

peppermoney

Investor Presentation

2024 Half Year Results

29 August 2024



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Today's Presenters

Mario Rehayem Chief Executive Officer



Joined Pepper Money in 2011, and appointed CEO of Pepper Money in 2017

Over 20 years of experience across banking and finance. Appointed Chair of AFIA in March 2024

Previously held senior positions in APRA regulated entities and the non-bank sector, including as State Manager, Mortgage Broker Distribution at Westpac Banking Corporation

Therese McGrath Chief Financial Officer



Joined Pepper Money in 2018

25+ years of international experience in finance, strategic development and operations

Previously held senior positions in finance, operations and strategy at Australia and New Zealand Banking Group, Thomson Reuters, Diageo, SAP and Microsoft

1H 2024 Highlights

Our Mission

We help people succeed

Our Values



New Customers

37,357

492,605² customers helped

Helping customers succeed

New products:

- SMSF mortgages
- Sharia home lending



Originations

\$3.3bn

Mortgages: \$1.8bn up 6% vs PCP

Asset Finance: \$1.4bn down (19)% vs PCP



Total AUM³

\$19.3bn

Mortgages: \$11.3bn down (9)% vs Jun 2023

Asset Finance: \$5.7bn up 1% vs Jun 2023

Servicing: \$2.3bn up 149% vs Jun 2023



Net Interest Margin⁴

1.92%
vs 1.81% 2H 2023

Mortgages⁴: 1.60%
1H 2023: 1.63%
2H 2023: 1.51%

Asset Finance: 2.52%
1H 2023: 2.62%
2H 2023: 2.39%



Credit Quality Loan Loss⁵ % AUM

0.45%

Coverage ratio⁸: 0.71%
1H 2023: 0.72%
2H 2023: 0.65%



Disciplined growth Expenses⁶

2%
reduction vs PCP

Core FTE⁹: 693
Down 10% on Jun 2023
Down 6% on Dec 2023

Total Expenses:
\$119.6m down \$2.8m to 1H 2023



Profitability Pro-forma NPAT⁷

\$46.1m

Profit pre-Provision¹⁰
\$108.0m
Up 13% on 1H 2023
Up 12% on 2H 2023



Interim Dividend Fully franked

5.0 cps

47.5% payout ratio¹¹
vs 30.0% 2023 Interim

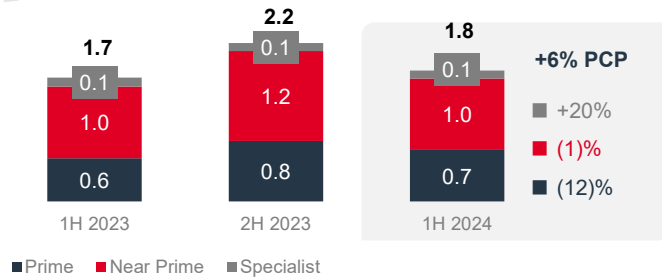
Annualised yield 6.7%
vs 5.1% 2023 Interim

Notes: 1. PCP: prior comparable period being 1 January 2023 – 30 June 2023. 2H 2023 refers to six months to 31 December 2023. 2. Cumulative number of customers from 2004 to 30 June 2024. 3. Closing AUM as at period end. 4. Mortgage and Total NIM revised in prior periods to reflect change in the accounting treatment for trail commissions, adopted in the period. The change in accounting treatment resulted in a reduction in Net Interest Income with a corresponding offset in Lending Expense in the period. On a statutory reporting comparative basis Total NIM is 1.92% vs 1H 2023 2.06%. Mortgages NIM is 1.60% vs 1H 2023 1.83%. 5. Excluding Post Model Overlay. 6. Total Pro-forma Expenses, including Depreciation, Amortisation, and Corporate Interest Expense. Pro-forma items: 1H 2024 \$Nil (1H 2023 \$Nil). 7. Pro-forma Net Profit After Tax (NPAT). 8. Coverage ratio – Total Loan Loss Provision divided by closing AUM. 9. Core FTE – FTE excluding Online and Broker Servicing FTE. 10. Profit pre Provision – Profit before Tax and Loan Losses. 11. Payout ratio based on Pro-forma NPAT for the six months to 30 June.

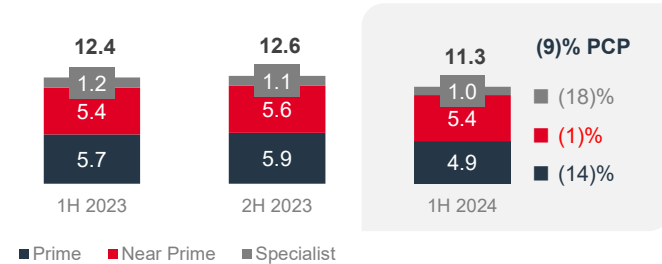
Mortgages | 1H 2024

Volume

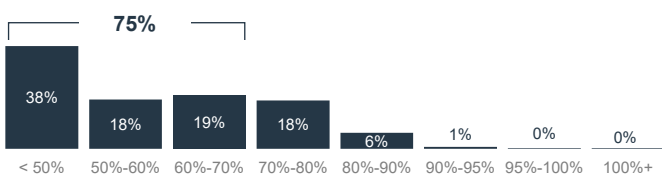
Originations by Product (\$bn)



AUM by Product (\$bn)



Indexed LVR (Australia)



Income

Weighted Interest Rates¹ (%)

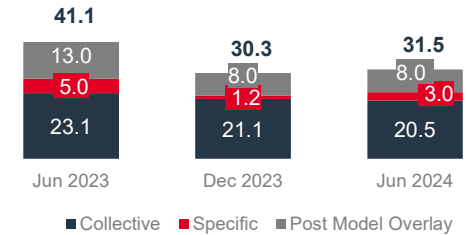
	1H 2023	2H 2023	1H 2024
Prime	7.3%	7.5%	7.7%
Near Prime	7.8%	7.9%	7.9%
Specialist	9.1%	9.3%	9.2%

Net Interest Margin (%)

	1H 2023	2H 2023	1H 2024
Customer rate ²	7.37%	7.95%	8.27%
BBSW/BKBM ³	(3.56)%	(4.18)%	(4.42)%
Funding margin	(2.18)%	(2.26)%	(2.25)%
Net interest margin ⁴	1.63%	1.51%	1.60%

Credit Quality

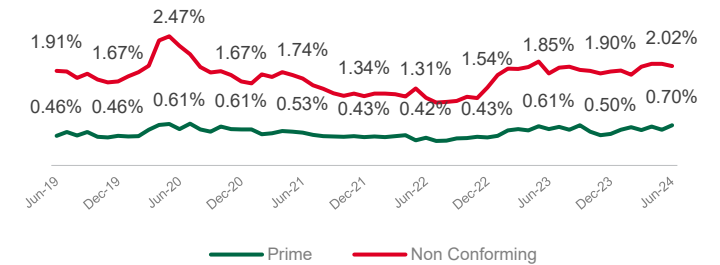
Loan Loss Provision (\$m)



Total loss⁵ % AUM



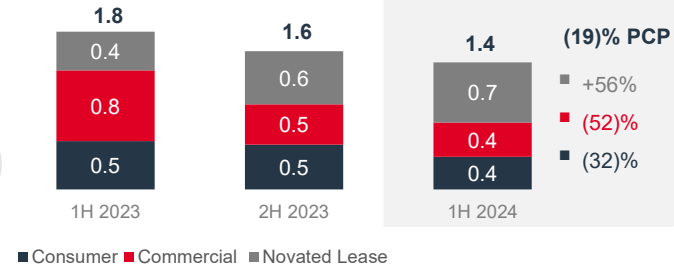
Mortgages 90+ day arrears⁶ as % of AUM



Asset Finance | 1H 2024

Volume

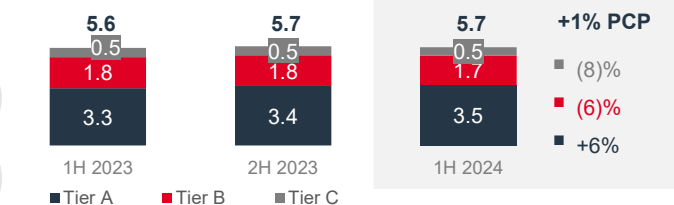
Originations by Product (\$bn)



Originations by Risk Tier (\$bn)



AUM by Risk Tier (\$bn)



Income

Weighted Interest Rates¹ (%)

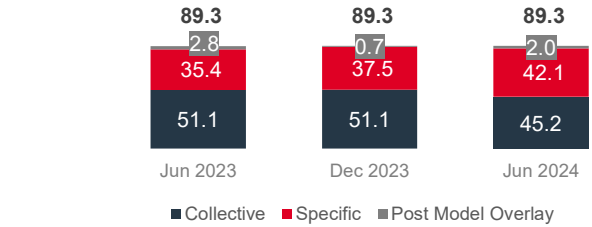
	1H2023	2H2023	1H2024
Tier A	8.8%	9.6%	9.6%
Tier B	11.2%	11.7%	11.6%
Tier C	14.5%	15.3%	14.9%

Net Interest Margin (%)

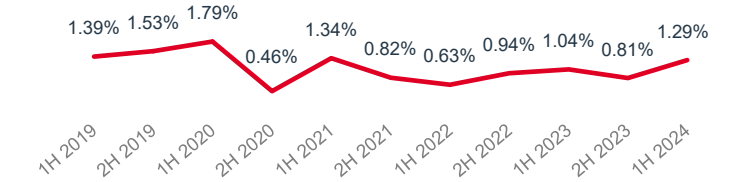
	1H 2023	2H 2023	1H 2024
Customer rate ²	7.01%	7.68%	8.07%
Swap	(2.33)%	(2.91)%	(3.23)%
Funding margin	(2.06)%	(2.39)%	(2.32)%
Net interest margin	2.62%	2.39%	2.52%

Credit Quality

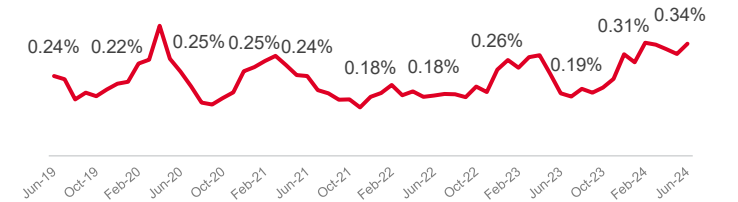
Loan Loss Provision (\$m)



Total loss³ % AUM

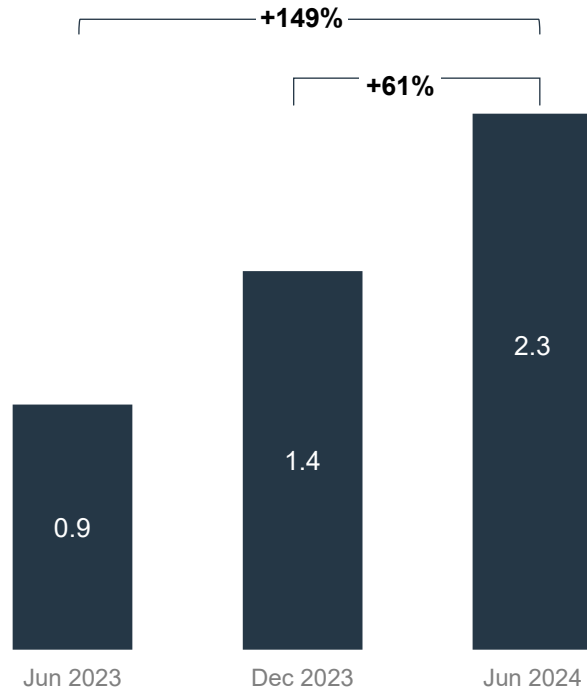


Asset Finance 90+ day arrears⁴ as % of AUM



Loan & Other Servicing | 1H 2024

Loan Servicing AUM (Closing)
(\$bn)



	1H 2023	2H 2023	1H 2024
Total Operating income (\$m)	4.4 ¹	2.9 ¹	5.3
AUM – servicing (closing) (\$bn)	0.9	1.4	2.3

Whole Loan Sales transfers AUM from the Lending segments to Loan Servicing segment

Broker Administration Servicing exited Q3 2023



Origination Sources

- Pepper Money Treasury whole loan sales funding program
- Loan portfolio acquisitions
- Appointed servicer for non-operational owners of loan portfolios
- Servicing income margins



Benefits

- Capital light revenue stream
- Increased business diversity
- Defensive annuity style earnings stream across the credit cycle
- No incremental costs
- Gain knowledge of new markets

Funding Performance

In excess of
\$40.0bn²
 across 63 transactions
 from 2003 to June 2024

Non-conforming RMBS
\$24.4bn

Prime RMBS
\$10.1bn

ABS
\$5.4bn

Warehouses

A\$9.2bn³
 total capacity
23 funders
 (includes 3 major
 domestic banks,
 excludes Pepper Notes)

19
 facilities

Capacity down (2)%
 30 June 2024 vs
 December 2023

Securitisation

4 Public Platforms⁴
 (PRS, Pepper Prime,
 Sparkz, Pepper Social)

A\$43.0bn⁵
 Total Issuance

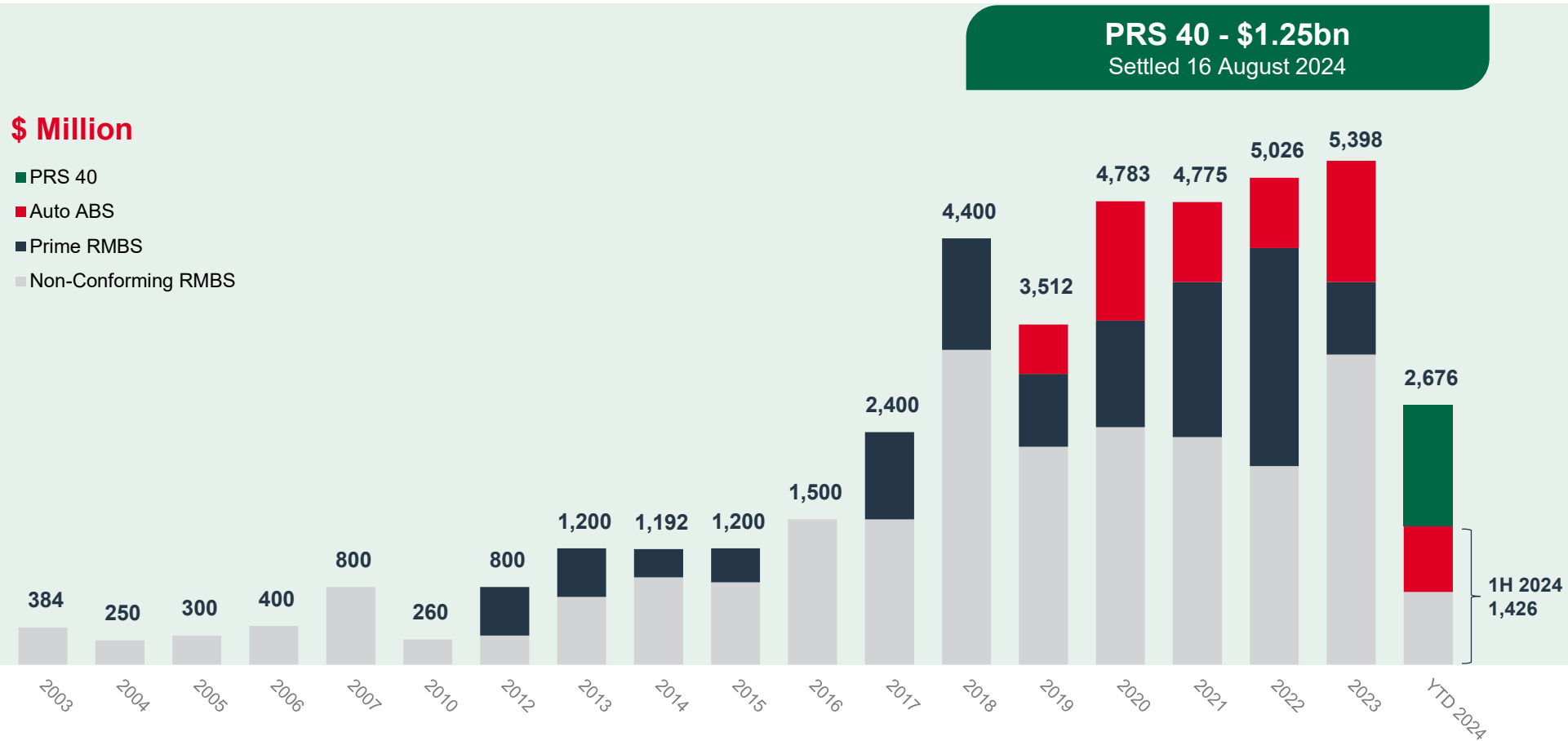
100+⁶
 investors

Called every note
 at first available call date

Whole Loan Sales / Private Term issuances

A\$9.8bn+
 total funding⁷

24
 counter-parties

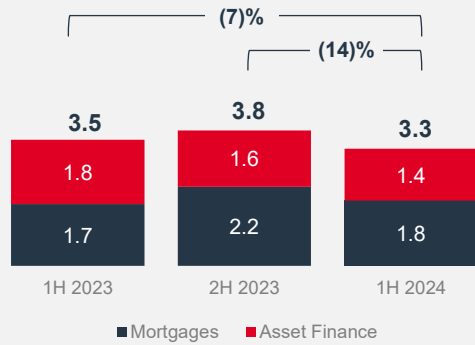


Notes: 1. Chart is total issuance size of public term deals (excluding refinances) by issuance year, up to 30 June 2024. 2. Subject to rounding. 3. Includes Pepper Notes. 4. Current securitisation platforms. Historical securitisation platforms include PEPPER I-PRIME, renamed PEPPER PRIME March 2022. 5. Includes refi tranche issuance. 6. Includes investors in all Pepper transactions since 2010. 7. Cumulative from 2015 to 30 June 2024.

Pro-forma Financial Performance

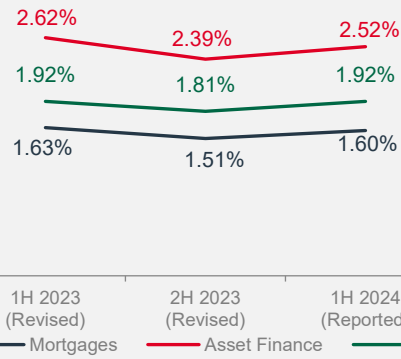
Volume

Originations (\$bn)



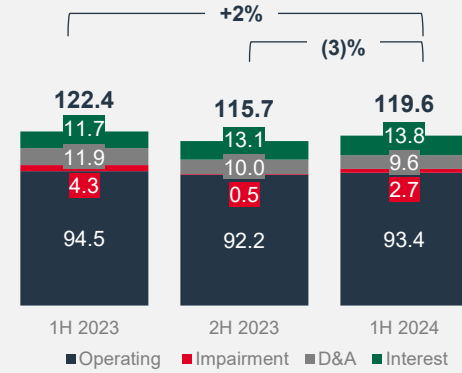
Income

Net Interest Margin¹ (%)



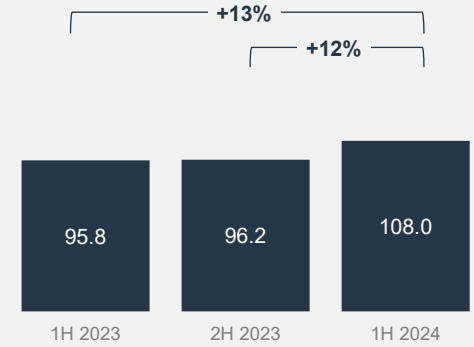
Expenses / FTE

Total Expenses (\$m)

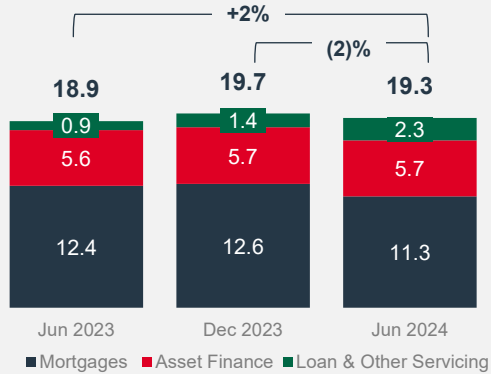


Profit

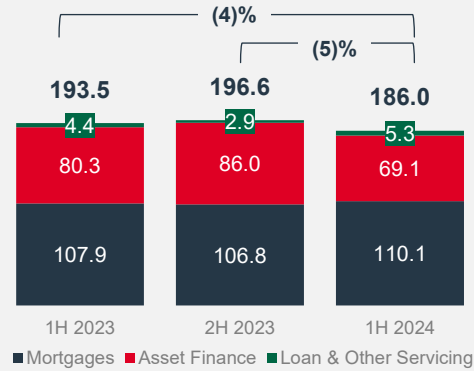
Profit pre-Provisions⁴ (\$m)



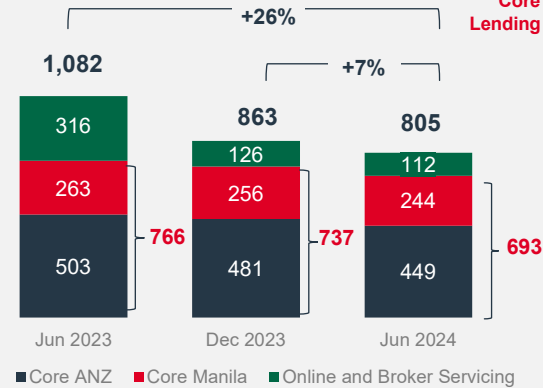
Total AUM² (\$bn)



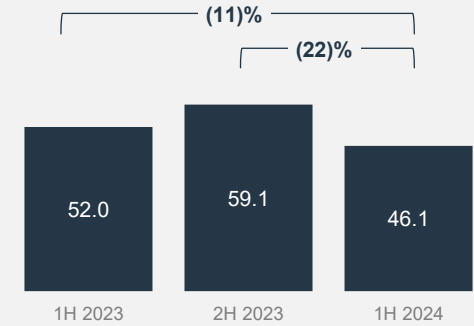
Total Operating Income³ (\$m)



FTE



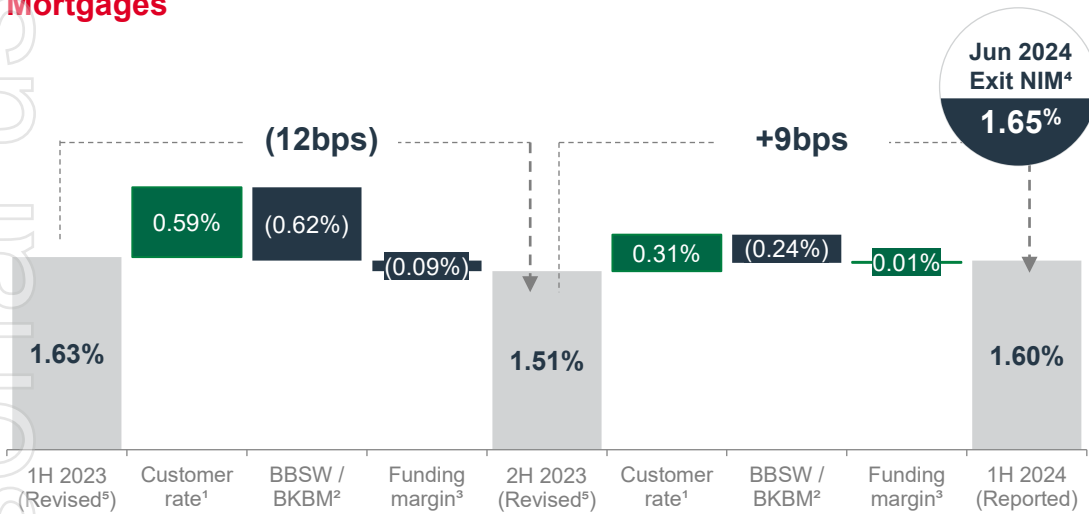
NPAT (\$m)



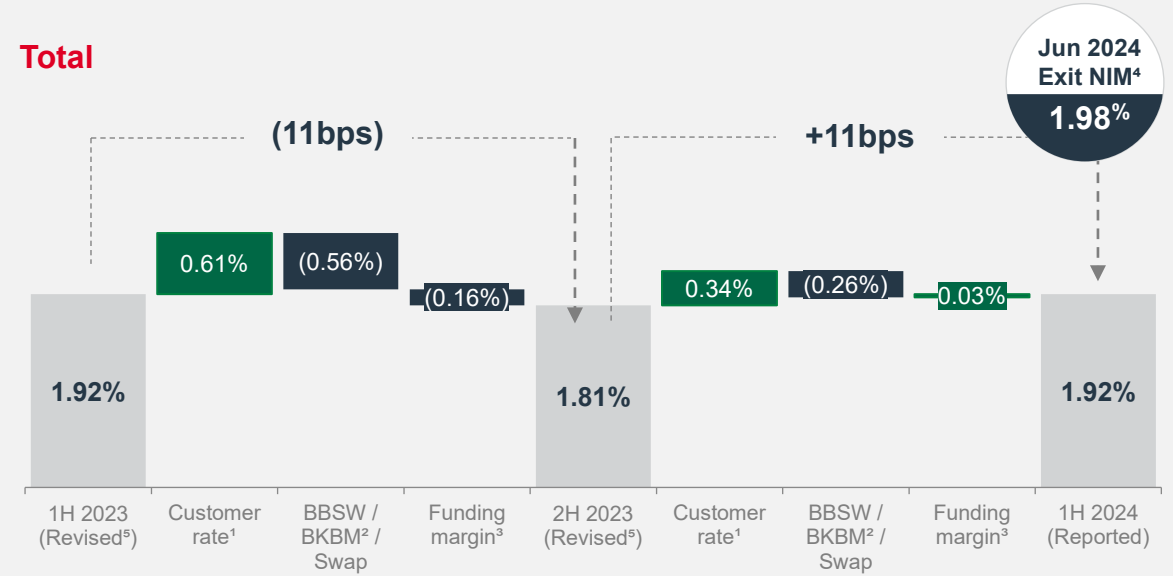
NIM Movement

NIM compression is moderating. NIM improved over 1H 2024 with pricing initiatives and product mix supporting higher customer rates. Coupled with improved funding margins, the increase in BBSW and swap rates were offset.

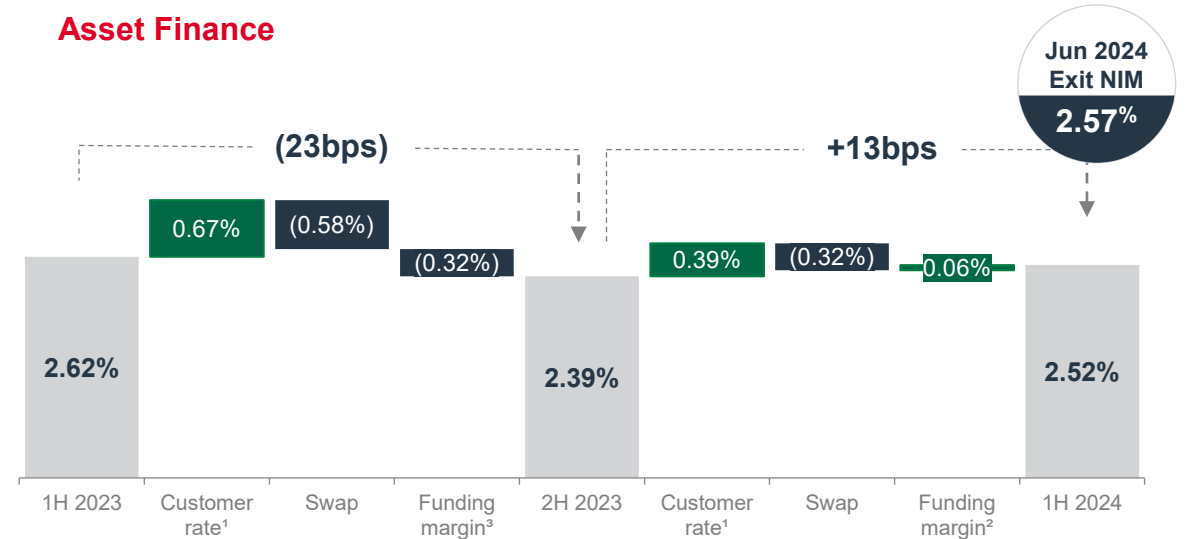
Mortgages



Total



Asset Finance



Credit Performance | Provision Coverage

Movement in Loan Book and Coverage Ratio

	AUM	Collective Provisions	Specific Provisions	Post Model Overlay	Total Provisions	Coverage Ratio
	\$ Billion	(\$ Million)				
30 June 2024						
Mortgages	11.3	20.5	3.0	8.0	31.5	0.28%
Asset Finance	5.7	45.2	42.1	2.0	89.3	1.57%
Total	17.0	65.7	45.1	10.0	120.8	0.71%
31 December 2023						
Mortgages	12.6	21.1	1.2	8.0	30.3	0.24%
Asset Finance	5.7	51.1	37.5	0.7	89.3	1.57%
Total	18.3	72.2	38.7	8.7	119.6	0.65%
30 June 2023						
Mortgages	12.4	23.1	5.0	13.0	41.1	0.33%
Asset Finance	5.6	51.1	35.4	2.8	89.3	1.58%
Total	18.0	74.2	40.4	15.8	130.4	0.72%

MORTGAGES

Collective Provisions

Reduction in Collective Provisions reflect the reduction in the loan portfolio (AUM)

Specific Provisions

Remain relatively stable. 90+ days arrears remain in line with long term average

Post Model Overlay

\$8 million retained

Coverage ratio

Coverage ratio remains relatively constant

ASSET FINANCE

Collective Provisions

Reduction in Collective Provisions following the June Whole Loan Sale and favourable product mix

Specific Provisions

Increase in both late-stage arrears and insolvencies impacting Asset Finance. Insolvencies have increased following the removal of Government insolvency protections, implemented under COVID-19 at the beginning of 2023

Post Model Overlay

Increased to \$2 million given the high level of insolvencies

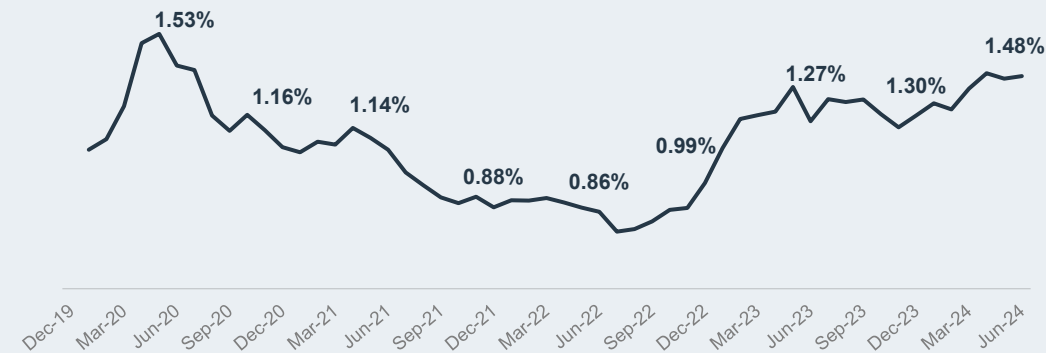
Coverage ratio

Coverage ratio constant on December 2023

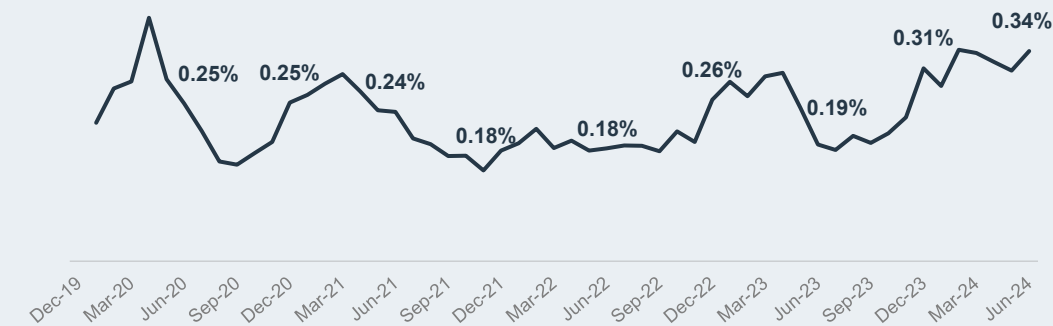
Credit Performance | Loan Loss Expense

Loan loss expense \$ Million	Half Year Ending		
	Jun 2024	Dec 2023	Jun 2023
Mortgages			
Specific	(3.2)	(0.4)	(2.0)
Collective: base	0.4	2.1	(0.5)
Post-model overlay	-	5.0	-
Mortgages loan loss expense	(2.8)	6.7	(2.5)
Asset Finance			
Specific	(43.6)	(23.9)	(25.1)
Collective: base	6.0	(0.2)	(1.1)
Post-model overlay	(1.3)	2.1	4.0
Asset Finance loan loss expense	(38.9)	(22.0)	(22.2)
Loan and Other Servicing loan loss expense	0.0	0.0	0.1
Total			
Specific	(46.7)	(24.2)	(27.1)
Collective: base	6.4	1.9	(1.6)
Post-model overlay	(1.3)	7.1	4.0
Total loan loss expense	(41.6)	(15.2)	(24.7)

Mortgages 90+ day arrears^{1 2} as % of AUM



Asset Finance 90+ day arrears^{1 3} as % of AUM



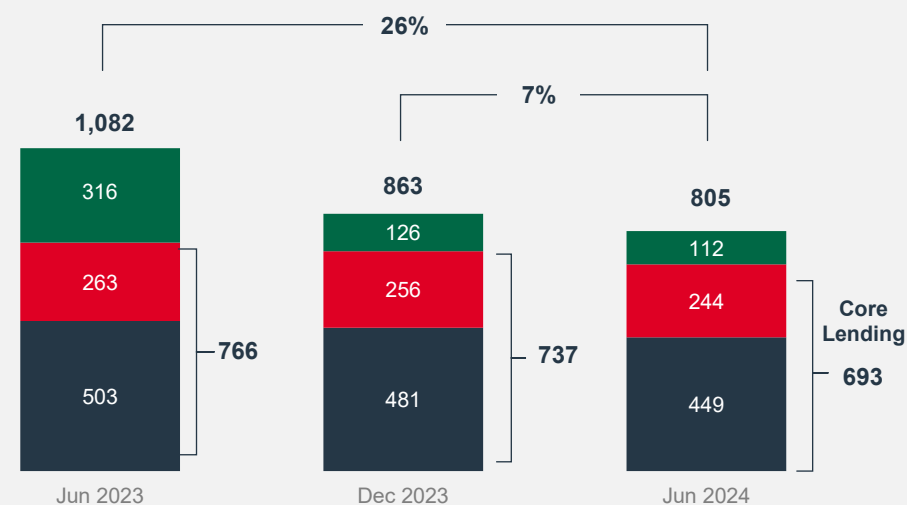
Pro-forma¹ Expenses



\$ Million	Half Year		
	1H 2024	2H 2023	1H 2023
Employee benefits expense	(65.3)	(63.6)	(65.0)
Marketing expense	(7.6)	(7.1)	(7.8)
Technology expense	(11.5)	(11.7)	(12.1)
General and admin expense	(9.1)	(9.7)	(9.6)
FV / impairment gains or losses on financial assets	(2.7)	(0.5)	(4.3)
Total Operating Expenses	(96.2)	(92.6)	(98.8)
Depreciation and amortisation	(9.6)	(10.0)	(11.9)
Corporate interest expense	(13.8)	(13.1)	(11.7)
Total Expenses	(119.6)	(115.7)	(122.4)

FTE Movement

- Online and Broker Servicing
- Core Manila
- Core ANZ



Core lending employee expenses \$ Million

	1H 2024	2H 2023	1H 2023	% 1H 2024 vs	
				2H 2023	1H 2023
Core ANZ	(52.0)	(48.7)	(48.8)	(7)%	(7)%
Core Manila	(3.4)	(3.4)	(3.2)	2%	(5)%
Core	(55.4)	(52.1)	(52.0)	(6)%	(7)%

FINANCIALS

Pro-forma
Profit &
Loss

\$ Million	Half Year			% 1H 2024 vs	
	1H 2024	2H 2023	1H 2023	2H 2023	1H 2023
Interest income	732.4	738.0	664.3	(1)%	10%
Interest expense	(561.5)	(559.7)	(479.4)	(0)%	(17)%
Net interest income	170.9	178.3	184.9	(4)%	(8)%
Lending fee income	33.4	35.2	37.0	(5)%	(10)%
Lending expense	(13.9)	(27.4)	(27.2)	49%	49%
Whole loan sales gain	19.1	8.8	3.1	118%	521%
Loan losses	(41.6)	(15.2)	(24.7)	(173)%	(69)%
Servicing fees and other income	18.1	17.0	20.4	7%	(11)%
Total operating income	186.0	196.6	193.5	(5)%	(4)%
Employee benefits expense	(65.3)	(63.6)	(65.0)	(3)%	(0)%
Marketing expense	(7.6)	(7.1)	(7.8)	(6)%	3%
Technology expense	(11.5)	(11.7)	(12.1)	1%	5%
General and administration expense	(9.1)	(9.7)	(9.6)	7%	5%
Fair value (loss) / gain on financial assets	(2.7)	3.8	(4.3)	(172)%	36%
Impairment losses on financial assets	0.0	(4.3)	0.0	100%	-
EBITDA	89.8	104.0	94.7	(14)%	(5)%
Depreciation and amortisation expense	(9.6)	(10.0)	(11.9)	4%	19%
Corporate interest expense	(13.8)	(13.1)	(11.7)	(6)%	(18)%
Profit before income tax	66.4	80.9	71.1	(18)%	(7)%
Income tax expense	(20.3)	(21.8)	(19.1)	7%	(6)%
Net profit after income tax	46.1	59.1	52.0	(22)%	(11)%
Profit pre Provisions (tax and loan losses)	108.0	96.2	95.8	12%	13%
Equity holders of Pepper Money Limited	46.7	60.1	53.0	(22)%	(12)%
<i>Non-controlling interest</i>	<i>(0.6)</i>	<i>(1.0)</i>	<i>(1.0)</i>		

Pro-forma Metrics



	Half Year			% 1H 2024 vs	
	1H 2024	2H 2023	1H 2023	2H 2023	1H 2023
Volume (\$ Billion)					
Originations – Mortgages	1.8	2.2	1.7	(17)%	6%
Originations – Asset Finance	1.4	1.6	1.8	(8)%	(19)%
Total Originations	3.3	3.8	3.5	(14)%	(7)%
AUM lending – Mortgages	11.3	12.6	12.4	(10)%	(9)%
AUM lending – Asset Finance	5.7	5.7	5.6	(1)%	1%
AUM lending	17.0	18.3	18.0	(7)%	(6)%
AUM servicing	2.3	1.4	0.9	61%	149%
Total AUM	19.3	19.7	18.9	(2)%	2%
Income (\$ Million)					
Operating income – Mortgages	110.1	106.8	107.9	3%	2%
Operating income – Asset Finance	69.1	86.0	80.3	(20)%	(14)%
Operating income – Loan and Other Servicing	5.3	2.9	4.4	87%	20%
Operating income – Corporate	1.4	1.0	0.9	48%	63%
Total operating income	186.0	196.6	193.5	(5)%	(4)%
Profitability					
Net interest margin ¹ – Mortgages	1.60%	1.51%	1.63%	9 bps	(3) bps
Net interest margin ¹ – Asset Finance	2.52%	2.39%	2.62%	13 bps	(10) bps
Total net interest margin¹	1.92%	1.81%	1.92%	11 bps	-
Employee benefits expense / Total operating income	35%	32%	34%	(3)%	(1)%
Employee cost per average FTE (\$'000)	159.8	134.4	118.2	(19)%	(35)%
Cost-to-income ratio ²	52.5%	54.6%	56.1%	2.1%	3.6%
Credit Quality					
Total losses ³ (ex. Overlay ⁴)% AUM lending – Mortgages	(0.05)%	0.03%	(0.04)%	(8) bps	(1) bps
Total losses ³ (ex. Overlay ⁴)% AUM lending – Asset Finance	(1.29)%	(0.81)%	(1.04)%	(48) bps	(25) bps
Total losses³ (ex. Overlay⁴)% AUM lending	(0.45)%	(0.24)%	(0.28)%	(21) bps	(17) bps
Return					
Total operating income yield	1.92%	2.03%	2.06%	(0.11)%	(0.14)%

Sources and Uses of Cash

Corporate Cash Flow

Key Movement: 31 December 2023 to 30 June 2024

INFLOW

Trust Income

Interest income derived from assets under management and residual income units earned from the trust waterfalls.

Whole Loan Sale Premium

Premium received from the execution of whole loan sales across Mortgages and Asset Finance portfolios in the half.

OUTFLOW

Operating Expenses

Includes business operating expenses and costs incurred in establishing securitisation deals and corporate debt structures.

Funding cashflows

Equity investments in securitisation structures, and credit enhancement required in the warehouse facilities.

Equity Investment

Acquisition of the residual 35% shareholding in Stratton Finance Pty Ltd on 28 March 2024.

Interest Expense

Interest incurred on corporate debt facilities, net of bank interest earned.

DIVIDEND

Dividend payment

CY2023 Final dividend, paid April 2024.

\$ Million

1H 2024

Trust income	146.3
Origination fees	42.6
WLS premium	33.0
Servicing and other income	2.7
Total Income	224.6
Origination expense	(38.4)
Deal costs	(19.4)
Operating expense	(82.8)
Total operating expenses	(140.6)
Interest expense	(8.4)
Cash profit before tax	75.7
Tax expense	(25.5)
Cash profit after tax	50.2
Funding cashflows	(14.6)
Equity investments	(42.1)
Other	7.2
Cash available for distribution	0.7
Dividend payment	(22.0)
Opening cash (31 December 2023)	121.1
Change in cash	(21.3)
Closing cash (30 June 2024)	99.8

Balance Sheet

Statutory

Key Movement:

ASSETS

Loans and advances

Loans and advances reflect movement in assets under management, net of provisions for loan impairments and whole loan sales of \$1,115.4 million executed over the first half of 2024.

Derivative financial asset

Net position driven by impact of rising interest rates on IRS¹ and stronger US dollar CCIRS².

Goodwill and intangibles

Addition of \$3.0 million work in progress assets offset by software amortisation expense \$(5.7) million and amortisation of acquired customer relationship asset \$(0.5) million.

LIABILITIES

Borrowings

Decrease in note borrowings in line with movement in assets under management. \$1.8 million increase in capitalised deal costs and \$0.5 million higher interest on Corporate Debt and Sub Debt facilities given facilities were renewed over the first half 2024.

EQUITY

Retained Earnings

Retained earnings profit delivered over 1H 2024, net of CY2023 Final dividend paid.

\$ Million Balance as at	30 Jun 2024	31 Dec 2023	30 Jun 2023
Cash and cash equivalents	1,106.3	1,528.7	1,110.6
Receivables	15.7	21.2	15.5
Loans and advances	17,120.5	18,379.4	18,129.3
Derivative financial assets	64.6	52.4	140.9
Other financial assets	19.8	19.2	19.6
Other assets	5.9	12.0	10.1
Deferred tax assets	15.6	21.8	4.0
Property, plant and equipment	28.4	32.0	31.7
Goodwill and intangibles	137.8	141.0	147.1
Total assets	18,514.6	20,207.7	19,608.8
Trade payables	12.0	17.1	11.9
Current tax	4.3	9.5	7.9
Provisions	25.6	23.6	23.2
Borrowings	17,511.1	19,257.0	18,644.2
Derivative liabilities	1.7	4.0	4.3
Other liabilities	40.1	33.7	32.4
Other financial liabilities	60.4	-	-
Deferred tax liabilities	-	-	8.4
Total liabilities	17,655.2	19,344.9	18,732.3
Total net assets	859.4	862.8	876.5
Issued capital	732.7	729.8	729.8
Other reserves	56.4	50.0	105.1
Retained earnings	70.3	45.6	3.2
Total equity attributable to owners of Pepper Money Limited	859.4	825.4	838.1
Non-controlling interests	-	37.4	38.4
Total equity	859.4	862.8	876.5

Scaled technology supports on-going efficient growth

PPS: connecting brokers – customers to solutions

PEPPER PRODUCT SELECTOR

Online enquiry

14 - 25 questions

Under 2 minutes

Real time credit approval

Eligible customers

presented with a best-fit loan solution **on the spot**



24.9%

Settlement¹ volume through PPS as lead

27,611

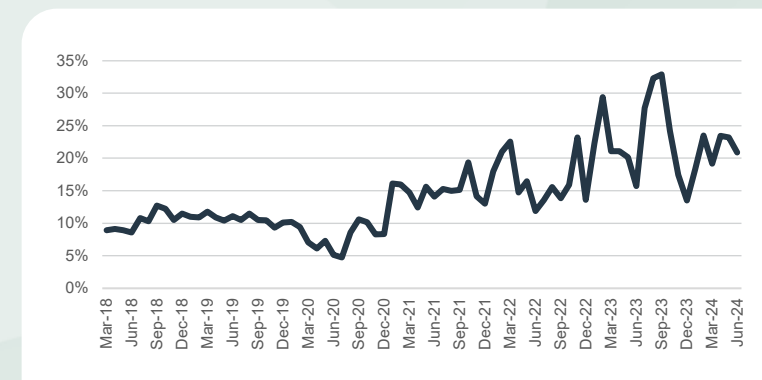
Customers offered a solution²

\$55bn

Applications³ since inception

PPS Contribution

(PPS Settlements % over time)



2017

PPS launched

2019

PPS standalone connection with aggregators CRM

2020

PPS rollout accelerated after pausing due to COVID

2023 (Q4)

New API connected PPS rolled out

2024 (April)

Credit integrated into PPS API

2024 (July)

Real time credit approval enabled

Outlook



External factors



Funding markets – stabilising

Inflation is trending towards the target, remains sticky

Consumer and business confidence low – starting to improve

Market growth will return – helped by stable / reducing interest rates

Internal factors



NIM stabilising

Funding margins continue to improve
- PRS40: 1.30%

Capital management optionality
- origination volume
- dividend

New products continued to be launched: SMSF, Sharia

Pepper Money has successfully navigated the difficult conditions of the past few years and is positioned to drive efficient growth

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Questions & Answers

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Thank you

on behalf of all of Pepper Money

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Appendices

Pepper Money over time

Funding

\$40bn¹

across 63 transactions from 2003 to June 2024

No. Customers

492,605

customers helped to June 2024²

Originations

\$61bn³

in loans originated from 2000 to June 2024

Total AUM

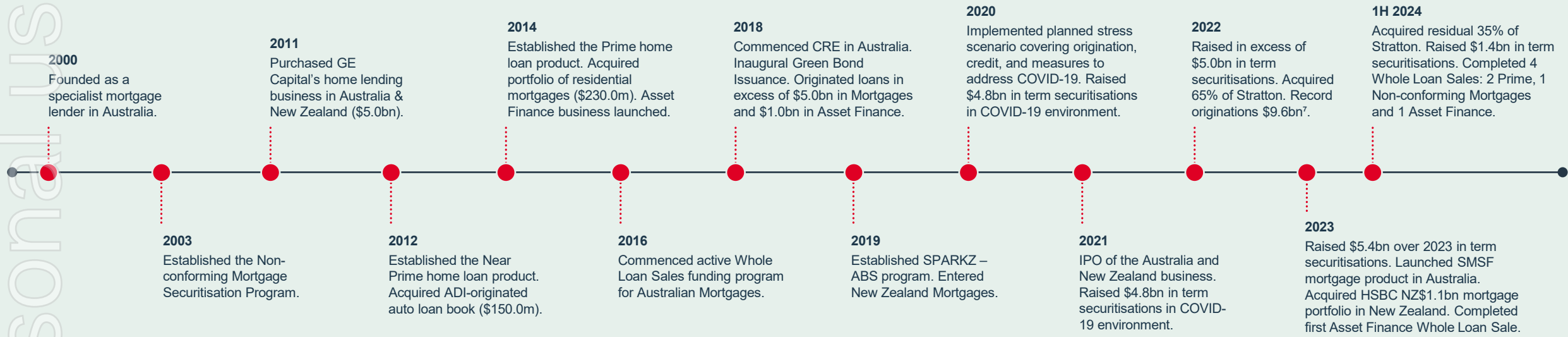
\$19bn⁴

Assets Under Management as at June 2024

Loan performance

0.5%

Cumulative loss⁵
% Total Originations⁶



Addressable Market



June 2024

Total
Addressable
Market (AUM)

Mortgages

\$2,645bn¹

Conforming: 88%
Non-Conforming: 12%²

~0.4%³

Pepper Money's
Market Share
(closing AUM)

Targeted
Customer
Segments

- First home buyers
- SME/self employed (e.g. including casual and gig economy)
- Minor adverse credit event in history (e.g. late utilities bill)
- Credit history impacted by "life event" (e.g. divorce)

Asset Finance

\$237bn

Consumer: \$69bn⁴
Commercial: \$168bn⁵

~2.4%⁶

Consumer: ~2.9%
Commercial: ~2.2%

- Used cars
- Caravans
- Commercial vehicles
- Novated lease
- Small scaled business equipment

Notes: 1. Combination of Australia and New Zealand mortgage markets at June 2024 (Total housing credit, RBA D2 Lending and credit aggregates (including owner-occupier housing credit and investor housing credit)); Housing, RBNZ C5 Sector lending (registered banks and non-bank lending institutions), June 2024, converted at an assumed exchange rate of NZD:AUD = 0.9331). 2. Independent research conducted by Fifth Dimension Research and Consulting in March 2021. 3. Represents Pepper Money's Mortgages AUM at 30 June 2024 (closing) as a proportion of Total housing credit. 4. New household loan commitments for purchase of road vehicles, other transport vehicles and equipment, New household loan commitments, ABS 5601.0 Lending Indicators Table 27, July 2023 – June 2024 (published August 2024). Assumes market size is approximately 4x lending commitments for last 12 months. 5. New business loan commitments, finance lease and fixed term, purchase of vehicles, plant and equipment, ABS 5601.0 Table 29, 31 and 33, July 2023 – June 2024 (published August 2024). Assumes market size is approximately 4x lending commitments for last 12 months. 6. Represents Pepper Money's Asset Finance AUM at 30 June 2024 (closing) as a proportion of total consumer and commercial motor and equipment financing.

Operating Income

Change in accounting treatment



Commencement of loan

Life of loan

<p>Net interest income</p>		<p>Driven by AUM, net interest margin</p>
		<ul style="list-style-type: none"> + Interest revenue received from customers + Mortgage Risk Fees / Loan Protection Fees received from customers where LVR exceeds certain thresholds, amortised over the life of the loan (driven by LVR thresholds) - Loan acquisition costs amortised over the life of the loan (such as upfront broker commissions) - Interest expense on Warehouse Facilities and Term Securitisations, and amortisation of associated establishment costs - Trail commissions ←
<p>Net lending fees</p>	<p>Driven by AUM, net interest margin</p> <ul style="list-style-type: none"> + Fee income from upfront application and establishment fees - Upfront loan origination costs (such as valuation fees and credit bureau fees) 	<p>Driven by AUM, net interest margin</p>
		<ul style="list-style-type: none"> + Fees received from a customer over the life of the loan (including account, dishonour and enforcement fees) - Trail commissions ← - Fees paid to funding related service providers following the origination process (e.g. trustee fees and custodian fees) - Enforcement costs
<p>Whole loan sales</p>		<p>Driven by WLS sales, premium achieved</p>
		<ul style="list-style-type: none"> + Premium received on the sale of Pepper Money originated loan portfolios to external third party buyers net of transaction costs
<p>Loan losses</p>	<p>Driven by originations, provision rate</p> <ul style="list-style-type: none"> - Expected loss provision established at origination of loan based on expected future losses (per AASB 9) 	<p>Driven by AUM, loss experience</p>
		<ul style="list-style-type: none"> - Actual loan losses incurred + Release of loss provision as loan portfolio amortises + Movement in provision rates for portfolio for any given period
<p>Servicing fees and other income</p>		<p>Driven by servicing portfolio balance, fee margin</p>
		<ul style="list-style-type: none"> + Fee negotiated per contract, including a base and variable component (generally set as a percentage of the portfolio balance)
<p>Total operating income</p>		

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Glossary & Disclaimer

Glossary of Terms

AUM – lending (closing): assets under management originated and serviced (securitised and Pepper Money balance sheet lending).

AUM – servicing (closing): assets under management for portfolios of third parties which are serviced by Pepper Money.

Capital expenditure: includes investment in property and equipment and intangible software and licensed assets.

Core FTE: full time equivalent employee in Australia, New Zealand and Manila supporting the Company's lending and loan servicing business units.

Cost to Income (CTI) ratio: total operating expenses including depreciation and amortisation and corporate interest expense divided by total operating income before loan losses.

EBITDA: earnings before corporate interest expense, including the interest charge associated with AASB 16, income tax expense, depreciation (including the right of use asset recognised under AASB 16 relating to premise leases) and amortisation.

Employee cost per FTE: employee benefits expenses for the relevant period, divided by average full-time equivalent.

Employee benefits expense/Total operating income: employee benefits expenses divided by total operating income.

FTE: full time equivalent employee.

Net interest income: interest charged on loans provided to borrowers (Mortgages and Asset Finance), income from Mortgage Risk Fee (MRF) / Loan Protection Fee (LPF), loan premium revenue and the funding costs and facility establishment costs associated with the debt raised to fund these assets. The net interest income is calculated using the Effective Interest Rate (EIR) which includes certain fees and costs incurred which are integral in bringing the loans or associated debt to account (such as upfront Distribution Partner commissions).

Net interest margin (NIM): Net interest income divided by average lending AUM for the relevant period.

NPAT: Net profit after tax.

Originations: new loans originated during the period.

PCP: refers to prior comparative period being the six months to June 2023 in this presentation.

Profit pre provisions: profit before tax and loan loss expense.

Pro forma NPAT: Pro-forma pre-tax adjustments for 1H CY2024 \$Nil, 1H CY2023 \$Nil, 2H CY2023 \$(3.3) million.

Total losses(ex. Overlay)% average lending AUM: excluding Post Model Overlay loan loss expense divided by average lending AUM for the relevant period.

Total Operating Income: includes net interest income, lending fee income, lending expenses, Whole loan sales gain, loan losses and servicing fees and other income.

Total Operating Income yield: total operating income divided by average lending and servicing AUM for the relevant period.

90+ days past due % closing lending AUM: loans where borrowers have not made the full payment of interest or principal for an amount exceeding 3 monthly instalments, divided by closing lending AUM.

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