



Co-Group CEO's AGM Address

Welcome to Pepper's first annual general meeting.

As an international, diversified financial services company, we continued to deliver strong growth in 2015 in our residential mortgage lending, auto finance, consumer lending and offshore third party servicing businesses.

Pepper delivered on prospectus forecasts, whilst continuing to invest in long-term growth

At listing, we told investors that we expected our full year adjusted net profit after tax would be \$47.0 million. In February, we were pleased to announce a \$48.6 million adjusted NPAT, 3% ahead of prospectus forecasts, and a 38% increase on the prior year.

A material driver of our profit was the strong increase in the group's assets under management. At the end of 2015, total assets were A\$45.5 billion, comprising A\$39.9 billion of Loan Servicing AUM, up 11% on our prospectus forecast; and A\$5.6 billion of Lending AUM, up 5% on our prospectus forecast.



Our strong growth culture saw us make additional investments to support the significant growth we aim to deliver in the future, all while meeting our promise to shareholders on adjusted NPAT performance for the year.

This year we invested materially in the following areas:

- in early stage and new business opportunities, including auto finance in Australia, commencement of residential lending in the UK, the expansion of consumer lending products in South Korea and a 12% stake in Hong Kong based Prime Credit, investing alongside China Travel Service and York Capital; and
- The large Lloyds Banking Group contact we announced in early October 2015 required us to significantly ramp up headcount ahead of the on-boarding process, such that it had an impact on costs in 2015. This contract, which is in the process of boarding now, will add close to \$9 billion in AUM in 2016.

Importantly, our profit before tax result would have been approximately \$4 million higher had we not made these investments.

Robust lending growth achieved in 2015

Lending income was up 27% to \$105.9 million. In Australia, this growth was underpinned by record loan originations of \$1.86 billion. That record growth is coming from a broader distribution reach in Australia – including our mortgage aggregator or broker partners, our white-label partners, and our ever-expanding direct-to-consumer channel. Put simply more mortgage brokers are using, and continue to use, Pepper.

Our Australian auto finance business also achieved solid growth, albeit we deliberately controlled the expansion of our distribution channels in 2015 in favour of bedding-in strong service standards to support future growth.

Internationally, activity in our newly launched UK mortgage lending business was slightly behind expectations; however this was offset by strong consumer lending activity in both Spain and South Korea.

Pepper's diversified funding sources supports strong lending growth

To support our lending activities worldwide, we use a variety of funding sources so that we are not captive to any single source.



As a non-bank in all jurisdictions other than South Korea where we operate a Mutual Savings Bank with retail deposits, we utilise term and warehouse funding, along with Whole Loan Sales in Australia and South Korea. We do not access the short term commercial paper market.

We maintain adequate headroom across all warehouses to ensure we can continue to lend money at the lending run rates we regularly experience.

Pepper has completed 19 securitisations since 2001 for a total value of \$7.4 billion. This demonstrates our financial strength and resilience as one of Australia's leading issuers of non-conforming and prime RMBS.

We have a number of long term funding partners and are a trusted repeat issuer in the term securitisation markets in Australia.

Our ability to regularly access global capital is testament to Pepper's expertise in originating and servicing high quality residential mortgage assets.

Growth in loan servicing a strong contributor in 2015

On the loan servicing side of our business, income for the calendar year grew by 46% to \$167.4 million. A combination of boarding fees, performance and exit fees accompanied the strong annuity earnings was derived from the record 20 new servicing portfolios boarded in the UK, Ireland and Spain. In Australia, we effectively redeployed excess capacity in third party servicing towards our growing mortgage and auto lending books.

Pepper's loan servicing business consumes less capital than its lending business and generally does not require significant equity investment from Pepper. Historically third-party clients request that Pepper co-invests small amounts of capital, however more recently that has not been the case and total investment capital deployed against the servicing AUM today is around 1% of the total assets serviced. Such co-investments historically have been typically funded out of cash or may be funded out of specific bank or other financing arrangements.

I will turn the presentation over to Patrick



Pepper has made a substantial and continuing investment in its brand during 2015

Pepper Money is our new customer facing lending brand used for all direct and B2B activities which was launched in 2016.

This is not just a rebrand - Pepper Money is a statement about who we are as a company, how we plan to put our customers at the centre of everything we do, and how we will create a truly global consumer finance company which just happens to be headquartered here in Australia.

As we look for growth opportunities in our business and build on our suite of consumer finance products, we need a name that represents our full suite of lending products here and overseas, now and into the future.

Pepper is seeking to communicate clearly to consumers and business partners what we stand for, in a way that makes sense across countries and activities.

The Pepper Money brand has been developed from the inside out, to reflect those things that employees and customers value and in turn, demonstrate the value Pepper can provide in return over the long term.



There will be a staged rollout across 2016. The Australian rebranding began in late April 2016 and our global offices will follow over the next 12 months.

The Pepper Money brand is already becoming synonymous with a number of iconic football teams across Australia, including the A-League's Western Sydney Wanderers, the NRL's Penrith Panthers who now play out of the re-named Pepper Stadium, and most recently St Kilda Football Club, the mighty Saints, in the AFL. In Europe we also sponsor the Shamrock Rovers in the SSE Airtricity League.

We are building strong relationships with all of these clubs and their fans, and in many ways our corporate and team cultures are very closely aligned – bringing real authenticity to the Pepper Money brand.

The continuing trajectory of Pepper makes us confident about the year ahead

Pepper has invested \$25 million into new lending platforms over the past three years and we remain confident that these investments will generate strong returns in 2016 and beyond.



Solid economic fundamentals across Pepper's core lending markets underpin our confidence in our 2016 outlook.

Subject to market conditions and based on our expectation of wider funding margins in Australia, Pepper is targeting an adjusted NPAT of at least \$59 million in CY2016. This is an increase of 21% from the \$48.6 million adjusted NPAT reported for CY2015.

Future growth in adjusted NPAT will come from across the business remembering that the geographic and profit centre diversity of our business allows for earnings to be delivered through multiple operating platforms.

In 2016, we expect the Australian residential mortgage and auto lending businesses will remain the engine for Pepper's continuing strong lending growth.

Increasing lending volumes in South Korea, Spain, and to a lesser extent the United Kingdom and Ireland, where we have recently commenced residential mortgage lending will complement this growth. In addition, the Prime Credit business continues to capture around a 7% market share of all unsecured personal loan originations in Hong Kong.



As the only truly independent Pan-European Third Party Servicer, Europe continues to present opportunities for growth in Servicing AUM. The mix and type of opportunities is changing by geographic market as each country re-emerges from the dysfunction experienced during the Global Financial Crisis at differing times.

We remain optimistic that the major banks of other European countries will come under greater pressure to divest or outsource more and more of the servicing on their non-performing loan portfolios, and Pepper intends to use its leading position to increase our presence in this region.

On the acquisition front, we are involved in a number of partnership and platform acquisition negotiations in Europe which, should they be consummated, will be earnings accretive in 2016.

We maintain a very disciplined approach to acquisitions and while we consider many opportunities, we only pursue those we believe can deliver strong risk-adjusted returns for our shareholders.



It has nearly been a year since Pepper listed on the ASX on 31 July 2015. We remain grateful to our employees across the globe for their ongoing commitment to the business. Transitioning to a public company at the same time as delivering record growth is something all employees should be very proud of.

We view 2015 as just the beginning of the next phase of the Pepper story, where we continue to expand our footprint and service offerings around the world. For those shareholders who joined us this year, we thank you for your interest and look forward to your support as we work towards our goal of making Pepper the Number One consumer finance house in each one of our chosen markets.

Thank you

Mike Culhane and Patrick Tuttle
Co Group CEOs