

Pepper Group Limited

Interim results as at 30 June 2015

Investor presentation

Patrick Tuttle & Mike Culhane - Co-Group CEOs

Cameron Small – Chief Financial Officer

26 August 2015

Interim results highlights

Pepper's financial results for the 1H15 are in line with CY15 prospectus forecast

- Successful ASX listing on 31 July 2015
- 1H15 results in line with expectations:
 - Pro forma total income of \$132.6m
 - Pro forma adjusted NPAT of \$16.7m
 - Statutory NPAT of \$3.8m
 - Assets under management at \$36,797m
- Strong income growth profile driving earnings seasonality
- Origination volumes YTD of \$1,225m underpinned by record volumes in the Australian residential mortgage business
- Auto and equipment finance volumes from PAF expected to increase further in 2H15
- Commencement of UK residential mortgage lending operations, targeting non-conforming and near prime sectors
- Strong residential and consumer lending volumes for Pepper South Korea increasing further in 2H15
- On-boarded multiple servicing contracts in 1H15 in the international business (UK, Ireland and Spain) resulting in higher weighted average servicing AUM in 2H15

Financial performance

| \$ millions | CY2014 Actual | Pro forma CY2015 Prospectus | 1H2015 Actual |
|---------------------------------------|------------------|-----------------------------------|------------------|
| Total income | 234.9 | 304.0 | 132.6 |
| Share of profit from associate | - | 5.0 | 2.5 |
| NPAT | 34.2 | 43.5 | 14.9 |
| Adjusted NPAT | 35.1 | 47.0 | 16.7 |
| AUM | 28,623.2 | 41,282.3 | 36,797.6 |
| Servicing AUM | 24,440.2 | 35,934.5 | 32,303.8 |
| Lending AUM | 4,183.0 | 5,347.8 | 4,493.8 |
| Loan originations | 1,650.3 | 3,059.5 | 1,224.8 |

Reconfirms CY15 prospectus forecasts

What is Pepper Group?

Pepper is a provider of residential mortgages and consumer loans and a specialist loan servicer that has positioned itself as a challenger to traditional banks

**Australian non-bank
financial institution**

\$4.5bn

Lending AUM¹

(1H15 Weighted average \$4.2bn)

**Established servicer
of portfolios for banks
and financial investors**

\$32.3bn

Servicing AUM²

(1H15 Weighted average \$27.6bn)

**Growing presence in
5 target offshore
markets**

49.3%

International Income
in 1H15

**High quality, diversified
growth profile**

29.4%

CY14–CY15
Forecast pro forma
Income growth

Key Income streams³:

Lending⁴



% of 1H15 Total Income:

37%

Servicing



57%

Advisory



6%

1. As at 30 June 2015. The total value of loan assets originated or acquired by Pepper and held either (i) on balance sheet (mainly in South Korea), or (ii) in limited-recourse Funding Vehicles where Pepper holds an Equity Note interest and/or an interest in the residual income unit. This excludes assets held by PrimeCredit as these are not consolidated in Pepper's financial statements

2. As at 30 June 2015. The total value of assets where Pepper has servicing and/or Funding Vehicle management contracts in place with third- parties under which it earns fee income. This excludes assets held in Pepper controlled limited-recourse Funding Vehicles and includes portfolios of loans acquired by Pepper and sold to third-parties. 3. Income is Pepper's measure of revenue and is represented net of funding costs 4. Lending comprises Lending Income and Loan Origination Fee Income

Pepper Group today



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

1H15 AUM^{1,2}

















\$36.8bn

1H15
Pro forma
Income

\$132.6m

1H15
Adjusted
NPAT

\$16.7m

| Operations | Pepper's regions | | Pepper's products | | AUM ¹ |
|-----------------------|---|--|---|--|------------------|
| | ANZ | International | | | |
| Mortgage lending |  |    | — Non-conforming, near prime and prime residential lending — Some legacy acquired prime portfolios | | ~\$4.2bn |
| Consumer lending |  |    | — Personal loans, point of sale lending, auto loans, equipment finance and credit cards | | ~\$0.3bn |
| Third party servicing |  |    | — Residential mortgages, commercial mortgages and consumer finance receivables | | ~\$32.3bn |
| Advisory |  |    | — Commercial property advisory — Portfolio due diligence services — Management fees | | NA |

1. As at 30 June 2015

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

Financial characteristics



Strong income growth historically and for CY15 and beyond

Attractive profit margins

Low capital requirements

Investment undertaken in new product platforms position Pepper for growth beyond CY15

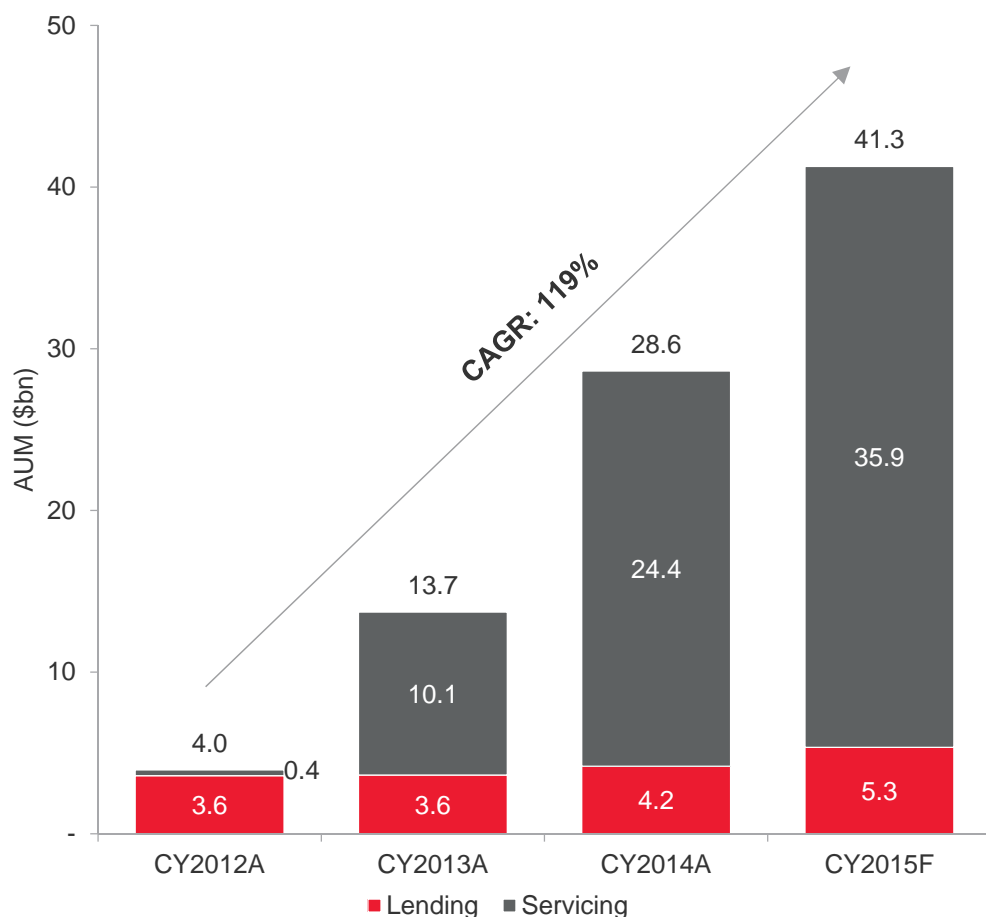
Recurring revenues on existing loan and servicing contract portfolio provides confidence in our earnings visibility

Strong forecast earnings

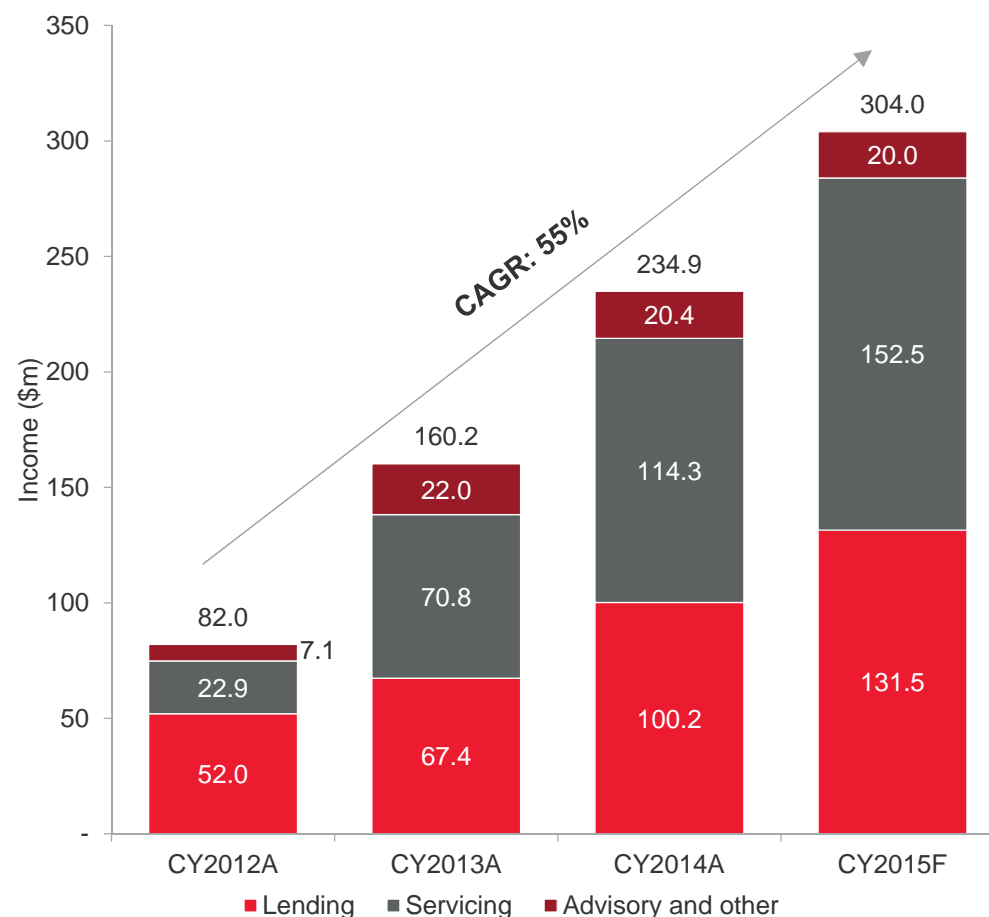
Pepper's growth profile

Pepper's growth has been driven both organically and through acquisitions

Total AUM over time



Total Income over time

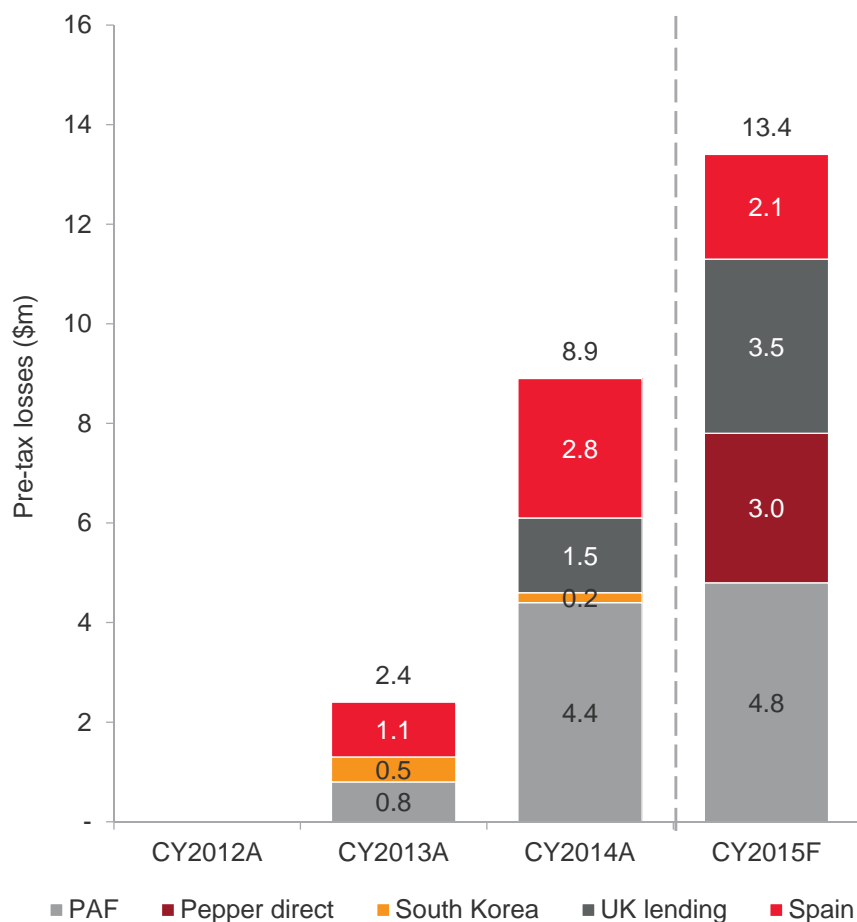


Note: excludes PrimeCredit. Please refer to Pepper's prospectus dated 17 July 2015 for assumptions underpinning our forecasts

Impact of new lending investment initiatives

Pepper has invested in a number of new initiatives to grow platforms and expand acquired businesses

Pre-tax Losses on new lending initiatives



- New lending investment initiatives provide a platform for future growth
- Investments skew 1H15 v 2H15 results, such that we expect 1H15 35% and 2H15 65% in our Adjusted NPAT
- Growing lending AUM increasingly offsets set up costs via strengthening revenue contribution
- New initiatives on track at current origination run rates
- Majority of these initiatives become NPAT positive contributors by early 2016

Strategies for future organic and acquisitive growth



Pepper continues to execute strategies for organic and bolt-on growth, which will drive growth into the medium and long term

Australia & NZ Division

International Division

Lending growth strategies



- Growth across all distribution channels – broker, white label and direct-to-consumer
- Continued market growth & penetration in prime, near prime mortgages and auto loans
- Investment in brand positioning

- Strong residential and consumer lending growth in South Korea, targeting niches
- Consumer lending in Spain and residential mortgage lending in UK, priced for risk
- Strong market share in consumer lending in Hong Kong and plans for future growth in China

Servicing growth strategies



- Above system growth in non conforming and prime residential mortgages
- Organic growth in auto and equipment AUM in line with expectations, expected to increase in 2H15 and beyond

- Identified strong pipeline of servicing opportunities generated by deleveraging from financial institutions and Governments
- On-boarding of recently won contracts in the UK, Ireland and Spain
- Continued growth in lending AUM

Further acquisitive growth



- Demonstrated track record in target identification, acquisition execution and subsequent integration
- Actively reviewing potential opportunities
- No acquisitions included in forecast period

- Capacity for future growth to be funded by undrawn corporate debt facility
- Opportunistic acquisition of complementary businesses in Europe (eg Italy)
- Capitalise on opportunities stemming from traditional players exiting Pepper's target segments



Financial Overview
Cameron Small – Chief Financial Officer

2

Non-recourse pro forma balance sheet provides financial flexibility for growth



**Net cash on
balance
sheet**

\$144.8m*

**Significant liquidity on balance sheet
Undrawn corporate facility allows future growth**

**Net assets
post IPO**

\$371.8m

**Recent IPO enhances an already
sound net asset position**

- * 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:
- \$70m of restricted cash held in Pepper Savings Bank which is unable to be transferred from South Korea
 - \$22.2m held on trust as part of Pepper's day-to-day clearing and origination operations.

Note: pro forma balance sheet does not consolidate Funding Vehicles. See page 11 for full balance sheet

Pro forma Income and NPAT

Pepper is forecast to continue to grow from recent new lending initiatives, ongoing organic growth in core businesses and the acquisition of 12% of PrimeCredit

| | | CY2014 | Pro forma | |
|---|-------------|--------------|--------------|--------------|
| | | Actual | CY2015 | 1H2015 |
| | \$ millions | | Prospectus | Actual |
| Income | | | | |
| 1 Lending income | | 83.6 | 110.0 | 41.7 |
| 2 Loan origination fees | | 16.6 | 21.5 | 8.5 |
| 3 Servicing and loan administration fees | | 114.3 | 152.5 | 76.1 |
| 4 Advisory and other income | | 20.4 | 20.0 | 6.3 |
| Total income | | 234.9 | 304.0 | 132.6 |
| Share of profit from associate | | - | 5.0 | 2.5 |
| <hr/> | | | | |
| Total expenses | | (186.6) | (252.3) | (115.1) |
| <hr/> | | | | |
| Profit before tax | | 48.3 | 56.7 | 20.0 |
| Income tax expense | | (14.1) | (13.2) | (5.1) |
| NPAT | | 34.2 | 43.5 | 14.9 |
| Non-controlling equity interests | | 0.1 | 0.1 | 0.1 |
| NPAT attributable to owners of the Company | | 34.3 | 43.6 | 15.0 |
| Acquisition Amortisation | | 0.8 | 3.4 | 1.7 |
| Adjusted NPAT | | 35.1 | 47.0 | 16.7 |

- 1 Includes:
- 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)
 - Interest on loan notes in third party trusts
 - Net interest income on loans in South Korea

- 2 Includes:
- Application fees
 - Mortgage risk fees

- 3 Includes:
- Servicing and trust management fees on Pepper-originated or acquired Funding Vehicles
 - Servicing fees received from third party trusts
 - Performance fees, which accrue where trusts meet discrete performance benchmarks

- 4 Includes:
- Advisory Income from Pepper Property Group
 - Advisory Income from due diligence services in Ireland
 - Management services fees from PrimeCredit

Statutory and pro-forma balance sheet (30 June 2015)



| | Statutory (including limited- recourse funding vehicles) | Impact of excluding limited - recourse Funding Vehicles | Pro Forma (excluding limited- recourse Funding Vehicles) | Impact of the Offer | Adjusted Pro forma 30 June 2015 |
|---|---|--|---|---------------------------|---------------------------------------|
| \$million | | | | | |
| Assets | | | | | |
| 1 Cash and cash equivalents | 365.0 | (221.2) | 143.8 | 1.0 | 144.8 |
| Securities | 71.3 | - | 71.3 | - | 71.3 |
| Derivative financial assets | 44.3 | (44.3) | - | - | - |
| Receivables | 72.1 | 16.2 | 88.3 | - | 88.3 |
| Other assets | 8.8 | - | 8.8 | - | 8.8 |
| 2 Loans and advances | 4,529.8 | (4,145.9) | 383.9 | - | 383.9 |
| Deferred tax assets | 13.5 | - | 13.5 | 4.4 | 17.9 |
| 3 Investments | 123.9 | 76.6 | 200.5 | - | 200.5 |
| Property, plant and equipment | 11.1 | - | 11.1 | - | 11.1 |
| Goodwill | 25.1 | - | 25.1 | - | 25.1 |
| Intangible assets | 47.2 | - | 47.2 | - | 47.2 |
| Total assets | 5,312.1 | (4,318.6) | 993.5 | 5.4 | 998.9 |
| Liabilities | | | | | |
| Deposits | 496.4 | - | 496.4 | - | 496.4 |
| Trade and other payables | 38.2 | (5.0) | 33.2 | - | 33.2 |
| Current tax liabilities | 4.9 | - | 4.9 | - | 4.9 |
| 4 Borrowings | 4,398.5 | (4,275.1) | 123.4 | (123.0) | 0.4 |
| Other liabilities | 108.6 | (39.2) | 69.4 | - | 69.4 |
| Provisions | 15.8 | - | 15.8 | - | 15.8 |
| Deferred tax liabilities | 7.0 | - | 7.0 | - | 7.0 |
| Total liabilities | 5,069.4 | (4,319.3) | 750.1 | (123.0) | 627.1 |
| Net assets | 242.7 | 0.7 | 243.4 | 128.4 | 371.8 |
| Equity | | | | | |
| Issued Capital | 132.4 | - | 132.4 | 159.9 | 292.3 |
| Other Reserves | (7.7) | 0.7 | (7.0) | (3.7) | (10.7) |
| Retained earnings | 118.8 | - | 118.8 | (27.8) | 91.0 |
| Total equity excl. non-controlling interests | 243.5 | 0.7 | 244.2 | 128.4 | 372.6 |
| Non-controlling interests | (0.8) | - | (0.8) | - | (0.8) |
| Total equity | 242.7 | 0.7 | 243.4 | 128.4 | 371.8 |

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:

- \$70m of restricted cash held in Pepper Savings Bank which is unable to be transferred from South Korea
- \$22.2m held on trust as part of Pepper's day-to-day clearing and origination operations.

2

Primarily relates to:

- Customer loan receivables and lease receivables held at the limited-recourse Funding Vehicle level
- Loans and advances from Pepper Savings Bank, which are held on balance sheet (net of provisions for doubtful debts)

3

On a statutory basis primarily relates to:

- Capitalised deal costs
- Investments in third party Funding Vehicles held in Pepper Ireland
- Investment property held in Pepper Savings bank

On a pro forma basis this item additionally recognises the investments in Pepper owned trusts

4

Primarily relates to:

- Drawn debt financing facilities including notes and warehouse facility funding at the limited recourse Funding Vehicles
- Accrued interest payable to funding providers at the limited-recourse Funding Vehicle level
- Corporate debt

Pro forma presentation removes borrowings held at limited-recourse Funding Vehicle level

1. Also includes the impact of PrimeCredit settlement

Statutory income statement



| | CY2014 Actual | Statutory CY2015 Prospectus | 1H2015 Actual |
|--|------------------|-----------------------------------|------------------|
| \$ millions | | | |
| 1 Revenue | 423.4 | 509.5 | 225.3 |
| Share of profit from associate | - | 0.8 | 0.3 |
| 2 Employee compensation and benefits expenses | (111.0) | (190.3) | (78.6) |
| Depreciation and amortisation expenses | (5.3) | (8.8) | (4.0) |
| 3 Borrowing costs | (189.9) | (210.3) | (96.4) |
| Other expenses from operations | (72.5) | (89.2) | (39.9) |
| Profit before tax | 44.7 | 11.7 | 6.7 |
| Tax expense | (6.7) | (10.4) | (3.0) |
| NPAT | 38.0 | 1.3 | 3.7 |
| Non-controlling equity interests | 0.1 | 0.1 | 0.1 |
| NPAT attributable to owners of the Company | 38.1 | 1.4 | 3.8 |

1 Statutory revenue comprises the aggregate income of the consolidated Pepper group under the statutory presentation and includes:

- Gross interest income on loans
- Servicing fees from third parties
- Other income from third parties

Statutory income is not shown net of funding costs

2 Employee costs primarily reflect annualisation effect of CY14 hires, primarily in lending initiatives such as Pepper Asset Finance, Korea and Spain

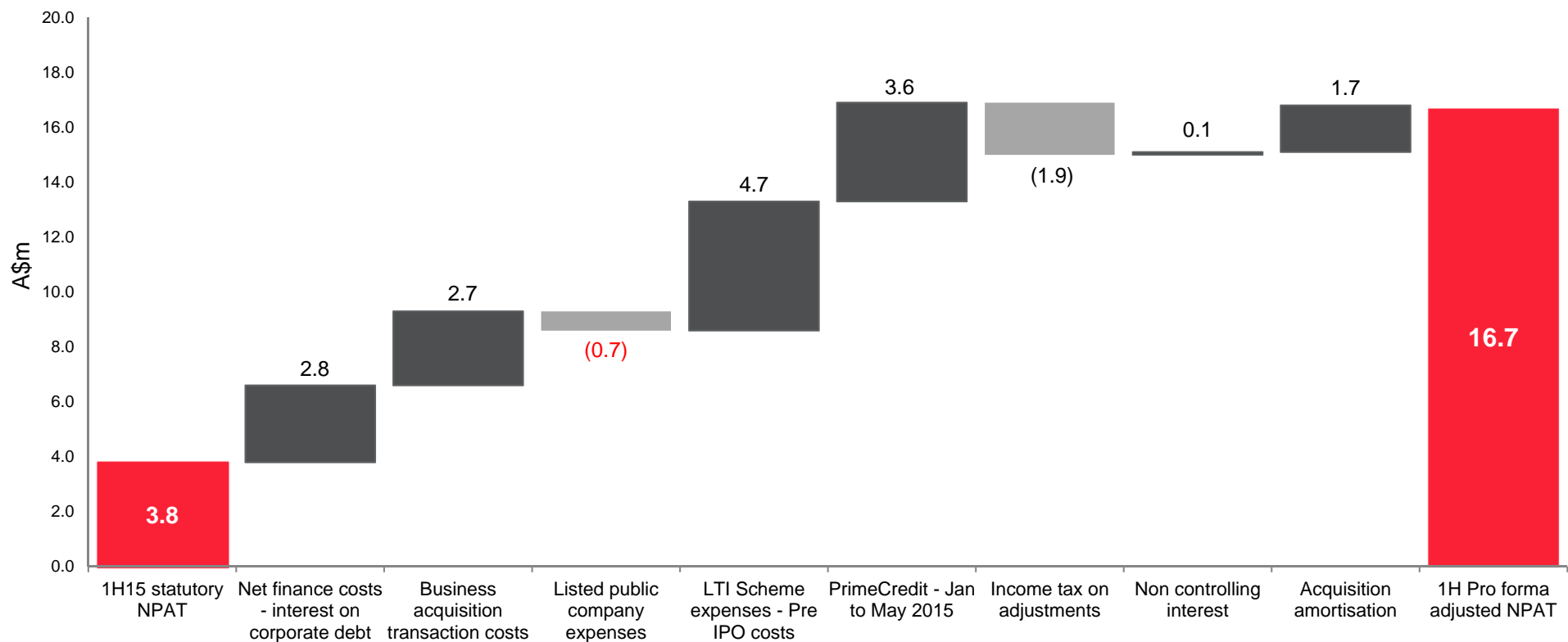
3 Statutory borrowing costs consist of:

- Interest paid on corporate debt borrowed and guaranteed by Pepper
- Interest paid by Pepper controlled limited-recourse Funding Vehicles to third party note holders and lenders
- Excludes interest expense paid to Pepper on Funding Vehicle equity notes and units held in the PIM funds

Statutory to pro forma adjusted NPAT reconciliation



Pro forma statements make adjustments to remove the effect of limited-recourse funding vehicles and impacts of the IPO, and annualise earnings from PrimeCredit stake



Pro forma Income and PBT- Summary

Reconfirm CY15 Prospectus Forecasts

| | CY2014 Actual | Pro forma CY2015 Prospectus | 1H2015 Actual |
|---|------------------|-----------------------------------|------------------|
| \$ millions | | | |
| Profit before tax | | | |
| Australia and New Zealand Division | 57.1 | 48.9 | 25.6 |
| International Division | 11.3 | 32.6 | 4.8 |
| 1 Corporate Division | (20.1) | (24.8) | (10.4) |
| 2 Profit before tax (total) | 48.3 | 56.7 | 20.0 |
| Income tax expense | (14.1) | (13.2) | (5.1) |
| NPAT | 34.2 | 43.5 | 14.9 |
| Non-controlling equity interests | 0.1 | 0.1 | 0.1 |
| NPAT attributable to owners of the Company | 34.3 | 43.6 | 15.0 |
| Acquisition Amortisation | 0.8 | 3.4 | 1.7 |
| Adjusted NPAT | 35.1 | 47.0 | 16.7 |
| AUM | 28,623.2 | 41,282.3 | 36,797.6 |
| Servicing AUM | 24,440.2 | 35,934.5 | 32,303.8 |
| Lending AUM | 4,183.0 | 5,347.8 | 4,493.8 |
| Loan originations | 1,650.3 | 3,059.5 | 1,224.8 |

1

- Corporate expenses remain in line with forecast expectations

2

- Group profit before tax is tracking ahead of forecast with no unforeseen events that would cause the forecast to be at risk
- Reconfirm CY15 prospectus forecasts

Pro forma Income and PBT - ANZ

Strong Australian residential mortgage lending volumes expected to continue in 2H15 supplemented by increasing auto & equipment finance lending volumes

| | | Pro forma | |
|---|-------------|----------------|----------------|
| | | CY2014 | CY2015 |
| | | Actual | Prospectus |
| | | | 1H2015 |
| | | | Actual |
| | \$ millions | | |
| Australia and New Zealand Division | | | |
| 1 Lending income | | 60.3 | 72.5 |
| 2 Loan origination fees | | 16.1 | 21.5 |
| 3 Servicing and loan administration fees | | 35.9 | 33.2 |
| 4 Advisory and other income | | 12.4 | 17.2 |
| Total income | | 124.7 | 144.4 |
| Commission and direct marketing expenses | | (10.8) | (21.4) |
| Employee compensation and benefits expenses | | (38.5) | (51.2) |
| Occupancy expenses | | (3.1) | (3.6) |
| Professional expenses | | (3.0) | (1.9) |
| Depreciation and amortisation expenses | | (2.3) | (2.8) |
| General and administration expenses | | (9.9) | (14.6) |
| Profit before tax (Australia and New Zealand Division) | | 57.1 | 48.9 |
| AUM | | 4,917.2 | 5,672.4 |
| Servicing AUM | | 932.4 | 1,215.1 |
| Lending AUM | | 3,984.8 | 4,457.3 |
| Loan originations | | 1,452.5 | 1,989.7 |

1

- Originations YTD
 - Mortgages \$663.8m
 - Asset Finance \$165.6m
- Small benefit from rate reset in May

2

- In line with expectations as a result of strong origination volumes

3

- AUM performance delivering expected servicing revenue
- Slightly higher run off is offset by higher origination

4

- Advisory Income billing is concentrated in second half of the year

Pro forma Income and PBT - International

Growing Servicing AUM increasingly being supplemented with new Lending AUM

| | | Pro forma | |
|---|--------------|----------------|--------------|
| | CY2014 | CY2015 | 1H2015 |
| \$ millions | Actual | Prospectus | Actual |
| International Division | | | |
| 1 Lending income | 23.3 | 37.5 | 7.7 |
| Loan origination fees | 0.5 | - | - |
| 2 Servicing and loan administration fees | 78.4 | 119.3 | 57.0 |
| 3 Advisory and other income | 6.8 | 2.5 | 0.6 |
| Total income | 109.0 | 159.3 | 65.3 |
| Share of profit from associate | - | 5.0 | 2.5 |
| Commission and direct marketing expenses | (2.9) | (5.7) | (2.0) |
| 4 Employee compensation and benefits expenses | (58.5) | (87.9) | (41.5) |
| Occupancy expenses | (6.3) | (9.3) | (4.2) |
| Professional expenses | (7.7) | (6.8) | (4.4) |
| Depreciation and amortisation expenses | (4.0) | (5.9) | (2.6) |
| General and administration expenses | (18.3) | (16.1) | (8.3) |
| 5 Profit before tax (International Division) | 11.3 | 32.6 | 4.8 |
| AUM | | | |
| Servicing AUM | 23,507.8 | 34,719.4 | 31,181.3 |
| Lending AUM | 198.2 | 890.5 | 464.6 |
| Loan originations | 197.8 | 1,069.8 | 395.4 |

1

- Growing originations from lending initiatives in Korea and Spain (see slide 6) alongside planned whole loan sales tracking to plan or better

2

- Servicing contracts won during 1H15 will have a full six month impact in 2H15
- Servicing contract boarded in Spanish business along with organic growth from strong origination volumes
- On-boarding of \$A5.6bn servicing contract in Ireland of ex Lloyds bank loans in 2H15 (no impact to CY15)

3

- In line with expectations

4

- Overheads slightly ahead of forecast driven mainly by UK and Korean timing differences not expected to present a risk to the forecast.

5

- Growing lending AUM increasingly offsets set up costs via strengthening revenue contribution
- All new initiatives on track at current origination run rates
- Majority of these initiatives become NPAT positive contributors by early 2016
- Higher weighted average servicing AUM in 2H15



Patrick Tuttle and Mike Culhane – Co Group CEOs

Outlook

3

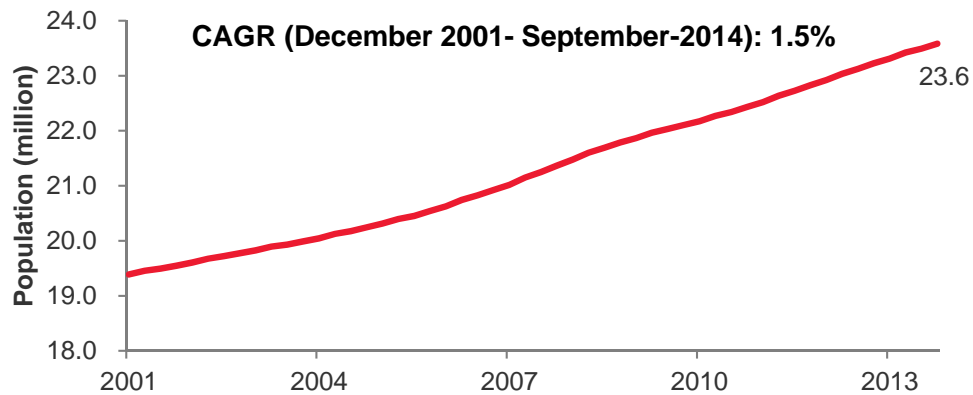
Australia and New Zealand

Positive macroeconomic fundamentals

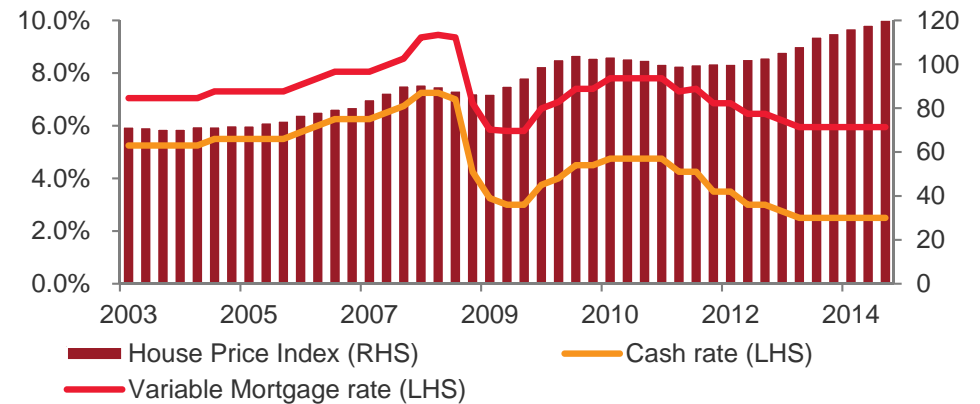


The macroeconomic environment for residential mortgage lending in Australia has been strong, and is forecast to remain supportive

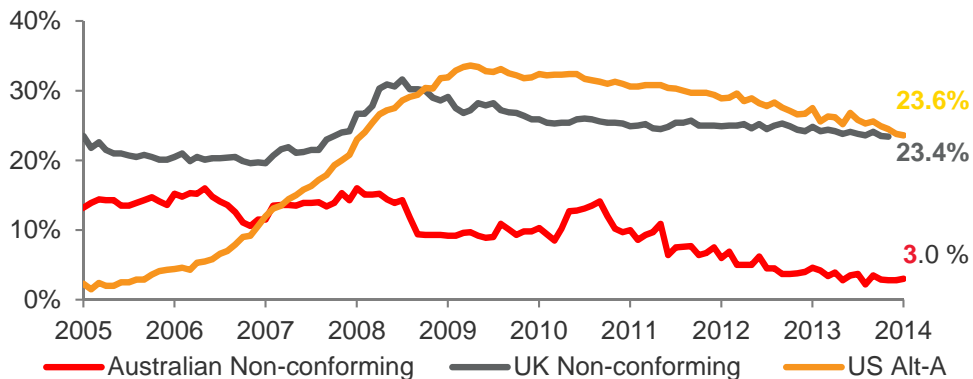
Australian population is growing steadily¹



Interest rates forecast to remain below long run average²



Non-conforming delinquencies below international markets³



Low Australian unemployment rate¹



1. Australian Bureau of Statistics 2. House price index by Australian Bureau of Statistics; cash rate and variable mortgage rate published by Reserve Bank of Australia 3. Moody's, Australian Non-conforming Loans published on 25 August 2014

European bank deleveraging creates further opportunities for Pepper



Continued servicing and lending opportunities as traditional banks withdraw to core lending markets

Anticipated deleveraging of current Asset Management Agencies by Country of gross exposure (€bn)¹



Opportunities for further growth in Europe

1. Increased outsourcing by banks

- Only 5% of the GBP1.25 trillion UK mortgage market is outsourced, vs. Over 50% in the US²
- Banks increasingly looking for ways to cost effectively improve portfolio performance
- Estimated €2 trillion of unwanted loans still sit on European Banks balance sheets³

2. Servicing opportunities remain

- Servicing opportunities with new UK challenger banks
- Irish servicing market less competitive than UK
- Increasing penetration driven by sale of “bad book” loans

Source:






1 C&W Corporate Finance

2 Computershare Management

3 PwC

Benefiting from current operating environment



-  Historic low interest rate environment expected to continue fuelling borrower appetite for housing finance
-  Reduced home loan margin pressure as Banks increase margins to sustain historic ROE levels
-  Expected low unemployment rate trend reduces potential for increased delinquencies/ defaults
-  Regulatory pressure on Bank capital requirements creates opportunity to target underserved market segments on a pricing for risk basis
-  Continued deleveraging and outsourcing of loan servicing by Banks provides opportunity for growth

Reconfirm prospectus forecasts for CY15

-  Attractive financial profile: Strong growth, capital light and high revenue visibility
-  Integrated operating model across a business with global scale
-  Experienced global management team with deep operational expertise, a track record of performance through the cycle and demonstrated commitment to the business
-  Strong growth potential – new lending initiatives and pipeline of visible servicing opportunities driving future growth
-  Unlevered balance sheet provides flexibility to pursue growth
-  On track to meet CY15 prospectus forecast of \$47.0m adjusted NPAT



Statutory and pro forma reconciliation

Pro forma financial statements

This presentation predominantly deals with pro forma financial information



Statutory financial statements

See Appendix A



Deconsolidation of Funding Vehicles

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
- Deconsolidation of PIM holdings¹



Adjustment for timing of certain acquisitions

- Adjustment for financial timing of acquisitions in Ireland, Spain and PrimeCredit



Adjustments to reflect IPO

Enable comparability between historical and forecast periods

- Overlay of new management incentive plan and costs associated with being listed
- Revised capital structure
- Includes adjustment for acquisition of PrimeCredit (May 2015)

1. Pepper Investment Management. See Prospectus section 2.7.4 for more information

Reconciliation of statutory and pro forma statements



| | CY2014 Actual | CY2015 Prospectus | 1H2015 Actual |
|---|------------------|----------------------|------------------|
| \$ millions | | | |
| Total Income | | | |
| Statutory revenue | 423.4 | 509.5 | 225.3 |
| Adjustments to de-consolidate the Funding Vehicles | | | |
| 1 De-consolidation of income recorded by the limited-recourse Funding Vehicles | (272.8) | (316.0) | (146.6) |
| 2 Recognition of coupon interest and distribution income received from the Funding Vehicles | 64.4 | 93.9 | 41.6 |
| Recognition of servicing and administration income received from the Funding Vehicles | 20.9 | 21.8 | 9.6 |
| Subtotal: Adjustments to exclude the limited-recourse Funding Vehicles | (187.5) | (200.3) | (95.3) |
| Adjusted total income (excluding limited-recourse Funding Vehicles) | 235.9 | 309.2 | 130.0 |
| Other adjustments | | | |
| 3 Reporting reclassifications | (1.0) | (6.6) | 1.2 |
| PrimeCredit full year recognition (management fee) | - | 1.4 | 1.4 |
| Pro forma total income | 234.9 | 304.0 | 132.6 |
| NPAT | | | |
| Statutory NPAT | 38.0 | 1.3 | 3.7 |
| Net finance costs | 4.8 | 5.4 | 2.9 |
| Business acquisition transaction costs | - | 3.0 | 2.7 |
| 4 New executive management LTI Scheme structure | (0.1) | (1.2) | (0.7) |
| Management LTI Scheme structure acceleration | - | 32.2 | 5.1 |
| Listed public company costs | (1.1) | (0.5) | (0.3) |
| PrimeCredit full year recognition (management fee) | - | 1.4 | 1.4 |
| PrimeCredit full year recognition (equity investment) | - | 4.1 | 2.2 |
| Offer transaction costs | - | 0.6 | - |
| Income tax effect of adjustments and effective rate | (7.4) | (2.8) | (2.1) |
| Pro forma NPAT | 34.2 | 43.5 | 14.9 |

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:

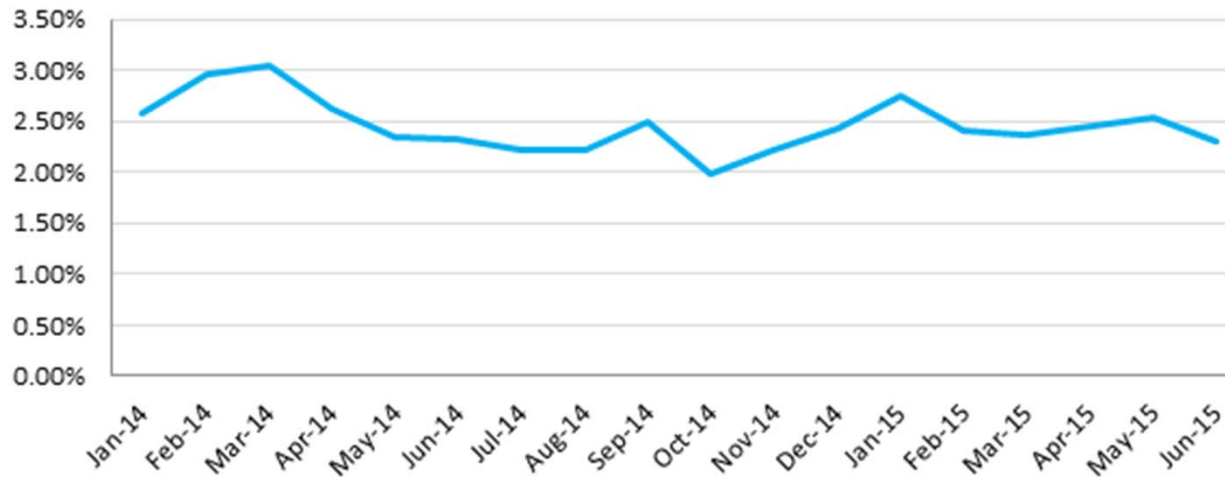
- Deposit interest and loan losses
- Broker commissions

4 An adjustment made for the proposed executive management incentive structure for Pepper Group as a publicly listed business has been overlaid across the historical period.
The adjustment reflects a "top up" above the existing incentive costs.

Australia and New Zealand arrears

Recent improvement in 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 12 months ago (eg Hunter Valley, WA, FNQ)
- Continual monitoring of housing market valuations by post code through RP Data Core Logic

Pro forma and Statutory consolidated cash flows



Cash flows from operating activities remain consistent with expectations

| | Statutory 1H2015 | Pro Forma ¹ 1H2015 |
|--|---------------------|----------------------------------|
| \$ millions | | |
| 1 Profit before tax | 6.7 | 20.0 |
| Non Cash Items: | | |
| Servicing Income | (4.7) | (4.7) |
| 2 Other Income | (3.4) | (5.6) |
| Interest Income | (1.0) | (1.0) |
| Interest expenses | 6.9 | 6.9 |
| Loan losses | 8.8 | 8.8 |
| 3 Employee compensation and benefits expenses | 5.6 | 1.2 |
| Depreciation and amortisation expenses | 3.2 | 3.2 |
| Movement in working capital / balance sheet | (0.3) | (0.3) |
| Operating cash flow | 21.8 | 28.5 |

1

- Profits before tax are typically realised on a timely and continual basis

2

- Share of associate relating to Prime Credit Limited

3

- Long Term Management Incentive scheme adjustment

1. Pro forma profit before tax including limited recourse funding vehicles

Disclaimer



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