential Securities Trust No. 17 (PRS17) transaction. This is the largest non-conforming RMBS (Residential Mortgage Backed Securities) deal in Pepper's history, exceeding the previous \$700 million PRS16 transaction, and the largest non-conforming mortgage securitisation in the Australian market since 2006.

This transaction also largely completes Pepper's annual term funding requirements for 2016.

PRS17 was originally marketed at \$600 million, however strong demand from both domestic and offshore investors saw the order book heavily scaled despite an upsize to \$800 million. The book build was very diverse with 20 accounts participating in the deal, comprising 11 domestic investors and 9 offshore investors, principally from the United States and Europe.

The transaction's senior AAA-rated AUD note priced at 149bps over 1m BBSW, which is 21bps lower than the equivalent PRS16 note margin in March 2016.

Commenting on the innovative structure, Pepper's Co-Group CEO Patrick Tuttle, said "A unique feature of the PRS17 deal is the inclusion of two US Dollar scheduled principal amortisation tranches, each with a different weighted average life, as well as an equivalent Australian Dollar fixed rate amortising tranche. This innovative structure has enabled us to attract a more diverse range of investors to this deal, particularly among US institutional buyers for whom these structures are particularly attractive. It also increases the breadth and depth of our investor base which is hugely important as we continue to deliver strong above-system growth in our Australian residential lending business."

The overall pricing achieved for PRS17 on a weighted average margin basis is only 5 basis points wider than for PRS16, which comprised a shorter-dated, lower margin senior US Dollar tranche. The deal also compares favourably with similar recent RMBS issues in the Australian market.

Mike Culhane, Pepper Group's Co-Group CEO said "As a regular issuer in the debt capital markets, Pepper has a well-earned reputation for delivering reliable and robust RMBS transactions underpinned by high quality residential home loan portfolios. Our long-term track record and consistent deal performance has also enabled our treasury team to attract an increasingly diverse range of domestic and international investors who appreciate the relative value offered by our proprietary PRS program."

This transaction will settle on 13 October 2016.

Transaction details

Class of notes	Issue Amount \$M	WAL (years)	Issue Margin
A1-ua	US\$175.0	1.30	LIBOR + 1.10%
A1-ub	US\$58.2	3.90	LIBOR + 1.50%
A1-F	A\$52.7	3.90	Fixed 3.30%
A1-a	A\$201.0	2.10	BBSW + 1.49%
A2	A\$101.6	2.10	BBSW + 2.20%
B	A\$76.0	3.80	BBSW + 2.90%
C	A\$15.2	3.80	Undisclosed
D	A\$14.4	3.80	Undisclosed
E	A\$9.6	3.40	Undisclosed
F	A\$10.4	2.60	Undisclosed
G	A\$12.8	5.00	Undisclosed

All tranches were priced at par.

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