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Appendix 4D

Company details

Name of entity:	Pepper Money Limited
ACN:	094 317 665
ABN:	55 094 317 665
Reporting period:	For the half-year ended 30 June 2022 (the "period")
Prior comparative period:	For the half-year ended 30 June 2021 ("PCP")

Results for announcement to the market

All comparisons to half-year ended 30 June 2021:

				$M
Statutory Results				
Net Interest Income from continuing operations	Up	9.2%	to	192.5
Total Operating Income from continuing operations	Up	12.0%	to	198.4
Net Profit After Tax (NPAT) from continuing operations	Up	28.8%	to	72.2

Dividends

The Directors have approved an interim dividend in respect to the half-year ended 30 June 2022 of 5.4 cents per ordinary share (30 June 2021: $nil).

This interim dividend will be paid on 14 October 2022 to shareholders on the share register as at 15 September 2022.

	2022 Amount per security	2022 Franked amount per security
Interim dividend	5.4 cents	5.4 cents
Final CY2021 dividend	9.0 cents	9.0 cents

Net tangible assets per ordinary share

Net tangible assets per ordinary share is calculated using tangible assets and the number of shares on issue at the reporting date.

	30 June 2022 $	31 December 2021 $
Net tangible assets per ordinary share	**1.65**	1.29

Explanation of results

A reference in this Appendix 4D to the "Group" is a reference to Pepper Money Limited and its controlled entities.

This information should be read in conjunction with the annual financial report for the year ended 31 December 2021 and with any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the Australian Securities Exchange ("ASX") Listing Rules.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' report and the financial statements for the period.

Pro-forma earnings from continuing operations

To reflect the Group's Pro-forma earnings, Net Profit After Tax ("NPAT") has been adjusted to separate one-off items incurred in the period as a result of the acquisition of Stratton Finance Pty Limited ("Stratton"), completed 1 July 2022, and the Initial Public Offering ("IPO"), completed 25 May 2021 (prior comparable period). Management believe the disclosure of the Pro-forma NPAT provides additional insight into the underlying performance for the period, by excluding one-off, non-recurring items.

The following table reconciles the Group's statutory NPAT to the unaudited Pro-forma NPAT for the period in accordance with Australian Accounting Standards ("AASB").

	Half-year ended	
	30 June 2022 $M	**30 June 2021 $M**
Statutory NPAT	**72.2**	56.0
Stratton acquisition costs	**0.9**	–
Public company costs	**–**	(0.3)
Employee remuneration plans	**–**	(0.2)
Corporate debt costs	**–**	8.4
Offer costs	**–**	6.6
Tax impact of adjustments	**–**	(4.4)
Pro-forma NPAT	**73.1**	66.1

Details of associate investments and joint venture entities

The Group did not have any associates or joint venture entities during the period.

Foreign entities

The financial information presented for foreign entities which are consolidated is presented in accordance with AASB.

Audit

This report is based on the condensed consolidated half-year financial report reviewed by Deloitte Touche Tohmatsu.

Michael Culhane
Chair

24 August 2022

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Condensed consolidated financial statements

for the half-year ended 30 June 2022

Pepper Money Limited
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HIGHLIGHTS

Pepper Money is one of Australia and New Zealand's largest non-bank lenders and our mission is to help people succeed.

Record results

Total AUM

$19.4bn

24% PCP

+14% on December 2021

Total NIM

2.29%

Down 30bps on PCP

Down 23bps on 2H 2021

Total operating income

$198.4m

12% PCP

Contents

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Helping customers succeed

327,000[1]+

13% versus CY2021 close

Customers now helped by Pepper Money

Record originations

$5.6bn

53% PCP[2]

Above systems growth

1H CY2022 growth

Mortgages	Asset Finance
4.0x	21.5x

Asset quality

0.18%

Loan Losses % AUM[3]
10bps improvement on PCP

Scaled / efficient growth

+65%

productivity[4]

Platforms supporting record growth

Cost to income[5]

44.2%

Disciplined cost management and platform scale – minimises inflationary trends

Pro-forma NPAT

$73.1m

11% PCP

Statutory NPAT

$72.2m

29% PCP

Fully franked interim dividend and yield

5.4 cents per share[6]

6.3% annualised[7]

Funding – supporting growth

Four term issuances

$2.5bn raised

Funding capacity

$11.0bn

up 11% on December 2021

Deep and diversified investor base, +100 local and offshore

Funding supporting our sustainability commitment

Sustainable bonds

$330.0m

Green Bond

$300.0m

Inaugural Social Bond

1. Cumulative customers helped from 2014 to 30 June 2022. **2.** Prior comparable period ("PCP") – six months to June 2021. **3.** Total losses as a % of average lending AUM, excluding Post Model Overlay: Year to June loan loss expense divided by average lending AUM for the relevant period. **4.** Core productivity defined as last twelve months (LTM) originations divided by average FTE (excluding FTE for Broker Servicing, Risk, Treasury, Finance, Legal and Human Resources) versus LTM to June 2021. **5.** Cost To Income ratio defined as Total Operating Expenses (including depreciation, amortisation and corporate interest) divided by Total Operating Income before loan losses. **6.** Interim dividend per ordinary share. **7.** Annualised dividend yield based on issued ordinary shares six months to 30 June 2022.

Directors' report

The Directors of Pepper Money Limited ("Pepper Money" or the "Company") present their report, together with the interim financial statements of Pepper Money Limited and its controlled entities ("the Group") for the half-year ended 30 June 2022 ("the period") which is designed to provide shareholders with a clear and concise overview of Pepper Money's operations and the financial position of the Group. The review complements the financial report.

In order to comply with the provisions of the Corporations Act 2001, the Directors' report is as follows:

Directors

The following persons were Directors of the Company during the period and up to the date of this report:

- **Michael Culhane:** Chair and Shareholder Representative
- **Mario Rehayem:** Chief Executive Officer, Pepper Money Limited
- **Des O'Shea:** Non-Executive Director and Shareholder Representative
- **Mike Cutter:** Independent Non-Executive Director
- **Akiko Jackson:** Independent Non-Executive Director
- **Justine Turnbull:** Independent Non-Executive Director
- **Rob Verlander:** Independent Non-Executive Director

Company Secretary

John Williams

Principal activities

Pepper Money is a leading Non-Bank Lender in the Australian and New Zealand Mortgage market and the Asset Finance market in Australia.

Pepper Money's business model provides a diversified base of revenue generated at multiple points across the customer relationship and includes loan origination, lending, loan servicing and broker administration.

The three core segments which Pepper Money operates in are as follows:

- **Mortgages:** financing residential home loans and small balance commercial real estate loans;
- **Asset Finance:** financing a range of asset types for consumer and commercial customers; and
- **Loan and Other Servicing:** independent loan servicing for mortgages and personal loans, and broker administration servicing.

Pepper Money's operating model combines risk-based credit underwriting expertise with customer focused operations, servicing and collections management. Together these deliver strong performance in both the lending and servicing businesses across multiple asset classes from residential and commercial mortgages to consumer and commercial asset financing.

Presentation of financial information

Results and key financial drivers of the current and prior periods are set out below in the Directors' report and are on a Pro-forma basis, reflecting the one-off adjustments incurred in the period as a result of the acquisition of Stratton Finance Pty Limited, completed 1 July 2022, and the Initial Public Offer ("IPO"), completed 25 May 2021 (prior comparable period ("PCP")).

Results and review of operations

For the half-year ended 30 June 2022, the Group reported Statutory Net Profit After Tax ("NPAT") of $72.2 million, up 29% compared with the prior comparative period. This was driven by strong originations growth across both the Mortgage and Asset Finance portfolios and strong credit performance, partially offset by ongoing compression in customer interest rates, rising BBSW and swap rates and higher operating expenses as employee numbers increased over the latter part of 2021 into 2022 as growth accelerated.

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Adjusting for the inclusion of $0.9 million of one-off acquisition related costs in 1H 2022 (and $6.6 million IPO-related costs in 1H 2021), total expenses, including depreciation and amortisation and corporate interest, increased by $10.6 million driven by higher employee benefit expense, partially offset by reduced general and administration expenses. Total expenses also include a one-off impairment of $2.1 million in respect of an equity investment in Volt Bank. Normalising for the one-off impairment, total expenses increased $8.5 million on PCP.

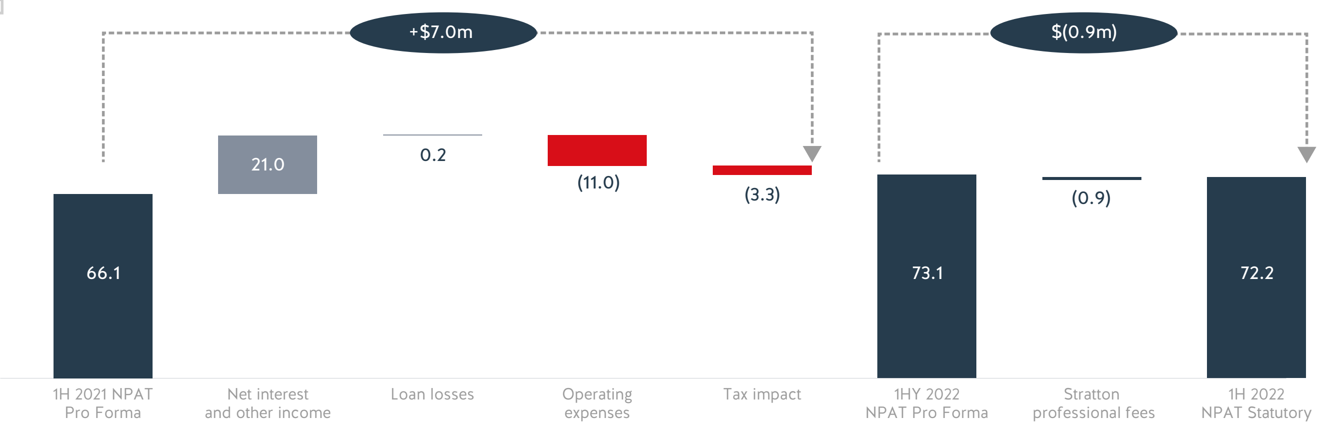
Summary financial results (continuing operations)

$M	1H 2022 Statutory	1H 2022 Pro-forma[1]	1H 2021 Pro-forma[1]	Change Pro-forma	% Change[2] Pro-forma
Net interest income	192.5	192.5	176.2	16.3	9.2%
Other operating income	19.8	19.8	15.1	4.7	31.1%
Loan losses	(13.9)	(13.9)	(14.1)	0.2	1.5%
Total operating income	**198.4**	**198.4**	**177.2**	**21.3**	**12.0%**
Employee benefits expense	(51.8)	(51.8)	(48.6)	(3.1)	(6.4)%
Marketing expense	(5.7)	(5.7)	(4.5)	(1.2)	(26.3)%
Technology expense	(11.5)	(11.5)	(9.6)	(1.9)	(20.0)%
Other operating expenses	(11.0)	(10.1)	(6.5)	(3.3)	(54.8)%
Depreciation and amortisation expense	(10.0)	(10.0)	(10.7)	0.7	6.2%
Corporate interest expense	(4.7)	(4.7)	(2.9)	(1.8)	(63.6)%
Tax expense	(31.5)	(31.5)	(28.3)	(3.6)	(11.6)%
Net profit from continuing operations	**72.2**	**73.1**	**66.1**	**7.0**	**10.6%**

1. Pro-forma adjustments for 1H 2022 of $(0.9) million are one-off in nature as they relate to the acquisition of Stratton Finance Pty Limited and will not recur in the future (30 June 2021 total $(14.5) million, Pro-forma adjustments relate to the IPO: Public company costs $0.3 million, Employee remuneration plans $0.2 million, Corporate and Shareholder debt costs $(8.4) million and IPO Offer costs of $(6.6) million).
2. % Changes are presented as positive/better or (negative/worse) based on value contribution.

Below is a period-on-period Pro-forma NPAT movement and 1H 2022 Pro-Forma NPAT to Statutory NPAT movement by key line item:

$M



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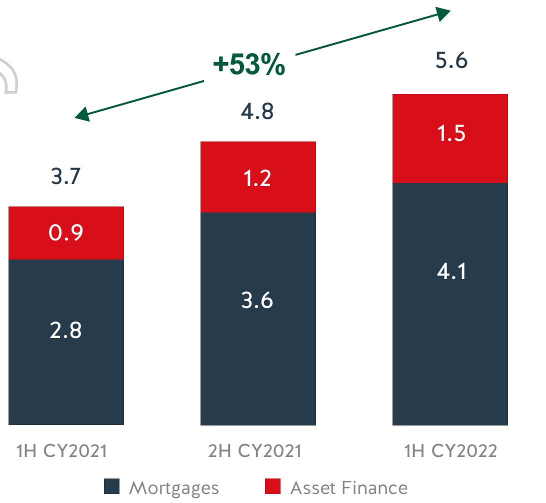
Key financial drivers

Originations ($ billion)



Originations grew **$1.9 billion, 53%** on PCP

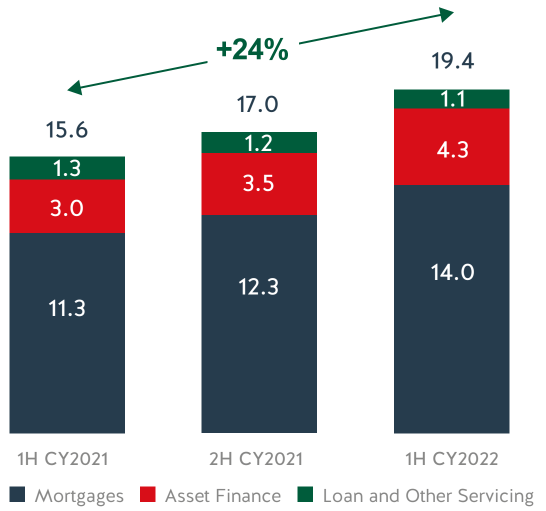
Mortgage originations increased $1.3 billion, +48%, on June 2021 to $4.1 billion.

Asset Finance continued to deliver strong growth with 1H 2022 originations of $1.5 billion representing a growth on PCP of $0.6 billion, +67%.

Versus 2H 2021, Originations reported a **growth** of **18%**

Mortgages increased by $0.5 billion, +15% on 2H 2021 with Asset Finance growing by 27%.

Total AUM ($ billion)



Total AUM[1] of **$19.4 billion** up **24%** on PCP

Lending AUM increased $4.0 billion on June 2021 to close June 2022 at $18.3 billion.

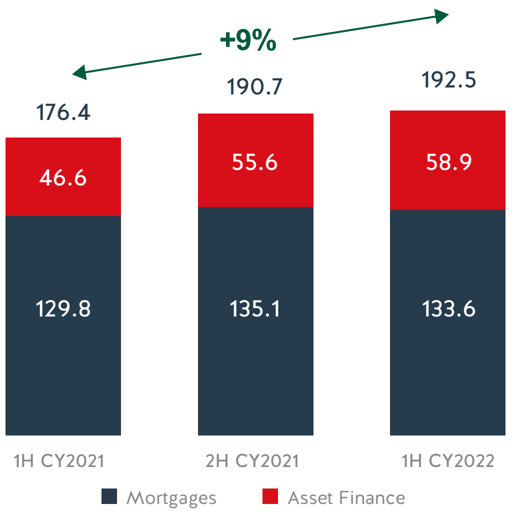
Mortgages increased $2.7 billion (+24%) to $14.0 billion and **Asset Finance** increased $1.3 billion (+43%) to a record $4.3 billion.

Including **Servicing AUM** of $1.1 billion, **Total AUM** grew 24% on PCP to close June 2022 at $19.4 billion.

Versus 31 December 2021 Total AUM grew by **$2.4 billion +14%:**

Lending AUM grew $2.5 billion, +16% on 2021-year end close, with **Mortgages** AUM growth of +14% and **Asset Finance** +22% on prior period.

Net Interest Income ($ million)



Net Interest Income of **$192.5 million**[2] up **9%** on PCP

Net Interest Income (NII) from lending activities grew by $16.1 million on PCP, driven by strong originations and higher lending AUM.

Mortgages NII grew 3% on PCP to $133.6 million, with volume growth being partially offset by lower customer rates and higher funding costs.

Asset Finance NII increased 26% on PCP to $58.9 million, with volume gains being impacted by rising swap rates experienced over 2022 to date.

Versus 2H 2021 Net Interest Income grew **1%**

Mortgages NII contracted (1)% on 2H 2021 with **Asset Finance** NII increasing 6% on prior period.

1. Figures displayed are Closing AUM.
2. Loan and Other Servicing segment net interest is not displayed in the bar chart as not material.

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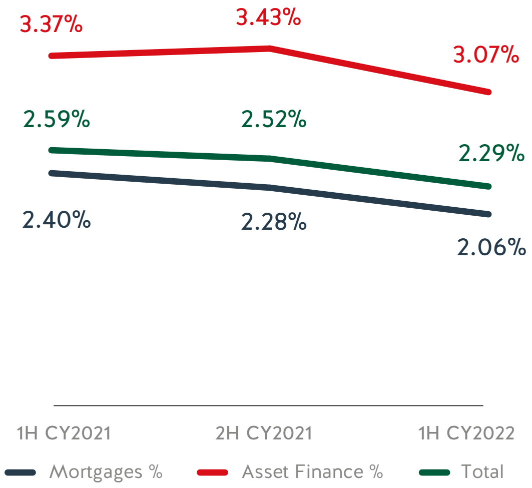
Net Interest Margin (%)



Net Interest Margin (NIM) of **2.29%** down **(30)bps** on PCP

NIM compression experienced over the second half of 2021 continued into 2022 with **Mortgages** NIM at 2.06%, (34bps) lower than PCP and **Asset Finance** NIM at 3.07% (30bps) lower than PCP.

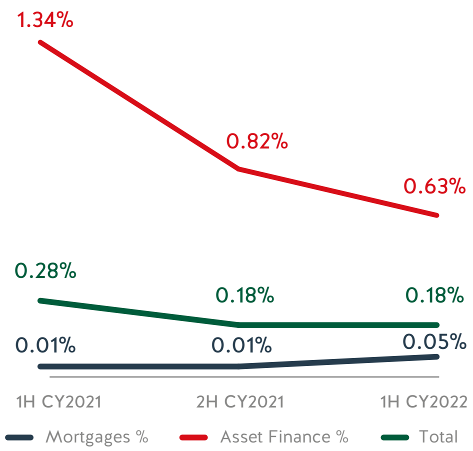
NIM was further impacted by rising BBSW and swap rates and continued pressure from home loan competition specifically.

Given rising cost of funds coupled with the increase to the Reserve Bank of Australia official cash rate in May, back book and front book price increases have been implemented across the Mortgage portfolio and front book increases across the Asset Finance portfolio to help manage NIM going forward.

Versus 2H 2021 Net Interest Margin (NIM) was down **(23)bps**

Mortgages NIM reduced by (22)bps on 2H 2021 with **Asset Finance** NIM reducing (36)bps driven by the sharp rise and volatility in swap rates seen in 2022.

Loan losses (excluding Post Model Overlays) as % of AUM



Loan losses (excluding Post Model Overlays) **as % of AUM of 0.18%** improved **10bps** on PCP

Excluding the impact of Post Model Overlays, positive portfolio mix and the ongoing strength in credit performance is seen through Loan Losses as % of AUM, which have improved 9bps from 0.28% in 1H 2021 to 0.18% as at 30 June 2022.

Mortgages has marginally increased by (4)bps on PCP reflecting a higher "downside" case in the expected credit loss model inputs.

Originations with clean/low credit profile as a proportion of **Asset Finance** originations increased 67% vs PCP (Tier A origination growth of 83% vs PCP), as Commercial products grew +70% vs PCP. The Novated Lease segment – which has near zero loss rates given salary sacrifice – continues to grow as a percent of Asset Finance originations accounting for 7% of originations vs PCP of 2%.

Versus 31 December 2021 Loan Losses as % of AUM remains **flat**

As at 30 June 2022 the business is holding a total provision for credit losses of $114.2 million ($110.9 million at 31 December 2021) which includes a total Post Model Overlay of $24.7 million ($31.7 million 31 December 2021; $18.0 million 30 June 2021).

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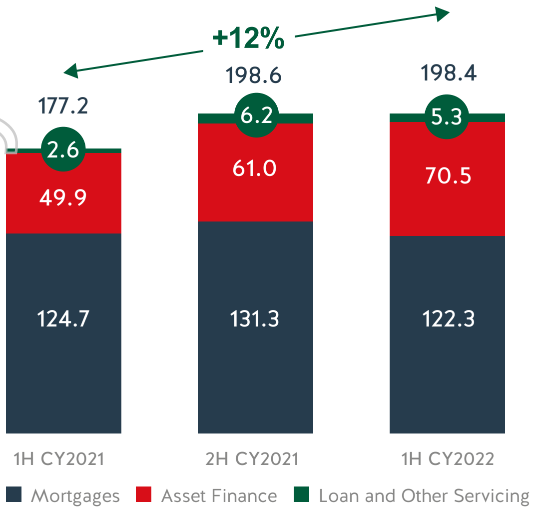
Total Operating Income ($ million)



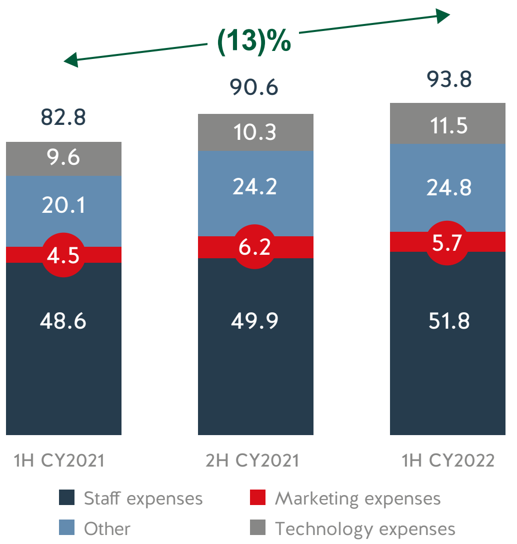
Total Operating Income[3] of **$198.4 million** grew **12%** on PCP

Mortgage Operating Income of $122.3 million, was marginally down on PCP. While originations volume grew, the reduction in Net Interest Margin experienced in 2021 flowed through into the first half of 2022.

Asset Finance Operating Income grew by 41% on PCP to $70.5 million as the business continues to drive scale and gain share. Asset Finance as a % of Total Operating Income grew from 28% in the first half of 2021 to 36% in the first half of 2022.

Loan and Other Servicing Operating income at $5.3 million grew 105% on PCP driven by the Broker Administration Servicing business which commenced operating in Q4 2020.

Pro-forma Operating Expenses ($ million)



Pro-forma **Operating Expenses**[4] of **$(93.8) million, (13)%** increase on PCP

Staff expenses increase of (6)% on PCP was driven by increased FTE – specifically in Manila – in support of the Broker Administration business.

Staff expenses per FTE declined 15% on PCP as core FTE remain constant and new FTE build for Broker Administration is undertaken in the lower cost operations in Manila.

Technology cost increase reflects the increase in the number of FTE (cost per seat).

Marketing spend increase of $(1.2) million on PCP reflects the underlying investment rate of 2.5-3.0% of Total Operating Income.

Other includes $(2.1) million impairment in relation to an equity investment in Volt Bank following the return of their banking license on 29 June 2022.

Excluding impairments Pro-forma Operating Expenses increased (11)% on PCP.

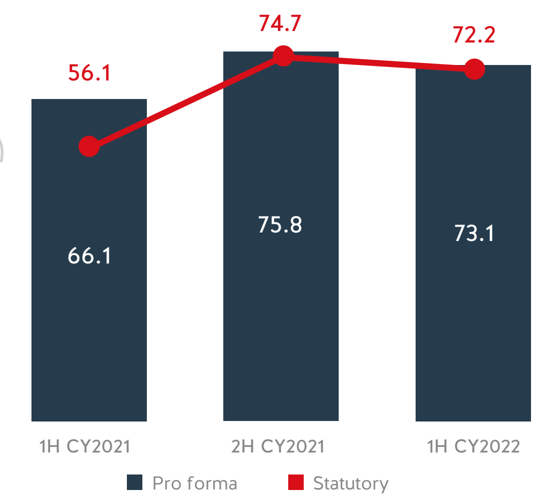
Versus 2H 2021 Pro-forma Operating Expenses increased **(4)%**

Disciplined management of discretionary costs has seen costs grow below inflation. FTE growth has been the primary driver of the increase in Pro-forma Operating Expenses versus prior period.

Excluding impairments Pro-forma Operating Expenses increased (1)% on prior period.

3. Total Operating Income – Corporate segment is not displayed in the bar chart as not material, however is included in totals.
4. Pro-forma Operating Expenses include depreciation & amortisation and corporate interest expense.

Net Profit After Tax (NPAT) ($ million)



Pro forma NPAT of **$73.1 million,** up **11%** on PCP

Pro forma NPAT grew by $7 million on PCP, driven by volume growth ahead of system, strong credit performance, ongoing benefits from technology and disciplined cost management.

Excluding the one-time impairment, **underlying Pro forma NPAT** grew 13% on PCP.

Statutory NPAT $72.2 million up 29% on PCP

The business incurred $(1.3) million pre-tax in one off costs associated with the acquisition of Stratton Finance Pty Limited. 1H 2021 one-off IPO related costs were $6.6 million.

Funding and capital

Pepper Money maintains access to a diversified funding platform supported by established funding relationships and a Board approved funding policy.

Lending Activities: The following funding channels are used to support Pepper Money's lending activities:

- **Public Term securitisations:** loans that are initially funded via a warehouse facility can be pooled together and refinanced by being sold to a new funding vehicle that issues limited recourse asset-backed securities to public market investors.
- **Whole loan sales:** Pepper Money can create additional funding capacity by selling specific pools of mortgage loans that allows the release and recycle of capital.
- **Sustainable bonds:** including Green and Social bonds – bonds where Pepper Money uses the net proceeds to finance/refinance the purchase of existing Pepper Money originated mortgage loans that are aligned to the Green Bond Principles (GBP) and Social Bond Principles (SBP).
- **Warehouse facilities:** limited recourse funding vehicles established by Pepper Money and provided by funding partners that finance the origination or purchase of new loan assets, or the purchase of loan assets from term transactions to facilitate the exercise and fulfilment of call options.
- **Private Term securitisation:** funding transactions that are similar to Public Term securitisations, but which result in Pepper Money raising funds from a single investor or a small number of investors.

During the period, the following Residential Mortgage-Backed Securities (RMBS), Auto-Based Securities (ABS) and Sustainable bonds were issued to optimise funding costs and term duration, and facilitate assets under management growth:

- **Pepper Prime (formerly I-Prime) 2022-1** was settled on 16 March 2022 – is a domestic prime issue with a total issuance size of $1.0 billion and included a $330.0 million **Green Bond** (A1-G green note).
- **PRS 32** was settled on 30 March 2022 and is a domestic non-conforming issue with a total issuance size of $500.0 million.
- **SPARKZ 5** was settled on 19 May 2022 and is a domestic auto-backed issuance of $700.0 million.
- **Pepper Social Bond** was settled on 9 June 2022 with a total issuance size of $300.0 million.

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Total Warehouse capacity as at 30 June 2022 was $11.0 billion, excluding Pepper Money notes, up 11% from 31 December 2021.

During the period a further $861.0 million was added in Private Term securitisations

Debt Facilities: Pepper Money's cash resources, including cash funded via Pepper Money's Corporate Debt Facility and Debt Issuance Program, are used to fund Pepper Money's investment in Junior Securities in Warehouse facilities and Term securitisations, investment in CRR (Credit Risk Retention) Securities to meet credit risk retention requirements, funding of various loan assets (predominantly seed pools for new asset classes) and other operating expenses.

As at 30 June 2022, $145.0 million (31 December 2021: $50.0 million) of the Corporate Debt Facility of $200.0 million was drawn, including $65.0 million in part to fund the acquisition of Stratton Finance Pty Limited which completed 1 July 2022.

As at 30 June 2022, the total value of outstanding notes of Pepper Money's Debt Issuance program was $95.0 million (31 December 2021: $70.0 million).

Consolidated balance sheet (extract)

	As at	
	30 June 2022 $M	31 December 2021 $M
Assets		
Cash and cash equivalents	1,265.9	1,309.2
Receivables	10.1	9.4
Loans and advances	18,384.1	15,819.8
Derivative financial assets	137.9	23.7
Deferred tax assets	–	37.5
Intangible assets	29.0	31.5
Other asset categories	37.9	37.1
Total assets	**19,864.9**	**17,268.2**
Liabilities		
Current tax	13.0	39.2
Borrowings	19,030.8	16,517.2
Derivative liabilities	9.7	17.5
Other liability categories	55.6	57.9
Total liabilities	**19,109.1**	**16,631.8**

The Group had loans and advances as at 30 June 2022 of $18.4 billion (31 December 2021: $15.8 billion), reflecting a 14% net portfolio growth on December 2021 close. The Group originated $5.6 billion in new financial assets in the period. The asset growth was financed by the issuance of four Public Term securitisation issues totalling $2.5 billion, an increase in warehouse capacity of $690.0 million and a further $861.0 million in Private Term securitisations.

Dividends on ordinary shares

An interim dividend will be paid on 14 October 2022 of 5.4 cents per basic share. This is a payout ratio of 32.5% of Pro forma NPAT and represents an annualised yield of 6.3%.

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Macroeconomics

Pepper Money has carefully considered the impact of market conditions which are being impacted by macroeconomic and geopolitical uncertainty in preparing the financial statements for the half year ending 30 June 2022, including the application of critical estimates and judgements. The main impact on the financial statements has been the provision for expected credit losses.

In assessing market conditions over the period Pepper Money has:

- Updated the macroeconomic scenarios used in modelling expected credit losses and the relative weightings of the base, upside, downside and severe downside scenarios applied, and the evaluation of certain specific industry overlays, taken historically.
- Reviewed specific market conditions relating to the Asset Finance portfolio that have resulted in a proportion of the provisions raised in prior periods being written back.
- Reviewed all other provisions raised in prior periods while maintaining a prudent provision coverage to cater for ongoing uncertainty of the current market, macroeconomic and geopolitical conditions.

As at 30 June 2022, the Group maintained a Post Model Overlay of $24.7 million (Mortgages: $13.5 million, Asset Finance: $11.2 million) for potential future economic loss directly related to the impacts of macroeconomic conditions (31 December 2021: $31.7 million). The current coverage remains adequately provisioned to withstand future losses and continues to reflect a cautious approach to managing risks given ongoing market conditions.

Refer to Note 3(B) for additional information on credit risk management and the provision for expected credit losses.

Events since the end of the period

The Group did not identify any subsequent events caused by market conditions, which would require adjustment to the amounts or disclosures in the financial statements. In addition, no other material non-adjusting subsequent events were identified requiring disclosure in the financial statements. The Group continues to monitor and review forward-looking assumptions and economic scenarios.

The Group completed the acquisition of a 65% majority position in Stratton Finance Pty Limited on 1 July 2022.

Other than as noted above, there has not been any matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11 and forms part of this report.

Rounding of amounts

The Company is a company of a kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, relating to the "rounding off" of amounts in the directors' report. Unless otherwise indicated, amounts in the directors' report and half-year financial report have been rounded off in accordance with the instrument to the nearest million dollars.

This report is signed in accordance with a resolution of the Directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors of Pepper Money Limited.

Michael Culhane
Chair

24 August 2022

Pepper Money Limited

Condensed consolidated financial statements

for the half-year ended 30 June 2022

ASX:PPM

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Contents

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Auditor's Independence Declaration

Deloitte.

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Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

24 August 2022

The Board of Directors
Pepper Money Limited
Level 27, 177 Pacific Highway
North Sydney NSW 2060

Dear Board Members

Auditor's Independence Declaration to Pepper Money Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Pepper Money Limited.

As lead audit partner for the review of the financial statements of Pepper Money Limited for the half-year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Independent auditor's report to the Directors of Pepper Money Limited

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Independent Auditor's Review Report to the Members of Pepper Money Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Pepper Money Limited and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2022, and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration as set out on pages 14 to 39.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants
Sydney, 24 August 2022

Directors' declaration

The Directors of Pepper Money Limited declare that, in the Directors' opinion:

(a) there are reasonable grounds to believe that Pepper Money Limited will be able to pay its debts as and when they become due and payable; and

(b) the condensed consolidated financial statements of Pepper Money Limited (as defined in Note 1) including the notes set out on pages 15 to 38:

  (i) are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Michael Culhane
Chair

24 August 2022

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Condensed consolidated statement of profit or loss

	Notes	Half-year ended 30 June 2022 $M	Half-year ended 30 June 2021 $M
Interest income	2(A)	**376.5**	338.9
Interest expense[1]		**(184.0)**	(162.7)
Net interest income from continuing operations[1]		**192.5**	176.2
Lending fee income	2(B)	**36.1**	28.3
Lending expense	2(B)	**(27.8)**	(22.8)
Whole loan sales gain		**4.3**	4.5
Loan losses	2(F)(a)	**(13.9)**	(14.1)
Servicing fees and other income	2(B)	**7.2**	5.1
Total operating income from continuing operations		**198.4**	177.2
Employee benefits expense	2(D)	**(51.8)**	(48.4)
Marketing expense		**(5.7)**	(4.5)
Technology expense		**(11.5)**	(9.6)
General and admin expense	2(D)	**(8.9)**	(17.4)
Fair value gains or losses on financial assets		**(2.1)**	–
Depreciation and amortisation expense		**(10.0)**	(10.7)
Corporate interest expense		**(4.7)**	(6.7)
Operating expenses from continuing operations		**(94.7)**	(97.3)
Profit before income tax from continuing operations		**103.7**	79.9
Income tax expense		**(31.5)**	(23.9)
Net profit after income tax from continuing operations		**72.2**	56.0
Profit from discontinued operations	8	**–**	182.2
Net profit after income tax		**72.2**	238.2
Net profit after income tax attributable to equity holders of Pepper Money Limited		**72.2**	238.2

	Notes	Cents per share	Cents per share
Earnings per share (EPS)	2(E)		
Basic (cents per share) from continuing operations		**16.42**	19.44
Basic (cents per share) from discontinued operations		**–**	63.21
Diluted (cents per share) from continuing operations		**16.09**	19.38
Diluted (cents per share) from discontinued operations		**–**	63.01

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

1. Excludes corporate interest expense.

Condensed consolidated statement of comprehensive income

	Half-year ended	
	30 June 2022 $M	**30 June 2021 $M**
Net profit after tax from continuing operations	**72.2**	56.0
Net profit after tax from discontinued operations	**–**	182.2
Net profit after tax	**72.2**	238.2
Other comprehensive income that may be recycled to profit or loss		
Currency translation movement	**(0.1)**	12.3
Cash flow hedge reserve movement	**121.0**	34.3
Other reserve movement	**1.8**	0.5
Income tax relating to items that may be recycled to profit or loss	**(36.3)**	(8.9)
Total other comprehensive expense that may be recycled to profit or loss	**86.4**	38.2
Total comprehensive income for the period	**158.6**	276.4
Total comprehensive income attributable to:		
Owners of Pepper Money Limited	**158.6**	276.4

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

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Condensed consolidated statement of financial position

	Notes	As at 30 June 2022 $M	As at 31 December 2021 $M
Assets			
Cash and cash equivalents	3(A)	**1,265.9**	1,309.2
Receivables		**10.1**	9.4
Loans and advances	3(B)	**18,384.1**	15,819.8
Derivative financial assets		**137.9**	23.7
Other financial assets	3(C)	**19.8**	23.0
Other assets		**8.8**	7.5
Deferred tax assets		**–**	37.5
Property, plant and equipment		**9.3**	6.6
Intangible assets		**29.0**	31.5
Total assets		**19,864.9**	17,268.2
Liabilities			
Trade payables		**13.7**	11.2
Current tax		**13.0**	39.2
Provisions		**23.3**	26.8
Borrowings	4(A)	**19,030.8**	16,517.2
Derivative liabilities		**9.7**	17.5
Other liabilities		**17.5**	19.9
Deferred tax liabilities		**1.1**	–
Total liabilities		**19,109.1**	16,631.8
Total net assets		**755.8**	636.4
Equity			
Issued capital	6(A)	**729.6**	729.3
Other reserves	6(B)	**98.8**	12.4
Retained earnings		**(72.6)**	(105.3)
Total equity attributable to owners of Pepper Money Limited		**755.8**	636.4
Total equity		**755.8**	636.4

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

	Issued capital $M	Other equity $M	Currency translation reserve $M	Cash flow hedge reserve $M	Share-based payments reserve $M	Retained earnings $M	Attributable to owners of the Group $M	Non-controlling interests $M	Total equity $M
1 January 2021									
Opening balance	601.8	(19.5)	(1.9)	(43.7)	–	197.2	733.9	1.0	734.9
Profit for the period	–	–	–	–	–	238.2	238.2	–	238.2
Currency translation movements	–	–	12.2	–	–	–	12.2	–	12.2
Cash flow hedge movements	–	–	–	25.5	–	–	25.5	–	25.5
Share-based payments	–	–	–	–	0.5	–	0.5	–	0.5
Total comprehensive income	–	–	12.2	25.5	0.5	238.2	276.4	–	276.4
Distribution to owners of the Group	(395.5)	–	–	–	–	(620.0)	(1,015.5)	–	(1,015.5)
Issue of shares under the IPO	500.1	–	–	–	–	–	500.1	–	500.1
Shareholder loan converted to equity	41.6	–	–	–	–	–	41.6	–	41.6
IPO costs converted to equity	(13.1)	–	–	–	–	–	(13.1)	–	(13.1)
Other equity movements	(5.6)	19.5	(10.4)	2.2	–	4.2	9.9	(1.0)	8.9
Balance as at 30 June 2021	**729.3**	**–**	**(0.1)**	**(16.0)**	**0.5**	**(180.4)**	**533.3**	**–**	**533.3**
1 January 2022									
Opening balance	**729.3**	**–**	**(0.1)**	**8.7**	**3.8**	**(105.3)**	**636.4**	**–**	**636.4**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**72.2**	**72.2**	**–**	**72.2**
Cash flow hedge movements	**–**	**–**	**–**	**84.6**	**–**	**–**	**84.6**	**–**	**84.6**
Share-based payments	**–**	**–**	**–**	**–**	**1.8**	**–**	**1.8**	**–**	**1.8**
Total comprehensive income	**–**	**–**	**–**	**84.6**	**1.8**	**72.2**	**158.6**	**–**	**158.6**
NED shares issued	**0.3**	**–**	**–**	**–**	**–**	**–**	**0.3**	**–**	**0.3**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(39.5)**	**(39.5)**	**–**	**(39.5)**
Balance as at 30 June 2022	**729.6**	**–**	**(0.1)**	**93.3**	**5.6**	**(72.6)**	**755.8**	**–**	**755.8**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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Condensed consolidated statement of cash flows

	Half-year ended	
	30 June 2022 $M	**30 June 2021 $M**
Cash flows from operating activities		
Interest received	**337.7**	330.4
Interest paid	**(163.7)**	(174.6)
Receipts from loan fees and other income	**41.6**	31.6
Payments to suppliers and employees	**(122.4)**	(94.7)
Payments of net loans to borrowers	**(2,699.1)**	(1,202.7)
Proceeds from sale of loan portfolios	**202.6**	178.5
Income taxes paid	**(58.1)**	(38.9)
Operating activities from discontinued operations	**–**	(660.7)
Net cash (outflow) from operating activities	**(2,461.4)**	(1,631.1)
Cash flows from investing activities		
Payments for property, plant and equipment	**(4.8)**	(3.7)
Net payments for investments	**(1.3)**	(1.2)
Investing activities from discontinued operations	**–**	(32.8)
Net cash outflow from disposal of businesses	**–**	(219.5)
Net cash (outflow) from investing activities	**(6.1)**	(257.2)
Cash flows from financing activities		
Proceeds from borrowings	**6,940.7**	5,321.5
Repayment of borrowings	**(4,472.7)**	(4,879.1)
Repayment of lease liability	**(4.2)**	(4.1)
Proceeds from issuance of capital	**–**	488.2
Payment of dividends	**(39.6)**	–
Financing activities from discontinued operations	**–**	913.0
Net cash inflow from financing activities	**2,424.2**	1,839.5
Net (decrease) in cash and cash equivalents	**(43.3)**	(48.8)
Cash and cash equivalents at the beginning of the financial period	**1,309.2**	885.5
Cash and cash equivalents at end of period	**1,265.9**	836.7

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Basis of preparation

(A) Reporting entity

These condensed consolidated financial statements are for the consolidated Group ("the Group") consisting of Pepper Money Limited ("Pepper Money" or "the Company") and its controlled entities and were approved and authorised for issue in accordance with a resolution of the Directors on 24 August 2022.

Pepper Money Limited is a public company limited by shares domiciled in Australia and was listed on the Australian Stock Exchange ("ASX") on 25 May 2021. The ASX ticker code is PPM.

(B) Basis of preparation

The condensed consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report for the financial year ended 31 December 2021.

The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(C) Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This interim financial report does not contain all disclosures of the type normally found within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report. This report should be read in conjunction with the annual financial report for the financial year ended 31 December 2021 and any public announcements made up until the date of this interim financial report.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. The results of discontinued operations are presented separately in the income statement and statement of comprehensive income with comparative information restated accordingly.

(D) Critical estimates and judgements

The preparation of the condensed consolidated financial statements requires the use of judgement, estimates and assumptions about the carrying value of assets, liabilities, revenues and expenses that are not readily apparent from other sources. Should different assumptions or estimates be applied, the resulting values may change, impacting the net assets and income of the Group. These estimates and assumptions are reviewed on an ongoing basis.

The nature of significant estimates and judgements that the Directors have made in the process of applying the Group's accounting policies, are noted below.

(a) Determination of impairment losses on loans and advances

The Group recognises an allowance for expected credit losses ("ECLs" or "Provisions for loan impairment") for all debt instruments held at either amortised cost, or fair value through other comprehensive income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include, where applicable, cash flows from the sale of collateral held.

The Group's approach to ECL estimation in respect of loans and advances is detailed below. The ECL required in respect of other credit risk exposures is not significant to the Group.

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ECL for Loans and Advances

The Group's approach consists of three components, being:

1. Modelled collective ECL.
2. Post-model overlay adjustments.
3. Specific provisions.

ECLs are monitored on a monthly basis as part of the Group's overall approach to monitoring, measuring and managing credit risk. A portfolio approach is taken in managing credit risk, with the individual management of facilities/customers applied to address specific circumstances as the credit life-cycle develops. The Group has therefore aligned its approach to estimating ECLs with its credit risk management practices and the requirements of AASB 9, which incorporates segmentation between the following three stages at each reporting date:

	Stage	Required provision	Provision approach
Stage 1	Performing loans and advances less than 30 days past due	Losses that arise from a default event in the next 12 months	Modelled collective provision, post-model overlay adjustments
Stage 2	All loans and advances where a significant increase in credit risk ("SICR") has occurred since origination (see below for further detail)	All loans and advances where a significant increase in credit risk has occurred since origination (see below for further detail). Loss provision equal to the expected loss over the expected lifetime of the asset.	Modelled collective provision, post-model overlay adjustments
Stage 3	All loans and advances 90+ days in arrears, other loans and advances which are considered credit impaired (e.g. where the counterparty has been declared bankrupt)	Lifetime ECL provision incorporating a 100% probability of default	Modelled collective provision, post-model overlay adjustments, specific provisions

Key estimates for ECLs

The following items are the key matters of judgement in estimating ECLs:

Significant increase in credit risk ("SICR")	An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group considers qualitative (e.g. watch lists), quantitative (e.g. 30+ days in arrears), and other reasonable, supportable forward-looking information.
Probability of default ("PD")	An estimate of the likelihood of default over a given time horizon. The Group's PDs are estimates considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to consider estimates of future conditions that will impact PD.
Loss given default ("LGD")	An estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, considering the cash flow capacity of the borrower (including collateral).
Forward-looking adjustments	Captures estimated impacts of scenario weighted macro-economic assumptions. The Group uses macro-economic factors including unemployment rates, target cash rate and GDP growth rates analysed across four scenarios – base case, upside, downside, and severe downside. The Group's analysis is informed by a combination of publicly available economic forecasts in respect of the Australian and New Zealand economies, combined with Group portfolio information, judgements and analysis.
Post-model overlay adjustments	The Group applies adjustments to the modelled ECL result to ensure that the provision balance is sufficiently responding to changes in the credit risk profile of the loans which are not modelled in the above assumptions.

(b) Share-based payments valuation

In determining the share-based payments schemes for the period, the Group use models which require the use of various assumptions and estimates involving Management judgement.

(c) Fair value of equity investments

The Group carries its equity investments at fair value with changes in the fair value recognised in the income statement.

Management performs valuations at each reporting period, at which time Management update their assessment of the fair value of each investment, taking into account the most recent valuation.

(E) Accounting standards adopted in the period

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments were mandatorily effective for the current reporting period but did not have an impact on the interim condensed consolidated financial statements of the Group.

IBOR Reform and AASB 9 Financial Instruments Relief Amendments

AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform Phase 2

Financial liabilities and derivatives exposure to IBOR benchmarks that will be discontinued have not changed since 31 December 2021. Management are working to finalise negotiations on alternative benchmark fallback provisions with the intention to conclude the negotiations and implement the amendments in CY2022. No new USD-denominated borrowings and hedging contracts were transacted during the period.

The information presented in Note 1 is considered relevant to an understanding of the condensed consolidated financial statements.

2. Financial performance

(A) Interest income

	Half-year ended	
	30 June 2022 $M	**30 June 2021 $M**
Interest from customers	**375.0**	337.7
Bank interest	**1.5**	1.2
Total interest income	**376.5**	338.9

(B) Non-interest income and expenses

Lending fee income

	Half-year ended	
	30 June 2022 $M	**30 June 2021 $M**
Settlement fees	**18.7**	12.7
Post-settlement fees	**17.4**	15.6
Total lending fee income	**36.1**	28.3

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Lending expense

	Half-year ended 30 June 2022 $M	Half-year ended 30 June 2021 $M
Trail commission expense	**(13.3)**	(10.8)
Trustee and other SPV expenses	**(1.5)**	(1.3)
Enforcement costs	**(3.6)**	(2.5)
GST input tax loss	**(2.4)**	(2.1)
Origination expense	**(4.5)**	(3.7)
Other lending expense	**(2.5)**	(2.4)
Total lending expense	**(27.8)**	(22.8)

Servicing fees and other income

	Half-year ended 30 June 2022 $M	Half-year ended 30 June 2021 $M
Loan and other servicing income	**4.0**	2.8
Other income	**3.2**	2.3
Total servicing fees and other income	**7.2**	5.1

Other income includes miscellaneous income items which:

- are recognised in the period in which it is earned; and
- may be allocated to different reportable operating segments.

(C) Disaggregation of revenue from contracts with customers

The below table summarises revenue from contracts with customers recognised under AASB 15 *Revenue from Contracts with Customers* and how this revenue is disaggregated by revenue type and timing of revenue recognition.

The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (refer to Note 2(F)).

	Mortgages		Asset Finance		Loans and Other Servicing		Corporate		Total	
	1H 2022 $M	**1H 2021 $M**	**1H 2022 $M**	**1H 2021 $M**	**1H 2022 $M**	**1H 2021 $M**	**1H 2022 $M**	**1H 2021 $M**	**1H 2022 $M**	**1H 2021 $M**
Revenue Type:										
Lending fee income	**10.8**	8.7	**25.2**	19.6	**-**	–	**0.1**	–	**36.1**	28.3
Whole loan sales income	**4.3**	4.5	**-**	–	**-**	–	**-**	–	**4.3**	4.5
Servicing fees and other income	**0.7**	1.7	**1.0**	0.6	**5.3**	2.8	**0.2**	–	**7.2**	5.1
Total revenue from contracts with customers	**15.8**	14.9	**26.2**	20.2	**5.3**	2.8	**0.3**	–	**47.6**	37.9
Timing of revenue recognition:										
Services transferred at a point in time	**15.8**	14.9	**26.2**	20.2	**1.3**	–	**0.3**	–	**43.6**	35.1
Services transferred over time	**-**	–	**-**	–	**4.0**	2.8	**-**	–	**4.0**	2.8
Total revenue from contracts with customers	**15.8**	14.9	**26.2**	20.2	**5.3**	2.8	**0.3**	–	**47.6**	37.9
Lending expense	**(23.2)**	(19.3)	**(4.6)**	(3.5)	**-**	**-**	**-**	–	**(27.8)**	(22.8)
Other operating income as reported in Note 2(F) Segment Reporting	**(7.4)**	(4.4)	**21.6**	16.7	**5.3**	2.8	**0.3**	–	**19.8**	15.1

(D) Expenses

Employee benefits expense

	Half-year ended	
	30 June 2022 $M	**30 June 2021 $M**
Salaries and wages	**(41.6)**	(38.1)
Employee incentive and share-based payments	**(7.9)**	(7.9)
Other personnel expenses	**(2.3)**	(2.4)
Total employee benefits expense	**(51.8)**	(48.4)

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General and admin expense

	Half-year ended 30 June 2022 $M	Half-year ended 30 June 2021 $M
Related party charges	**(0.4)**	(4.2)
Postage, printing and office expenses	**(0.9)**	(0.7)
Professional expenses	**(3.2)**	(7.9)
Travel and entertainment expenses	**(0.5)**	(0.5)
Financing fees and expenses	**(1.5)**	(0.5)
Insurance expenses	**(0.4)**	(0.1)
Occupancy expense	**(0.8)**	(0.9)
ASX listing fee	**–**	(0.7)
Other expenses	**(1.2)**	(1.9)
Total general and admin expense	**(8.9)**	(17.4)

(E) Earnings per share

(a) Methodology

Basic earnings per share ("EPS") is calculated by dividing the net profit or loss after income tax attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the net profit or loss after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period for the effects of all dilutive potential ordinary shares, which include the share rights granted to employees.

(b) EPS calculation inputs

	Half-year ended 30 June 2022 $M	Half-year ended 30 June 2021 $M
Profit from continuing operations attributable to ordinary equity holders of the Group	**72.2**	56.0
Weighted average number of ordinary shares (WANOS) used in the calculation of basic EPS (millions of shares)	**439.6**	288.3
Dilutive effect of share options (millions of shares)	**9.0**	0.9
WANOS used in the calculation of diluted shares (millions of shares)	**448.6**	289.2
Profit from discontinued operations attributable to ordinary equity holders of the Group	**–**	182.2
WANOS used in the calculation of basic EPS (millions of shares)	**439.6**	288.3
Dilutive effect of share options (millions of shares)	**9.0**	0.9
WANOS used in the calculation of diluted shares (millions of shares)	**448.6**	289.2

(c) Basic earnings per share

	Half-year ended	
	30 June 2022 Cents	30 June 2021 Cents
Basic (cents per share) from continuing operations	**16.42**	19.44
Basic (cents per share) from discontinued operations	–	63.21
Total basic EPS attributable to the ordinary equity holders of the Group	**16.42**	82.65

(d) Diluted earnings per share

	Half-year ended	
	30 June 2022 Cents	30 June 2021 Cents
Diluted (cents per share) from continuing operations	**16.09**	19.38
Diluted (cents per share) from discontinued operations	–	63.01
Total diluted EPS attributable to the ordinary equity holders of the Group	**16.09**	82.39

(F) Segment reporting

Operating segments are presented on a basis that is consistent with information provided internally to the Group's Board and Executive Committee (the chief operating decision makers).

The accounting policies of the reportable segments are the same as the Group's accounting policies. All assets and liabilities are allocated to reportable segments and no intersegment revenues occur. The Mortgages and Asset Finance segments include the relevant structured entities which hold the Group's mortgage and asset finance assets and liabilities. There is no equity in these structured entities and as a result segment assets equal segment liabilities.

The chief operating decision makers examine the Group's performance from a portfolio perspective and has identified the following operating and reportable segments:

- The **Mortgages** segment includes both residential mortgages and commercial real estate and includes the revenues and direct expenses associated with the origination of mortgages in Australia and New Zealand and with the origination of small balance commercial real estate in Australia. Mortgage lending comprises residential prime and non-conforming mortgages.
- The **Asset Finance** segment includes the revenues and direct expenses associated with the origination and ongoing ownership of loans secured over a range of assets, including new and used cars, caravans and small commercial equipment in Australia.
- The **Loan and Other Servicing** segment includes the revenues and direct expenses associated with the servicing of loan portfolios for third parties conducted by the Group in Australia. It also includes loan broker servicing (administration and compliance support).

In addition to those segments identified above, Management has identified the Corporate division for inclusion in this disclosure. Although not meeting the strict definition of an operating segment by virtue of the fact it does not earn revenues, Management believe that the Corporate division is essential to understanding how the business operates.

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(a) Segment income statement

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies. Revenue from external customers attributable to foreign operations is immaterial to the Group.

The following is an analysis of the Group's revenue and results by reportable operating segments:

	Mortgages $M	Asset Finance $M	Loan and Other Servicing $M	Corporate $M	Total $M
Half Year ended 30 June 2022					
Interest income	**264.8**	**111.7**	**(0.1)**	**0.1**	**376.5**
Interest expense	**(131.1)**	**(52.8)**	**–**	**(0.1)**	**(184.0)**
Net interest income	**133.7**	**58.9**	**(0.1)**	**–**	**192.5**
Other operating income	**(7.4)**	**21.6**	**5.3**	**0.3**	**19.8**
Loan losses	**(4.0)**	**(10.0)**	**0.1**	**–**	**(13.9)**
Total segment reporting income	**122.3**	**70.5**	**5.3**	**0.3**	**198.4**
Corporate					
Corporate costs	**–**	**–**	**–**	**(80.0)**	**(80.0)**
Depreciation and amortisation	**–**	**–**	**–**	**(10.0)**	**(10.0)**
Corporate interest expense	**–**	**–**	**–**	**(4.7)**	**(4.7)**
Profit before income tax	**122.3**	**70.5**	**5.3**	**(94.4)**	**103.7**
Income tax expense	**–**	**–**	**–**	**(31.5)**	**(31.5)**
Net profit after tax before discontinued operations	**122.3**	**70.5**	**5.3**	**(125.9)**	**72.2**
Half Year ended 30 June 2021					
Interest income	250.7	88.4	(0.2)	–	338.9
Interest expense	(120.9)	(41.8)	–	–	(162.7)
Net interest income	129.8	46.6	(0.2)	–	176.2
Other operating income	(4.4)	16.7	2.8	–	15.1
Loan losses	(0.7)	(13.4)	–	–	(14.1)
Total segment reporting income	124.7	49.9	2.6	–	177.2
Corporate					
Corporate costs	–	–	–	(79.9)	(79.9)
Depreciation and amortisation	–	–	–	(10.7)	(10.7)
Corporate interest expense	–	–	–	(6.7)	(6.7)
Profit before income tax	124.7	49.9	2.6	(97.3)	79.9
Income tax expense	–	–	–	(23.9)	(23.9)
Net profit after tax before discontinued operations	124.7	49.9	2.6	(121.2)	56.0

(b) Segment balance sheet

	Mortgages $M	Asset Finance $M	Loan and Other Servicing $M	Corporate $M	Total $M
As at 30 June 2022					
Segment assets	**14,463.4**	**4,440.5**	**0.8**	**960.2**	**19,864.9**
Segment liabilities	**(14,463.4)**	**(4,440.5)**	**(0.8)**	**(191.4)**	**(19,096.1)**
Current tax liability	**–**	**–**	**–**	**(13.0)**	**(13.0)**
Total	**–**	**–**	**–**	**755.8**	**755.8**
As at 31 December 2021					
Segment assets	13,033.8	3,613.3	1.1	620.0	17,268.2
Segment liabilities	(13,033.8)	(3,613.3)	(1.1)	55.6	(16,592.6)
Current tax liability	–	–	–	(39.2)	(39.2)
Total	–	–	–	636.4	636.4

The Corporate division represents the Group's support functions not specifically aligned to business operations in the other divisions listed above (specifically Finance, Treasury, Risk, Human Resources, Administration, Legal and Technology) as well as the Group's executives' costs. Operating foreign exchange gains or losses are also presented as part of the Corporate division.

(G) Dividends

(a) Dividends declared and paid during the period

	Half-year ended 30 June 2022 $M	Half-year ended 30 June 2021 $M
Final CY2021 dividend: $0.09 (CY2020: $nil)	**39.8**	–

The final CY2021 dividend of $39.8 million was fully franked at 30% and paid on 14 April 2022 (CY2020: $nil).

(b) Proposed dividends not recognised as a liability at the end of the period

	30 June 2022 $M	30 June 2021 $M
Interim CY2022 dividend: $0.054 (Interim CY2021: $nil)	**23.8**	–

The interim dividend recommended after 30 June 2022 will be fully franked at 30%.

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3. Financial assets

(A) Cash and cash equivalents

Cash and cash equivalents comprise the Group's unrestricted cash (i.e. cash at bank and cash in transit) and restricted cash held in the limited recourse financing vehicles. Restricted cash includes monies in the Special Purpose Vehicles ("SPVs") and securitisation trusts on behalf of members in those Trusts and various clearing accounts. Restricted cash is not available for operational use.

	As at	
	30 June 2022 $M	**31 December 2021 $M**
Cash at bank	**159.7**	129.4
Restricted cash	**1,106.2**	1,179.8
Total cash and cash equivalents	**1,265.9**	1,309.2

(B) Gross loans and advances

	As at	
	30 June 2022 $M	**31 December 2021 $M**
Gross loans and advances		
Loans and advances	**18,340.1**	15,807.5
Deferred transaction costs	**236.9**	200.5
Mortgage risk fee	**(78.7)**	(77.3)
Provision for loan impairment	**(114.2)**	(110.9)
	18,384.1	15,819.8
Provision for loan impairment		
Specific provision	**(21.9)**	(19.1)
Collective provision	**(92.3)**	(91.8)
	(114.2)	(110.9)
Specific provision		
Opening balance	**(19.1)**	(20.9)
Provided for during the year	**(13.4)**	(20.5)
Loans previously provided for written-off or sold	**10.6**	22.3
Specific provision closing balance	**(21.9)**	(19.1)
Collective provision		
Opening balance	**(91.8)**	(87.7)
Provided for during the year	**(0.5)**	(4.1)
Collective provision closing balance	**(92.3)**	(91.8)

(a) Staging analysis by loans and advances and provisions for impairment

The following tables show movements in:

- the gross carrying amount of financial assets subject to impairment requirements; and
- allowance for expected credit losses

for the half-year ended 30 June 2022 and year-ended 31 December 2021.

Deferred transaction costs, mortgage risk fee and loans and advances equals the gross carrying amount of loans and advances.

Loans and advances $M	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Gross carrying amount as at 1 January 2022	15,626.6	134.5	169.6	15,930.7
Transfer to Stage 1	117.5	(82.3)	(35.2)	–
Transfer to Stage 2	(138.0)	147.2	(9.2)	–
Transfer to Stage 3	(64.3)	(29.8)	94.1	–
Financial assets that have been derecognised during the period	(2,238.7)	(28.5)	(39.7)	(2,306.9)
New financial assets originated	5,258.3	17.2	3.8	5,279.3
Net repayments and interest for the period	(397.4)	(2.4)	(5.0)	(404.8)
Gross carrying amount as at 30 June 2022	18,164.0	155.9	178.4	18,498.3

Provision for loan impairment $M	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Loss allowance as at 1 January 2022	45.0	1.5	32.7	79.2
Transfer to Stage 1	4.5	(0.9)	(3.6)	–
Transfer to Stage 2	(0.6)	1.4	(0.8)	–
Transfer to Stage 3	(0.3)	(0.4)	0.7	–
Financial assets that have been derecognised during the period	(3.2)	(0.3)	(6.3)	(9.8)
New financial assets originated	14.0	0.6	0.6	15.2
Net repayments and interest for the period	(8.2)	0.4	12.7	4.9
Total	51.2	2.3	36.0	89.5
Post-model overlay adjustments	–	–	–	24.7
Loss allowance as at 30 June 2022	51.2	2.3	36.0	114.2

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Loans and advances $M	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Gross carrying amount as at 1 January 2021	12,999.4	231.4	188.6	13,419.4
Transfer to Stage 1	179.6	(136.1)	(43.5)	–
Transfer to Stage 2	(113.6)	121.7	(8.1)	–
Transfer to Stage 3	(62.7)	(25.6)	88.3	–
Financial assets that have been derecognised during the period	(3,875.9)	(76.4)	(66.8)	(4,019.1)
New financial assets originated	7,162.2	23.9	10.2	7,196.3
Net repayments and interest for the period	(662.4)	(4.4)	0.9	(665.9)
Gross carrying amount as at 31 December 2021	15,626.6	134.5	169.6	15,930.7

Provision for loan impairment $M	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Loss allowance as at 1 January 2021	48.8	2.3	34.5	85.6
Transfer to Stage 1	5.5	(1.3)	(4.2)	–
Transfer to Stage 2	(0.5)	1.1	(0.6)	–
Transfer to Stage 3	(0.3)	(0.2)	0.5	–
Financial assets that have been derecognised during the period	(6.9)	(0.8)	(8.8)	(16.5)
New financial assets originated	25.4	1.2	2.5	29.1
Net repayments and interest for the period	(27.0)	(0.8)	8.8	(19.0)
Total	45.0	1.5	32.7	79.2
Post-model overlay adjustments	–	–	–	31.7
Loss allowance as at 31 December 2021	45.0	1.5	32.7	110.9

The value of the collateral held as security for loans in the Stage 1, Stage 2 and Stage 3 collective provision as at 30 June 2022 is $24.7 billion (31 December 2021: $21.5 billion).

The value of the collateral held as security for loans in the Stage 3 specific provision as at 30 June 2022 is $7.8 million (31 December 2021: $4.4 million).

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(b) Maximum exposure to credit risk and the relative credit quality of financial assets

30 June 2022 $M	Maximum exposure to credit risk	Relative credit quality of assets Rated*	Unrated
Cash and cash equivalents	**1,265.9**	Investment grade	**-**
Derivative financial instruments	**137.9**	Investment grade	**-**
Gross Mortgages loans and advances (including undrawn facilities)	**15,462.8**	–	
LVR Band 90%+			**305.9**
LVR Band 75-90%			**5,226.5**
LVR Band 60-75%			**4,590.0**
LVR Band <60%			**5,340.4**
Gross Asset Finance loans and advances	**4,274.0**	–	
Commercial			**2,183.8**
Consumer			**2,090.2**
Receivables	**10.1**	–	**10.1**
Other financial assets	**0.7**	–	**0.7**
Total	**21,151.4**	**-**	**19,747.6**

30 June 2021 $M	Maximum exposure to credit risk	Relative credit quality of assets Rated*	Unrated
Cash and cash equivalents	1,309.2	Investment grade	–
Derivative financial instruments	23.7	Investment grade	–
Gross Mortgages loans and advances (including undrawn facilities)	13,587.9	–	
LVR Band 90%+			372.6
LVR Band 75-90%			4,751.1
LVR Band 60-75%			3,881.7
LVR Band <60%			4,582.5
Gross Asset Finance loans and advances	3,525.3	–	
Commercial			1,639.0
Consumer			1,886.3
Receivables	9.4	–	9.4
Other financial assets	2.2	–	2.2
Total	**18,457.7**	**-**	**17,124.8**

* Investment grade: AAA to BBB by Standard & Poor's.

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As at 30 June 2022 the Group had $1,391.0 million of undrawn customer facilities (31 December 2021: $1,247.6 million).

Undrawn customer commitments and redraw balances are not recognised on the balance sheet and are classified at amortised cost and subsequently assessed for credit risk as required under AASB 9. The ECL has been assessed as immaterial and no provision has been recognised.

Mortgage loans are secured by a first registered mortgage over the property. This provides the Group with first priority over the proceeds of any sale of the property to repay the outstanding balance of the loans.

Asset Finance loans are secured by a Purchase Money Security Interest ("PMSI") registered with the personal property security register over the financed asset. This provides the Group with first priority over the proceeds of any sale of the asset to repay the outstanding balance of the loans.

Collateral valuations are obtained at origination. Collateral valuations are updated in limited circumstances, such as when the Group becomes a mortgagee in possession.

(C) Other financial assets

Other financial assets comprise of several equity and debt portfolio investments held at fair value through profit or loss ("FVTPL") or amortised cost.

Investments held at amortised cost have been assessed for credit risk as required under AASB 9. The ECL has been assessed as immaterial and no provision has been recognised.

	As at	
	30 June 2022 $M	31 December 2021 $M
Equity investments held at FVTPL	**19.1**	20.8
Debt investments held at FVTPL	**0.4**	1.9
Debt investments held at amortised cost	**0.3**	0.3
Total other financial assets	**19.8**	23.0

Significant Areas of Judgement

The Group conducted impairment testing on its investments at the reporting date to assess whether business or other impacts has led to an asset impairment.

During the period, Management recorded impairment charges of $2.1 million (2021: $nil) which relates to the carrying value of the Group's investment in Volt Bank Limited ("VOLT") being written down to $nil as a result of VOLT returning their banking license on 29 June 2022.

4. Financial liabilities

(A) Borrowings

All borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are measured at amortised cost using the effective interest rate method.

	As at	
	30 June 2022 $M	31 December 2021 $M
Non-recourse facilities	**18,772.7**	16,375.9
Government structured finance	**16.7**	20.1
Corporate debt facilities	**241.4**	121.2
Total borrowings	**19,030.8**	16,517.2

Non-recourse facilities are secured on the assets of each of the individual trusts.

Corporate debt facilities secured over certain assets of the Group were also in place in the year ended 31 December 2021 and the period to 30 June 2022.

In 2021, the Group entered into a secured syndicated facility agreement to provide an IPO bridge term loan facility. Upon listing on 25 May 2021, this converted into a secured, syndicated 3-year revolving credit facility and was partially paid down with funds raised in the IPO. As at 30 June 2022, $145.0 million is drawn down on the total facility of $200.0 million (31 December 2021: $50.0 million).

This facility carries a floating interest rate at 3-month BBSY plus a margin. Transaction costs directly attributable to the facility have been capitalised and are amortised over the facility term. Commitment fees on the undrawn portion are included in the effective interest rate.

Under a new debt issuance programme established in October 2021, the Group issued two tranches of floating rate medium term notes. As at 30 June 2022, the value of outstanding notes was $95.0 million. These notes carry a floating interest rate at 3-month BBSW plus a margin. Transaction costs directly attributable to the notes have been capitalised and are amortised over the facility term.

5. Financial instrument disclosures

(A) Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following assets and liabilities are measured at fair value by the Group for financial reporting purposes:

			As at	
	Fair value hierarchy	**Valuation technique and key inputs**	**30 June 2022 $M**	**31 December 2021 $M**
Equity investments at FVTPL	Level 2	Recent arm's length market transaction	**19.1**	20.8
Debt investments at FVTPL	Level 2	Discounted cash flow, forward interest rates, contract interest rates, appropriate discount rates	**0.4**	1.9
Derivative financial assets and liabilities	Level 2	Discounted cash flow, forward interest rates, contract interest rates, counterparty valuations	**128.2**	6.2
Total			**147.7**	28.9

In the period to 30 June 2022 there has been no change in the fair value hierarchy or the valuation techniques applied to any of the balances above.

Fair value of assets and liabilities not measured at fair value

The Group has considered all financial assets and liabilities not carried at fair value to determine whether the carrying value is an accurate reflection of fair value. For financial assets and liabilities whose carrying value does not accurately reflect the fair value, the Group performed a discounted cash flow valuation to determine fair value at the balance date.

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The table below shows a comparison of the carrying amounts, as reported on the balance sheet and the fair values of those financial assets and liabilities that are measured at amortised cost where the carrying value recorded in the balance sheet does not approximate to fair value.

	Carrying value $M	Fair value $M	Difference $M
As at 30 June 2022			
Loans and advances	**18,384.1**	**18,384.3**	**0.2**
As at 31 December 2021			
Loans and advances	15,819.8	15,857.8	38.0

6. Equity

(A) Issued capital

All ordinary shares are fully paid. Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either by person or by proxy, at a meeting of the Group.

Ordinary shares carry one vote per share and carry the right to dividends.

(a) Movements in ordinary shares:

	Number of shares (millions)	$M
Opening balance 1 January 2022	439.5	729.3
Ordinary shares issued to NEDs as part of share-based payment scheme	0.2	0.3
Balance 30 June 2022	**439.7**	**729.6**

During the period, the Group issued additional ordinary shares to non-executive directors (NEDs) in accordance with the Pepper Money non-executive director equity plan.

This plan was outlined in the prospectus lodged by Pepper Money with the Australian Securities and Investment Commission on 7 May 2021.

(B) Other equity and other reserves

	As at	
	30 June 2022 $M	31 December 2021 $M
Currency translation reserve	**(0.1)**	(0.1)
Cash flow hedge reserve	**93.3**	8.7
Share-based payments	**5.6**	3.8
Total other reserves	**98.8**	12.4

7. Related party transactions

(A) Related party disclosures

The ultimate parent entity of Pepper Money Limited is Pepper Global Topco Limited ("Topco"), an entity incorporated in Jersey. Topco owns 100% of the shares in Pepper Global Midco Limited ("Midco") which in turn owns 100% of the shares in Pepper Group ANZ Holdco Limited ("Holdco"). Holdco owns 60.59% of the shares of Pepper Money Limited (and its controlled entities).

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

The following tables detail the total amount of transactions that have been entered into with related parties during the half year ended 30 June 2022 and half year ended 30 June 2021, as well as balances with related parties as at 30 June 2022 and 31 December 2021.

(a) Transactions and balances with related party entities

$'000	Dividend income/ (paid)	Interest income and other fees	Interest expense and other fees	Receivable	Payable
Entity with significant influence over the Group:					
Pepper Group ANZ Holdco Limited – 2022	**(23,968)**	**–**	**–**	**298**	**–**
Pepper Group ANZ Holdco Limited – 2021	–	–	(2,977)	298	–
Pepper Group Services (Australia) Pty Ltd – 2022	**–**	**150**	**(510)**	**–**	**(2,314)**
Pepper Group Services (Australia) Pty Ltd – 2021	–	–	(1,247)	–	(2,893)
Red Hot Australia Bidco Pty Ltd – 2022	**–**	**–**	**–**	**–**	**–**
Red Hot Australia Bidco Pty Ltd – 2021	–	–	(4,538)	–	–
Other related parties of Pepper Money Limited - 2022	**–**	**–**	**–**	**26**	**–**
Other related parties of Pepper Money Limited – 2021	470	602	(4,110)	914	–

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(b) Loans to/from related parties

In 2021, interest-free loans were provided to certain Management. The loans were made as part of an offer for those Management to reinvest proceeds from the sale of their shares in TopCo to purchase shares in the Group at the time of listing on the ASX. The loan amounts were calculated to equal amounts retained from the proceeds of the sale of the TopCo shares to: (a) repay existing loans to management; and (b) estimate tax liabilities for those management as a result of the sale of the TopCo shares.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

	As at	
	30 June 2022 $'000	31 December 2021 $'000
Loan balances to key management personnel of the Group	**5,562.0**	5,593.0

8. Discontinued operations

(A) Background

PrimeCredit Holdings Ltd ("PrimeCredit")

On 17 March 2021, Pepper Europe (UK) Ltd entered into a Sale and Purchase agreement to sell its shares in PrimeCredit. The transaction closed on 25 March 2021.

Rest of World Business Operations (excluding PrimeCredit)

As at 31 March 2021, as part of a restructure prior to the listing of Pepper Money Limited on the ASX, the global business operations in all jurisdictions – other than Australia, New Zealand and the shared service operations in the Philippines – collectively the Rest of World – were sold by subsidiaries controlled by Pepper Money Limited (within the Group at the time of the restructure) to other legal entities controlled by Topco.

For the purpose of the distribution of non-cash items, the Rest of World business operations were sold at a fair value determined by an independent valuation and this resulted in an overall gain of $192.1 million. The gain was recognised in the condensed consolidated statement of profit or loss. This was facilitated through dividend distributions of $22.1 million to its current immediate holding Company (Holdco) and $597.9 million to its previous immediate parent entity Red Hot Australia (Bidco) Pty Ltd ("Bidco"). The Group also repatriated $14.1 million of capital to ANZ Holdco and $381.4 million to Bidco before all Pepper Money Limited shares were sold to ANZ Holdco prior to listing on the ASX.

All Rest of World business results (including PrimeCredit) represent discontinued operations and are presented in more detail in the tables below.

(B) Financial performance

Summary income statement information for the Group's most significant Rest of World business units have been individually presented in the table below.

The financial performance information presented is for the period and prior comparative period.

30 June 2022	Prime Credit $M	Europe Servicing $M	South Korea $M	UK Lending $M	Spain Lending $M	Group Corporate $M	Total $M
Total revenue	–	–	–	–	–	–	–
Total expenses	–	–	–	–	–	–	–
Profit before tax	–	–	–	–	–	–	–
Income tax expense	–	–	–	–	–	–	–
Profit after tax	–	–	–	–	–	–	–

30 June 2021	Prime Credit $M	Europe Servicing $M	South Korea $M	UK Lending $M	Spain Lending $M	Group Corporate $M	Total $M
Total revenue	**–**	**29.0**	**93.6**	**15.2**	**16.3**	**0.2**	**154.3**
Gain on sale of businesses	**–**	**–**	**–**	**–**	**–**	**192.1**	**192.1**
Total expenses	**–**	**(30.6)**	**(86.9)**	**(23.9)**	**(16.6)**	**(11.5)**	**(169.5)**
Equity profits from associates	2.4	–	0.3	–	–	–	2.7
Profit/(loss) before tax	**2.4**	**(1.6)**	**7.0**	**(8.7)**	**(0.3)**	**180.8**	**179.6**
Income tax expense	–	0.7	(2.7)	1.7	0.1	2.8	2.6
Profit/(loss) after tax	**2.4**	**(0.9)**	**4.3**	**(7.0)**	**(0.2)**	**183.6**	**182.2**

9. Events occurring after the reporting period

(A) Acquisition of Stratton Finance Pty Limited

On 1 July 2022, the Group completed the acquisition of a 65% interest in Stratton Finance Pty Limited ("Stratton").

The acquisition enables the Company to accelerate the growth of the Asset Finance business, by providing opportunities to grow the direct-to-consumer offerings and leverage Stratton's broad customer data to continue to develop innovative customer focused solutions.

The Group entered into a binding agreement to acquire the 65% interest in Stratton on 4 April 2022. Under the terms of the deal the Group paid cash of $77.8 million for the 65% interest, funded in part from a drawdown on Pepper Money's Corporate Debt Facility and in part from existing cash balances.

The transaction valued Stratton at $120.0 million on a debt free/cash free basis. The Group and Stratton also entered into a Put and Call Option in relation to the remaining 35% stake in Stratton, exercisable from Q1 CY2024 through Q1 CY2026, with a base price of $42.0 million indexed based on Stratton's performance from completion of the acquisition of the 65% interest and the acquisition of the remaining 35%.

The financial effects of this transaction have not been recognised at 30 June 2022. The operating results and assets and liabilities of Stratton will be consolidated from 1 July 2022.

(a) Information not disclosed as not yet available

At the time the condensed consolidated financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Stratton. In particular, the fair values of the assets and liabilities have only been determined provisionally as the independent values of each class of assets and liabilities is still being determined. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

(B) Interim dividend declared

The Pepper Money Limited Board declared a fully-franked interim dividend of 5.4 cents per share on 24 August 2022. The Record Date is 15 September 2022 and the payment date is 14 October 2022.

The interim dividend has not been provided for in this financial report.

Other than as noted above, there has not been any matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

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Pepper Money Limited, incorporated and domiciled in Australia, is a public company.

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