pepper money

Appendix 4E

Company details

Name of entity:	Pepper Money Limited
ACN:	094 317 665
ABN:	55 094 317 665
Reporting period:	For the year ended 31 December 2023 (the "year")
Prior comparative period:	For the year ended 31 December 2022

Results for announcement to the market

All comparisons to year ended 31 December 2022:

Statutory				$M
Net interest income	Down	7.2%	to	360.9
Total operating income	Down	5.0%	to	387.9
Net profit after income tax	Down	22.6%	to	108.7

Dividends

The Directors have approved a final dividend in respect of the financial year ended 31 December 2023 of 5.0 cents per ordinary share which will be paid on 18 April 2024 to shareholders on the share register as at 14 March 2024.

An interim dividend was paid on 12 October 2023 in respect of the six months to 30 June 2023.

	Amount per security	Franked amount per security
Final CY2023 dividend declared	5.0 cents	5.0 cents
Interim CY2023 dividend paid	3.5 cents	3.5 cents
Prior comparative period:		
Final CY2022 dividend paid (14 April 2023)	5.1 cents	5.1 cents
Interim CY2022 dividend paid	5.4 cents	5.4 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.

	31 December 2023 $	31 December 2022 $
Net tangible assets per ordinary share	1.59	1.56

Explanation of results

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

This information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2023 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.

Pepper Money Limited listed on the ASX in May 2021 and is 60.55% owned by Pepper Group ANZ Holdco Limited ("Holdco"). Holdco is an independently wholly-owned subsidiary of Pepper Global Topco Limited ("Topco").

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

Pro-forma earnings

To reflect the Group's Pro-forma earnings, the Net profit after tax ("NPAT") has been adjusted to separate one-off items incurred in respect of acquisitions. In December 2023 Pepper Money acquired the New Zealand mortgage portfolio of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), a wholly owned subsidiary of HSBC Holdings plc. In the prior comparative period, the Group acquired 65% of Stratton Finance Pty Ltd ("Stratton"). Management believes 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 year.

	Year ended	
	31 December 2023 $M	31 December 2022 $M
Statutory NPAT	**108.7**	140.5
Stratton acquisition costs	–	1.5
Mortgage portfolio acquisition costs	**3.3**	–
Tax impact of adjustments	**(0.9)**	–
Pro-forma NPAT	**111.1**	142.0

Details of entities over which control has been gained or lost during the year

Refer to Note 10(A)(a) for further details.

Details of associate investments and joint venture entities

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

Foreign entities

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

Results commentary

Commentary on the results for the year is contained in the ASX release accompanying this statement and the Operating and Financial Review contained within the Annual Report.

Audit

This report is based on the financial report audited by Deloitte Touche Tohmatsu.

Michael Culhane
Chair

29 February 2024

Mario Rehayem
CEO and Director

29 February 2024

peppermoney

Annual Report 2023

About this Report

Reporting suite

Pepper Money's disclosure framework for annual reporting is comprised of a suite of documents, covering the Company's strategy, risk management and corporate governance frameworks, as well as Pepper Money's financial, non-financial and sustainability performance. Transparent reporting is a key pillar of Pepper Money in communicating to shareholders and other key stakeholders. Pepper Money continually evolves the report suite to align with best practice, feedback from our stakeholders, legislation and frameworks.

Annual Report

Pepper Money's **2023 Annual Report** provides information on the Group's activities and performance during 2023. The Annual Report outlines the Company strategy, operating environment, governance, financial and non-financial performance for the financial year. The Annual Report draws on aspects of the International Integrated Reporting Framework, and is supported by the additional documents outlined below.

Pages 18 to 51 is the **Operating and Financial Review** for Pepper Money Limited and provides information on the Group's strategy, business, operating environment, risk management framework and performance. These pages outline performance relevant to customers, market, environment, climate, sustainability, technology, data and security, and communities.

Pages 52 to 57 contain key components of the **Report of the Directors**.

Pages 58 to 89 contain the **Remuneration Report**.

Pages 90 to 153 contain the **Consolidated Financial Statements**.

Corporate Governance Statement

Pepper Money's **Corporate Governance Statement** is a key component of the Company reporting suite and discloses how the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 4th edition" have been complied with.

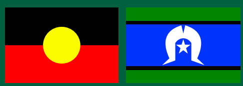
Environment, Social and Governance Report

Pepper Money has built strong foundations of supporting the community, embedding good corporate governance, and lending responsibly to our customers. Pepper Money is on the path to continue to strengthen its **Environmental, Social and Governance** ("ESG") Framework to provide a quantifiable guide for our employees and stakeholders on the standards Pepper Money seeks to uphold.

The Company's **ESG Report** outlines how Pepper Money manages sustainability, including the risks and opportunities across ESG factors identified as material to the business.

Additional information

Pepper Money's Board and Committee Charters and key policies, standards and other corporate governance materials can be found at: **www.peppermoney.com.au/about/corporate-governance**.



Acknowledgement of Country

Pepper Money acknowledges Australia's First Nations people as the Traditional Custodians of the land and their continuing connection to country, sea and water. We pay respect to their Elders past and present.

Contents

About Pepper Money

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

Funding

$39bn[1]

across 61 transactions from 2003 to December 2023

No. Customers

455,248

customers helped to December 2023[2]

2000
Founded as a specialist mortgage lender in Australia.

2003
Established the Non-conforming Mortgage Securitisation Program.

2011
Purchased GE Capital's home lending business in Australia & New Zealand ($5bn).

2012
Established the Near Prime home loan product. Acquired ADI-originated auto loan book ($150m).

2014
Established the Prime home loan product. Acquired portfolio of residential mortgages ($230m). Asset Finance business launched.

2016
Commenced active Whole Loan Sales funding program for Australian Mortgages.

Notes: 1. Subject to rounding. 2. Cumulative number of customers from 2004 to 31 December 2023. Includes HSBC New Zealand residential mortgage customers who transferred on acquisition of the portfolio.

Originations

$58bn[3]

in loans originated from 2000 to December 2023

Total AUM

$20bn[4]

Assets Under Management as at December 2023

Loan performance

0.4%

Cumulative loss[5] % Total Originations[6]

2018
Commenced CRE in Australia. Inaugural Green Bond Issuance. Originated loans in excess of $5bn in Mortgages and $1bn in Asset Finance.

2019
Established SPARKZ – ABS program. Entered New Zealand Mortgages.

2020
Implemented planned stress scenario covering origination, credit, and measures to address COVID-19. Raised $4.8bn in term securitisations in COVID-19 environment.

2021
IPO of the Australia and New Zealand business. Raised $4.8bn in term securitisations in COVID-19 environment.

2022
Raised in excess of $5.0bn in term securitisations. Acquired 65% of Stratton. Record originations $9.6bn[7].

2023
Raised $5.4bn over 2023 in term securitisations. Launched SMSF mortgage product in Australia. Acquired HSBC NZ$1.1bn mortgage portfolio in New Zealand. Completed first Asset Finance Whole Loan Sale.

Notes: 3. Cumulative Originations 2000 to 31 December 2023 across all asset classes. 4. Total closing AUM (Lending and Servicing) at 31 December 2023. 5. Cumulative losses for Mortgages and Asset Finance written off through Profit and Loss from 2000 to December 2023. 6. Cumulative originations 2000 to December 2023 for Mortgages and Asset Finance. 7. CY2022 Originations for Mortgages and Asset Finance.

Chair's Letter

"Our strategy of knowing when to grow and when to manage for value coupled with Pepper Money's agility, core competencies and strong management team has seen the business deliver strong results in the face of ongoing industry headwinds."

Michael Culhane
Chair

Dear Shareholder,

Pepper Money's mission has always been to **"help people succeed"**. It is this focus on customers that continued to guide the strategy for Pepper Money in CY2023. The year saw our customers face into pressures of rapidly rising interest rates and an operating environment that required us to adapt and change our approach.

Performance milestones

Against the backdrop of interest rate rises and challenging macro and market conditions, Pepper Money achieved some key business and performance milestones over CY2023.

Our **Australian Mortgage**[1] business delivered solid results with Originations of $3.8 billion in CY2023. It cannot be overstated how intense the competitive conditions were for mortgages in Australia, particularly over the first three quarters of CY2023, with a number of the major banks competing to gain share. We were expecting this environment and, over the latter half of CY2022, we moved to focus on building share in our Non-conforming segments. This saw the mix of Originations for Australian residential Mortgages move to 65% Non-conforming in CY2023 from 48% in CY2022. While total Originations for our Mortgage business, including New Zealand, declined by (43)% year on year, we have started to see a stabilisation with Q4 CY2023 Originations growing 35% on Q3 CY2023 and 20% on Q4 2022.

Asset Finance delivered record Originations in CY2023 of $3.4 billion, a growth of 20% on CY2022. This growth was supported by our strong position in electric vehicles ("EV") (Originations up 275% year on year[2]) and by the strong performance of our Novated Lease channel where Originations grew nearly 3-fold CY2023 on CY2022.

Whole Loan Sales ("WLS") have long been a part of the funding strategy of our Mortgage business. The scaled growth we have achieved in Asset Finance allowed us to extend the program to this asset class, and we executed our first Whole Loan Sale at the end of CY2023. Whole Loan Sales realise value by selling the loans we have originated, while retaining the servicing of the loans so earning the business an ongoing servicing fee and maintaining the same level and quality of service to the customer. Given the scale of our Asset Finance portfolio – with Lending and Servicing AUM closing CY2023 at a combined $6.2 billion (+31% on prior comparable period), WLS will continue to form part of the ongoing funding and capital management strategy for the Asset Finance business.

We completed the acquisition of the **New Zealand** prime residential mortgage portfolio of The Hongkong and Shanghai Banking Corporation Limited ("HSBC") effective 1 December 2023. This has seen the business onboard NZ$1.1 billion (A$1.0 billion) in Prime residential mortgages portfolio in New Zealand bringing an additional 2,004 customers into the Pepper Money fold.

Pepper Money delivered **Net Profit After Tax ("NPAT") on a Pro-forma basis**[3] of **$111.1 million for CY2023**. While NPAT was (22)% below PCP this was a solid achievement in a year that saw intense competition and continued global economic and geo-political volatility. I am proud of the resilience of our Company, and what our employees have delivered for our customers, communities, and shareholders over the year. The business has strong foundations to continue to navigate market challenges with a scaled portfolio that allows us to flex between Mortgages and Asset Finance.

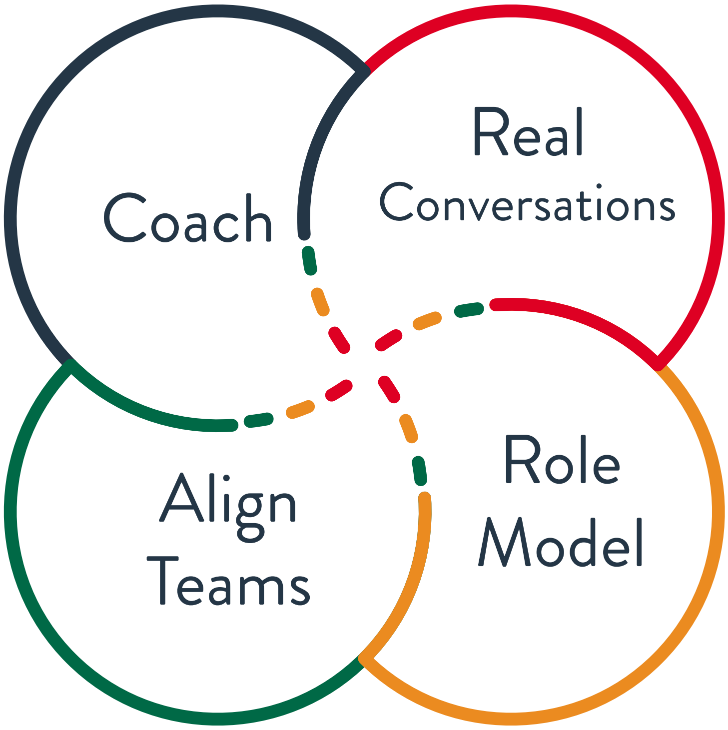
Progressing our Environmental, Social and Governance commitment

Sustainability has been an inherent part of Pepper Money's foundations as we have built our business on the mission to **"help people succeed"**. We seek to create sustainable value for our customers, employees, the communities in which we work, and for our shareholders. Over CY2023 we continued to make significant progress on building a sustainable business model, which will benefit not just Pepper Money, but all our stakeholders. The work achieved over CY2023 includes:

Diversity and inclusion: People are at the heart of our business, given our foundational mission to **"help people succeed"**. It is through our people that we continue to deliver this mission. **Diversity and inclusion** ("D&I") have always been part of Pepper Money's DNA and I have always sought to champion – this is clearly evident by our employee profile. As at 31 December 2023 our Pepper Money team was 55% female, 45% male, with 45% of our Senior Managers being female – compared to 38% for the Financial Services and Insurance sector[4] in Australia. **Gender pay gap** ("GPG") can be used as a proxy for measuring and tracking gender equality across an organisation. Pepper Money remains ahead of the industry with our average total remuneration GPG at 22.9% versus the Industry Comparison Group of 31.1%[5]. Our employees continued to be highly engaged – and yet again the Company was placed in the top 10% of companies globally, with our CY2023 engagement score of 75. Over 95% of our people participated in our annual **Employee Engagement Survey**[6].

1. Australian Mortgages includes residential and commercial real estate.
2. Value of Originations of electric vehicles including fully electric and hybrids.
3. Pre-tax Pro-forma adjustments for CY2023 of $(3.3) million are one-off in nature as they related to the acquisition of the HSBC New Zealand mortgage portfolio completed 1 December 2023. (CY2022 of $(1.5) million in one-off relating to the acquisition of Stratton Finance Pty Ltd completed 1 July 2022).
4. Workplace Gender Equality Agency: WGEA Financial and Insurance Services Industry snapshot 2022-2023. Senior Manager as at 31 March 2023.
5. Workplace Gender Equality Agency: WGEA Reporting Industry Benchmark Report 2022 – 23 Gender Equality Reporting. Industry Name – Financial and Insurance Services. Gender Pay Gap. A positive percentage indicates men are paid more on average than women. A negative percentage indicates women are paid more on average than men.
6. Pepper Money Limited CY2023 Employee Engagement Survey conducted by Custom Insights, 11 September – 22 September 2023. Results for Australia and New Zealand. Pepper Money Manila Employee engagement under the same survey saw response rate of 99% and a score of 81.

Building our people, culture and values: The enduring strength of Pepper Money's employee engagement is driven by our culture and supported by our values of **Can Do, Balanced and Real**. We recognise that culture and values are embedded across an organisation when led from the top, and in CY2023 we launched **Pepper Money Leadership Principles**. Pepper Money's leaders provide guidance, inspiration, and motivation to support our people to achieve their goals. They help to create a vision and rally people around a common cause. Leaders possess the necessary skills and knowledge to make informed decisions and solve problems effectively. Pepper Money Leadership Principles underpin the behaviours we expect our leaders to role model to ensure the business achieves its strategic goals.



Our customers: Pepper Money has developed deep understanding of customer niches – typically those underserved by banks. CY2023 was a difficult year for many people – our customers included – as household income was impacted by ongoing rising interest rates and inflationary pressures, and consumer confidence deteriorated. The depth of our credit and underwriting capabilities and our approach to risk saw the business maintain **Loan Losses as a percent of AUM** of 0.28%[7] in line with long-term average. The diligence that Pepper Money applies to the credit process helps to protect customers from over committing. Pepper Money has now helped **455,248**[8] customers – cumulatively – and since we started the business 23+ years ago, have written off only **0.4%**[9] **of the $58 billion in loans originated**[10].

Governance, transparency and risk: Pepper Money remains committed to good governance, transparency, and ensuring accountability is aligned across the business. Pepper Money has always recognised the need to embed strong corporate governance and to ensure we lend responsibly, as these principles are fundamental to our ability to achieve our strategy and deliver on our mission. Our approach to governance is underpinned by the **ASX Corporate Governance Principles and Recommendations**, which promote value creation for our shareholders and support our people, customers and communities in our mission to **"help people succeed"**. To ensure transparency we have published a suite of reports – which are covered in **About this Report**.

7. Loan Losses, excluding Post Model Overlays, as a % average Lending AUM.
8. Cumulative number of customers from 2004 to 31 December 2023. Includes HSBC New Zealand residential mortgage customers who transferred on acquisition of the portfolio.
9. Cumulative losses for Mortgages and Asset Finance written off through Profit and Loss from 2000 to December 2023.
10. Cumulative Originations for Mortgages and Asset Finance from 2000 to December 2023.

Climate and the environment: initiatives which we have implemented over a number of years in response to climate challenges are progressing well. In 2021, Pepper Money celebrated our 21st birthday by planting 7 hectares of trees across the markets we operate in – Australia, New Zealand and the Philippines. As these trees continue to grow and mature, we are proud at how this gift is supporting a move to offset CO_2 emissions of approximately 7,000 tonnes over 50 years[11]. Our strong position in EV lending also means we have now financed 8,986 electric vehicles[12] in Australia since we commenced this program in 2015, offsetting in excess of 39,000 tonnes of CO_2 emissions by end of 2023 and will offset up to 236,000 tonnes over the lifetime of these vehicles[13].

If you would like to learn more about Pepper Money's ESG commitment then please refer to our annual **Environmental, Social and Governance Report** at **www.peppermoney.com.au/about/corporate-governance**. This report also covers the progress Pepper Money is making in building its **Environmental, Social and Governance Framework** to provide a quantifiable guide for our employees and stakeholders on the standards that we seek to uphold, and to meet the emerging reporting obligations effective for our Company from the CY2025 financial year.

Funding and capital management

Funding: Since our foundation in 2000, Pepper Money has grown to become one of the largest non-bank lenders in Mortgages and Asset Finance. We have an exemplary track record in debt capital markets. We have a broad and deep investor base of both domestic and global debt investors that continue to support the funding of the business. From 2003 to the end of 2023, we have raised in excess of $38.6 billion across 61 transactions. Our RMBS and ABS[14] programs have a 100 per cent track record of calling every deal at the first available call date. The strength of our programs and the depth of the relationship with our investors saw Pepper Money again be awarded the prestigious **KangaNews Australian Nonbank Financial Institution Issuer of the Year 2023**. The award is based solely on polling of participants in the Australian and New Zealand debt markets.

Capital: Pepper Money remains, as always, disciplined in respect to capital. We have been able to grow our Asset Finance business over 2023, and to acquire the HSBC New Zealand residential mortgage portfolio, as we had the capacity to deploy capital to fund these growth opportunities. As we move forward, we do expect lower mortgage originations across the market as well as a moderation in the growth in our Asset Finance book, which will see the capital needed to fund the business moderate. In light of these expected short-term trends, the Board has considered opportunities to return capital to shareholders. Reflecting this change, effective from the 2024 financial year[15] the Board has amended the Company's **Dividend Policy**[16] to increase the annual payout ratio to 30.0% – 60.0% of Pro-forma NPAT from 30.0% – 40.0%.

Return to our shareholders – final dividend

The year's performance and the strong management of the Company's capital position allows Pepper Money to deliver ongoing returns to shareholders. As such, the Board has determined to pay a fully franked final dividend for CY2023 of 5.0 cents per share, a payout ratio of 37.5% of the Pro-forma NPAT for the period 1 July – 31 December 2023. This sees Pepper Money deliver total dividends of 8.6[17] cents per share to shareholders in respect of CY2023 financial year, an annualised[18] dividend yield of 6.4%, in line with CY2022 (6.3%).

Thank you to the team at Pepper Money

I wish to thank the incredible team at Pepper Money. We continue to attract and retain amazing talent to the business, through our mission and values.

In closing

The Board and all Pepper Management remain focused on delivering on our strategy, to generate the best long-term outcomes for the business and our stakeholders. Pepper Money has consistently demonstrated over the 23+ years it has operated, an ability to respond to both opportunities and challenges. Without doubt the last year has seen the business face into a wide range of headwinds. Pepper Money has stayed on strategy by being guided by its mission, and by the ability to leverage its core competencies of – credit, funding, distribution, and technology.

11. Models used in carbon calculators are based on a number of growth models and allometric equations developed for a particular region's native trees and shrubs. The actual amount of carbon sequestered by any particular stand can vary from calculator predictions and are dependent on-site quality, stand characteristics and management. Refer www.toolkit.tanestrees.org.nz/carbon-calculator/.
12. Count of electric vehicles only – excludes hybrids.
13. Calculation based on lifecycle emissions reduction of electric vehicles relative to average ICE lifecycle emission and annual distance travelled (source: Electric Vehicle Council) assuming vehicle lifetime of 15 years (source: ABS).
14. RMBS : Residential Mortgage Backed Securities. ABS: Asset Backed Securities.
15. Pepper Money Limited financial year is for the period 1 January – 31 December.
16. As per Pepper Money Limited Prospectus – Initial Public Offering of Ordinary Shares. Section 4.10 page 181.
17. Subject to rounding.
18. Annualised dividend yield based on average 1 January 2023 – 31 December 2023, interim and final dividend.

Our ability to act nimbly, to innovate, and to leverage these core competencies has seen the business grow from a specialist lender in 2000 to a leading non-bank lender in Mortgages and Asset Finance. We continue to be disciplined in credit risk management. Our 23+ years of experience through multiple economic cycles, and the use of our proprietary data and analytics, supports not just our strategic development but informs how decisions are made.

We have a long-term vision of generating sustainable, through the cycle, returns to shareholders and strongly believe the best way to do that is to enact a strong discipline around unit economics and product pricing. The increase in the percentage of Non-conforming mortgage originations and corresponding decrease in Prime originations are a perfect example of this approach.

On behalf of the Board, I extend our thanks to shareholders for their continued support of our business through their investment in the Company. We also wish to thank our partners – whether business or community partners – who continue to help make Pepper Money the Company it is today.

Michael Culhane
Chair, Pepper Money Limited

29 February 2024

Board of Directors

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

Michael Culhane

Chair and Shareholder Representative
(appointed 20 January 2011)

Michael founded Pepper Money in 2000. Michael held the position of CEO of the Pepper Global Group until the end of CY2023, at which time he stepped down from daily operational responsibilities, retaining key board positions for Pepper Global Group companies. Prior to founding Pepper Global Group, Michael served as the Executive Chairman of Future Mortgages (UK non-conforming residential mortgage lender) and the Chief Executive Officer of the London office of FBR, a United States-based investment bank (while at FBR, Michael worked for 10 years in equity capital markets).

Mario Rehayem

Chief Executive Officer
(appointed 2 May 2018)

Mario joined Pepper Money in 2011 and has held various roles including Managing Director, Australian Mortgages and Personal Loans, and Director of Sales and Distribution, Australian Mortgages and Personal Loans. Mario was appointed the Chief Executive Officer of Pepper Money in 2017 and is responsible for the strategy and oversight of Pepper Money's businesses across Australia and New Zealand. With over 20 years of extensive experience across banking and finance, Mario has held senior positions in ADI's as well as the non-bank sector. Mario's previous roles include State Manager, Mortgage Broker Distribution – Western Australia and South Australia for Westpac. Mario is a known champion of mortgage broker education and growing the specialist lending category. In 2019, 2021, 2022 and 2023, Mario has been recognised in the MPA Mortgage Global 100 List featuring leaders who are making a difference in today's mortgage industry. In 2022 Mario joined the board of the Australian Finance Industry Association ("AFIA").

Des O'Shea

Non-Executive Director and Shareholder Representative
(appointed 6 May 2021)

Des has more than 40 years' global experience in Banking and Consumer Finance. He was appointed to the Pepper Global Group Board in March 2014 and he Chairs the Group Board Audit and Risk Committee. Des is currently Chair of Oodle Finance – a U.K. based auto finance business – and is the Chair of Byblos Bank Europe and on the board of Byblos Bank in Lebanon (where he is Chair of the Risk Committee). Des was Chair of Ulster Bank Limited in Ireland until July 2020 and is a Fellow of Chartered Accountants in Ireland. He has been on the board of banks and other financial institutions in more than 12 countries in Europe, Asia, South and Central America.

Mike Cutter

Independent Non-Executive Director (appointed 6 May 2021)

Mike has over 36 years' experience in the financial services industry, both in Australia and abroad. Mike has extensive knowledge of comprehensive credit reporting regimes in Australia and international markets and was one of the original champions of comprehensive credit reporting in Australia. Mike is currently a Non-Executive Director of Sezzle Inc., an NASDAQ listed buy-now-pay-later company, is the Chair of PF BidCo Pty Ltd (trading as Arteva Funding) and a Non-Executive Director of Tower Limited, a New Zealand and Pacific Islands insurer. Prior to joining the Pepper Money board, Mike held various executive positions including Group Managing Director of Equifax ANZ, Chief Risk Officer ANZ Bank (Australia Division), CEO at GE Money Australia & New Zealand, and CEO of OAMPS Insurance Brokers. Mike has held various directorships and chairships with Wesfarmers, GE, AFC and NIBA. Mike is a Senior Fellow of FINSIA, Graduate of the AICD, served as a Director of the Women's Cancer Foundation from 2006 to 2015, Director of the Australian Finance Conference from 2006 to 2009 and National Insurance Brokers Association from 2013 to 2014.

Akiko Jackson

Independent Non-Executive Director (appointed 6 May 2021)

Akiko is an internationally experienced Non-Executive Director and strategy adviser. Akiko has more than 30 years' experience as an executive in the financial services industry including with the Commonwealth Bank of Australia, Macquarie Bank and Westpac in Australia and MUFG Bank and Shinsei Bank in Japan, and as a strategy management consultant in the US and Australia. Akiko has worked in both the private and the public sectors, in large corporations and start-ups and has extensive experience in strategy & business development, risk management and large-scale transformation, including digital transformation. Akiko is a Non-Executive Director of the Australian Children's Education and Care Quality Authority ("ACECQA") and the Foundation and Friends ("F&F") of the Botanic Gardens, and a member of the Audit & Risk Committee of Infrastructure NSW and the Audit & Risk Committee of Transport for NSW. She also is Chair of the Audit, Finance & Risk Committee of ACECQA and the Finance, Audit & Risk Committee of the F&F. Akiko's past directorship includes a Non-Executive Director of 86 400 Limited, as well as being a member of the Advisory Committee of the Australian Treasury, the Portfolio Advisory Council of Services Australia and the Strategy Advisory Committee of the Department of Immigration and Border Protection. Akiko is a Fellow of FINSIA and a Graduate of the AICD. She is a Fulbright Scholar with an MBA from Stanford University in the US and has a Bachelor of Law from Keio University in Tokyo.

Justine Turnbull

Independent Non-Executive Director (appointed 6 May 2021)

Justine has over 25 years' experience in driving commercial business success with her specialist legal experience on executive employment and related governance issues, in both private and public enterprises and on national and global levels. Prior to joining the Pepper Money board, Justine held various positions including a founding Partner of Seyfarth Shaw Australia and Partner of Herbert Smith Freehills. More recently Justine has consulted to businesses on workplace behaviour and culture issues. Justine has a long association with Pepper Money, initially as lead Employment Advisor on the Australian GE Residential Mortgages acquisition in 2011, and then as ongoing employment advisor with Herbert Smith Freehills and Seyfarth Shaw. Justine is a Non-Executive Director of the Cancer Patients Assistance Society of NSW (Can Assist), and is a former board member for Catholic Schools NSW/ACT, Access EAP and TAFE NSW.

Rob Verlander

Independent Non-Executive Director (appointed 6 May 2021)

For over 35 years Rob held senior positions at investment and commercial banks, in Australia and the United Kingdom, in the areas of Fixed Income, Capital Markets, Infrastructure and Securitisation. Rob's roles have included Head of DCM Origination BZW Australia (Barclays Banking Group), Head of Fixed Income Commonwealth Bank of Australia (Europe), member of Management Committee CBA (Europe), Head of Primary Markets CBA, and a leading member of CQ (CBA's Institutional Bank Diversity and Culture Council). Prior to his retirement from the banking industry in 2019, Rob was head of the Securitisation business at the Commonwealth Bank of Australia, where he acted as banker to many of Australia's major non-bank lenders, including Pepper Money. Rob holds a Bachelor of Arts and Law (University of Melbourne), Master of Applied Finance (Macquarie University) and Graduate Diploma in Commercial Law (Monash University).

CEO's Letter

Dear Shareholder,

Pepper Money successfully delivered two strategic milestones during CY2023. The first was the acquisition of HSBC's New Zealand residential mortgage portfolio – which at NZ$1.1 billion of Assets under Management ("AUM")[1] – brings scale to our existing New Zealand business. The second was our first Asset Finance Whole Loan Sale ("WLS") – an important evolution of our funding and capital management strategy. Pepper Money has a long standing WLS program for its Mortgage business and with Asset Finance reaching AUM of $6.0 billion in Q3 CY2023, we extended our program to this asset class. Asset Finance's WLS continue to form part of our funding and capital management strategy, through recycling capital behind new originations growth. As we retain the ongoing Servicing of the loans sold, our WLS program also generates ongoing income from servicing fees.

In addition to these milestones, we celebrated further successes including:

- the launch of "Super Smart" our SMSF mortgage solution in Australia;
- ongoing productivity gains through leveraging our purpose-built technology platforms;
- raising a record $5.4 billion through our four Public Term Securitisation programs;
- retaining our position as MFAA's National Speciality Lender of the Year; and
- being awarded KangaNews Australian Nonbank Financial Institution Issuer of the Year 2023.

I am proud to lead our amazing team of people. Driven by our purpose to **"help people succeed"** and our values of **Can Do**, **Balanced** and **Real**, we continue to build a sustainable business by knowing when to grow and when to manage for value. Our team continues to be recognised by the industry, and over the year took out 16 awards including Best Industry Marketing Campaign at the Australian Mortgage Awards.

CY2023 performance highlights

The business delivered total Originations of $7.3 billion and while Mortgage Originations for CY2023 at $3.9 billion were below CY2022 ($6.8 billion), Mortgage Originations grew in the second half CY2023 by 28% on first half CY2023. This growth was supported in part by the success of our "Red Hot" campaign, launched in Australia in August 2023. The objective of this campaign was to enhance Pepper Money's position with our brokers and to support volume for our Non-conforming products. We also launched our Self Managed Super Fund ("SMSF") Mortgage in late October which is showing positive results as it was distributed through our accredited broker network.

We entered CY2023 prepared for weaker conditions in the Mortgage segment, so we accelerated the growth in Asset Finance. For the full year, our Asset Finance business Originated $3.4 billion – growing 20% on CY2022, around 1.4 times system. The diversified business we have built allows us to leverage one asset class to counteract the cyclical trends experienced in another. This saw Asset Finance's share of Total Operating Income increase from 37% in CY2022 to 43% in CY2023.

The strength of our technology platforms and processes as well as our operational scale showed through in CY2023. In a highly inflationary environment our normalised[2] Pro-forma Operating Expenses[3] grew only (1)%. We are seeing the benefits of automation – and are now at a stage where 78% of Novated

1. AUM at the date of acquisition.
2. Normalised Pro-forma Operating Expenses removes for the impact of Stratton Finance Pty Ltd acquired 1 July 2022.
3. Pro-forma adjusts for pre-tax acquisition operating costs of the HSBC New Zealand mortgage portfolio in CY2023 of $(1.1) million (CY2022: Stratton acquisition costs $(1.5) million).

Over the 23+ years we have been in business we have successfully managed through all cycles. We continue to deliver on our strategy of knowing when to drive growth and when to manage for value. In one of the most intensely competitive markets experienced in Mortgages, and a challenging macro-economic backdrop, we have again delivered a strong operating performance and are well positioned entering CY2024 and beyond.

Leasing loans and 34% of Commercial loans in our Asset Finance business were conditionally automatically approved in CY2023. This has helped support Technology spend decline by 9% year on year on a like for like basis.

Our customers

Customers are at the forefront of how we do business given our mission to **"help people succeed"** – and customer wellbeing must form part of this mission. It was important to us to find ways to help our customers navigate increasingly difficult economic conditions – which we all experienced over CY2023 as both interest rates and inflation rose. Our focus on customer wellbeing saw us provide ongoing access to support and help customers in areas such as financial literacy and money management. Our online program saw over 2,700 users access information, articles and help on financial hardship and money management. Our Customer Support Hub had more than 27,000 views from over 15,000 users in CY2023.

The annual Customer Net Promoter Scores ("NPS") Survey[4] we undertake saw increases in product advocacy across all core Pepper Money products with results considerably ahead of total market. Our Asset Finance NPS of 50 (+27 points vs industry average); Home Loans NPS of 6 (+9 points vs industry average) and Personal Loans[5] NPS of 66 (+44 points vs industry average) all reflect our focus on our customers.

Funding

Funding is a core competency of the business. Over CY2023 we raised $5.4 billion in public markets – 4% up on CY2022. In addition to our seven public securitisations, we raised a further $1.6 billion in Private Term Securitisations and Whole Loan Sales over the year.

The Whole Loan Sale program has always been part of our funding and capital management strategy in Mortgages, and with the Asset Finance business reaching AUM of $6.0 billion in September 2023, we were able to extend this strategy to Asset Finance. We successfully executed our first Asset Finance WLS in December 2023, and expect that Asset Finance's WLS will form a part of our funding program into the future.

As I have noted in the past, we have always taken a prudent approach to funding and have maintained a minimum of ~4-6 months of warehouse funding headroom. This is a part of our strategy that allows us to be prepared to manage any cycle whether it's up or down. Given our Mortgage volumes were down – we reduced Warehouse capacity[6] limits by $(2.0) billion, bringing total Warehouse capacity at 31 December 2023 to $9.3 billion, (18)% lower than 31 December 2022.

4. Survey conducted by RFI Global – Pepper Money NPS measurement and tracking, September 2023.
5. Personal loans – credit is provided by Now Finance Group Pty Ltd, Australian Credit Licence Number 425142 as agent for NF Finco 2 Pty Limited ACN 164 213 030.
6. Includes Pepper Money Notes.

Our four public securitisation programs –PRS and Pepper Prime[7], SPARKZ[8] and Pepper Social[9] – are supported by over 100 investors and Pepper Money is proud to say that since commencing our securitisation program in 2003, we have called every securitisation at the first available date.

Capital management

We have remained disciplined with respect to capital. We have been able to grow our Asset Finance business over 2023 as well as acquire the HSBC New Zealand mortgage portfolio, highlighting our ability to deploy capital to fund growth opportunities. We will continue to actively manage capital, balancing the growth demands of the business, with a desire to return capital to shareholders when it makes financial and operational sense to do so. Reflecting this focus, the final dividend payout ratio for CY2023 of 37.5% of Pro-forma NPAT for the period 1 July – 31 December 2023, underscores our ongoing commitment to managing capital in the context of the current macro-environment.

Going forward

No doubt, economic conditions have been tough, for customers and businesses alike – with the Official Cash Rate rising from 0.10% in April 2022 to end 2023 at 4.35% and over the same period Australian CPI averaging 6.4%[10] While there are signs that inflation and rates may have peaked, I am confident in our ability to respond and adapt in what remains an uncertain environment. Pepper Money has been in business for over the 23 years, and we have successfully managed through all cycles.

Our credit performance remains strong: we have managed our customers through significant interest rates rises and we have maintained the quality of our portfolios. We are well provisioned. Our technology and processes are built for scale, and markets permitting – we are well positioned to capture profitable growth. We are diversified, both in terms of the scale of our two core lending businesses of Mortgages and Asset Finance, as well as the ever-expanding range of products we offer. Pepper Money is well positioned as we head into CY2024. The investment Pepper Money has made on building scalable technology platforms, streamlined customer processes and driving automation are in place and already delivering benefits. As market conditions improve, Pepper Money will be able to capitalise on opportunities to deliver profitable growth.

And it is our people, as always, who make Pepper Money the business it is. I thank them, as well as our shareholders, investors and business partners for their ongoing support.

Mario Rehayem
CEO, Pepper Money

29 February 2024

7. PRS and Pepper Prime – Pepper Money's Residential Mortgage-Backed Securitisation (RMBS) programs.
8. SPARKZ – Pepper Money's Asset-Backed Securitisation (ABS) program.
9. Pepper Social – are Social Bonds that provide Pepper Money with funding to finance loans that deliver positive social outcomes.
10. Average year ended CPI Quarterly Original for Quarters ending March 2022 to September 2023. Source Australia Bureau of Statistic (ABS) / Reverse Bank of Australia (RBA) Series ID GCPIEITCYP. Publication date 26 October 2023.

CY2023 Highlights

Our Mission

We help people succeed

Originations

$7.3bn

In total, down (24)% on PCP, Mortgages (43)% lower – partially offset by 20% growth in Asset Finance

Total AUM[1]

$19.7bn

Highest AUM achieved by the business. Lending AUM $18.3bn – highest achieved

Funding

$5.4bn

Raised from Public Term Securitisation over 2023

Warehouse capacity

$9.3bn[2]

Down (18)% on December 2022 given Mortgage volumes

Diversified business % Total Operating Income

55% Mortgages vs 60% 2022

43% Asset Finance vs 37% 2022

2% Loan Servicing & Other vs 3% 2022

Credit quality

0.28%

Loan losses[3] as a % Lending AUM down on PCP by 6bp

Operational efficiency

(1)%

Increase in Normalised Pro-forma Operating Expenses[4] from $156m in CY2022 to $158m in CY2023 driven by scale, automation and disciplined cost management

Pro-forma NPAT

$111.1m

Down (22)% on PCP. Weak market conditions in Mortgages, partially offset by Asset Finance growth/ WLS and the acquisition of the HSBC New Zealand mortgage portfolio

Customers helped

89,134

Customers welcomed over 2023

455,248

Customers helped since 2004[5]

Customer NPS[6]

6 Home Loans +9 points

50 Asset Finance +27 points

66 Personal Loans +44 points

Our people

75 Engagement score. Top 10% companies globally[7]

45% Women in Management[8]

Our shareholders

5.0 cps final dividend[9]

8.6 cps total dividend CY2023[10]

34% Payout ratio[11] for full year

1. Total and Lending AUM – December close. 2. Includes Pepper Money Notes. 3. Loan Losses excludes Post Model Overlay. 4. Normalised Pro-forma Operating Expenses removes the impact of Stratton Finance Pty Ltd acquired 1 July 2022, and excludes Depreciation and Amortisation and Corporate Interest expense. 5. Cumulative number of customers from 2004 to 31 December 2023. 6. Survey conducted by RFI Global – Pepper Money NPS measurement and tracking, September 2023. Points variance is versus industry average. Mortgages Australia only. Personal loan – credit provided by NOW Finance Group Pty Ltd, Australian Credit Licence Number 425142 as agent for NF Finco 2 Pty Limited CAN 164 213 030. 7. Pepper Money Limited CY2023 Employee Engagement Survey conducted by Custom Insights, 11 September – 22 September 2023. Results for Australia and New Zealand. Pepper Money Manila Employee engagement under the same survey saw response rate of 99% and a score of 81. 8. As at 31 December 2023. 9. Based on Pro-forma NPAT 1 July – 31 December 2023. 10. Sum of CY2023 interim and final dividends (rounded). 11. Payout ratio based on CY2023 full year Pro-forma NPAT.

Executive Team

The following persons were the Executive Leadership Team of the Company during the year and up to the date of this report:

Mario Rehayem

Chief Executive Officer

See Directors biographies on pages 10 to 11.

Therese McGrath

Chief Financial Officer

Joined Pepper Money in 2018 as Chief Financial Officer and is responsible for providing the leadership and financial and operational management necessary to ensure that Pepper Money delivers on its strategic goals and objectives. Therese has over 25 years' international experience across finance, strategy and operations. Prior to joining Pepper Money, Therese held numerous senior roles at various companies including Diageo plc, Microsoft, SAP and Australian and New Zealand Banking, as well as various executive directorships including on the Oasis Fund Management and OnePath Custodians boards.

Anthony Moir

Treasurer

Joined Pepper Money in 2021. Anthony is responsible for the leadership of Pepper's treasury function including the strategic direction and execution of Pepper's multicurrency funding programs. Anthony brings more than 25 years of experience in treasury and debt capital markets, previously held positions at bank and non-bank lenders including Qudos Bank, GE Capital, AMP, Commonwealth Bank of Australia and Citigroup.

Barry Saoud

General Manager, Mortgages and Commercial Lending

Joined Pepper Money in 2021. Barry has over 20 years' experience in the financial services industry in Sales, Product Management, Legal and Company Secretary roles. Previously Barry held leadership and management roles at Aussie Home Loans, GE Capital, HSBC and Norton Rose Fulbright.

John Williams

General Counsel and Company Secretary

Joined Pepper Money in 2012. John advises senior management and the Board on legal matters, leads Pepper Money's legal and secretariat teams and manages the work of external legal advisors. Prior to joining Pepper Money, John worked as Legal Counsel for GE Capital and as a solicitor with Mallesons Stephen Jacques (now King & Wood Mallesons).

Ken Spellacy

General Manager, Asset Finance

Joined Pepper Money in 2015, Ken brings over 25 years' experience in the asset finance industry. Prior to Pepper, Ken held senior leadership roles across various financial institutions including Capital Finance, St. George Bank and Westpac Banking Corporation.

Matthew Tinker

Chief Service Officer

Joined Pepper Money in 2011. Matt has over 15 years' experience in financial services in Operations and Project Management roles, having previously held leadership roles at the Commonwealth Bank of Australia and Woolworths Group.

Michael Vainauskas

Chief Risk Officer

Joined Pepper in 2020. Michael is responsible for ensuring that the Governance, Risk, Compliance and Control Strategies and Frameworks are designed and operating effectively. Prior to Pepper Money, Michael held various senior roles at Perpetual Limited, Commonwealth Bank of Australia and Westpac Banking Corporation.

Neil Culkin

Head of Credit and Settlements – Mortgages & Commercial Lending

Joined Pepper Money in 2011, Neil has over 20 years' experience in credit provision. Neil has overall responsibility for the credit and originations function for Pepper's Australian and New Zealand residential and commercial mortgage products. His role oversees the underwriting, settlement and credit control of mortgage loan applications as well as being responsible for updating and implementing associated lending policies and guidelines. Prior to Pepper, Neil worked in various financial institutions including Members Equity, St George Bank and non-bank lender Resimac Limited.

Sarah Pikardt

General Manager, Marketing & Brand

Joined Pepper Money in 2011. Sarah leads the marketing effort and strategic development of the Pepper Money brand with a focus on improving customer experience. Previously Sarah managed workforce optimisation and customer loyalty programs for Synchro Marketing across financial services, telecommunications and automotive industries.

Steven Meek

Chief Information Officer

Joined Pepper Money in 2021 and has overall responsibility for digital, technology, data and analytics. Steven brings more than 20 years' of diverse experience leveraging technology to drive business growth, operational performance, customer experience and innovation in organisations including Macquarie Group and Coca-Cola Amatil.

Sue Kent

Chief Human Resource Officer

Joined Pepper Money in 2009. Sue leads the human resources team for Pepper Money, providing strategic and operational initiatives to support Pepper Money's people management practice. Prior to Pepper Money, Sue held senior positions with Nestlé Australia, Philips Electronics and BHP Limited.

Operational and Financial Review

1. Our Purpose & Strategy

Pepper Money commenced business in Australia in 2000 as a provider of home loans to consumers who fall outside the lending criteria of traditional bank and non-bank lenders, otherwise known as the non-conforming or specialist mortgage market. Since this time, Pepper Money has grown to be one of the largest non-bank lenders in the Australian mortgage and asset finance markets with a growing presence in New Zealand mortgages.

Since foundation in 2000, Pepper Money has broadened its Australian business activities to include the origination of prime residential mortgages, commercial real estate loans, auto and equipment finance and novated leasing as well as third party loan servicing.

In 2019, Pepper Money expanded its focus to include residential mortgages in New Zealand. In December 2023, Pepper Money completed the acquisition of the New Zealand prime residential mortgage portfolio of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"). The mortgage portfolio acquired by Pepper Money, at completion, was NZ$1.1 billion (A$1.0 billion) in outstanding balance delivering scale to Pepper Money's existing New Zealand home loan business.

Mission		We help people succeed
Focus	We have created a broad range of solutions that deliver value to our customers	We focus on the underserved and undervalued segments
Pillars	Our pillars support our mission	Customer, Business, People, Brand
Values	Our success is possible because our values are at the heart of our brand...	Can do, Balanced, Real
Core Competencies	...and the strength of our core competencies	Credit Expertise, Distribution, Data & Digitally Enabled, Funding Capabilities

Pepper Money's mission has always been to **"help people succeed"**, with a focus on providing innovative home loan and asset finance solutions to customers who are underserved by traditional lenders.

We recognise that success comes from our people, and our values of **Can Do**, **Balanced** and **Real** provide the foundations for how we do business and support our customers, partners and communities.

Pepper Money operates with four pillars for success being: **Customer – Business – People** and **Brand** – that link vision and mission to the Company's strong values.

The depth and strength of our core competencies provide the basis for Pepper Money's continued ability to grow and adapt in ever changing market conditions:

Credit & Underwriting

Credit processes and embedded decisioning engine developed with the experience of originating and managing over $58 billion of loans since 2000.

Innovative product solutions – cascading credit model delivering a faster and higher probability of yes. With a single application, a borrower is assessed against three separate credit policies cascading across Prime to Near Prime to Specialist in Mortgages and Tier A, Tier B and Tier C in Asset Finance – based on the customer profile.

Distribution

Leading technology solutions that enhance distribution partner and customer experience while supporting efficient scaled growth.

Support distribution partners through digital tools and data analytics that allow them to grow their business through enhanced opportunity management and supporting customer journeys.

Data & Digital

Pepper Money synthesises customer and transactional data and loan performance – mined 23+ years – with externally sourced data to enrich data sets and provide insights into credit appetite, product positioning and pricing for risk.

We use a range of different techniques, including machine learning and artificial intelligence ("AI") to analyse the data and deliver real time insights to the business.

Funding

Data, credit history, loan performance and reporting functionality have allowed the business to develop a sophisticated and diversified funding model with the ability to execute a variety of transaction types to capture funder demand.

Pepper Money continued to deliver on its strategy over CY2023. While market conditions were challenging for the Mortgage business , Pepper Money's diversified business model and strength of core competencies saw the business deliver on a number of key milestones:

Customer

September: Annual Customer NPS Survey[1] saw increases in product advocacy across all core Pepper Money products with results considerably ahead of total market:

- **Asset Finance** NPS of 50 (+27 points vs industry average);
- **Home Loans** NPS of 6 (+9 points vs industry average;
- **Personal Loans[2]** NPS of 66 (+44 points vs industry average).

October: Mortgages Australia launched "Super Smart" – Self Managed Super Fund ("SMSF") – mortgage product.

Business

September: Asset Finance reached $6.0 billion in AUM.

October: Pepper Money maintains certification of ISO27001.

December: completed the acquisition of HSBC New Zealand residential mortgage portfolio.

December: completed the first whole loan sale for Asset Finance.

CY2023:

- **Funding:** achieve a record milestone of $5.4 billion in Public Term Securitisation.
- **Product:** residential mortgage product and policy enhancements including no break fee fixed rate product.
- **Technology:** completed significant systems and process efficiency investments, including direct digital mortgage, new banking platform, and automated credit underwriting.

People

September: Pepper Money again saw employee engagement remained in the top 10% of companies globally[3].

October: Pepper Money remained ahead of the industry average with our average total remuneration GPG at 22.9% versus the Industry Comparison Group of 31.1%[4].

Brand

November: retained our position of MFAA's National Speciality Lender of the Year. In total 16 awards achieved over the year including Best Industry Marketing Campaign at the Australian Mortgage Awards.

December: awarded for second year running KangaNews Australian Nonbank Financial Institution Issuer of the Year 2023.

1. Survey conducted by RFI Global – Pepper Money NPS measurement and tracking, September 2023.
2. Personal loans – credit is provided by Now Finance Group Pty Ltd, Australian Credit Licence Number 425142 as agent for NF Finco 2 Pty Limited ACN 164 213 030.
3. Pepper Money Limited CY2023 Employee Engagement Survey conducted by Custom Insights, 11 September – 22 September 2023.
4. Workplace Gender Equality Agency: WGEA Reporting Industry Benchmark Report 2022 – 23 Gender Equality Reporting. Industry Name – Financial and Insurance Services. Gender Pay Gap. A positive percentage indicates men are paid more on average than women. A negative percentage indicates women are paid more on average than men.

2. Business segment overview

Pepper Money operates in a large addressable market, covering $2,582 billion of credit outstanding for mortgages[5] and $221 billion of credit outstanding for asset finance[6]. Pepper Money has a broad product offering within its Mortgage and Asset Finance businesses that cater for a range of customer needs. With over 23+ years' experience in helping customers who do not fit the lending criteria of traditional banks.

The three core segments Pepper Money operates in, and summary performance for CY2023, are as follows:

Segment	Mortgages	Asset Finance	Loan & Other Servicing[7]
Description	Finance residential home loans in Australia and New Zealand and small balance commercial real estate loans in Australia.	Finance a range of asset types. Focus on underserved segments (for example, consumer used cars).	Independent loan servicing provider.
Products	• **Conforming:** Prime • **Non-Conforming:** Near Prime and Specialist	• Consumer • Commercial • Novated Leasing	• Residential home loans servicing • Personal loans servicing
Originations Mix Product (CY2023)	**$3.9 billion** (43)% v PCP **Prime:** 37% **Non-Conforming:** 63%	**$3.4 billion** +20% v PCP **Tier A:** 63% **Tier B:** 28% **Tier C:** 9%	
Originations Mix Channel (CY2023)	**Retail:** 52% **White Label:** 44% **Direct:** 4%	**Auto Broker:** 17% **Commercial Broker:** 23% **Mortgage Broker:** 16% **Dealer:** 13% **Novated Lease:** 31%	
Accredited Brokers[8]	**23,660** 15% v PCP	**2,366** 19% v PCP	
AUM (December 2023 close)	**$12.6 billion** (7)% v PCP	**$5.7 billion** +21% v PCP	**$1.4 billion** +43% v PCP
NIM % (CY2023)	**1.77%** (21) bps PCP	**2.50%** (41) bps PCP	
Operating Income % Business Mix	**$214.7 million** 55%	**$166.2 million** 43%	**$9.2 million[9]** 2%
Loan Losses % Lending AUM[10]	**0.01%** +4bps v PCP	**0.92%** (12)bps v PCP	

5. Combination of Australia and New Zealand mortgage markets at December 2023 (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), December 2023, converted at an assumed exchange rate of NZD:AUD = 0.9331).
6. 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, January 2023 – December 2023 (published February 2024). Assumes market size is approximately 4x lending commitments for last 12 months, and new business loan commitments, finance lease and fixed term, purchase of vehicles, plant and equipment, ABS 5601.0 Table 29, 31 and 33, January 2023 – December 2023.
7. Broker Servicing was exited 1 October 2023.
8. Mortgage Accredited Brokers include Retail and White-label for Australia and New Zealand.
9. Includes Corporate segment.
10. Loan Losses excludes Post Model Overlay.

3. Financial performance

For the year ended 31 December 2023

3.1. Reconciliation of Statutory to Pro-forma Profit

To reflect Pepper Money's Pro-forma earnings, Net Profit After Tax ("NPAT") has been adjusted to exclude one-off items[11]. Management believes 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 table below reconciles Pepper Money's Statutory NPAT to the unaudited Pro-forma NPAT for the year in accordance with Australian Accounting Standards.

Pepper Money completed the acquisition of a 65% interest in Stratton Finance Pty Ltd ("Stratton") on 1 July 2022. The consolidated results presented therefore include Stratton for the six months to 31 December 2022 and for the full year ending 31 December 2023. Stratton is an online direct-to-consumer asset finance broking platform and has been consolidated under the Asset Finance segment. Given Pepper Money's controlling interest, Stratton results are fully consolidated (continuing operations) with the minority shareholding recognised under non-controlling interest. On consolidation, commission paid by Pepper Money to Stratton is eliminated, while Stratton's operating costs are fully consolidated.

Statutory profit to Pro-forma profit reconciliation

$M	CY2023 Statutory	CY2023 Pro-forma	CY2022 Pro-forma	Change Pro-forma	% Change Pro-forma
Net interest income	**360.9**	363.2	388.9	(25.8)	(7)%
Other operating income	**66.9**	66.9	52.5	14.3	27%
Loan losses	**(39.9)**	(39.9)	(33.3)	(6.6)	(20)%
Total operating income	**387.9**	390.1	408.2	(18.1)	(4)%
Employee benefits expense	**(128.6)**	(128.6)	(113.9)	(14.7)	(13)%
Marketing expense	**(14.9)**	(14.9)	(13.8)	(1.2)	(8)%
Technology expense	**(23.8)**	(23.8)	(23.8)	–	–
Other operating expenses and impairments	**(25.2)**	(24.1)	(19.7)	(4.3)	(22)%
Depreciation and amortisation expense	**(21.9)**	(21.9)	(20.4)	(1.5)	(7)%
Corporate interest expense	**(24.8)**	(24.8)	(13.3)	(11.4)	(86)%
Tax expense	**(40.0)**	(40.9)	(61.2)	20.3	33%
Net profit after income tax	**108.7**	111.1	142.0	(30.9)	(22)%
Equity Holders of Pepper Money Limited	**110.7**	113.1	142.5	(29.4)	(21)%
Non-controlling interest	*(2.0)*	*(2.0)*	*(0.5)*	*(1.5)*	*(300)%*

3.2. Financial performance and key driver analysis

Pepper Money's financial results for CY2023 reflect the Company's ability to leverage portfolio diversification – to capitalise on growth where opportunities present – and to manage for value through product mix.

Against a backdrop of considerable external headwinds, underlying financial and operational objectives were met. Key performance drivers included Asset Finance growth ahead of system, leveraging the business's strong position in Non-conforming Mortgages to support yield, ongoing productivity gains from automation/process improvements and strong discipline in cost management.

11. Pre-tax Pro-forma adjustments for CY2023 of $(3.3) million are one-off in nature as they related to the acquisition of the HSBC New Zealand mortgage portfolio completed 1 December 2023. (CY2022 of $(1.5) million in one-off costs relating to the acquisition of Stratton Finance Pty Ltd completed 1 July 2022).

Financial performance was further supported by the extension of Whole Loan Sales to Asset Finance, given scaled growth achieved within this business segment. Whole Loan Sales provide profit flow through in the period in which they are executed and deliver annuity income through Servicing fees as loans sold continue to be serviced by the Company. Further, WLS allows the Company to benefit from the loan acquirers lower cost of capital. Prior investment made to develop scalable technology platforms and operational processes enabled Pepper Money to integrate A$1.0 billion[12] in Mortgage AUM acquired from HSBC in New Zealand, with no FTE being added to the business.

Key Financial Drivers

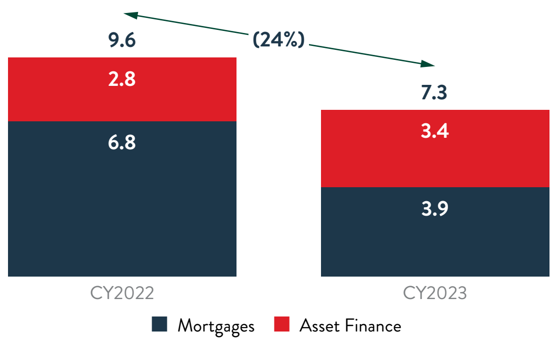
VOLUME

Originations ($bn)

CY2023

$7.3bn

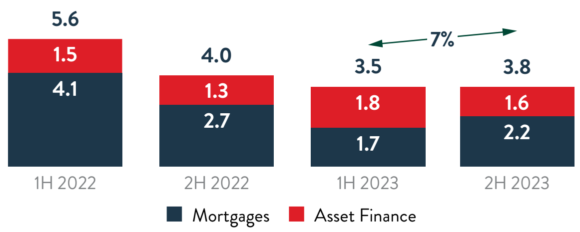
(24)% v PCP



Half on Half Analysis

+7%

growth 2H v 1H CY2023



Mortgages: the Mortgage business originated $3.9 billion over CY2023, down from $6.8 billion in CY2022. While market conditions, coupled with intense competition amongst the major banks, saw underlying Originations decline by (43)% on PCP, the business leveraged its strong position held in Non-conforming, with Origination mix split 63% Non-conforming, 37% Prime (versus PCP of 48% Non-conforming, 52% Prime).

Asset Finance: Asset Finance reported another strong year of growth with Originations at $3.4 billion up +20% on PCP. Novated Leasing continued to grow ahead of expectations, with Originations growing almost 3-fold on CY2022 to $1.0 billion. Growth in Novated Leasing also helped support positive portfolio credit mix with Tier A customer growing from 59% of Originations in CY2022 to 63% for CY2023. This shift came from Tier B where mix moved from 33% in CY2022 to 28% in CY2023. Tier C remained constant at 9%.

Mortgages: As market conditions showed signs of stabilising over the latter part of CY2023 and major banks started to wind down cash-back offers, the decline in Mortgage Originations started to plateau. 2H CY2023 Originations of $2.2 billion grew by 28% on 1H CY2023. Originations over 2H benefitted in part from the launch of our SMSF mortgage product in Australia in October 2023.

Asset Finance: Asset Finance Originations slowed marginally over the second half of CY2023, with 1H CY2023 Originations benefitting in part by growth in Commercial given end of tax year. 2H CY2023 Originations at $1.6 billion were up 21% on same period CY2022.

12. AUM at time of acquisition. December 2023 closing AUM A$0.9 billion.

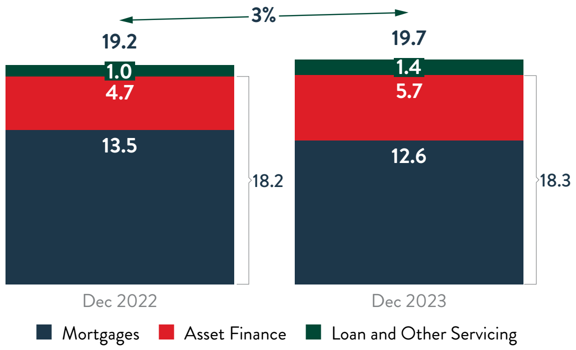
VOLUME

Total AUM ($bn)

CY2023 (December close)

$19.7bn

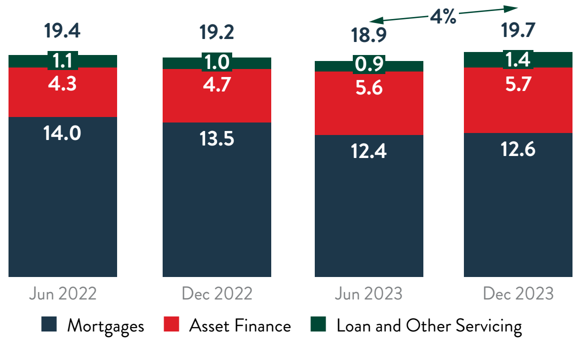
+3% v December 2022 (close)



Half on Half Analysis

+4%

growth 2H v 1H CY2023



Lending AUM closed CY2023 marginally up on December 2022 at $18.3 billion. This is the highest Lending AUM achieved by the business in its history.

Mortgages AUM closed the year at $12.6 billion (-7%). Year on year AUM was impacted by Origination slow down and higher customer attrition, given rising interest rates and intense competition from the banks. This decline was partially offset by the acquisition of the HSBC mortgage portfolio in New Zealand.

Asset Finance AUM increased $1.0 billion (+21%) to close the year at a record $5.7 billion, as the business outpaced the system. Closing AUM for Asset Finance was reduced by $(0.5) billion as the whole loan sale executed in December saw the associated AUM transfer to the Loan and Other Servicing Segment as Pepper Money retains the servicing of the loans sold.

Servicing AUM of $1.4 billion grew +43% on PCP, following whole loan sales executed in the second half of CY2023.

Total AUM closed December 2023 at $19.7 billion, up 3% on December 2022.

Lending AUM grew December 2023 on June 2023 by 2%.

Mortgages AUM half on half grew 1%, supported by the acquisition of the HSBC New Zealand portfolio which contributed A$0.9 billion to closing AUM.

Asset Finance AUM was up 2% half on half. Restating for the impact of the whole loan sale executed in December, AUM grew 10% on June 2023.

Servicing AUM growth of 54% half on half reflects the transfer under the Whole Loan Sale program.

Total AUM as at December 2023 of $19.7 billion was up 4% on June 2023 supported in part by growth in Mortgage Originations over the same period, including the acquisition of the HSBC New Zealand mortgage portfolio.

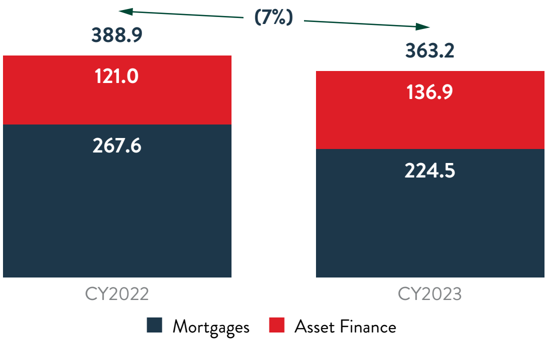
NET INTEREST

Net Interest Income ($m)[13]

CY2023

$363.2m

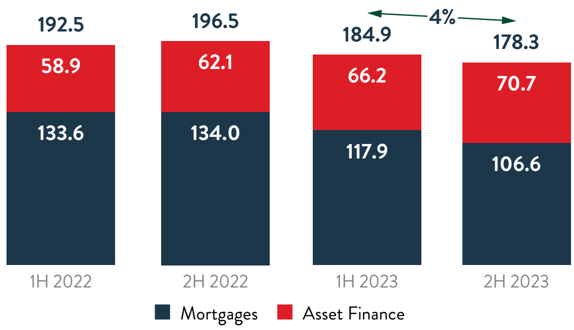
(7)% v PCP



Half on Half Analysis

(4)%

decline 2H v 1H CY2023



Net Interest Income of $363.2 million was down (7)% on PCP.

Mortgages delivered Net Interest Income of $224.5 million in CY2023, down (16)% on PCP reflecting the slowdown in Originations over the last 12 months given weak market conditions, higher funding costs and an increase in customer attrition. The downward trend on Net Interest Income was partially offset through pricing initiatives following Reserve Bank of Australia ("RBA") rate rises.

Asset Finance Net Interest Income increased by 13% on PCP to $136.9 million, as record volume growth offset the adverse impact of rising swap rates and funding margins, which were also partially protected by pricing initiatives.

2H CY2023 Net Interest Income at $178.3 million declined (4)% on the prior half of $184.9 million.

Mortgages Net Interest Income of $106.6 million in 2H CY2023, while down (10)% on the prior half, saw the rate of decline start to stabilise. Half on half growth in Originations, particularly from the Non-conforming segment, helped to support Net Interest Income, given the impact of ongoing interest rate rises by the RBA, and higher funding costs.

Asset Finance Net Interest Income in 2H CY2023 versus 1H CY2023 increased by 7% to $70.7 million, supported by volume growth, which helped offset the mix impact from the growth in the Novated Leasing portfolio as a percent of overall AUM.

13. Loan and Other Servicing and Corporate segments income not displayed in bar chart as not material but included in the total.

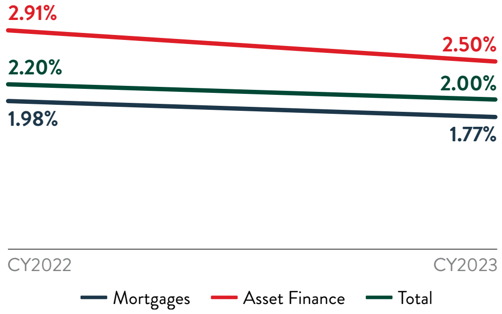
NET INTEREST

Net Interest Margin (%)

CY2023

2.00%

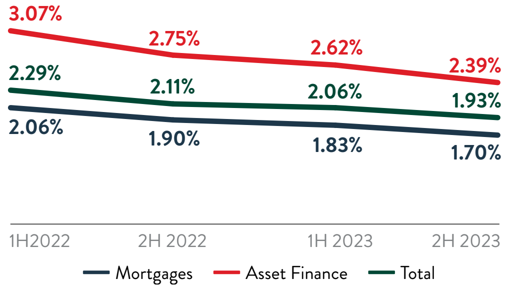
(20)bps v PCP



2H CY2023

1.93%

(13)bps 2H v 1H CY2023



Net Interest Margin (NIM) of 2.00% down (20)bps on PCP.

Mortgage NIM of 1.77% was down from 1.98%, (21)bps, in CY2022. Back/front book price increases implemented when the RBA increased the official cash rate ("OCR"), helped partially offset the lag between BBSW[14] rises and reducing AUM. Mortgage NIM was further impacted by the flow through of higher funding costs experienced over CY2022 and first half CY2023, and by customer attrition rates running higher than longer term averages as customers sought alternatives given rising rates and high inflation.

Asset Finance NIM reduced by (41)bps on PCP. Volatility in swap rates, particularly in 1H CY2023, coupled with increased cost of funds, drove a decline in margin. While funding costs / swap rates were partially recovered through pricing initiatives, the accelerated growth in Novated Leasing (which has lower rates but virtually no loan losses) as a percent of overall mix also had the impact of lowering NIM.

The downward pressure on NIM started to ease over the second half of CY2023, and NIM for 2H CY2023 at 1.93% was only (13) bps lower than 1H CY2023.

Mortgage NIM in 2H CY2023 at 1.70% was down (13)bps versus 1H CY2023. The focus on Non-conforming products has provided some mix benefit into the second half.

Asset Finance NIM in 2H CY2023 declined (23)bps on the prior half as the flow through of swap rate volatility and the strong growth in the Novated Leasing segment drove some NIM compression. 2H CY2023 NIM was also impacted by the flow through of adverse June swap rates.

14. BBSW: Australian Bank Bill Swap Rate.

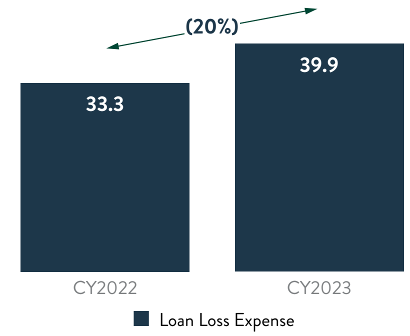
CREDIT PERFORMANCE

Loan Losses

Loan Loss Expense ($m)

$39.9m

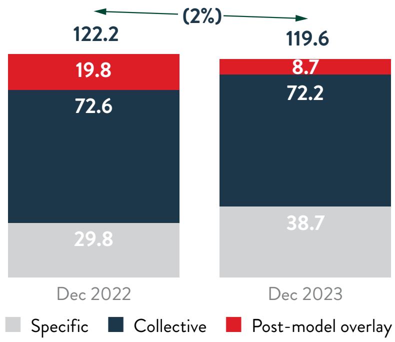
(20)bps v PCP



Loan Loss Provisions ($m)

$119.6m

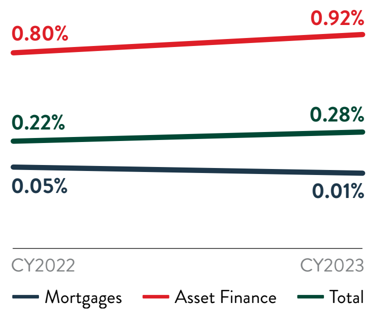
+2% v PCP



Loan Losses[15] % Lending AUM

0.28%

(6)bps v PCP



Loan Loss Expense included $11.1 million of Post Model Overlay writeback in CY2023 ($11.9 million writeback in CY2022).

After normalising for Post Model writebacks, **Loan Loss Expense** was $51.0 million in CY2023 up from $45.2 million in CY2022, a growth of (13)% on PCP. The increase corresponds to AUM growth in Asset Finance, net of whole loan sales.

Loan Losses Provision declined by 2% December 2023 on December 2022

Specific Provisions increased from $29.8 million to $38.7 million driven by an increase in late-stage arrears and an increase in insolvencies impacting Asset Finance. The increase in insolvencies is a return to historic trends, following the removal of Government insolvency protections, implemented under COVID-19 at the beginning of 2023.

Collective Provisions declined by $0.4 million on PCP to $72.2 million reflecting a recalibration in **Asset Finance** – given higher portfolio mix from Novated Leasing (attracts near zero losses as salary sacrificed), and provision release following the whole loan sale completed in December 2023.

Post Model Overlay reduced by $11.1 million on PCP. CY2023 included the release of $6.1 million of **Asset Finance** Post Model Overlay, while CY2022 benefitted from $11.9 million in provision release.

Mortgages released $5.0 million Post Model Overlay in CY2023 given the reduction in AUM due to high customer attrition, and lower Originations, $8.0 million in Mortgage Post Model Overlay continues to be retained into CY2024.

The increase in **Loan Loss as a % of Lending AUM** on PCP was driven by mix – with Asset Finance AUM as a % of Total Lending AUM increasing from 26% in CY2022 to 31% in CY2023. Loan Losses as a % remain within long term averages.

Mortgage Loan Loss as a % of Lending AUM declined 4bps benefitting in part from the acquisition of the high-quality loan portfolio from HSBC in New Zealand. Australian Mortgage remains well within historic averages.

Asset Finance Loan Loss as a % of Lending of AUM increased (12)bps on PCP driven by higher Specific Provisions, slightly offset by the impact of the Whole Loan Sale, where loans sold were skewed to Tier A. The business remains within the long-term averages experienced pre COVID-19.

15. Loan Losses excludes Post Model Overlay.

SEGMENT PERFORMANCE

Total Operating Income[16]

CY2023

$390.1m

(4)% v PCP

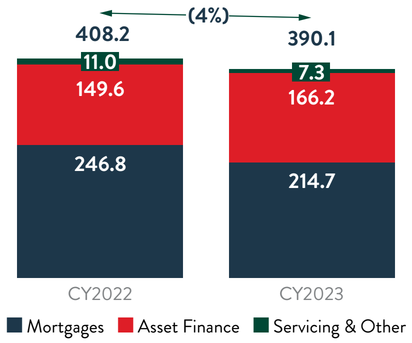
Half on Half Analysis

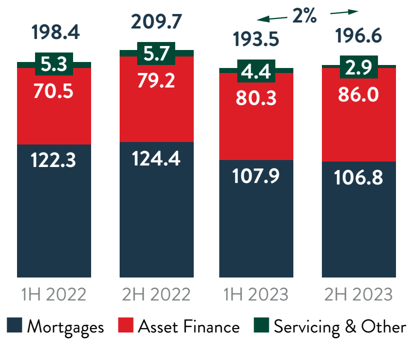
+2%

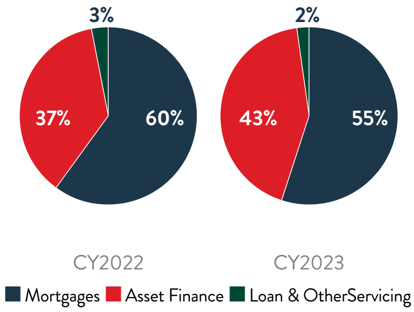
increase 2H v 1H

CY2023

Business Mix







Total Operating Income at $390.1 million was (4)% lower than PCP.

Mortgage Operating Income of $214.7 million was down (13%) on PCP given Origination slowdown, heightened customer attrition given competitive intensity, and the flow through of NIM compression. Credit expense reduced $10.8 million[17] on PCP.

Asset Finance Operating Income grew by 11% on PCP to $166.2 million as the business continues to drive scale and growth outpaced system. While credit expenses increased, in part given positive volume growth, and, in part as Specific provisions were increased to reflect market conditions, after normalising for the Post Model writeback of $11.9 million in CY2022 and $6.1 million in CY2023 coverage at 0.92% is in line with long-term averages.

2H CY2023 Total Operating Income at $196.6 million was up 2% on the first half of CY2023.

Mortgage Operating Income in the second half of CY2023 started to stabilise and at $106.8 million was only (1)% lower than 1H CY2023.

Asset Finance delivered Operating Income growth of +7% 2H CY2023 on 1H CY2023 and grew 9% on 2H CY2022.

The Company continues to benefit from the diversification of the portfolio, as mix shifted over CY2023 to capture growth opportunities in Asset Finance given soft market conditions in Mortgages.

For CY2023 in total, **Mortgages** contributed 55% (CY2022: 60%) of Total Operating Income, with **Asset Finance's** contribution growing to 43% of Total Operating Income, up from 37% in CY2022.

Loan and Other Servicing Operating Income declined by $(1.5) million on CY2022 to $2.9 million driven by the loan run-off from the Servicing portfolios, including Personal Loans. Income from the Broker Administration business was marginally down on PCP following the exit of this non-core business activity effective from Q4 CY2023.

16. Corporate segment income is not displayed in the bar chart as not material but included in the total.
17. Includes Post Model Overlay.

EXPENSE MANAGEMENT

Pro-forma Total Expenses

CY2023

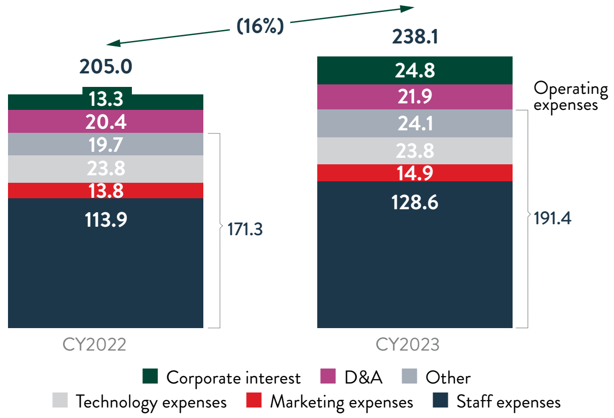
$238.1m

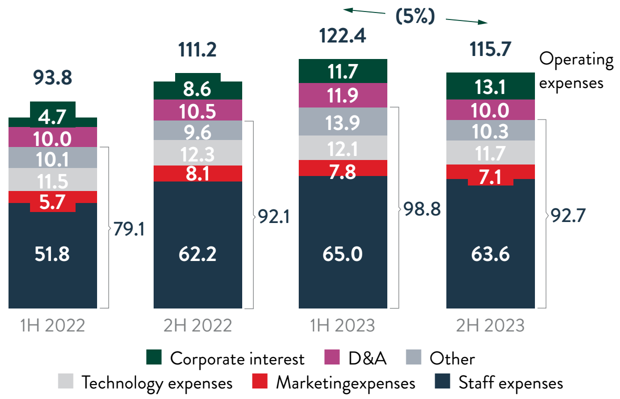
(16)bps v PCP

Half on Half Analysis

+5%

decrease 2H v 1H





Pro-forma Total Expenses of $(238.1) million increased (16)% on PCP. The increase in Total Expenses versus PCP reflects the annualisation of expenses following the acquisition of Stratton effective 1 July 2022.

Normalising for Stratton, **Pro-forma Operating Expenses** grew only (1)% on PCP, with Staff expense increasing (3)%, Marketing reducing by 21% and Technology declining by 9% year on year. **Normalised Pro-forma Total Expenses** grew (8)% on PCP driven by the increase in Corporate Interest of $(11.4) million as a result of movements in BBSY[18]/BBSW and higher drawdown of corporate debt facilities.

Reported Pro-forma Operating Expenses were $191.4 million, an increase of $(20.1) million on PCP, with Staff expenses increasing by $(14.7) million. **Reported Pro-forma Total Expenses** at $238.1 million grew by (16)% year on year as the impact of BBSY/BBSW on Corporate Interest expense added $(11.4) million in additional costs.

The ability of the business to manage costs, and the benefits being derived from scaled platforms and automation, is demonstrated when comparing 2H CY2023 expenses to 1H CY2023 and 2H CY2022.

2H CY2023 Pro-forma Operating Expenses reduced by $(6.1) million, 6%, when compared to 1H CY2023. All Operating Expense lines realised savings half on half. In a high inflation environment, disciplined cost management, benefits from investments in technology, processes and automation coupled with scaled growth in Asset Finance allowed the business to derive strong efficiencies. **Pro-forma Total Expenses** decreased by 5% over the same period, with the flow through of operating expense savings partially offset by higher Corporate Interest expense.

Versus the second half of CY2022 Pro-forma Operating Expenses increased by less than 1%. While wage inflation averaged 3%, Staff expenses only increased 2% 2H CY2023 vs. 2H CY2022. **Pro-forma Total Expenses** decreased by 4% over the same period.

18. BBSY: Australian Bank Bill Swap Bid Rate.

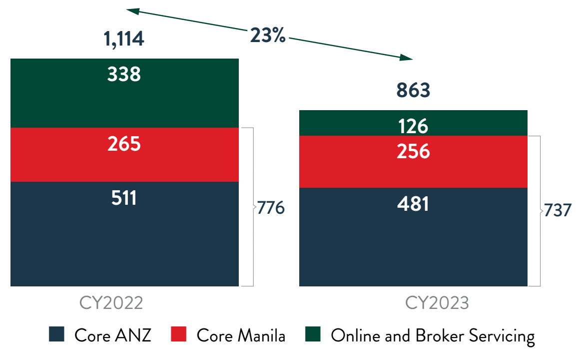
HEADCOUNT

FTE

CY2023

863

Core down 5% v PCP



Core Lending FTE closed the year down by 5% on PCP as the business continued to deliver gains through process automation and enhanced digitisation. FTE reduced by 6% in Australia/ New Zealand. The efficiency of the business was seen through the integration of the A$1.0 billion in AUM on acquisition of the HSBC New Zealand Mortgage portfolio with no additional FTE taken on.

Total FTE reduced by 23% year on year as headcount improvements were realised following the exit of the Broker Administration service in Q4 2023. These FTE were Manila based and costs fully recovered through Servicing fees charged.

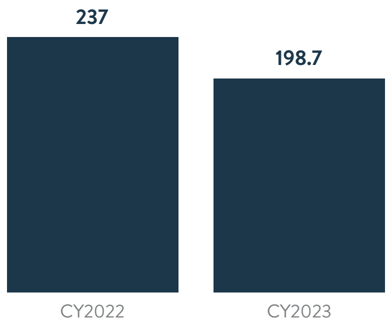
PROFITABILITY

Profit ($m)

Pro-forma EBITDA

$198.7m

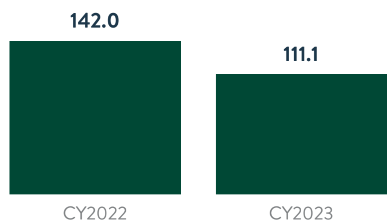
(16)% v PCP



Pro-forma NPAT

$111.1m

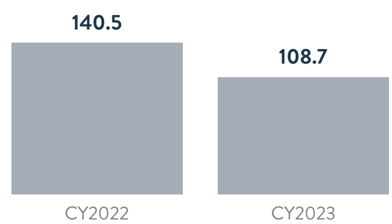
(22)% v PCP



Statutory NPAT

$108.7m

(23)% v PCP



EBITDA of $198.7 million contracted (16)% on PCP

The market conditions in Mortgages and NIM compression were partially offset by above system volume growth in Asset Finance, the focus on Non-conforming segments, the roll out of the Whole Loan Sale program to Asset Finance, and the acquisition of the HSBC New Zealand mortgage portfolio.

While Pro-forma Total Operating Expenses increased on PCP given annualisation of the Stratton acquisition, Normalised Pro-forma Operating Expenses only grew 1% year on year.

Pro forma NPAT of $111.1 million (22)% below PCP

Adding the marginal increase in D&A of $(1.5) million – driven by the amortisation of acquired Intangibles and increase Right of Use – to the $(11.3) million increase in Corporate Interest expense, Pro forma NPAT contracted (22)% on PCP to $111.1 million.

Statutory NPAT $108.7 million (23)% below PCP

Pre-tax Pro-forma adjustments for CY2023 of $(3.3) million are one-off in nature as they related to the acquisition of the HSBC New Zealand mortgage portfolio completed 1 December 2023. (CY2022 of $(1.5) million in one-off costs relating to the acquisition of Stratton Finance Pty Ltd completed 1 July 2022).

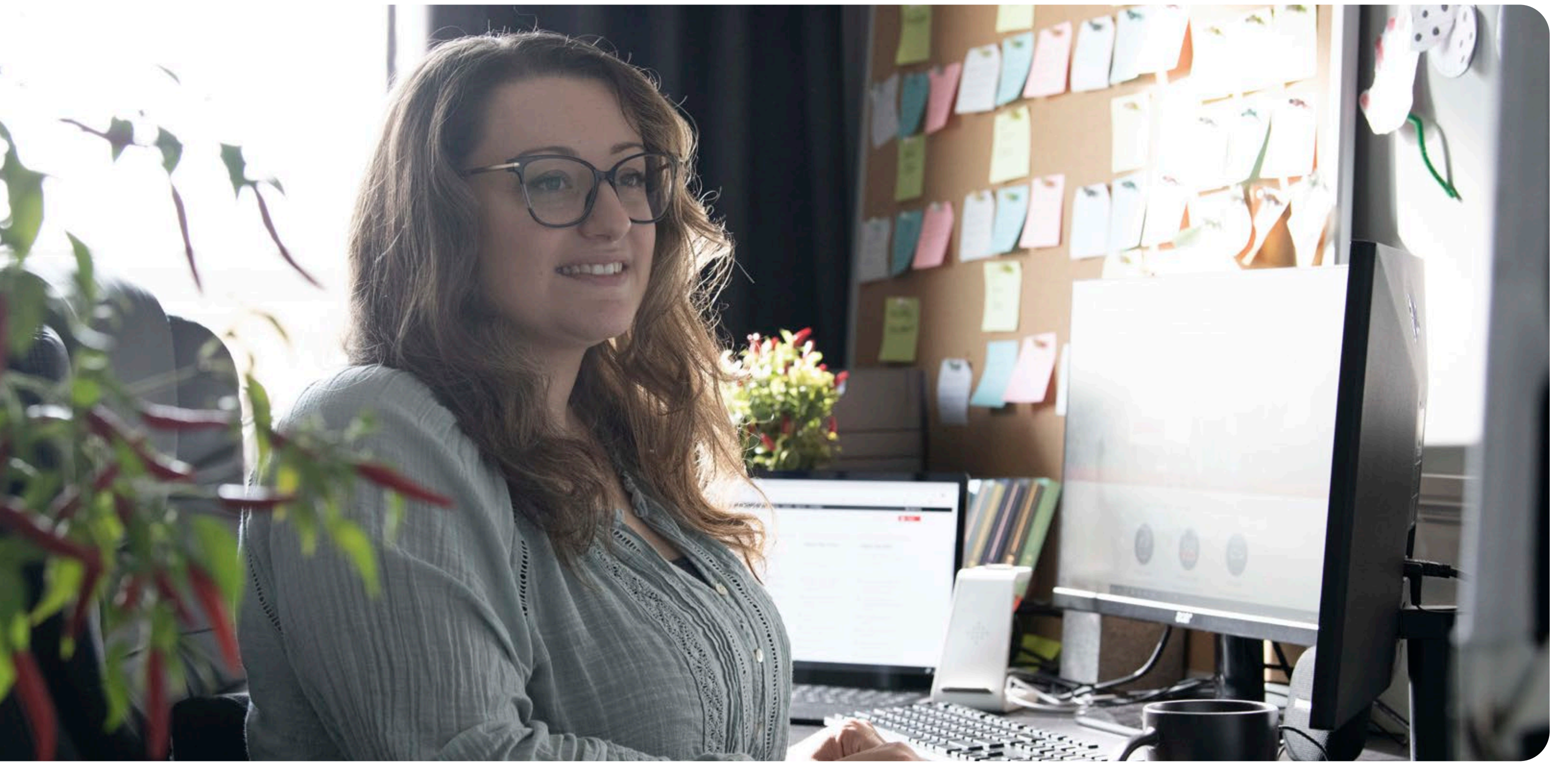
SHAREHOLDERS

Returns

Dividend	Dividend payout ratio	Dividends paid/payable[19]
5.0 Final dividend cents per share	**37.5%** Final dividend 2H CY2023 Pro-forma NPAT	**$38m** CY2023
8.6 Total CY2023 cents per share	**34.0%** Total CY2023 CY2023 Pro-forma NPAT	**6.4%** Annualised yield

The Board has declared a **fully franked final dividend** for CY2023 of 5.0 cents per share, representing a **payout ratio** of 37.5% of the Pro-forma NPAT for the period 1 July – 31 December 2023.

In total, Pepper Money has delivered **total dividends** of 8.6 cents[20] per share to shareholders in respect of 2023 financial year, representing a **payout ratio** of 34.0% and an **annualised[21] dividend yield** of 6.4% (CY2022 6.3%).



19. Being the interim and final dividend paid in respect to Pro-forma NPAT for the period 1 January 2023 to 31 December 2023.
20. Subject to rounding.
21. Annualised dividend yield based on average 1 January 2023 – 31 December 2023.

4. Our Sustainability commitment and performance

Over CY2023 Pepper Money continued to embed environmental, social and governance considerations into our strategy, risk and business management practices. Pepper Money strives to have a positive impact for our customers, shareholders, employees, and the communities in which we operate. Pepper Money's approach to ESG aligns with our mission to **"help people succeed"** by supporting customer financial needs, through our focus on providing innovative home loan and asset finance solutions to those who are typically underserved by traditional lenders. Pepper Money recognises that embedding good corporate governance and lending responsibly are fundamental to our ability to manage ESG risks and opportunities in our operating environment and is crucial to the achievement of our strategy and purpose.

4.1. Material Themes

Pepper Money's focuses on creating financial inclusion, by challenging the way loans are designed and distributed. Our values provide the guide to how we do business and how we interact with all our stakeholders. ESG closely links to our strategy, mission and purpose, and we recognise that our ability to manage ESG risks and opportunities in our operating environment is critical to the achievement of our strategy and purpose.

Customer Wellbeing

We provide innovative and affordable lending solutions to meet our customers' needs.

Our Mission

We help people succeed

Community Contribution & Investment

We recognise the importance of supporting and building resilient communities.

Responsible Business

We commit to responsible business practices and governance to protect our stakeholders.

Climate Risks & Opportunities

We aim to reduce our impact on the environment.

Employee Engagement & Inclusion

We foster a positive environment to support an engaged and diverse workforce.

4.2. ESG Key Focus Areas

Pepper Money has engaged with internal and external stakeholders to inform our identification of ESG opportunities and risks. Strategic risks were considered alongside regulatory developments, peer reviews and industry trends. We have sought input from institutional investors (both equity and debt), brokers and introducers, community partners and our employees. These were consolidated and prioritised to obtain the five focus areas that stakeholders identified where Pepper Money can have the greatest positive or negative impact. Pepper Money published its inaugural Sustainability Report for CY2022 in February 2023. This report outlined how Pepper Money manages sustainability, including the risks and opportunities across the ESG factors identified as material to the business. Over CY2023 Pepper Money has developed a governance framework and identified candidate measures for each of these focus areas. This process was guided by external frameworks and resources, such as the Sustainability Accounting Standards Board, the International Integrated Reporting Framework and Australian Institute of Company Directors ("AICD") papers. Over CY2023, we matured our ESG framework by identifying meaningful and impactful metrics and targets appropriate to the business within each focus area. Pepper Money will continue to develop and refine the candidate measures and metrics considering evolving regulation and community expectations.

FOCUS AREAS	E/S/G	DEFINITION
Customer Wellbeing	S G	We are focused on doing the right thing for our customers, providing innovative and affordable lending solutions that meet their financial needs and reflect responsible lending principles. Our policies and procedures are designed so that customers understand their lending commitments, understand our decisions and pricing, and have access to the right resources and support when they need it.
Responsible Business	G	We are committed to responsible business practices. Our system of governance is designed to foster a culture that values accountability, ethical behaviour and protects our stakeholders' interests at all times. Our code of conduct and our values set the standard of how we do business and interact with our stakeholders.
Climate Risks and Opportunities	E	We recognise the importance of making positive changes in how we run the business as this can reduce our impact on the environment. We are committed to assisting our customers reduce their impact on the environment by providing finance for the construction of, modification to, or purchase of more energy efficient homes, and clean transportation.
Employee Engagement and Inclusion	S	We recognise the positive outcomes and better overall performance that can be achieved via an engaged and diverse workforce. We are committed to fostering an environment that supports diversity and inclusion whilst maintaining a commitment to high performance culture.
Community Contribution and Investment	S	Aligned with our purpose to help people succeed, Pepper Money recognises the importance of supporting and building resilient communities. We partner with community-based organisations that share our values of diversity and inclusion and that make a difference in areas of the community that are under-served by traditional support structures.

4.3. CY2023 Key Achievements by Focus Area

The initiatives undertaken in CY2023, and outcomes achieved under each focus area are set out below:

Customer Wellbeing

We provide innovative and affordable lending solutions to meet our customers' needs.

Customer Wellbeing:

Listening to our customers is critical to ensuring that Pepper Money is continuously meeting the needs of our customers and finding opportunities for improvement. We regularly monitor what customers tell us they need by listening to our customers through Net Promoter Score ("NPS") surveys, monitoring of operational metrics such as call centre wait times, time-to-yes-loan approvals, system outages and by actively managing complaints, identifying patterns and taking active steps to resolve issues.

Customers are at the forefront of how we do business given our mission to **"help people succeed"** – and customer wellbeing must form part of this mission. It was important to us to find ways to help our customers navigate increasingly difficult economic conditions – which were experienced over CY2023 as both interest rates and inflation rose.

The diligence that Pepper Money applies to the credit process helps to protect customers from over committing. Pepper Money has now helped 455,248[22] customers cumulatively since we started the business over 23 years ago.

To support our customers we offer various Customer Wellbeing initiatives online with the aim of uplifting and enhancing financial literacy and online security awareness:

- Customer Support Hub: 27,000 views from more than 15,000 users in CY2023
- Security Hub: 357 views and 233 users in CY2023
- Lending videos series 101: these videos had nearly 800,000 views across our social media channels
- Money Mindset reports: published in over 30 media publications with a reach of over 22 million views
- Customer stories program: over 22,000 views from nearly 19,000 users in CY2023
- Financial hardship and money management articles: over 3000 views across 2700 users in CY2023
- Resources published on Customer Portal: 3,457 page views across various articles in CY2023

Our annual Customer NPS Survey[23] saw increases in product advocacy across all core Pepper Money products with results considerably ahead of total market

- **Asset Finance** NPS of 50 (+27 points vs industry average);
- **Home Loans** NPS of 6 (+9 points vs industry average;
- **Personal Loans[24]** NPS of 66 (+44 points vs industry average).

22. Cumulative number of customers from 2004 to 31 December 2023. Includes HSBC New Zealand residential mortgage customers who transferred on acquisition of the portfolio.
23. Survey conducted by RFI Global – Pepper Money NPS measurement and tracking, September 2023.
24. Personal loans – credit is provided by Now Finance Group Pty Ltd, Australian Credit Licence Number 425142 as agent for NF Finco 2 Pty Limited ACN 164 213 030.

Employee Engagement & Inclusion

We foster a positive environment to support an engaged and diverse workforce.

Employee Engagement and Inclusion:

Engagement: The strength of Pepper Money's employee engagement is driven by our culture and supported by our values of **Can Do, Balanced and Real**. In CY2023, our overall engagement score remains strong at 75[25], placing Pepper Money in the top 10% of high performing companies globally.

Diversity: Diversity and inclusion are core values of Pepper Money and we are committed to creating an environment which values diversity at all levels through a conscious desire to achieve understanding, respect, inclusion and continuous learning. Pepper Money recognises that this commitment to diversity and inclusion will enhance the customer experience and improve employee satisfaction levels, both of which are key to the success and sustainability of Pepper Money's business.

Our diversity, equity and inclusion strategy is underpinned by our guiding principles of **Allyship, Celebrate and Educate ("ACE").**

As at December 2023:

- Our team was 55% female, 45% male.
- Females hold 45% of senior management roles – compared to 38% in the Financial Services and Insurance sector in Australia.[26]

Inclusion: Our commitment to promoting an inclusive workplace is demonstrated through feedback from employees in the CY2023 annual Employee Engagement survey.

- Fairness: *"Everybody is treated fairly at Pepper"* – 85th percentile.
- Personal Expression: *"People with different ideas are valued at Pepper"* – 84th percentile.
- Trust: *"There is an atmosphere of trust at Pepper"* – 92nd percentile.

Initiatives that supported our CY2023 strategy include:

- **Investment in our people** through regular performance check-ins, engagement surveys, upskilling initiatives and leadership development. Where possible, our focus is to promote our people from within, and we encourage employees to have meaningful development discussions with their leaders through our Personal Development Plan program.
- **Investment in uplifting the capability of our Leaders** to promote a high performance culture and real conversations that drive the right behaviours. Initiatives include:
  - Anti sexual-harassment and domestic violence training for managers, including language awareness
  - Launched **Leadership Principles** which underpin the behaviours we expect our leaders to role model to ensure the business achieve it's strategic goals.

Wellness: Pepper Money is committed to promoting and maintaining a safe, positive and inclusive culture that supports our employees to succeed. Our CY2023 wellbeing program continued to promote a mentally healthy workplace where our employees are supported to manage their mental health and to respond to mental ill health. Our programs included:

- Mental Health first aid program, with employees from across the business trained to act as first point of contact for employees experiencing mental health challenges.
- Online tools and resources to support overall wellness.
- Activities to support employees physical health.
- Promotion of our Employee Assistance Program.

25. Pepper Money Limited CY2023 Employee Engagement Survey conducted by Custom Insights, 11 September – 22 September 2023. Results for Australia and New Zealand. Pepper Money Manila Employee engagement under the same survey saw response rate of 99% and a score of 81.
26. Workplace Gender Equality Agency: WGEA Financial and Insurance Services Industry snapshot 2022-2023. Senior Manager as at 31 March 2023.

Community Contribution & Investment

We recognise the importance of supporting and building resilient communities.

Community contribution and investment:

Pepper Giving: is the program that brings to life Pepper Money's community and charitable initiatives. The program is run by a group of passionate employees who volunteer their time to form the Pepper Giving Committee. The Committee is governed by the Pepper Giving policy framework. Pepper Giving is made up of four main activities: Big G, Medium G, Small G and volunteering.

1. **Volunteering** Pepper Money leverages the power of employees to give back to the community through regular volunteering opportunities. Some examples include gardening days at Women's and Girls' Emergency Centre ("WAGEC"), making festive season hampers for WAGEC clients and making sandwiches for children experiencing food insecurity through "Eat Up Australia" initiative.
2. **Big G** – this program sees Pepper Money partner with a charitable organisation to provide support and funding via a large annual donation. In 2023, WAGEC benefitted from our Big G program.
3. **Medium G** – staff are given three opportunities throughout the year to vote for a charity to receive a generous donation. Donation recipients in 2023 covered a wide range of causes.
4. **Small G** – this program empowers employees to apply for a financial contribution to a charity or cause that is important to them at any time of the year.

The following support was donated to communities and organisations through our CY2023 Pepper Giving program[27]:

CY2023 Pepper Giving Support	$'000
Domestic violence and child protection	$81.2
Youth support and education	$50.0
Housing and welfare	$39.0
Community contributions	$30.6
Medical support and mental health	$18.2
Animal welfare	$10.5
Volunteering enablement	$2.9
Total	**$232.4**

27. Including donations in Australia, Philippines and New Zealand represented in AUD.

Climate Risks & Opportunities

We aim to reduce our impact on the environment.

Climate risks and opportunities:

Our position on climate and the environment has been complemented by initiatives implemented over the past few years in response to climate challenges.

Electric Vehicle (“EV”):

Our forefront position in EV lending has seen the business finance 8,986 electric vehicles[28] in Australia since we commenced this program in 2015. Based on average vehicle distance travelled and lifecycle emissions[29] we have saved in excess of 39,000 tonnes of carbon emissions in 2023 and will offset up to 236,000 tonnes of carbon emissions over the lifetime of these vehicles.

To better support our customers in making the transition to electric vehicles, we partnered with Evie Networks to make EVs more affordable by providing them with complementary access to Evie’s public fast charging network for up to 12 months, or 2,000 kWh (this program finished 31 December 2023). Pepper Money continues to grow its share of EV financed in Australia, our share of total EV financed in CY2023 was 5.3%, up from 3.9% in CY2022.

Green Bond:

Pepper Money is actively assisting customers to achieve a lower carbon footprint by funding the construction and purchase of more energy efficient and low carbon homes.

In 2018 Pepper Money established a Green Bond Framework (updated in 2019 and again in 2022) based on the International Capital Market Associations’ Green Bond Principles (“GBP”).

Since 2018, Pepper Money has issued five Green Bonds under the Green Bond Framework to fund the refinance of portfolios of existing mortgages of Australian green residential buildings.

All bonds issued by Pepper Money under the Green Bond Framework are subject to a second party opinion provided by Sustainalytics. Sustainalytics also conducts an annual review on the Bonds issued under Pepper Money’s Green Bond Framework

Please refer to: www.peppermoney.com.au/about/debt-investors for Pepper Money’s Green Bond Framework; the second-party opinion by Sustainanlytics and Pepper Money’s last Green Bond Annual Review.

A healthier planet

As part of Pepper Money’s 21st birthday celebrations in 2021 we worked with experts in Australia, New Zealand, and the Philippines, and Pepper Money embarked on a program to plant 21 trees for each Pepper Money employee. Since mid-2021, Pepper Money has commissioned 7 hectares of forest – a total of approximately 16,300 trees. The trees planted are from wild seeds harvested from the local environment, to ensure they are compatible with conditions, all grown to a size that optimises their ability to thrive when planted.

28. Count of electric vehicles only – excludes hybrids
29. Calculation based on lifecycle emissions reduction of electric vehicles relative to average ICE lifecycle emission and annual distance travelled (source: Electric Vehicle Council) assuming vehicle lifetime of 15 years (source: ABS)

5. Funding and Capital Management

5.1. Funding

Pepper Money continues to be one of Australia's largest and most experienced non-bank lenders. Pepper Money has been issuing securitisation deals since 2003 and has a 100 per cent track record of calling every deal at the first available call date. The Company is seen as a "benchmark" Australian non-bank issuer of Residential Mortgage-Backed Securities ("RMBS") and Asset Back Securities ("ABS") through the history, frequency, scale, volume, performance, and diversification of its debt-funding capital markets program. In 2023 Pepper Money was again recognised by KangaNews as the Australian Nonbank Financial Institution Issuer of the Year.

Pepper Money's approach is to originate loans through a combination of Warehouse Facilities provided by key relationship banks and institutional investors, Term Securitisation transactions (both public and private) and also its Whole Loan Sales program. A summary of Pepper Money's funding facilities is as follows:

- **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. Pepper Money's Warehouse Facilities are typically separated by product and jurisdiction, namely: Prime or Non-Conforming (including Near Prime Clear, Near Prime and Specialist) residential mortgages in Australia and New Zealand, Asset Finance or Commercial Real Estate loans in Australia.
- **Public Term Securitisations:** a pool of loan assets initially funded through one or more Warehouse Facilities are grouped together and sold to a new Funding Vehicle, which then issues securities against those loan assets to investors in public wholesale capital markets.
- **Private Term Securitisations:** 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.
- **Whole Loan Sales:** sale of pools of loan assets to a third-party buyer at an agreed price, being a premium to the par value of the loan assets with Pepper Money being appointed to service the sold portfolio. Post-sale, the buyer of the portfolio will benefit from the economic return on the assets but will be exposed to the credit risk of the assets[30]. Further, WLS allows the Company to benefit from the loan acquirer's lower cost of capital.

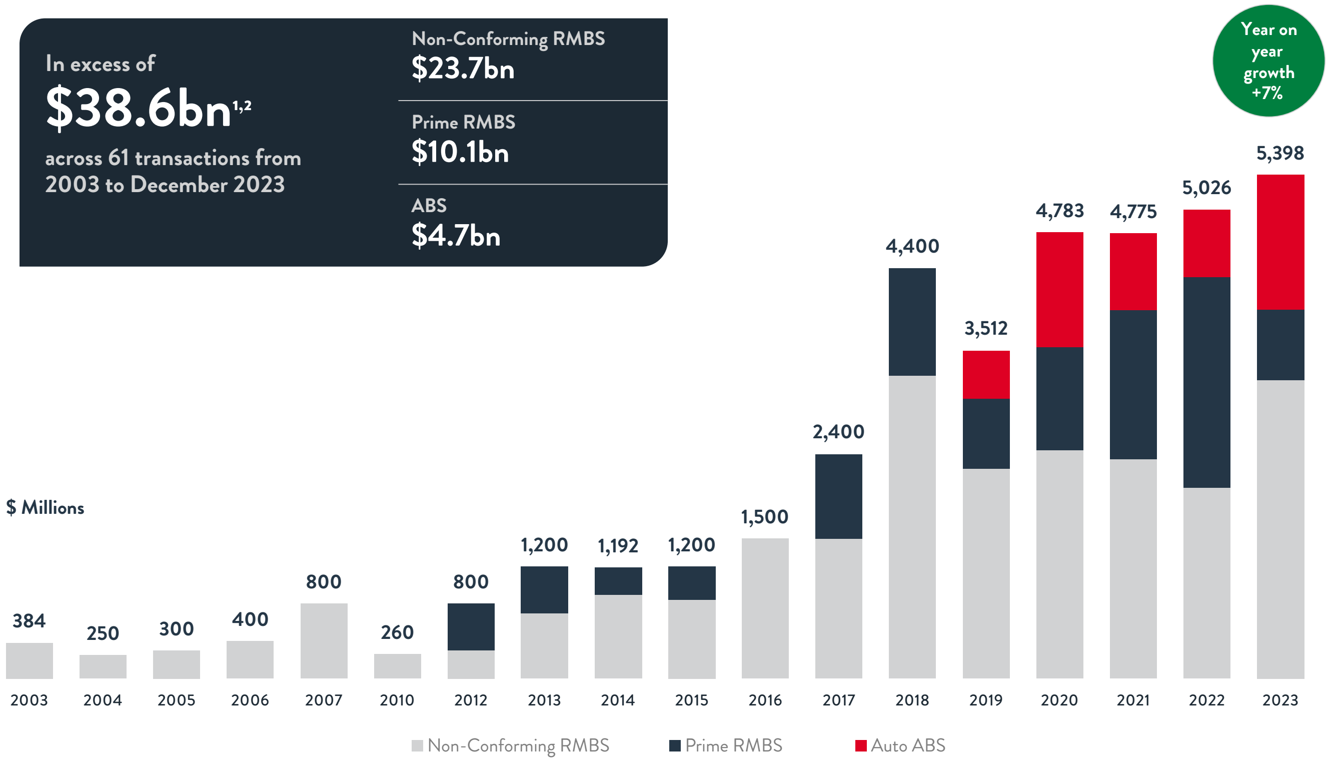
Total **Warehouse Facility** capacity at 31 December 2023 of $9.3 billion[31], declined $(2.0) billion on PCP given the lower origination performance of the Mortgage portfolio. The Company continues to retain sufficient headroom to capitalise on both growth opportunities across all asset classes, or, to protect originations in the advent of funding markets experiencing a material slowdown.

Pepper Money has four **Public Term Securitisation** programs – *Pepper-Prime*, *PRS*, *Pepper-Social* and *SPARKZ* – and over CY2023, the following new issuances were made to support the growth of the business and fund assets:

Public Securitisations	Issuance size $M	Settlement date
RMBS		
Non-Conforming		
• PRS 35	$1,000.0	24 February 2023
• PRS 36	$675.0	4 May 2023
• PRS 37	$675.0	30 May 2023
• PRS 38	$850.0	7 September 2023
Prime		
• Pepper Prime 2023-1	$750.0	9 November 2023
ABS		
• SPARKZ 6	$723.3	18 May 2023
• SPARKZ 7	$724.6	23 August 2023
	$5,397.9 million	

30. Subject to standard representations and warranties by Pepper Money Limited.
31. Includes Pepper Money Notes.

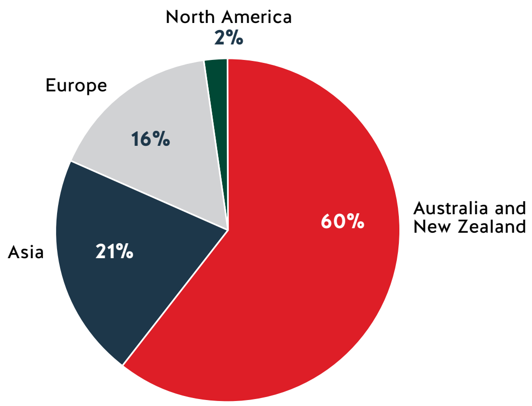
Since 2003 Pepper Money has securitised in excess of $38.6 billion across 61 transactions:



Notes: 1. Chart is total issuance size of public term deals (excluding refinances) by issuance year, up to 31 December 2023. 2. Subject to rounding.

Funding composition for CY2023 Public Term Securitisations show the strength of Pepper Money's investor base with 40% international and 60% from Australia and New Zealand.

CY2023 Public Term Securitisations Funding Mix



Pepper Money regularly sells pools of loan assets at a premium to par value as part of its Whole Loan Sale program. As part of the sale arrangements, Pepper Money is appointed as the servicer of the loan assets by the buyer and thus continues to receive ongoing monthly fees following the sale of the asset pool. Servicing fees are based on the loan balance over time. WLS allows Pepper Money to benefit from the loan acquirer's lower cost of capital. Over CY2023 Pepper Money executed three Whole Loan Sales as part of its programmatic funding approach, two for Prime Mortgages and one for Asset Finance.

Asset class	Issuance size $M	Settlement date
Mortgages: Prime	$150.0 million	13 June 2023
	$207.2 million	30 November 2023
Asset Finance	$500.0 million	20 December 2023
	$857.2 million	

5.2. Capital and liquidity management

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.

The key terms of the corporate debt facilities are summarised below:

Facility Name	Syndicated Facility Agreement[32]	Medium Term Notes
Commencement Date	27 May 2021	13 October 2021
Facility Size	A$200 million	
Drawn as of 31 December 2023	Revolving cash advance facility A$155 million	A$115 million
Interest and Fees	At a minimum, the CDF bears interest at the 90-day BBSY[33] rate (the Australian bank bill swap reference rate (bid) plus a variable margin. Fees paid/payable in connection with the CDF include the following: • a one-off upfront fee paid on drawdown of the CDF • an ongoing commitment fee on the undrawn portion of the commitments	The Medium-Term Notes bear interest at 3-month BBSW[34] plus a margin, which increases over time. A one-off upfront fee paid on drawdown of the Notes.

At 31 December 2023, Pepper Money had unrestricted cash balances of $121.1 million. Drawn corporate debt facilities at 31 December 2023 were $155.0 million. Total corporate liquidity was $166.1 million at year end. The Company remains focused on maintaining prudent capital levels to provide flexibility given market uncertainty.

32. Known as the Corporate Debt Facility (CDF).
33. BBSY: Australian Bank Bill Swap Bid Rate.
34. BBSW: Australian Bank Bill Swap Rate.

6. Dividend

CY2022 fully franked final dividend of 5.1 cents per share was paid on 14 April 2023[35].

CY2023 fully franked interim dividend of 3.5 cents per share was paid on 12 October 2023[36].

For CY2023 the Board has declared a fully franked final dividend of 5.0 cents per share to be paid 18 April 2024[37]. The final dividend represents a payout ratio of 37.5% of the Pro-forma NPAT from the period 1 July 2023 to 31 December 2023, and is consistent with the payout ratio of 30.0% – 40.0% set under the existing Board Dividend Policy[38]. The Board believes the dividend recognises the ongoing strong performance of the business and the ability of Pepper Money to deliver consistent returns to shareholders.

On a full year basis, fully franked dividend paid or payable of 8.6[39] cents per share represents a payout ratio of 34.0% on Pro-forma NPAT from 1 January 2023 to 31 December 2023 and an annualised yield of 6.4%.

Final Dividend Declared	**2H CY2023 Pro-forma NPAT**	**2H CY2022 Pro-forma NPAT**	**2H CY2023 Statutory NPAT**
Average Share Price[40]	**$1.33**	$1.49	$1.33
WANOS (millions) on issue	**439.7**	439.6	439.7
Dividend %	**37.5%**	32.5%	35.2%
Dividend	**$22.2m**	$22.4m	$22.2m
Dividend per Share	**5.0 cents**	5.1 cents	5.0 cents
Full Year Dividend Paid or Payable	**CY2023 Pro-forma NPAT**	**CY2022 Pro-forma NPAT**	**CY2023 Statutory NPAT**
Average Share Price[41]	**$1.35**	$1.66	$1.35
WANOS (millions) on issue	**439.7**	439.6	439.7
Dividend %	**34.0%**	32.5%	34.7%
Dividend	**$37.8m**	$46.1m	$37.8m
Dividend per Share	**8.6 cents**	10.5 cents	8.6 cents
Dividend yield[42]: Annualised	**6.4%**	**6.3%**	**6.4%**

Change in Dividend Policy

Having considered market conditions currently facing the industry and the lower capital requirements of the business under moderated growth, effective 1 January 2024 the Board has elected to increase the dividend payout ratio under the Board Dividend Policy from 30.0% – 40.0% of Pro-forma NPAT to 30.0% – 60.0%. The Board expects that dividend payments will be weighted equally between interim and final dividends.

35. Record date for CY2022 final dividend – 14 March 2023.
36. Record date for CY2023 interim dividend – 12 September 2023.
37. Record date for CY2023 final dividend – 14 March 2024.
38. As per Pepper Money Limited Prospectus – Initial Public Offering of Ordinary Shares. Section 4.10 page 181.
39. Subject to rounding.
40. Average share price as per ASX close: 1 July 2023 – 31 December 2023. (CY2022: 1 July 2022 – 31 December 2022).
41. Average share price as per ASX close: 1 January 2023 – 31 December 2023. (CY2022: 1 January 2022 – 31 December 2022).
42. Dividend yield based on average 1 January 2023 – 31 December 2023 (CY2022 average 1 January 2022 – 31 December 2022).

7. Risk Management Framework, Material Risks and Business Uncertainties

7.1. Risk Management Framework

Risk management is an integral part of Pepper Money's business model. We recognise that risk management drives sustainable customer and business outcomes and is core to Pepper Money delivering on its strategy, mission and purpose.

Pepper Money operates in adherence to its Risk Management Framework ("RMF"), which provides an effective and efficient approach to govern and oversee Pepper Money. This includes identifying, monitoring and mitigating risks to allow the business to deliver its strategy and to overseas business activities.

Pepper Money's Board has the ultimate accountability for risk management in the organisation, including setting the risk appetite of the business (documented in the Risk Appetite Statement). Day-to-day responsibility for risk management is cascaded through the delegation of individual accountability, with reporting and escalation facilitated through the Risk Governance structures outlined below. Policies, procedures, and limits are defined to ensure activities remain within an understood and appropriate level of risk. Pepper Money continues to evolve our approach to risk management, given the ever-changing needs of the business and our customers.

Risk Management Framework	Board and Strategy Risk Appetite Statement Risk Management Strategy		RISK CULTURE
Residual	**Financial Risks** • Credit Risk • Liquidity Risk • Funding Risk • Market Risk	**Non-Financial Risks** • Compliance • Operational • Reputational/Conduct Risk	
Inherent	**Strategic Risks**		
Independent Validation and Testing	**Internal Audit (3rd Line of Accountability)**		
Risk Policies	**Risk Management (2nd Line of Accountability)** • Credit Policy • Funding Policy • Compliance Policy	• Operational Risk Management Policy • Business Resilience Policy	
Procedures and Supporting Documents	**Business (1st Line of Accountability)** • Procedures • Standards • Guides	• Manuals • Registers	

All employees at Pepper Money have a role to play in risk management. Fundamental to the RMF is the "three lines of accountability" model, which considers Pepper Money's business and functional structures. The model delineates management accountabilities and responsibilities over risk management and the control environment, thereby creating a robust control environment to manage inherent risks. The model ensures risks are identified and issues are escalated, with a clear separation between the first, second and third lines of accountability:

1st Line: 1st line Management are accountable and responsible for management of risks, compliance obligations and controls.

2nd Line: Risk and Compliance establishes frameworks and policies to assist and provide oversight to 1st line activities, with the management, monitoring and reporting of risks and compliance obligations.

3rd Line: is an independent function – Internal Audit – which provides independent assurance on the adequacy and effectiveness of risk management activities.

Other key components to the RMF include:

Risk Governance

Pepper Money has established risk governance through a comprehensive committee structure to support the management of risks, including the

- Audit and Risk Management Committee (Board),
- Remuneration and Nomination Committee (Board),
- Executive Risk Committee (Management),
- Asset and Liability Committee (Management).
- Credit Committee (Management),
- Product and Pricing Committee (Management) and
- Environmental, Social and Governance Committee (Management)[43]

Culture, Training and Awareness

The Board operates with risk management as a key focus and has implemented a "tone from the top" approach.

The importance of risk culture is driven from the Board to the Management team and then across the organisation. This includes operating with an awareness of the three lines of accountability, Pepper Money's strategy and risk appetite and an understanding of how this translates to individual roles, responsibilities and day-to-day processes.

Risk culture is reinforced through regular training and communication across all levels of the business.

Policies and Procedures

Pepper Money has the required understanding of, and adherence to, law and regulations across the business. This helps to inform policies, business processes, and procedures, that cover all aspects of lending and loan servicing. These include, but are not limited to:

- credit, business process,
- loan documentation,
- collections and litigation,
- complaints procedures,
- accounting,
- investor reporting,
- anti-money laundering (AML), and
- cyber and security.

Escalation, monitoring & reporting

Pepper Money has established risk monitoring procedures alongside a positive risk-informed culture that endorses the escalation of incidents, including the escalation of compliance-related incidents. Risk reporting is designed to enhance improved decision making.

For further information please refer to Pepper Money's Corporate Governance Statement at: **www.peppermoney.com.au/about/corporate-governance.**

43. Pepper Money Board will establish a Board Environmental, Social and Governance Committee in CY2024 as part of the of annual sustainability reporting regime and given the new sustainability standards to be made by the Australian Accounting Standards Board (AASB) (draft issued November 2023).

7.2. Operating environment evolving material risks

Pepper Money operates in a constantly evolving environment which places the understanding and management of risks at the forefront. Pepper Moneys' RMF provides the mechanism for the Board, Management and employees to effectively identify, evaluate and adjust for the changing risk environment.

The most significant risks that the Company faces have been determined to be "material risks", which are risks that may affect Pepper Money's ability to deliver its strategy or meet its obligations. Pepper Money categorises key material risks into financial and non-financial as below:

Framework	Risk Management Framework		
Tolerance Levels	Risk Appetite Statement		
Material Risks Categories	Financial	• Macro-economic risk • Credit risk • Funding risk	• Liquidity risk • Interest rate risk
	Non-Financial	• Environment, Social & Governance risk • Cyber risk • Data risk • Technology risk • Regulatory & compliance risk	• Operational risk • Conduct risk • Human capital risk • Labour market risk • Third party risk

7.2.1. Financial Risks

Key Risk	How Pepper Money responds
Macro-economic risk arises from factors such as inflationary pressures, unemployment, underemployment, interest rates, lack of income growth, business investment, government spending, government policy, the volatility and strength of the global and Australian / New Zealand capital markets, currency value and exchange rates all affect the business and the economic environment.	• Pepper Money continuously monitors the risk of changes in the Australia / New Zealand and global environment that restricts access to capital. • Pepper Money manages the business responsibly, protecting the Company's strong capital position and maintaining conservative buffers to address uncertainties, in line with the Company's Liquidity Policy and Funding Strategy.
Credit risk is the risk of potential financial loss arising from exposure to an entity's customer or counterparty in the event of default. A change in customer circumstance or a failure by Pepper Money to adequately assess and manage credit risk may result in credit losses, decreased operating cash flows, significant credit impairment expenses, increased funding costs, and reduced access to funding. Pepper Money is exposed to the risk that its customers do not meet their financial obligations (e.g. their obligation to repay loans) or become insolvent.	• Pepper Money has a strong, established credit risk framework that allows a consistent credit assessment process for each customer. The key elements of the credit risk framework include: – **governance:** Pepper Money has established Executive Risk and Credit Committees to manage and implement its clearly defined risk appetite and consequent credit risk framework; – **credit risk policies:** provide the rules to determine whether Pepper Money will lend to a specific customer, capturing qualitative and quantitative data relating to the customer profile, customer requirements and objectives, data from credit bureaus, assessment of the collateral, legislative obligations and other factors; – **credit procedures:** outline Pepper Money's process to assess, verify, price and approve a loan application from a customer; – **arrears management and collections:** policies and procedures in place to manage situations of financial stress, hardship and non-payment of loan repayments; and – **portfolio monitoring:** reporting and monitoring on the performance of loan portfolios.
Funding risk: Pepper Money's funding platform currently comprises a mix of Warehouse Facilities, Term Securitisations, Whole Loan Sales programs, Corporate Debt Facilities and balance sheet cash. Pepper Money depends on continued access to these funding sources to fund its new originations and existing lending in Mortgage and Asset Finance receivables, as well as to support its ongoing business operations.	• Pepper Money continuously monitors the risk of changes in the Australia / New Zealand and global environment that restricts access to capital. • Pepper Money maintains a Liquidity Policy and Funding Strategy which are designed to ensure sufficient funds to support new loan originations and pay maturing liabilities through a pre-defined time horizon as well as meeting specific liquidity position requirements. • Pepper Money has a Contingency Funding Plan supported by an Emergency Liquidity Management Team that may be utilised in the event of a stressed funding scenario. • Pepper Money conducts scenario stress testing on a regular basis to ensure it can operate under a wide range of operating conditions. • Pepper Money manages all operational funding requirements via its Asset and Liability Committee (Management), which meets at least monthly.

Key Risk	How Pepper Money responds
Liquidity risk is the risk of an adverse impact to the earnings or operations of Pepper Money that may result in having insufficient funds to meet obligations when they become due, customer demands for funds or any other financial obligations. This includes liquidity obligations with respect to Pepper Money's AFSL[44] financial requirements.	• Pepper Money maintains a Liquidity Policy and Funding Strategy which are designed to ensure sufficient funds to support new loan originations and pay maturing liabilities through a pre-defined time horizon as well as meeting specific liquidity position requirements. • Pepper Money has a Contingency Funding Plan supported by an Emergency Liquidity Management Team that may be utilised in the event of a stressed funding scenario. • Pepper Money manage operating liquidity requirements through its Cashflow Forum, comprised of the CFO, Treasurer, Corporate Development and Treasury representatives. The Cashflow forum meets at least 3 times a month to review Pepper Money's Cash Needs Requirement under the Liquidity Policy; and conduct liquidity stress tests (at least monthly) for a variety of Pepper Money-specific and market-wide events across a rolling 12-month period.
Interest rates risk: Pepper Money is exposed to the risk that: 1. Customers are unable to meet their financial obligations or become insolvent as a result of increases in the customer's payment obligations caused by rising interest rates or cost of living expenses. 2. Fixed rate loans within its Asset Finance business and New Zealand Mortgage loan book acquired from HSBC, are inappropriately hedged.	• Pepper Money continuously monitors the risk of changes to customer circumstances and applies data analytics to monitor and access impacts of macroeconomic and other factors (for example changes to house prices) on customers' ability to meet their obligations. • Pepper Money manages ongoing oversight of customers under the Risk Management Framework via the Credit Committee. • Pepper Money conducts stress scenario testing on its portfolio on a regular basis, using combinations of possible and plausible macroeconomic conditions, to better understand the potential impacts on both customer and Pepper Money. • Pepper Money enters into interest rate swap contracts to offset the variability in cash flows from changing interest rates. • Pepper Money utilises pre hedging and hedging activities.

2.2.2 Non-Financial Risks

Key Risk	How Pepper Money responds
Environmental, Social & Governance ("ESG") risk: is the risk of failure to appropriately identify and manage material environmental, social and governance risks and opportunities. ESG Risk is an area that is continually evolving, with regulatory, compliance and reporting obligations for companies expected to be ratified over the short to medium term.	• Pepper Money has established an ESG Committee (Management) and manages ESG risk through its Sustainability Framework, which seeks to create the structure, processes and policies for the identification of ESG risks and how the Company manages, within agreed base measures. • Pepper Money's Sustainability Framework is evolving as ESG regulatory, compliance and reporting obligations evolve, to ensure Pepper Money meets emerging ESG compliance requirements, as well as develops greater rigor in the Company's ESG reporting to market.

44. AFSL: Australian Financial Service Licence.

Key Risk	How Pepper Money responds
Cyber risk: Pepper Money is dependent on the operation of its technology platforms to accurately assess customers, provide reliable services and accurate and timely reporting. There has been an observable increase in high profile cyberattacks on companies in Australia and globally. Any disruption to Pepper Money's technology platform through direct cyberattacks or attacks to our system managed by suppliers can result in serious disruption to critical business functions, create material data protection issues, and could adversely affect Pepper Money's business, customers, operations, reputation or financial performance. Pepper Money continuously invests to protect our systems, minimise disruption and to ensure data protection for all stakeholders.	• Recognising the size and complexity of the threat, Pepper Money has a dedicated team to operate and continue to improve the maturity of its cyber security control framework. • Pepper Money has a framework of standards, policies and systems to address cyber, privacy and data governance risks. This framework is reviewed at regular intervals to ensure it supports the Company's ability to respond to the changing cyber threat environment. • Pepper Money maintains a 24 x 7 security threat monitoring service and third party security operations centre that identifies potential breaches and responds during the early stages of any attack to minimise impact on the business, customer and partners. • Pepper Money maintains, and regularly tests cyber security and disaster recovery procedures across critical systems, including company-wide security and cyber security awareness and education for all employees. • Pepper Money maintains a compliance program which includes periodic audits of the Company's cyber security program, including ISO 27001 recertification and assurance testing.
Data risk: Pepper Money is dependent on the operation of its technology platforms to accurately secure and assess customers, provide reliable services and accurate and timely reporting for its customers, regulators and other stakeholders.	• Pepper Money maintains strong data governance and controls through maintaining an enterprise-wide Data Governance Framework that supports the business in protecting its data, and customer data, to ensure adherence to privacy laws. • Data is utilised by Pepper Money to appropriately evaluate the credit risk of a potential customer as well as monitor and report on the performance of its portfolio. • Structured systems user access management is used in combination with data loss prevention mechanisms and a series of other cyber protection mechanisms to further protect Pepper Money from inadvertent or intentional data exfiltration.
Technology risk: There is a risk of disruption to Pepper Money's business activities, due to an externally driven crisis, the failure of information technology platforms, or, system failures. Where Pepper Money's operations are dependent on access to third party technology and data providers to undertake informed, accurate and timely assessments of potential applicants. If disruption was to occur, Pepper Money could face significant costs and/or business disruption.	• Pepper Money has designed and implemented resilience programs and modern systems and processes to enhance the reliability of its platform. This includes increasing the scale and capability of its shared service operations in the Philippines, to enhance flexibility to work across multiple locations in any event of disruption in one workplace. • Pepper Money maintains disaster recovery and business continuity plans, which are reviewed and tested at least annually. Tests of critical systems take place annually to ensure technical configuration for disaster recovery is compliant with these policies and standards. • Where Pepper Money depends on third parties to provide technology services, solutions and (cloud) platforms, regular vendor management and governance activities assure that these providers are delivering services in a manner compliant with standards and policies. • Pepper Money is ISO-27001 compliant.

Key Risk	How Pepper Money responds
Regulatory and Compliance risk is the risk of legal or regulatory sanctions, financial loss, as a result of its failure to comply with all applicable laws, regulation, codes of conduct and standards of good practice relevant to Pepper Money. Pepper Money operates within regulated markets that are subject to a range of legislative and compliance requirements. In both Australia and New Zealand (noting that Australia represents the substantial majority of the Group's operations), Pepper Money must comply with statutory obligations in relation to, among other things, licensing, responsible lending, anti-money laundering, counter terrorism financing, privacy, customer identification, credit reporting, unfair contract terms and disclosures to customers and investors. Pepper Money may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice relevant to the entity.	• Pepper Money's objective is to manage regulatory and compliance risk such that Pepper Money is compliant with all applicable laws, regulations, codes of conduct and standards of good practice, and manage operational risk so as to balance the avoidance of financial loss and damage to the Company's reputation, against excessive cost and control procedures that restrict initiative and creativity. • Regulatory and compliance risk is a subset of operational risk and managed with policies, processes and practices aligned to the Risk Management Framework. • The Company's Compliance function, in conjunction with Pepper Money's Legal team, provides independent advice, oversight and challenge on regulatory compliance as well as providing advice to individual business divisions to assist with the implementation of regulatory change.
Operational risk is the risk of loss to the earnings or operations resulting from inadequate or failed internal processes, people and systems, and/ or from external events. Operational risks for Pepper Money include people, data, fraud, outsourcing, technology, information security, business disruption and general process management.	• Pepper Money has a framework for the management of operational risk that is the totality of systems, structures, policies, processes and people that identify, analyse, respond, monitor and review all internal and external sources of risk that could have a material impact on Pepper Money. • Pepper Money has specific capabilities, policies and procedures to manage and monitor operational risks. These include, but are not limited to, processes for customer identification, credit assessment, internal and external fraud monitoring and frameworks. • Pepper Money maintains a Resilience Policy and Framework including crisis management, business continuity and disaster recovery plans, which are reviewed annually. • Tests of critical systems and processes take place annually to ensure technical configuration for disaster recovery is compliant with Pepper Money's policies and standards and ensure the ability to recover from a disruption event. • Where Pepper Money depends on third parties to provide services, regular vendor management and governance activities assure that these providers are delivering services in a manner compliant with Pepper Money's standards and policies.
Conduct risk is the risk of delivering unfair outcomes for Pepper Money's customers, partners, investors, employees and communities in which we operate from inappropriate, unethical, or unlawful behaviour, action or omission by Management or employees which may be deliberate or inadvertent. Poor conduct is a cause of operational risk. Pepper Money can be exposed to both intentional and unintentional misconduct risks.	• Pepper Money manages conduct risk through its policies, processes and practices which are aligned to the Risk Management Framework. • Pepper Money's Code of Conduct supports the Company's values and culture and seeks to minimise conduct risk.

Key Risk	How Pepper Money responds
Human capital risk: Exposure to changes in personnel, including an inability to attract and retain quality and appropriate people or loss of key personnel. Also, the risk of breaching employment legislation, mismanaging employee relations, and failing to ensure a safe work environment.	• Pepper Money undertakes regular remuneration benchmarking against industry peer groups to ensure we remain competitive within the market and reward our employees for displaying the right behaviours of a high performing culture. • Pepper Money aligns its workforce planning strategy with the efficiencies created by technological process improvement and digitalisation. • Pepper Money monitors the engagement and retention of its employees through regular feedback opportunities. • Pepper Money regularly reviews its succession plan and has a standing agenda item with the Remuneration and Nomination Committee. • Pepper Money invests in the growth and development of its key leaders and talent pipeline.
Labour market risk: Under tight labour market conditions, Pepper Money faces a risk that it cannot recruit, develop and retain the people needed to execute on the Company's strategy and to ensure the efficient day to day running of the business	• Pepper Money is committed to operating with an inclusive and open work environment where everyone is treated fairly, is given respect and has the opportunity to achieve success. Pepper Money believes that diversity and inclusion are key to not just the business' success but the success of all employees. • Pepper Money supports employees through a range of policies including reward and recognition programs and Health and Wellness programs.[45] • Pepper Money supports employees in enhancing their skill set through investment in learning, development and personal growth. • Pepper Money has had flexible work arrangements in place for employees since c. 2015 and has continued to enhance options for employees as a result of changes in the workplace and ways of working.
Third party risk: The risk of failing to manage third party relationships and risks appropriately, including risks resulting from the outsourcing of services or functions.	• Pepper Money maintains strong procurement policies, procedures and governance frameworks and controls. • Pepper Money has a framework of standards, policies and systems to supplier management, procurement policies, procedures and governance frameworks. This framework is reviewed at regular intervals to ensure they support the Company's ability to respond to the changing environment.

7.2.3 Emerging Risks

Pepper Money conducts a formal process for the identification, consideration and assessment of emerging risks and their integration into the Risk Management Frameworks.

45. Health & Wellness programs includes gym membership, mental health support and education, and full access to Employee Assistance Program (EAP).

8. Outlook

The operating environment remains challenging, given high interest rates and inflation and the impact on household spend. Geo-political and economic uncertainties persist, and economic growth is expected to moderate over the short term.

Looking ahead to CY2024, Pepper Money's strategy continues to be structured around building sustainable AUM at an acceptable risk-adjusted return. Pepper Money has a 23+ year history of adapting to and managing through all cycles. The strategy continues to be supported by the following:

Ability to identify opportunities in large addressable markets	• **Ability to identify underserved segments:** Pepper Money operates in large total addressable markets of $2+ trillion. Within these large total addressable markets, Pepper Money has established a history of focusing on **underserved market segments** and has a proven track record on delivering product innovation to capitalise on **product niches**, where Pepper Money delivers value for customers and generates an appropriate risk-adjusted return for its business. This was demonstrated over CY2023 with the launch of Pepper Money's "Super Smart" SMSF mortgage product in Australia.
Agility to respond to market conditions	• **Portfolio balance:** Pepper Money has the demonstrated ability to efficiently deploy capital to support growth segment, seen through the growth of the Asset Finance business, now representing 43% of Total Operating Income • **Strength of product range:** Pepper Money has the demonstrated ability to balance returns between growing volume, or supporting margin, through its strong market position in Non-Conforming Mortgages. • **Scalable platform:** strength of technology and process allow Pepper Money to respond quickly to changes in market conditions. • **Data-driven insights:** allows Pepper Money to identify new trends and opportunities and respond in a timely manner. • **Disciplined approach:** to credit, underwriting, leveraging 23+ years of experience and pricing for risk.
Scalable platform supporting efficient growth	• **Strengths across the value chain:** Pepper Money has developed a comprehensive business model designed to scale, with key strengths across customer acquisition and distribution, underwriting capabilities, customer service, distribution partner support, centralised data and investment into data analytics, loan servicing and processing, and credit management. • **Purpose built technology platform**: providing flexibility to efficiently respond to increased (and decreased) demand to drive performance across the business.
M&A and strategic partnership	• Pepper Money considers the option to pursue growth through acquisitions or strategic partnerships where there is an opportunity to leverage Pepper Money's platform or capabilities, drive operational efficiency and scale or enter new products and markets, as demonstrated through the acquisition of the HSBC New Zealand mortgage portfolio in CY2023 and Stratton Finance Pty Ltd in the prior comparable period.

Directors' Report

The Directors of Pepper Money Limited ("Pepper Money" or the "Company") present their report, together with the financial statements of Pepper Money Limited and its controlled entities ("the Group") for the year ended 31 December 2023 ("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:

Board of Directors

The profiles of the Directors' have been included on pages 10 to 11.

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

Michael Culhane

Chair and Shareholder Representative.

Mario Rehayem

Chief Executive Officer.

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.

Directors' meetings

The number of Directors' meetings (excluding circulating resolutions) held during the year and each Director's attendance at those meetings is set out in the table below:

	Board		Audit & Risk Committee		Remuneration and Nomination Committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**
Michael Culhane	10	10	6	6	3	3
Mario Rehayem	10	10	X	X	X	X
Des O'Shea	10	10	6	6	3	3
Mike Cutter	10	10	6	6	X	X
Akiko Jackson	10	10	6	6	3	3
Justine Turnbull	10	9	X	X	3	3
Rob Verlander	10	10	6	6	3	3

A: the number of meetings held during the time the Director held office or was a member of the Committee during the year.

B: number of meetings attended.

X: not a member of the Committee.

Director's interests

Refer to the Remuneration Report for details of each Director's relevant interests in the shares and rights of the Group at 31 December 2023.

Company Secretary

John Williams.

Key Management Personnel

Remuneration information of the Key Management Personnel ("KMP") of the Company during or since the end of the year-ended 31 December 2023 is detailed in the Remuneration Report section of this Directors' Report.

The term KMP refers to those individuals having authority and responsibility for planning, directing and controlling the activities of the Group, including any Director of the Group (executive or otherwise).

Remuneration Report

The Remuneration Report can be found from page 58 and forms part of the CY2023 Directors' Report.

Principal activities

Pepper Money is one of the largest non-bank lenders in the Australian mortgage and asset finance markets. Pepper Money commenced business in Australia in 2000 as a provider of home loans to consumers who fall outside the lending criteria of traditional bank and non-bank lenders, otherwise known in Australia as the non-conforming or specialist mortgage market. Pepper Money has subsequently broadened its Australian business activities to also include the origination of prime residential mortgages, commercial real estate loans, auto and equipment finance, third party loan servicing and broker servicing. Pepper Money also provides residential mortgages in New Zealand.

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

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, asset finance and personal loans.

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 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 costs associated with the acquisition of The HongKong and Shanghai Corporation Limited New Zealand residential mortgage portfolio on 1 December 2023 and in CY2022 the one-off costs associated with the acquisition of Stratton Finance Pty Ltd, which completed 1 July 2022 (prior comparable period).

Dividends

The Board of Pepper Money declared a fully franked final dividend 5.0 cents per share on 29 February 2024.

The final dividend represents a payout ratio of 37.5% of the Pro-forma NPAT from the period 1 July 2023 to 31 December 2023, and is consistent with the payout ratio of 30.0% – 40.0% set under the current Board Dividend Policy.[1]

The Record Date is 14 March 2024. The payment date will be 18 April 2024.

The Dividend has not been provided for in the financial report.

Further details on the Dividend are provided in Note 3H of the Consolidated Financial Statements.

1. As per Pepper Money Limited Prospectus – Initial Public Offering of Ordinary Shares. Section 4.10 page 181.

Operating and Financial Review

The Operating and Financial Review can be found from page 18.

Governance and Risk

The Directors have the ultimate accountability for risk management in the organisation, including setting the risk appetite of the business (documented in the Risk Appetite Statement). Day-to-day responsibility for risk management is cascaded through the delegation of individual accountability, with reporting and escalation facilitated through the Risk Governance structures. Policies, procedures, and limits are defined to ensure activities remain within an agreed level of risk. The Company's Governance and Risk frameworks are detailed in Section 7 of the Operational and Financial review.

Pepper Money's Corporate Governance Statement can be found at:
www.peppermoney.com.au/about/corporate-governance.

Environment, Social and Governance

The Group conducts business in a way that seeks to support a sustainable environment. Pepper Money is setting transparent environment, social and governance performance reporting and targets as part of its sustainability commitment. The Company's CY2023 initiatives to reduce environmental impact and support social responsibilities are covered in Section 4 of the Operational and Financial Review.

Pepper Money's Environment, Social and Governance Report can be found at:
www.peppermoney.com.au/about/corporate-governance.

Environmental regulation

The Group is not affected by any significant environmental regulation in respect of its operations.

Auditor independence

The Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 91 and forms part of this report.

Non-audit services

Deloitte Touche Tohmatsu are the Auditors of the consolidated entity and continue in office in accordance with section 327 of the *Corporations Act 2001*.

During the year, fees were paid or payable for non-audit services provided by the auditor of the consolidated entity, its related practices and non-related audit firms.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditors; and
- none of the services undermine the general principles as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Details of the audit and non-audit fees paid or payable for services provided by the auditors are detailed in Note 15 to the Financial Report.

Insurance of officers and indemnities

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company against a liability incurred as a Director, Secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liabilities and the amount of the premium. The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against liabilities incurred.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Events since the end of the period

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.

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 Financial Report have been rounded off in accordance with the instrument to the nearest million dollars.

Significant changes in the state of affairs

In the opinion of the Directors, there have been no significant changes in the state of affairs of the Company during the year, except as otherwise noted in this report.

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

29 February 2024

Mario Rehayem
CEO and Director

29 February 2024


peppermoney

Remuneration Report

The Remuneration Report for the year ended 31 December 2023 forms part of the Directors' Report. It has been prepared in accordance with the *Corporations Act 2001 (Cth)* ("the Act"), the Corporations Regulations 2001 (Cth) and *AASB124 Related Party Disclosures* and has been audited as required by the Act. This report also includes additional information and disclosures that are intended to provide shareholders with a deeper understanding of Pepper Money's remuneration governance and practices.

Report structure

This report is divided into the following sections:

Definitions

The following definitions apply to the terms used in the report. Please refer to the overall Glossary of Terms on pages 157 to 160:

Term	Meaning
Equity	a financial instrument linked to Pepper Money Limited Shares, including Shares, rights, options or derivatives for example.
Exercise Restriction	a period during which a Participant may not exercise vested Rights.
Fixed Pay	the sum of fixed aspects of remuneration including base salary, allowances, benefits, Fringe Benefit Tax ("FBT") and superannuation to the extent they may be applicable.
Indexed TSR	the annualised TSR of Pepper Money between the start and the end of the Measurement Period, expressed as a percentage of the annualised TSR of the selected "Total Return" index over the Measurement Period.
LTVR	Long Term Variable Remuneration.
Measurement Period	the financial year(s) over which the relevant award applies.
Percentile (e.g. P50 or P62.5)	the point in a ranked data set below which the specified percentage of data points lie e.g. 62.5% of ranked data points lie below P62.5.
Relative TSR	the percentile ranking of Pepper Money's TSR over the Measurement Period, in the ranked and ordered results of the TSR's of a selected peer group of companies over that period.
STVR	Short Term Variable Remuneration.
TSR	Total Shareholder Return, being the sum of change in share price plus dividends assumed to be reinvested.
Variable Remuneration	remuneration that is subject to the fulfilment of conditions.

1. Letter from the Chair of the Remuneration & Nomination Committee

Dear Shareholders,

On behalf of the Board, I am delighted to present Pepper Money Limited's Remuneration Report for the financial year ending 31 December 2023.

In the face of challenging external market conditions including inflationary pressures, ongoing increases to interest rates, and geo-political uncertainty throughout 2023, Pepper Money remained committed to delivering long-term shareholder value. The Remuneration & Nomination Committee focused on aligning reward outcomes with Pepper Money's business strategy, performance and the interests of our shareholders.

Throughout the year, the Pepper Money team demonstrated exceptional efforts in supporting our customers, partners, and the communities in which we operate. The ability to adapt to challenging market conditions and the unwavering commitment to financial inclusion reflects our mission to **"help people succeed"**.

CY2023 Executive Reward Strategy and outcomes

Pepper Money's CY2023 Executive Reward Strategy is anchored by a remuneration framework that combines market-driven competitive fixed pay, a balanced scorecard for short-term variable remuneration ("STVR"), and long-term variable remuneration ("LTVR") aimed at delivering sustainable value creation for shareholders. As part of the CY2023 Executive Total Remuneration Package (and reported last year), a one-off Equity Recognition Award was granted. 30% of the award will vest in March 2024 given the achievement of a performance gate opener and a service condition as at 31 December 2023.

The Board, through the Remuneration & Nomination Committee, assessed CY2023's performance against pre-defined strategic, financial and non-financial performance metrics. The assessment details are provided in Section 5 from pages 78 to 82.

The STVR outcome for the Chief Executive Officer was 91% of the target, and the STVR outcome for the Chief Financial Officer was 90% of the target.

The deferred STVR Restricted Rights related to CY2021 performance year became unrestricted with the completion of CY2023, without adjustment due to the malus/clawback policy.

The measurement period for LTVR granted in CY2021 concluded with a Return on Equity (ROE) of **18.2%**, exceeding target and resulting in 60% of the maximum opportunity vesting. However, the indexed TSR hurdle was not met, resulting in nil vesting of LTVR that was subject to this hurdle.

In addition to the lapsing of TSR related LTVR, CY2023 saw the lapsing of IPO equity grants because the share price gate was not achieved. These grants were initially designed to recognise the successful delivery of the IPO and retain key executive talent, ensuring stability and sustained performance for Pepper Money in the years following the IPO. Additionally, they aimed to incentivise the executive team to deliver on the promises outlined in the prospectus. Market conditions have meant that these hurdles were not met.

The non-vesting of IPO and TSR tranche of LTVR equity, coupled with extended deferral periods for STVR, have posed a challenge for executives in building up skin-in-the-game through remuneration. Recognising the need for improved alignment, acknowledging the team's success in upholding stability, sustainability, and performance commitments from the IPO, and addressing the non-vesting of associated rewards, the Board determined to implement a one-off equity grant requiring continued service and sustainability of performance. This grant is equivalent to 100% of the Fixed Pay for the Chief Executive Officer and the Chief Financial Officer, weighted to 30% of the award in year one and 70% in year two.

We consider that the remuneration outcomes appropriately reflect the performance of the Company and are aligned with the expectations of our shareholders.

Linkage between Environment, Social and Governance ("ESG") Impact and Reward Outcomes

Pepper Money is committed to making a positive ESG impact through our business strategy and practices. The STVR includes metrics that are measured against social and governance outcomes, underscoring our commitment to responsible business practices.

Additionally, Pepper Money's performance is supported by a highly engaged workforce, evidenced by engagement scores[1] of 75 for Australia and New Zealand and 81 for operations in Manila.

Pepper Money's commitment to Diversity & Inclusion ("D&I") is embedded in our business foundations and continues to be reflected through the diversity of our workforce, with a gender split of 55% women and 45% men. 45% of Senior Manager roles are held by women, placing us in a leading position in the Australian finance sector[2].

Looking ahead

We enter CY2024 having made continued progress against our strategic objectives. We are excited about the opportunities ahead. Acknowledging the impact of the challenging market environment on our financial performance, the business remains focused on delivering ongoing productivity improvement through leveraging our technology, driving process efficiency and through ongoing cost discipline.

We invite shareholders to review the remuneration report, which provides insights into the outcomes for key management personnel during the year.

Your ongoing support is invaluable to the success of Pepper Money and appreciated by the Board and Pepper Management.

Sincerely,

Justine Turnbull
Chair, Remuneration & Nomination Committee

1. Pepper Money Limited CY2023 Employee Engagement Survey conducted by Custom Insights, 11 September – 22 September 2023. Results for Australia and New Zealand. Pepper Money Manila Employee engagement under the same survey saw response rate of 99% and a score of 81.
2. Workplace Gender Equality Agency: WGEA Financial and Insurance Services Industry snapshot 2022-2023. Senior Manager as at 31 March 2023.

2. People covered by this report

This report covers Key Management Personnel ("KMP") who are defined as those who have the authority and responsibility for planning, directing and controlling the activities of Pepper Money Limited.

Table 1: Committee matrix

			Committee membership	
Name	**Role at Year-End**	**KMP in CY2023**	**Audit & Risk**	**Remuneration & Nomination**
Non-Executive KMP				
Michael Culhane	Non-Executive Chairman & Shareholder Representative	Full year	✓	✓
Des O'Shea	Non-Executive Director and Shareholder Representative	Full year	✓	✓
Mike Cutter	Independent Non-Executive Director	Full year	C	*
Akiko Jackson	Independent Non-Executive Director	Full year	✓	✓
Justine Turnbull	Independent Non-Executive Director	Full year	*	C
Rob Verlander	Independent Non-Executive Director	Full year	✓	✓
Executive KMP				
Mario Rehayem	Chief Executive Officer	Full year	n/a	n/a
Therese McGrath	Chief Financial Officer	Full year	n/a	n/a

✓ = Member, C = Chair, * = Is not a member but has a standing invitation to attend committee meetings.

3. Remuneration Overview

3.1. Executive Remuneration Structure at-a-glance

For the CY2023 financial year ending 31 December 2023, the Board determined that a one-off Equity Recognition Award would be granted to recognise, motivate and retain KMP and other key Executives to continue to deliver Pepper Money's strategy and operating performance. The assessment and considerations are:

- unique skills in the non-bank lending sector;
- lack of LTVR vesting opportunity in CY2022;
- deferral of 35% of the STVR in previous years;
- IPO equity opportunity not vesting for reasons outside management's direct control; and
- equity instrument to remunerate on a one-off basis.

This award is delivered as a grant of Service Rights. 30% of the award is due to vest after the release of the Annual Report on 29 February 2024, and the remaining 70% is due to vest following the release of the Annual Report in 2025.

In addition, the following refinements were made to the CY2023 LTVR:

- Indexed TSR was replaced by Relative TSR as the TSR condition to adapt to the nature of the fast-changing non-bank lending sector; and
- the vesting scale for ROE was adjusted to the budgeted forecast.

These changes were made to ensure close alignment of Executives outcomes to external stakeholder expectations and are considered in the Company's best interest and to provide reasonable remuneration to participants.

FY2023 Remuneration Report Snapshot for Chief Executive Officer

- **57%** of CEO Total Maximum Remuneration is performance based
- **61%** of Maximum STVR awarded to CEO
- **30%** Maximum LTVR awards vested
  60% vested on ROE tranche failed to meet challenging thresholds of indexed TSR
- **30%** Equity Recognition award vested
- **40%** of total awards delivered in equity

The following diagram outlines Pepper Money's approach to Executive remuneration:

Chart A: Remuneration Framework

Pepper Money Remuneration Framework Overview

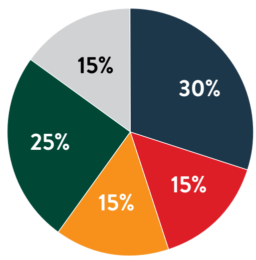
	Fixed Pay	Variable Remuneration	
		Variable Remuneration is not intended to be a "bonus", but a blend of at-risk remuneration (below Target) and incentives (above Target and up to Stretch/Maximum).	
		Short Term Variable Remuneration	**Long Term Variable Remuneration**
Purpose	To pay fairly (around P50) for meeting the basic requirements of a role that are not the subject of performance assessment.	To reward for short term execution of the long term strategy and value creation within 1 year.	To reward for execution of the long term strategy and value creation within 3 years.
Delivery	Base Salary, superannuation and other benefits.	65% delivered in cash 35% delivered in Restricted Rights subject to deferral for 2 years	Performance Rights to receive Pepper Money Shares, subject to LTVR performance over a 3-year measurement period.
CY2023 Approach	Benchmarking against a balance group of the relevant market comparators.	See Short Term Variable Remuneration below	See Long Term Variable Remuneration below
Malus and Clawback	If a participant has committed an act of fraud, defalcation or gross misconduct, the participant will forfeit all unpaid variable remuneration opportunities (i.e. unpaid STVR and LTVR). The Company's Clawback policy allows for the Board to clawback deferred STVR for events such as, but not limited to, a material misstatement in the Company's financial reports.		

CY2023 Approach – Short Term Variable Remuneration

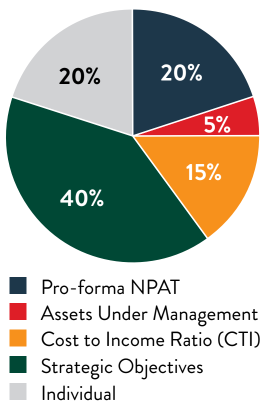
Opportunity as % of Fixed Pay

	Target	Stretch
CEO	70%	105%
CFO	40%	60%

CEO



CFO



Gate:
Participants risk scorecard must be at least "Meets Expectations" and at least the threshold of budgeted NPAT must be achieved, otherwise STVR will not be awarded.

CY2023 Approach – Long Term Variable Remuneration

Opportunity as % of Fixed Pay

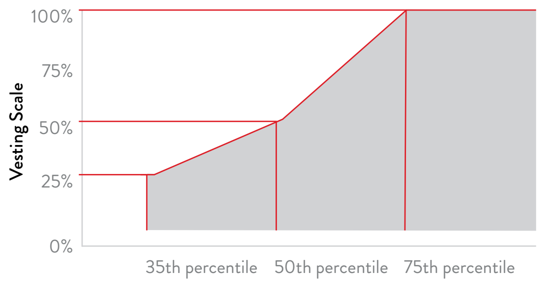
	Target	Stretch
CEO	80%	160%
CFO	40%	80%

LTVR Performance Measures:

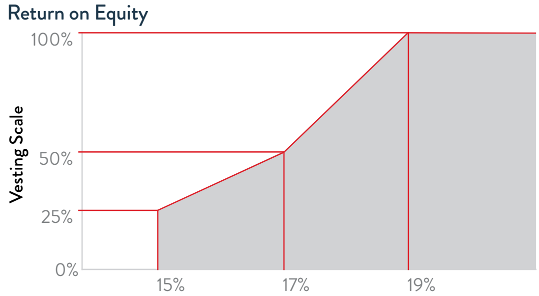
- 50% Relative TSR
- 50% Return on Equity

Vesting Scales:

Relative TSR



Return on Equity



Gate:
Risk Scorecard: applies to both tranches. If the Gates are not met, nil vesting occurs for the respective tranche.

Chart B: Remuneration timeline

	Remuneration Framework Timeline CY2023			
Element	**CY2023**	**CY2024**	**CY2025**	**CY2026**
Fixed Pay	Fixed Pay			
CY2023 Short Term Variable Remuneration (STVR)	STVR Measurement Period	Audit Results, Gate Check		
		65% Cash Award		
		35% Restricted Rights		
		Restricted Rights Exercise Restriction		
CY2023 Long Term Variable Remuneration (LTVR)	Tranche 1 Performance Rights Measurement Period – Relative TSR (50%)			Audit Results, Gate Check and Vesting Determination
	Tranche 2 Performance Rights Measurement Period – ROE (50%)			
CY2023 One-off Equity Recognition Award	Tranche 1 Service Rights Measurement Period – 30%	Service check and Vesting Determination		
	Tranche 2 Service Rights Measurement Period – 70%		Service check & Vesting Determination	

3.2. CY2023 Company performance at-a-glance

The following outlines Pepper Money's performance in CY2023, which is intended to assist in demonstrating the link between performance, value creation for shareholders, and executive reward:

Table 2: Statutory performance disclosure

CY End Date	Pro-forma NPAT ($M)	Statutory NPAT ($M)	Share Price (beginning of period)	Share Price (end of period)	Change in Share Price $	Dividends (paid during period)	Change in Shareholder Wealth (SP Change + Dividends)
31 December 2023	**$111.1**	**$108.7**	**$1.42**	**$1.23**	**($0.19)**	**0.085**	**($0.105)**
31 December 2022	$142.0	$140.5	$2.16	$1.42	($0.74)	0.105	($0.635)
31 December 2021	$141.9	$130.7	$2.61	$2.16	($0.45)	0.09	($0.360)

Metrics are not provided for the calendar years prior to Pepper Money's listing on 25 May 2021.

Table 3: Remuneration linked performance indicators[3]

Remuneration Link	Metric	Rationale for Metric Use	CY2023 Outcome	Outcome Quality
CY2023 STVR	Group Pro-forma NPAT ($M)	Pro-forma NPAT is the primary measure of financial performance typically focused on by shareholders, and drives share price.	**$111.1**	Above Threshold
	Assets Under Management ($bn)	AUM is the primary lead indicator of business growth under the strategy, and is a key focus of the strategy.	**$19.7**	Approaching Stretch
	CTI Ratio	It measures operational and transformational efficiencies.	**55%**	Below Threshold
	Stategic Role Metrics	Executives need to regularly deliver step changes linked to the long term strategy, on an annual basis, in order to deliver it.	**Mixed**	Mixed
	Individual Performance	Individual performance reward is essential to ensuring a motivational impact; it captures value contributions not otherwise measured.	**Mixed**	Mixed
	Risk (Gate)	Profit must be managed within risk tolerances to support sustainable performance, otherwise no rewards should arise.	**Meets Expectation**	Gate Exceeded
	Profit (Gate) ($M)	If profit generated is insufficient, rewards become unaffordable and should not be paid.	**$111.1**	Above Threshold
CY2023 LTVR	Relative TSR	Relative TSR aligns management with shareholders. It provides a clear incentive to outperform a peer group and maximise returns to shareholders.	**37.5th percentile of the peer group**	Above Threshold
	Return on Equity	When ROE exceeds the cost of equity, economic wealth is created, which links directly to TSR and sustainable value creation.	**14%**	Below Threshold
	Risk (Gate)	TSR and ROE need to be managed within risk tolerances to support sustainable performance, otherwise no reward should arise.	**Meets Expectation**	Gate Exceeded
CY2022 LTVR	Indexed TSR/iTSR	TSR creates direct shareholder alignment. When no large peer group can be identified, TSR vs Index is the best form of relative TSR.	**(19%)**	Below Threshold
	Return on Equity	When ROE exceeds the cost of equity, economic wealth is created, which links directly to TSR and sustainable value creation.	**18%**	Approaching Target
	Positive TSR (Gate)	When TSR is negative, shareholders are losing wealth, and executives should not be rewarded.	**(19%)**	Gate Not Met
	Risk (Gate)	TSR and ROE need to be managed within risk tolerances to support sustainable performance, otherwise no reward should arise.	**Meets Expectation**	Gate Exceeded
CY2021 LTVR	Indexed TSR/iTSR	TSR creates direct shareholder alignment. When no large peer group can be identified, TSR vs Index is the best form of relative TSR.	**(21%)**	Below Threshold
	Return on Equity	When ROE exceeds the cost of equity, economic wealth is created, which links directly to TSR and sustainable value creation.	**18.20%**	Above Target
	Positive TSR (Gate)	When TSR is negative, shareholders are losing wealth, and executives should not be rewarded.	**(21%)**	Gate Not Met
	Risk (Gate)	TSR and ROE need to be managed within risk tolerances to support sustainable performance, otherwise no reward should arise.	**Meets Expectation**	Gate Exceeded

3. The commentary relates to the outcome from the start of the Measurement Period to the end of CY2023. CY2023 and CY2022 LTVR, relates to the first one or two years of the 3-year Measurement Period, which is incomplete (no vesting will occur until after CY2024). Mixed metrics are assessed separately for the CEO and the CFO. For details, please refer to Table 7a and Table 7b on pages 79 and 80 of Section 5.1.

3.3. KMP Remuneration opportunities and outcomes at-a-glance

Chart C below outlines the remuneration opportunities under Pepper Money's Executive Remuneration structures, with the outcomes dependent on performance over CY2023 for STVR and LTVR, and the "Achieved" Remuneration payable in respect of the completed CY2023 year.

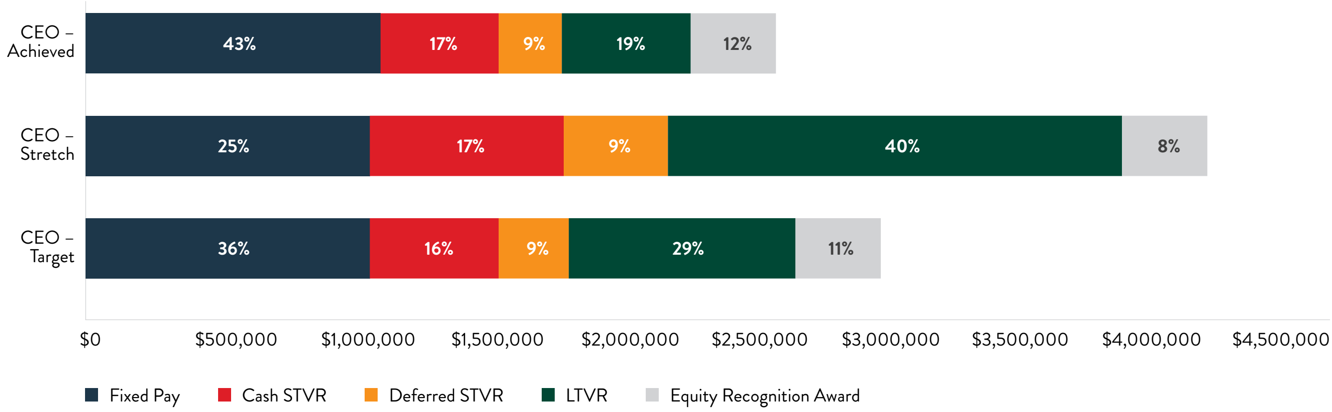
The CEO's target short term variable remuneration (STVR) was 70% of Fixed Pay with a stretch benefit of up to 105% of Fixed Pay. Based on outcomes, the achieved award payable in a mix of cash and equity was 64% of Fixed Pay i.e. approaching target.

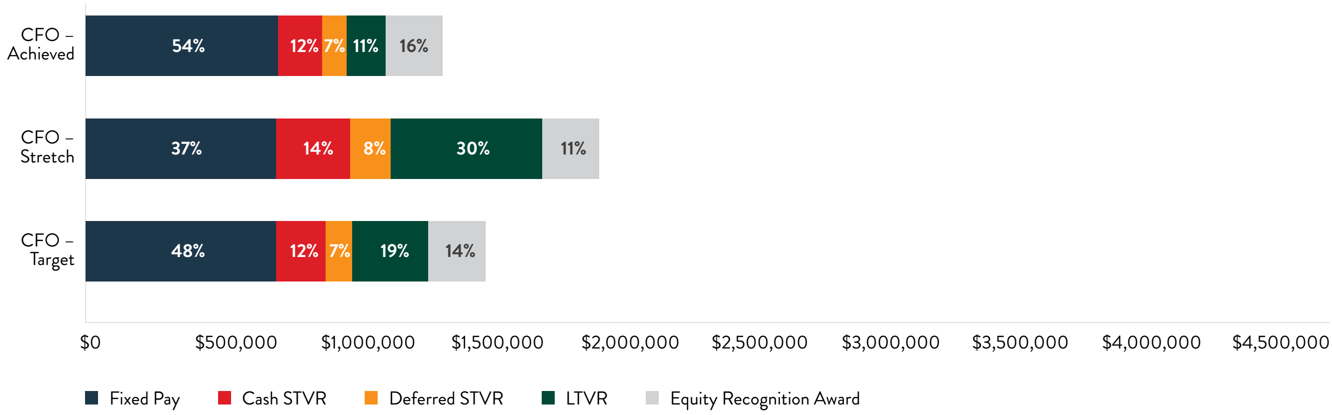
The CFO's target short term variable remuneration (STVR) was 40% of Fixed Pay with a stretch benefit of up to 60% of Fixed Pay. Based on outcomes, the achieved award payable in a mix of cash and equity was 36% of Fixed Pay i.e. approaching target.

The 3-year measurement period for the CY2021 grant of LTVR has been completed. As a result of performance testing, 30% of the maximum opportunity LTVR is due to vest in March 2024. Other outstanding LTVR grants will be assessed following the completion of their measurement periods by 2024 and 2025.

The vesting condition for the first tranche of the one-off Equity Recognition Award was met, resulting in 30% of the award due to vest in March 2024.

Chart C: KMP Remuneration mix potential and outcome





Note: "Achieved" refers to:

- Fixed Pay received in CY2023.
- Cash STVR awarded in respect of CY2023 performance.
- Deferred STVR payable in respect of CY2023 that is not subject to vesting conditions (i.e. awarded after the end of the year).
- The LTVR grant value subject to the performance testing covering CY2021 to CY2023 Measurement Period.
- The grant value of the first tranche of the Equity Recognition Award for the CY2023 Measurement Period.

3.4. Key KMP Remuneration Governance considerations

The following summarises the key remuneration governance matters that were the focus of consideration in CY2023:

a. benchmarking Executive and Director remuneration against market comparator groups to inform quantum and mix decisions intended to meet strategy and market positioning;

b. development of STVR and LTVR plans intended to align performance with reward and to meet ASX market stakeholder expectations and relevant legislative requirements, including a higher focus on ESG;

c. Executive KMP equity structures that are compliant with governance requirements;

d. reviewing and adjusting vesting conditions related to the Return on Equity ("ROE") tranche of LTVR due to the market conditions and replacing Indexed TSR with Relative TSR to better align management with shareholders and provide a clear incentive to outperform a peer group and maximise returns to shareholders;

e. designing and implementing the grant of the one-off equity award in CY2023 to recognise the performance of Pepper Money's Executive team; and

f. extending the period to accumulate required shareholdings for Executives and NEDs to 54 months from the original 36 months due to fluctuations in Pepper Money's share price dynamics and non-vesting of IPO and TSR tranche of LTVR grant.

4. Pepper Money's Remuneration Strategy, Policy and Framework

4.1. Overview of the KMP Remuneration Governance Framework

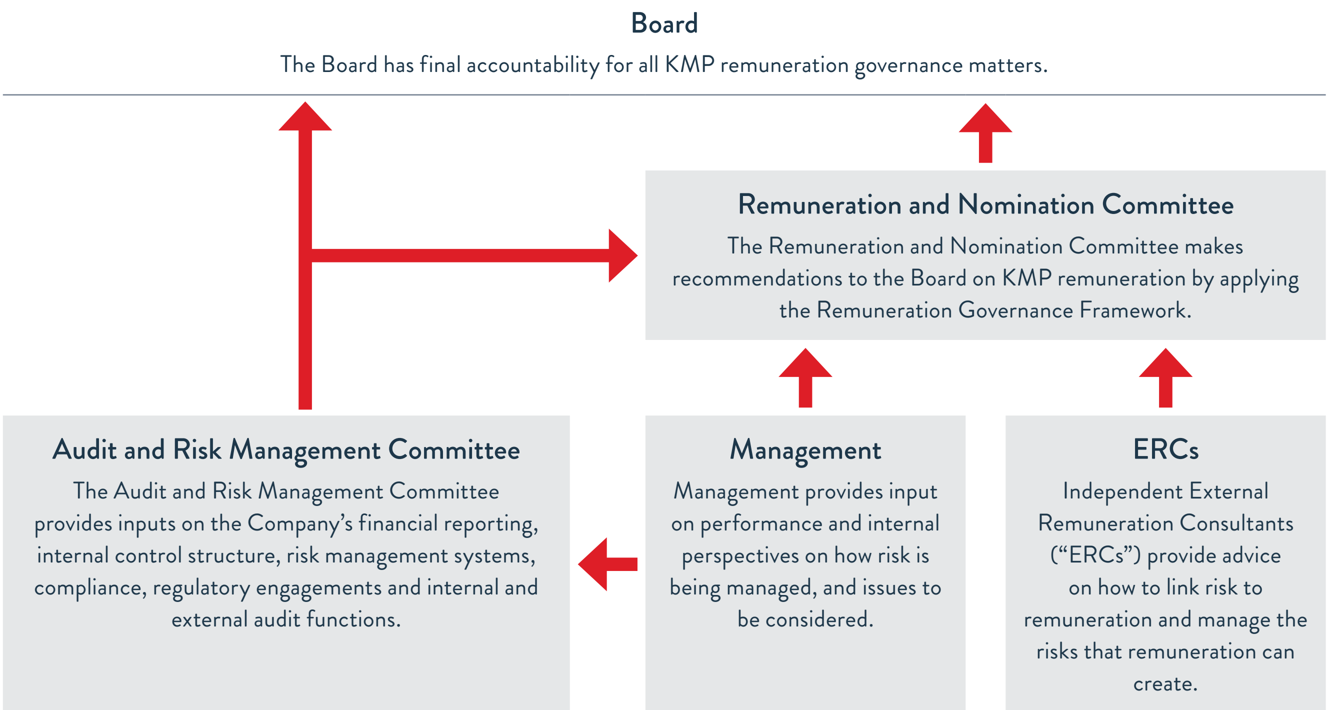
The following table outlines the elements and their purpose in Pepper Money's KMP Remuneration Governance Framework. The framework is intended to provide clarity to all stakeholders regarding approach, rationale and the Board's position in relation to KMP remuneration governance matters.

Element	Purpose
Remuneration and Nomination Committee Charter	Mandates the role and responsibilities of the Remuneration & Nomination Committee and its members, which is focused on supporting the Board to apply sound KMP remuneration governance principles and practices.
Executive Remuneration Policy & Procedure	Outlines the principles underpinning executive remuneration governance, including desirable elements of remuneration, intended market positioning and processes to establish and regularly review executive remuneration, focussing on the link between performance and reward.
NED Remuneration Policy and Procedure	Outlines the principles underpinning Non-Executive Director ("NED") remuneration governance, including desirable elements of remuneration, intended market positioning and processes to establish and regularly review NED remuneration, focussing on preserving NED independence.
STVR Policy and Procedure	Outlines the principles underpinning short term variable remuneration applicable to executives, including processes to annually review and calibrate the suitability and difficulty of performance hurdles against the Variable Remuneration Framework.
LTVR Policy & Procedure	Outlines the principles underpinning long term variable remuneration applicable to executives, including processes to annually review and calibrate the suitability and difficulty of performance hurdles against the Variable Remuneration Framework.
Clawback & Malus Policy and Procedure	Empowers the Board to recover overpayments of variable remuneration ("Clawback") or adjust future remuneration opportunities that are on-foot ("Malus") to ensure that variable remuneration outcomes are appropriate and aligned with the experiences and expectations of stakeholders.
Share Holding Policy and Procedure	Empowers the Board to require that Directors, selected executives and KMP acquire and hold specified levels of equity interests in Pepper Money to provide "skin-in-the-game" alignment with shareholders, above and beyond variable remuneration structures, including processes to enforce such requirements.
KMP Remuneration Communication and Disclosure Policy and Procedure	Outlines the principles underpinning the disclosure of KMP remuneration by Pepper Money, including a commitment to go beyond statutory requirements to ensure that sufficient information is provided for shareholders to fully evaluate the quality of KMP remuneration governance, policies and practices.

Element	Purpose
STVR Plan	Defines the rules, terms, conditions and, annually, the specific performance hurdles that form the link between performance and reward over a 1-year period.
LTVR Plan	Defines the rules, terms, conditions and, annually, the specific performance hurdles that form the link between performance and reward over a 3-year period.
Securities Trading Policy	Applies to all employees of Pepper Money Limited. In accordance with the policy, Directors and Executives may only deal in Pepper Money securities during designated periods.
External Remuneration Consultant ("ERC") Engagement Policy and Procedure	In order to make informed and objective decisions in relation to the remuneration of KMP, the Board may engage external remuneration consultants ("ERCs") to provide independent professional advice on remuneration matters. The ERC engagement policy is designed to ensure that KMP remuneration advice received is independent and free from undue influence.

4.2. Interface between Remuneration Governance Framework and Risk Management Framework

The following outlines the interface between the Remuneration Governance Framework and the Risk Management Framework:



4.3. Executive Remuneration – Fixed Pay ("FP"), Total Remuneration Package ("TRP") and the Variable Remuneration Framework

Executive KMP Remuneration is reviewed regularly by reference to appropriate independently sourced comparable benchmark data, and specific advice as may be appropriate from time to time. Benchmark groups are companies from relevant market comparator groups. Benchmarks may be adjusted upwards or downwards for variations in role design compared to market benchmark roles.

Fixed Pay comprises base salary plus any other fixed elements such as superannuation, salary sacrifice amounts, allowances and benefits. Fixed Pay is intended to be positioned at around P50 of market benchmarks for comparably designed roles, subject to an appropriate range compared to the policy midpoint, to reflect individual/incumbent factors such as experience, qualifications and performance.

The Board reviews Fixed Pay on an annual basis which may have flow-on implications for variable remuneration, which is expressed as a percentage of Fixed Pay. **In CY2023, there were no base salary changes for the Chief Executive Officer and Chief Financial Officer. Their increase in Fixed Pay was due to the statutory superannuation contribution uplift from 10.5% to 11.0% from 1 July 2023.**

Total Remuneration Package is intended to be composed of an appropriate mix of remuneration elements including Fixed Pay, short term variable remuneration and long-term variable remuneration. The Target TRP is generally intended to fall around the P62.5 of market benchmarks, subject to smoothing for volatility across role samples at the same level. The Board views P62.5 market positioning as an indicator of actual/true P50 TRP opportunities in the market. This is because market data often shows nil or negative variable remuneration values despite an incumbent having a real variable remuneration opportunity. Benchmarks are based on statutory disclosure by other companies (i.e. data is based on actual performance and reward outcomes, not policy/target levels of pay, which are rarely disclosed). the Board has selected P62.5 as the intended TRP market position to adjust for the impact of nil and negative reported variable remuneration on statistical benchmarks.

Variable Remuneration is a blend of at-risk remuneration (below Target) and incentives (above Target and up to Stretch/maximum). Metrics selected are intended to link the primary drivers of value creation for stakeholders, and successful implementation of the long-term strategy over both the short and long term. Thresholds are intended to be a minimum acceptable level of expectations, while Target is intended to be a challenging but realistically achievable objective with a probability of around 50% to 60% achievement. Stretch is designed to be exceptionally challenging with a probability of between 10% to 20% achievement.

The Board's approach to the variable remuneration framework and how it fits within the remuneration policy is demonstrated in the below table:

Variable Remuneration Component	Policy Market Position – TRP	Performance
Target to Stretch – Incentive/Upside	P62.5 to P100	Exceeds Expectations
Target – Expected Reward	**P62.5**	**Meets Expectations**
Threshold to Target – At Risk/Down Side	P50 to P62.5	Below Expectations
Fixed Pay Only	P10	Below Threshold

4.4. CY2023 Short Term Variable Remuneration ("STVR") Plan

The STVR plan is set out below:

Purpose	To provide at-risk remuneration and incentives that reward executives for performance against annual objectives set by the Board at the beginning of the calendar year. Objectives selected are designed to support long term value creation for shareholders, and link to long-term strategy on an annual basis.		
Measurement Period	1 January 2023 to 31 December 2023		
Opportunity		**Opportunity as % of Fixed Pay**	
		Target	**Stretch**
	Chief Executive Officer	70%	105%
	Chief Financial Officer	40%	60%
Outcome Metrics and Weightings	For CY2023, the following metrics and weightings applied: • For the CEO, Mario Rehayem: – Group Pro-forma NPAT – 30% – Total Assets Under Management – 15% – Cost to Income (CTI) – operational and transformation efficiencies – 15% – Customer Growth – 10% – Cost to serve/Cost to acquire (the measurement of cost factors that go into servicing existing customers or getting new customers) – 10% – Individual Effectiveness (Leadership, People and Risk) – 20%		

Outcome Metrics and Weightings continued	For the CFO, Therese McGrath: – Group Pro-forma NPAT – 20% – Total Assets Under Management – 5% – CTI – operational and transformation efficiencies – 15% – Effective, accurate and timely financial controls and reporting including all financial and statutory reporting to ASX/ASIC requirements – 15% – Management of Pepper Money's Corporate Debt – 10% – Delivery of key Banking and Finance projects 15% – Individual Effectiveness (Leadership, Cost Efficiencies and Risk) – 20% These metrics were selected because they were viewed by the Board as being the key drivers of value creation, as applicable to the role, for CY2023. Refer to Section 5.1 from page 78 for additional information regarding performance outcomes relative to objectives.
Gate	The following gates applied: • the Participant's risk measurement result for the Measurement Period must be at least "Meets Expectations" or better, and • at least the threshold of Group Pro-forma NPAT (adjusted for one off or non recurring items) must be achieved. If both of these gates are not met, no outcome metrics will be assessed.
Award, Settlement and Deferral	Awards will be calculated following the auditing of financial statements. • 65% of any STVR Award is to be paid in cash via payroll, subject to statutory deductions such as tax. • 35% of any STVR Award is to be settled in the form of a grant of Restricted Rights subject to an Exercise Restriction until the end of CY2025. Any grant of deferred STVR Restricted Rights will be calculated based on the volume-weighted average price of Pepper Money Shares over the 10 trading days following the release of prior year financial statements. Restricted Rights are granted under the Pepper Money Limited Executive Rights Plan and are subject to Exercise Restrictions for a period of 2 years to enable clawback if this is determined necessary by the Board.
Corporate Actions	For unpaid awards: in the event of a Change in Control (including a takeover) the Board has the discretion to: • terminate the plan and vest pro-rata awards based on the completed proportion of the Measurement Period, taking into account outcomes up to the date of the Change in Control, or • continue the STVR but make interim non-refundable pro-rata Awards based on the completed proportion of the Measurement Period, considering outcomes up to the date of the Change in Control, or • allow the STVR to continue without change. For deferred awards: Restricted Rights will cease to be subject to Exercise Restrictions prior to the return of capital or demerger, on the date determined by the Board.
Board Discretion	The Board has the discretion to vary awards upwards or downwards, including to nil, if the award is viewed as inappropriate given circumstances that prevail over the Measurement Period (such as in the case of harm to Pepper Money's stakeholders for which award participants are accountable).
Malus & Clawback	Pepper Money's Malus policy applies to unpaid variable remuneration opportunities (including unpaid STVR), and deferred remuneration (including deferred STVR), while the Clawback policy applies to deferred remuneration only (deferred STVR), that is, it does not apply to cash already paid.

4.5. CY2023 Long Term Variable Remuneration ("LTVR") Plan

The LTVR plan, which is operated under the Pepper Money Limited Executive Rights Plan, is set out below:

Purpose	The purpose of LTVR is to create a strong link between performance and reward for senior executives over the long term and to align the interests of participants with those of stakeholders through share ownership and performance testing.
Measurement Period	1 January 2023 to 31 December 2025 (3 years).
Grant Calculation	The number of Rights in a Tranche of LTVR to be granted are calculated via the application of the following formula: **Target LTVR $ x Tranche Weight at Target ÷ Right Value ÷ % Vesting at Target** where Right Value is based on the volume-weighted average price ($1.456) of Pepper Money Shares over the 10 trading days following the release of CY2022 financial statements – Annual dividend ($0.105) x years to exercise (3) = $1.141
Opportunity and Grant Value	See table below. Based on the Right Value of $1.141, the maximum/stretch level of grants made to KMP disclosed in this report respect of CY2023 LTVR were as follows: • For the CEO, Mario Rehayem: **1,529,120** Performance Rights • For the CFO, Therese McGrath: **510,628** Performance Rights
Instrument	The LTVR is in the form of Performance Rights with a nil Exercise Price, which are subject to performance and service vesting conditions.
Performance Metrics and Weightings	The Board has discretion to set Vesting Conditions for each tranche of each Invitation. For CY2023 LTVR grants, the following Vesting Conditions are anticipated to apply: **Tranche 1** (50% weight at Target) is to be subject to a Relative Total Shareholder Return ("TSR") vesting condition. The vesting of such Performance Rights will be determined by comparing Pepper Money's TSR over CY2023 to CY2025 with the TSR of the peer group from Financial (Sector), according to the following vesting scale (Table 4 below). TSR aligns management with shareholders and provides a clear incentive to outperform a peer group and maximise returns to shareholders. Executives have some influence on Relative TSR because it has the advantage that if external factors influence the peer group's share prices, Pepper Money will likely be similarly affected (positively or negatively).

Opportunity and Grant Value

	Opportunity as % of Fixed Pay	
	Target	**Stretch**
Chief Executive Officer	80%	160%
Chief Financial Officer	40%	80%

Table 4: Relative TSR vesting scale

Performance Level	PPM's Relative TSR Compared to the peer group	% of Tranche Vesting
Stretch – Incentive/Upside	>= 75th percentile	100%
Between Target and Stretch	> 50th percentile and < 75th percentile	Pro-rata
Target – Expected Outcome/At-Risk	**= 50th percentile**	**50%**
Between Threshold and Target	> 35th percentile and < 50th percentile	Pro-rata
Threshold – Minimum Acceptable Outcome	= 35th percentile	25%
Below Threshold	< 35th percentile	0%

Performance Metrics and Weightings continued	This metric was selected because it is the best measure of value creation for shareholders within Pepper Money's peer group. The peer group is defined at the start of CY2023 as follows:

Security	Issuer Name	Security	Issuer Name
WGB	WAM Global Limited	HUM	Humm Group Limited
MME	Moneyme Limited	YBR	Yellow Brick Road Holdings Limited
PGL	Prospa Group Limited	ABA	Auswide Bank Ltd
PLT	Plenti Group Limited	LFG	Liberty Financial Group
WZR	Wisr Limited	AFG	Australian Finance Group Ltd
ZIP	ZIP Co Limited.	RMC	Resimac Group Ltd
ECX	Eclipx Group Limited	LFS	Latitude Group Holdings Limited
MAF	MA Financial Group Limited	JDO	Judo Capital Holdings Limited

Tranche 2 (50% weight at Target) is to be subject to a Return on Equity ("ROE") vesting condition:

Table 5: ROE vesting scale

This metric was selected because it has strong links to long term sustainable financial health and performance, and to long term sustainable TSR growth. It has the advantage over EPS of having a natural standard, which is higher than the cost of equity. When the target for ROE is set as the cost of equity, the ROE hurdle is aligned with the concept of "Economic Profit" which measures value creation or destruction on the basis that shareholders require a return on their capital just as debt capital providers require returns in the form of interest. Research has shown that long term sustainable economic profit (ROE in excess of the cost of equity) is correlated with superior long term total shareholder returns.

ROE Performance Level	Return on Equity ("ROE")	% of Tranche Vesting
Stretch – Incentive/Upside	>= 19%	100%
Between Target and Stretch	> 17% and < 19%	Pro-rata
Target – Expected Outcome/At-Risk	**= 17%**	**50%**
Between Threshold and Target	> 15% and < 17%	Pro-rata
Threshold – Minimum Acceptable Outcome	15%	25%
Below Threshold	Less than 15%	0%

Gates	The rating for Pepper Money's Risk measurement must be at least "meets expectations" in the final year of the measurement period. If this is not met, then nil vesting will occur.
Settlement	The Rights are "Indeterminate Rights" which may be settled in the form of a Company Share (including a Restricted Share), or cash equivalent, upon valid exercise. It is generally expected that Restricted Shares will be used.
Term and Lapse	The Term of the Right is 15 years from the Grant Date. Rights lapse automatically if not exercised prior to the end of the Term or when there is no further opportunity for them to vest.
Service condition	Under the Rules, in addition to the performance conditions, continued service during the full first year of the Measurement Period is a requirement for all Rights to become eligible to vest. Termination during the first year will generally result in pro-rata forfeiture for the incomplete portion of the year, unless otherwise determined by the Board.
Retesting	No retesting facility is available under the Rights Plan Rules.

Corporate Actions	In the case of a Change in Control, nothing happens by default. In the case of delisting of Pepper Money's Shares, automatic vesting will occur based on the increase in the Share Price since the start of the Measurement Period for Rights with a nil Exercise Price, with Board discretion regarding the lapsing or vesting of any remainder. In the case of a major return of capital or demerger, the Board has discretion to bring forward vesting or to alter the number of Rights or the Exercise Price or to alter Vesting Conditions to ensure that the outcomes are fair to Participants. This is because following such an event the share price is likely to be materially different from the basis of the grant, and performance conditions previously set may be unable to be met.
Board Discretion	The Board has discretion to vary vesting upwards or downwards, including to nil, in the circumstance that the outcome would otherwise be likely to be viewed as inappropriate given the circumstances that prevailed over the Measurement Period (such as in the case of harm to Pepper Money's stakeholders for which a Participant or Participants are accountable).
Malus & Clawback	Pepper Money's Malus policy applies to unpaid variable remuneration opportunities (including unvested LTVR). LTVR grants are not subject to deferral following vesting, so cannot be clawed back, however, the pool of deferred STVR could be used as a source of clawback for overpaid LTVR.

4.6. CY2023 One-off Equity Recognition Award

Outlined in CY2022 Remuneration Report, the one-off Equity Recognition Award was granted as part of the CY2023 Executive Total Remuneration Package. It is operated under the Pepper Money Limited Executive Rights Plan, is set out below:

Purpose	To recognise, motivate and retain KMP and other key Executives to continue to deliver Pepper Money's strategy and operating performance. The assessment and considerations are: • unique skills in the non-bank lending sector; • lack of LTVR vesting opportunity in CY2022; • deferral of 35% of the STVR in previous years; • IPO equity opportunity not vesting for reasons outside management's direct control; and • equity instrument to remunerate on a one-off basis
Measurement Period	Tranche 1 – 1 January 2023 to 31 December 2023 (1 year). Tranche 2 – 1 January 2023 to 31 December 2024 (2 years).
Grant Calculation	30% of the award is delivered in Tranche 1 and 70% of the award is delivered in Tranche 2. The number of Rights in a Tranche of Equity Recognition Award to be granted is calculated via the application of the following formula: **Target Equity Recognition Award $ x Tranche Weight at Target ÷ Right Value** Tranche 1 Right Value is based on the volume-weighted average price ($1.456) of Pepper Money Shares over the 10 trading days following the release of CY2022 financial statements – Annual dividend ($0.105) x years to exercise (1) = $1.351 Tranche 2 Right Value is based on the volume-weighted average price ($1.456) of Pepper Money Shares over the 10 trading days following the release of CY2022 financial statements – Annual dividend ($0.105) x years to exercise (2) = $1.246

<table>
<tr><td>Grant Value</td><td>

	Grant value as % of Fixed Pay
Chief Executive Officer	100%
Chief Financial Officer	100%

Based on the Right Value for each of the tranche, the following grants were made:
• For the CEO, Mario Rehayem: 854,749 Service Rights (Tranche 1 was 242,140 Service Rights and Tranche 2 was 612,609 Service Rights)
• For the CFO, Therese McGrath: 570,863 Service Rights (Tranche 1 was 161,718 Service Rights and Tranche 2 was 409,145 Service Rights)</td></tr>
<tr><td>Instrument</td><td>The One-off Equity Recognition Award is in the form of Service Rights with a nil Exercise Price, which are subject to performance and service vesting conditions.</td></tr>
<tr><td>Gates</td><td>Individual performance rating must be at least “Meets Expectations” in the Measurement Period.</td></tr>
<tr><td>Settlement</td><td>The Rights are “Indeterminate Rights” which may be settled in the form of a Company Share (including a Restricted Share), or cash equivalent, upon valid exercise. It is expected that Restricted Shares will be used.</td></tr>
<tr><td>Term and Lapse</td><td>The Term of the Right is 15 years from the Grant Date. Rights lapse automatically if not exercised prior to the end of the Term or when there is no further opportunity for them to vest.</td></tr>
<tr><td>Service condition</td><td>Continued service during the Measurement Period is a requirement for all Rights to become eligible to vest.</td></tr>
<tr><td>Retesting</td><td>No retesting facility is available under the Rights Plan Rules.</td></tr>
<tr><td>Corporate Actions</td><td>In the case of a Change in Control, nothing happens by default.

In the case of delisting of Pepper Money’s Shares, automatic vesting will occur based on the increase in the Share Price since the start of the Measurement Period for Rights with a nil Exercise Price, with Board discretion regarding the lapsing or vesting of any remainder.

In the case of a major return of capital or demerger, the Board has discretion to bring forward vesting or to alter the number of Rights or the Exercise Price or to alter Vesting Conditions to ensure that the outcomes are fair to Participants. This is because following such an event the share price is likely to be materially different from the basis of the grant, and performance conditions previously set may be unable to be met.</td></tr>
<tr><td>Board Discretion</td><td>The Board has discretion to vary vesting upwards or downwards, including to nil, in the circumstance that the outcome would otherwise be likely to be viewed as inappropriate given the circumstances that prevailed over the Measurement Period (such as in the case of harm to Pepper Money’s stakeholders for which award participant/s are accountable).</td></tr>
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4.7. CY2023 Non-Executive Director ("NED") Remuneration

4.7.1 Fee Policy

The following outlines the principles that Pepper Money applies to governing NED remuneration:

Policy

Non-Executive Directors' fees are recommended by the Remuneration and Nomination Committee and determined by the Board. External consultants may be used to source the relevant data and commentary or to obtain independent recommendations, given the potential for a conflict of interest in the Board setting its own fees. The combination of cash Board Fees, equity (if any), Committee Fees and benefits such as superannuation (together Main Board Package) is intended to cluster around the P50 of market benchmarks, relative to the contribution or workload of each NED i.e. those NEDs who contribute the most to committee work will receive an MBP above P50, and those who contribute the least, below P50.

Non-Executive Directors can elect how they wish to receive their fees – i.e. as cash, superannuation contributions or equity. To preserve independence and impartiality, Non-Executive Directors are not entitled to any form of variable remuneration payments and the level of their fees is not set with reference to measures of Pepper Money's performance.

Table 6: NED Fee Policy

Role/Function	Main Board	Audit & Risk	Remuneration and Nomination
Chair	$234,000	$26,000	$26,000
Member	$115,000	$13,000	$13,000

Fees are inclusive of superannuation.

Note: Shareholder Representatives Director's fees do not include Superannuation

Aggregate Board Fees

The total amount of fees paid to Non-Executive Directors for the year ended 31 December 2023 is within the aggregate amount of $1,221,000 per year. Grants of equity approved by shareholders are excluded from counting towards the aggregate Board Fees, in accordance with the ASX Listing Rules.

4.7.2 NED Fee Sacrifice Equity Plan

There were no grants under the NED Equity Plan in CY2023.

4.8. Non-KMP Executive Remuneration

For Executives who report to the CEO, and who are not classified as KMP, the Board has determined that the same Remuneration policies, principles, processes and structures will apply, as it applies to KMP. This is intended to ensure that the Executive team is aligned with the interests of other stakeholders including shareholders. To the extent appropriate, performance metrics and weightings are applied consistently across the group to support that alignment, however, in the case of the STVR there is some variation to recognise differences in role responsibility and organisation impact below the Group level metrics, as appropriate to the business unit or role function. The one-off Equity Recognition Award is applied to Executives at an appropriate level to their role.

5. The link between performance and reward in CY2023

The Board views the remuneration outcomes for CY2023 performance as appropriately aligned to stakeholder interests, given the group and individual performance against annual objectives, and progress towards strategic objectives made by the Executive team. The lapsing of equity due to vesting conditions is linked to challenging shareholder return hurdles, while alternative views of performance such as financial performance, ROE and economic profitability have appropriately resulted in some rewards flowing to KMP.

5.1. CY2023 STVR outcomes

The STVR plan is designed to reward executives for achievement against annual performance objectives set by the Board at the beginning of the performance period. The payment of an STVR is dependent on delivery of performance against a range of outcome metrics. The performance metrics and outcomes of assessment against those metrics are summarised below:

- The CEO's target short term variable remuneration is 70% of Fixed Pay with a stretch of up to 105% of Fixed Pay. Based on outcomes, the achieved award payable, in a mix of cash and equity, was 64% of Fixed Pay i.e. approaching target.
- The CFO's target short term variable remuneration is 40% of Fixed Pay with a stretch of up to 60% of Fixed Pay. Based on outcomes, the achieved award payable, in a mix of cash and equity, was 36% of Fixed Pay i.e. approaching target.

Table 7a: STVR outcomes for the Chief Executive Officer

	Metric/Measure	Weighting	Performance	Outcome (% of Target)	% of Target % Payable
Financial – 60%	**Group Pro-forma NPAT ($M)**				
	Group Pro-forma NPAT provides the insight on the underlying performance for the period by excluding one off non recurring items.	30%	$111.1	67% (Threshold 50%, Target 100%, Stretch 150%)	20.2%
	Cost to Income ("CTI")				
	It measures operational and transformational efficiencies	15%	55.4%	0% (Threshold 50%, Target 100%, Stretch 150%)	0.0%
	Total Assets Under Management ("AUM") – close ($M)				
	Total Assets Under Management reflects AUM from lending and servicing as at 31 December 2023 (closing)	15%	$19.7	128% (Threshold 50%, Target 100%, Stretch 150%)	19.2%
Operational – 40%	**Customer Growth** – 83.5k new customers	10%	89,134	150% (Threshold 50%, Target 100%, Stretch 150%)	15.0%
	Cost to serve/Cost to acquire decrease 5%	10%	Business continued to deliver on process improvements and automation in key areas which has seen operational cost acquire and to service reduce year on year.	100% (Threshold 50%, Target 100%, Stretch 150%)	10.0%
	Reportable breaches are managed well and within ASIC guidelines	5%	Stretch achieved. One breach was reported in Jan 2023 and a second reported on the last working day of Dec 2023. Both were reported on time. There has been no subsequent follow-up action from ASIC on either breach (noting that the second breach was reported a short time ago).	150% (Threshold 50%, Target 100%, Stretch 150%)	7.5%
Individual – 15%	**Risk & Compliance:** All statutory, regulatory requirements met in line with required dates Team compliance training undertaken Key person risks mitigated	5%	Stretch achieved. All compliance related reporting has been completed on time. 95.02% of Core Mandatory Training was completed on time over 2023 against a target of 95%.	150% (Threshold 50%, Target 100%, Stretch 150%)	7.5%
	Leadership Effectiveness				
	Executive Engagement		98		
	Overall Company Engagement		75		
	Succession Planning – all key roles have identified successor/ emergency	10%	90% – 94%	120% (Threshold 50%, Target 100%, Stretch 150%)	12.0%
	Executive Attrition		0%		
	Board 360		>3		
	Total Weighting	**100%**		**Total % of Target achieved**	**91.4%**

Table 7b: STVR outcomes for the Chief Financial Officer

	Metric/Measure	Weighting	Performance	Outcome (% of Target)	% of Target % Payable
Financial – 40%	**Group Pro-forma NPAT ($M)**				
	Group Pro-forma NPAT provides the insight on the underlying performance for the period by excluding one off non recurring items.	20%	$111.1	67%	13.5%
	Cost to Income ("CTI")				
	It measures operational and transformational efficiencies	15%	55.4%	0%	0.0%
	Total Assets Under Management ($bn)				
	Total Assets Under Management reflects AUM from lending and servicing as at 31 December 2023 (closing)	5%	$19.7	128%	6.4%
Operational – 40%	**Strategic Objectives**				
	Effective, accurate and timely financial controls and reporting including all financial and statutory reporting	15%	Exceeded objectives	150%	22.5%
	Management of Corporate Debt facilities	10%	Cash > 20% of the cash outflow for a projected period of at least the next 3 months	50%	5.0%
	Delivery of Treasury, Banking and Finance projects	15%	5	100%	15.0%
Individual – 15%	**Individual Effectiveness (People and Risk)**				
	Leadership – Employee Engagement Score	5%	83	150%	7.5%
	Cost to Serve / Cost to acquire	5%	46%	100%	5.0%
	Risk & Compliance: 1. All statutory, regulatory requirements met in line with required dates 2. Team compliance training undertaken 3. Key person risks mitigated	10%	95%	150%	15.0%
	Total Weighting	**100%**		**Total % of Target achieved**	**89.9%**

Outcome scale for each measure: Threshold 50%, Target 100%, Stretch 150%

5.2. LTVR outcomes

The 3-year measurement period for the CY2021 grant of LTVR has been completed. As a result of performance testing, 30% of LTVR maximum opportunity is due to vest in March 2024.

- **ROE tranche** (50% of LTVR): ROE was achieved at 18.2%. Accordingly, 60% of the granted performance rights are due to vest.

ROE	CY2021 Grant
Stretch – 100%	19%
Target – 50%	18%
Threshold – 25%	15%
Achievement	18.2%
Vesting %	**60%**

- **Indexed TSR tranche** (50% of LTVR): failed to meet challenging thresholds, nil vesting.

The CY2022 and CY2023 LTVR grants will be assessed following the completion of their respective measurement periods by CY2024 and CY2025.

5.3. Achieved Total Remuneration Package for CY2023

The following outlines "Achieved" (what became payable, awarded or vested in respect of CY2023 performance completed) total remuneration, including the portions of maximum variable remuneration that were awarded or vested, and portions that were forfeited or lapsed as the result of performance assessments completed at the completion of CY2023:

Table 8: Achieved Total Remuneration Package for Executive KMP

			Fixed Package (incl Super)		Total STVR* Awarded Following Completion of CY2023	
Name	**Role(s)**	**Year**	**Amount**	**% of TRP**	**Amount**	**% of TRP**
Mario Rehayem	Chief Executive Officer	**CY2023**	**$1,133,628**	**43%**	**$697,593**	**26%**
	Chief Executive Officer	CY2022	$1,102,940	60%	$736,998	40%
	Chief Executive Officer	CY2021	$1,034,825	53%	$930,927	47%
Therese McGrath	Chief Financial Officer	**CY2023**	**$736,508**	**54%**	**$261,815**	**19%**
	Chief Financial Officer	CY2022	$720,055	69%	$321,826	31%
	Chief Financial Officer	CY2021	$621,712	66%	$316,682	34%

* Note: 35% of the STVR award is settled in deferred equity using Restricted Rights, while 65% is settled in cash.

** This is the grant value of the LTVR/Equity Recognition Award that vested following the completion of CY2023.

*** This is the difference between the grant value and the realisable value based on the market value of a share by the end of the measurement period.

5.4. Use of Board Discretion

During the financial year and to the date of this report, the Board did not exercise any discretions available to modify STVR or LTVR outcomes, vesting or awards.

6. Statutory Tables and Supporting Disclosures

6.1. Executive KMP Statutory Remuneration for CY2023

The following table outlines the statutory remuneration of executive KMP:

Table 9: Executive KMP statutory remuneration

			Fixed Pay				
						Total Fixed Pay	
Name	**Role(s)**	**Year**	**Salary**	**Super**	**Other Benefits***	**Amount**	**% of TRP**
Mario Rehayem	Chief Executive Officer	**CY2023**	**$956,636**	**$26,346**	**$150,646**	**$1,133,628**	**39%**
	Chief Executive Officer	CY2022	$956,636	$24,430	$121,874	$1,102,940	35%
	Chief Executive Officer	CY2021	$911,962	$21,856	$101,006	$1,034,825	35%
Therese McGrath	Chief Financial Officer	**CY2023**	**$643,909**	**$75,899**	**$16,700**	**$736,508**	**49%**
	Chief Financial Officer	CY2022	$643,909	$59,446	$16,700	$720,055	48%
	Chief Financial Officer	CY2021	$551,172	$53,840	$16,700	$621,712	47%

* Other benefits include items such as car parking, car allowances, annual leave cashout, insurance etc.

** The STVR/bonus value reported in the table is the award that was paid during the reporting period, being the award earned during the previous period. Variable remuneration outcomes for the reporting period are outlined elsewhere in this report.

*** Note that the LTVR, IPO Equity and Equity Recognition Award values reported in this table are the amortised accounting charge of all grants that have not lapsed or vested as at the start of the reporting period. Where a market based measure of performance is used such as TSR, no adjustments can be made to reflect actual LTVR vesting.

Value of LTVR that Vested Following Completion of the Measurement Period of CY2023**		Value of One-off Equity Recognition Award that Vested Following Completion of the Measurement Period of CY2023**		Total Remuneration Package ("TRP")	Gains/Losses on Vested LTVR and One-off Equity Recognition Award from Change in Value During Vesting Period***
Amount	% of TRP	Amount	% of TRP		
$494,098	**19%**	**$327,107**	**12%**	**$2,652,425**	**–$313,082**
–	–	–	–	$1,839,938	–
–	–	–	–	$1,965,752	–
$149,462	**11%**	**$218,465**	**16%**	**$1,366,250**	**–$105,402**
–	–	–	–	$1,041,881	–
–	–	–	–	$938,394	–

Variable Remuneration										Total
Cash STVR**		Deferred STVR**		IPO Equity***		LTVR***		One-off Equity Recognition Award***		
Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Total Remuneration Package ("TRP")
$479,049	**16%**	**$257,949**	**9%**	–	–	**$928,082**	**27%**	**$341,545**	**10%**	**$2,935,149**
$605,102	19%	$325,825	10%	$375,640	12%	$786,499	25%	–	–	$3,196,006
$1,310,000	44%	–	–	$185,017	6%	$465,890	16%	–	–	$2,995,731
$209,187	**14%**	**$112,639**	**7%**	–	–	**$310,300**	**17%**	**$288,108**	**12%**	**$1,508,308**
$205,843	14%	$110,839	7%	$227,256	15%	$248,142	16%	–	–	$1,512,135
$441,667	34%	–	–	$111,932	9%	$140,928	11%	–	–	$1,316,238

6.2. Non-Executive Director ("NED") KMP Statutory Remuneration for CY2023

The total amount of fees paid to Non-Executive Directors in the year ended 31 December 2023 is within the aggregate amount set for the purposes of ASX Listing Rules and the Constitution as part of the Prospectus of $1,221,000 per year. Grants of equity approved by shareholders are excluded from counting towards the aggregate Board Fees, in accordance with the ASX Listing Rules.

The following table outlines the statutory and audited remuneration of NEDs:

Table 10: NED statutory remuneration

Name	Role(s)	Year	Board Fees	Committee Fees	Super-annuation	Other Benefits	Equity Grant Expense	Termination Benefits	Total
Michael Culhane*	Non-Executive Chair and Shareholder Representative	**CY2023**	**$234,000**	**$26,000**	–	–	–	–	**$260,000**
		CY2022	$234,000	$26,000	–	–	–	–	$260,000
		CY2021	$156,000	$15,167	–	–	–	–	$171,167
Des O'Shea**	Non-Executive Director and Shareholder Representative	**CY2023**	**$115,000**	**$26,000**	–	–	–	–	**$141,000**
		CY2022	$115,000	$26,000	–	–	–	–	$141,000
		CY2021	$76,667	$15,167	–	–	–	–	$91,834
Mike Cutter	Independent Non-Executive Director	**CY2023**	**$103,838**	**$23,476**	**$13,685**	–	–	–	**$141,000**
		CY2022	$104,298	$31,450	$13,918	–	–	–	$149,666
		CY2021	$82,920	$5,909	$9,180	–	$97,888	–	$195,897
Akiko Jackson	Independent Non-Executive Director	**CY2023**	**$103,838**	**$23,476**	**$13,685**	–	–	–	**$141,000**
		CY2022	$104,298	$31,450	$13,918	–	–	–	$149,666
		CY2021	$76,601	$5,909	$8,029	–	$97,888	–	$188,427
Justine Turnbull	Independent Non-Executive Director	**CY2023**	**$103,838**	**$23,476**	**$13,685**	–	–	–	**$141,000**
		CY2022	$104,298	$31,450	$13,918	–	–	–	$149,666
		CY2021	$82,920	$5,909	$9,180	–	$97,888	–	$195,897
Rob Verlander	Independent Non-Executive Director	**CY2023**	**$103,838**	**$23,476**	**$13,685**	–	–	–	**$141,000**
		CY2022	$104,298	$31,450	$13,918	–	–	–	$149,666
		CY2021	$76,601	$5,909	$8,029	–	$97,888	–	$188,427

* Note that Michael Culhane is remunerated as CEO by the Pepper Global Group. The total remuneration for him was paid to Pepper Group Holdco Limited and treated as a recovery cost.

** The total remuneration for Des O'Shea was paid to Pepper Group Holdco Limited and this entity passed on the full amount to Des O'Shea.

6.3. KMP equity interests and changes during CY2023

Movements in equity interests held by executive KMP during the reporting period, including their related parties, are set out below:

Table 11: Executive KMP equity movements

		Number Held at Open CY2023	Granted CY2023		Forfeited during CY2023	Vested and Exercisable during CY2023	Vested and Not Exercisable during CY2023	CY2023 Exercised (or Shares received from Exercising)	Net Value at Exercise (after Exercise Price)	CY2023 Purchased/ Other	CY2023 Sold	Number Held at Close CY2023	% of Holding Policy Met*
Name	**Instrument**	**Number**	**Date Granted**	**Number**	**Number**	**Number**	**Number**	**Number**	**$**	**Number**	**Number**	**Number**	**Percent**
Mario Rehayem	Shares	2,430,487		–	–	–	–	–	–	–	–	2,430,487	
	Vested Rights	197,457	7/6/2023	207,038	–	–	207,038	–	–	–	–	404,495	308%
	Unvested Rights	1,681,618	7/6/2023	2,383,869	–	–	–	–	–	–	–	4,065,487	
Therese McGrath	Shares	101,704		–	–	–	–	–	–	–	–	101,704	
	Vested Rights	67,171	7/6/2023	90,407	–	–	90,407	–	–	–	–	157,578	43%
	Unvested Rights	544,159	7/6/2023	1,081,491	–	–	–	–	–	–	–	1,625,650	
Totals		**5,022,596**		**3,762,805**	**–**	**–**	**297,445**	**–**	**–**	**–**	**–**	**8,785,401**	

* % of holding policy met is calculated by reference to the number interests in full shares (including Vested but unexercised Rights with nil exercise price) held at the end of the financial year, multiplied by the closing share price for the year. CEO and CFO are required to accumulate and maintain significant holdings of 100% and 50% of their annualised fixed pay respectively in a maximum of three years. The board determined to extend the holding requirement for a further 18 months by December 2025 due to the changing share price dynamics.

Movements in equity interests held by non-executive KMP during the reporting period, including their related parties, are set out below:

Table 12: Non-Executive KMP equity movements

		Number Held at Open CY2023	Granted CY2023		Forfeited during CY2023	Vested and Exercisable during CY2023
Name	**Instrument**	**Number**	**Date Granted**	**Number**	**Number**	**Number**
Michael Culhane	Unrestricted Shares	–		–	–	–
	Restricted Shares	–		–	–	–
	Restricted Rights	–		–	–	–
Des O'Shea	Unrestricted Shares	41,523		–	–	–
	Restricted Shares	–		–	–	–
	Restricted Rights	–		–	–	–
Mike Cutter	Unrestricted Shares	17,302		–	–	–
	Restricted Shares	39,792		–	–	–
	Restricted Rights	–		–	–	–
Akiko Jackson	Unrestricted Shares	34,603		–	–	–
	Restricted Shares	39,792		–	–	–
	Restricted Rights	–		–	–	–
Justine Turnbull	Unrestricted Shares	10,000		–	–	–
	Restricted Shares	39,792		–	–	–
	Restricted Rights	–		–	–	–
Rob Verlander	Unrestricted Shares	51,905		–	–	–
	Restricted Shares	39,792		–	–	–
	Restricted Rights	–		–	–	–
Totals		**314,501**		**–**	**–**	**–**

* % of holding policy met is calculated by reference to the number interests in full shares (including Vested but unexercised Rights with nil exercise price) held at the end of the financial year, multiplied by the closing share price for the year. NEDs are required to accumulate and maintain significant holdings of no less than one year's Board Fees in a maximum of three years. The board determined to extend the holding requirement for a further 18 months by December 2025 due to the changing share price dynamics.

** Michael Culhane holds 7,820,624 shares in Pepper TopCo (TopCo). Pepper TopCo is a related body corporate of Pepper Money Limited. As at 31 December 2023, TopCo 60.59% in the ordinary shares of Pepper Money through its indirectly wholly-owned subsidiary Pepper Group ANZ HoldCo Limited.

Vested and Not Exercisable during CY2023	CY2023 Exercised (or Shares received from Exercising)	Net Value at Exercise (after Exercise Price)	CY2023 Purchased/ Other	CY2023 Sold	Number Held at Close CY2023	% of Holding Policy Met*
Number	Number	$	Number	Number	Number	Percent
–	–	–	–	–	–	
–	–	–	–	–	–	–
–	–	–	–	–	–	
–	–	–	–	–	41,523	
–	–	–	–	–	–	44%
–	–	–	–	–	–	
–	–	–	–	–	17,302	
–	–	–	–	–	39,792	61%
–	–	–	–	–	–	
–	–	–	–	–	34,603	
–	–	–	–	–	39,792	80%
–	–	–	–	–	–	
–	–	–	–	–	10,000	
–	–	–	–	–	39,792	53%
–	–	–	–	–	–	
–	–	–	–	–	51,905	
–	–	–	–	–	39,792	98%
–	–	–	–	–	–	
–	**–**	**–**	**–**	**–**	**314,501**	

The following outlines the accounting values and potential future costs of equity remuneration granted during CY2023 for executive KMP:

Table 13: Executive KMP equity remuneration

CY2023 Equity Grants

Name	Tranche	Grant Type	Number
Mario Rehayem	CY2023 LTVR Performance Rights	LTVR	764,560
	CY2023 LTVR Performance Rights	LTVR	764,560
	CY2023 Deferred STVR Restricted Rights*	STVR	207,038
	CY2023 One–off Equity Recognition Award – 30%	Service Rights	242,140
	CY2023 One–off Equity Recognition Award – 70%	Service Rights	612,609
Therese McGrath	CY2023 LTVR Performance Rights	LTVR	255,314
	CY2023 LTVR Performance Rights	LTVR	255,314
	CY2023 Deferred STVR Restricted Rights*	STVR	90,407
	CY2023 One–off Equity Recognition Award – 30%	Service Rights	161,718
	CY2023 One–off Equity Recognition Award – 70%	Service Rights	409,145
Totals			3,762,805

Note: the minimum value to be expensed in future years for each of the above grants made in CY2023 is nil. A reversal of previous expense resulting in a negative expense in the future may occur in the event of an executive KMP departure or failure to meet non market-based conditions including failure for gate to open.

6.4. KMP Service Agreements

6.4.1 Executive KMP Service Agreements

The following outlines current Executive KMP service agreements:

Table 14: Executive KMP service agreements

Name	Position Held at Close of CY2023	Employing Company	Contract Type	Period of Notice		Termination Payments*
				From Company	From KMP	
Mario Rehayem	Chief Executive Officer	Pepper Money Limited	Permanent	12 months	12 months	n/a
Therese McGrath	Chief Financial Officer	Pepper Money Limited	Permanent	6 months	6 months	n/a

* Under the Corporations Act the Termination Benefit Limit is 12 months average Salary (last 3 years) unless shareholder approval is obtained.

6.4.2 Non-Executive Directors ("NEDs") Service Agreements

The appointment of Non-Executive Directors is subject to a letter of engagement. The NEDs are not eligible for any termination benefits following termination of their office, nor any payments other than those required under law such as in respect of superannuation. There are no notice periods applicable to either party.

Vesting Conditions	Grant Date	Fair Value Each at Grant Date	Total Fair Value at Grant	Value Expensed in CY2023	Max Value to be Expensed in Future Years
Relative TSR	7/6/2023	0.75	573,420	125,681	447,739
ROE	7/6/2023	1.08	825,725	–	–
Exercise Restriction	7/6/2023	1.275	263,973	263,973	-
Service	7/6/2023	1.275	308,729	96,756	211,973
Service	7/6/2023	1.275	781,076	244,789	536,287
Relative TSR	7/6/2023	0.75	191,486	41,970	149,516
ROE	7/6/2023	1.08	275,739	–	–
Exercise Restriction	7/6/2023	1.275	115,269	115,269	–
Service	7/6/2023	1.275	206,190	64,620	141,570
Service	7/6/2023	1.275	521,660	163,488	358,172
			4,063,267	1,116,546	1,845,257

6.5. Other Statutory Disclosures

6.5.1 Loans to KMP and their related parties

During CY2023, no loan was made to KMPs or related parties. (CY2021 Management Loan of $3,132,712 to Mario Rehayem). Refer page 143 of the Notes to the Financial Statements.

Loans to Directors and their related parties of $4.5 million have been provided in the normal course of the Group's Mortgage and Asset Finance lending business. All loans are at arm's length commercial terms.

6.5.2 Other transactions with KMP

There were no other disclosable transactions with KMP for CY2023 .

6.5.3 External Remuneration Consultants

During CY2023, the Board engaged approved External Remuneration Consultants to provide the advice for the CY2022 Remuneration Report – $8,250 (inclusive of GST).

Consolidated Financial Statements

for the year ended 31 December 2023

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Auditor's Independence Declaration

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29 February 2024

The Board of Directors
Pepper Money Limited
Lvl 27, 177 Pacific Hwy
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 audit of the financial report of Pepper Money Limited for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss

	Notes	Year ended 31 December 2023 $M	Year ended 31 December 2022 $M
Interest income	3(A)	**1,402.2**	955.4
Interest expense[1]	3(A)	**(1,041.3)**	(566.5)
Net interest income[1]	3(A)	**360.9**	388.9
Lending fee income	3(B)	**72.2**	71.0
Lending expense	3(B)	**(54.6)**	(55.7)
Whole loan sales gain		**11.9**	8.2
Loan losses	4(B)	**(39.9)**	(33.3)
Servicing fees and other income	3(B)	**37.4**	29.1
Total operating income		**387.9**	408.2
Employee benefits expense	3(D)	**(128.6)**	(113.9)
Marketing expense	3(D)	**(14.9)**	(13.8)
Technology expense	3(D)	**(23.8)**	(23.8)
General and admin expense	3(D)	**(20.4)**	(19.2)
Fair value losses on financial assets		**(0.5)**	(2.1)
Impairment losses on financial assets	8(B)	**(4.3)**	–
Depreciation and amortisation expense	8(A), 8(B)	**(21.9)**	(20.4)
Corporate interest expense	3(D)	**(24.8)**	(13.3)
Operating expenses		**(239.2)**	(206.5)
Profit before income tax		**148.7**	201.7
Income tax expense	3(E)	**(40.0)**	(61.2)
Net profit after income tax		**108.7**	140.5
Attributable to equity holders of Pepper Money Limited		**110.7**	141.0
Attributable to non-controlling interests		**(2.0)**	(0.5)

	Note	Cents per share	Cents per share
Earnings per share (EPS)	3(F)		
Basic EPS		**24.71**	31.97
Diluted EPS		**23.83**	31.34

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

1. Excludes corporate interest expense.

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2023 $M	Year ended 31 December 2022 $M
Net profit after tax	**108.7**	140.5
Other comprehensive income that may be recycled to profit or loss		
Currency translation movement	**(0.1)**	(0.2)
Changes in fair value of hedging instruments	**(81.7)**	116.5
Income tax relating to items that may be recycled to profit or loss	**24.5**	(34.9)
Total other comprehensive (loss)/income that may be recycled to profit or loss	**(57.3)**	81.4
Total comprehensive income for the period	**51.4**	221.9
Total comprehensive income attributable to:		
Owners of Pepper Money Limited	**53.4**	222.4
Non-controlling interests	**(2.0)**	(0.5)

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

Consolidated Statement of Financial Position

	Notes	As at 31 December 2023 $M	As at 31 December 2022 $M
Assets			
Cash and cash equivalents	4(A)	**1,528.7**	1,243.6
Receivables		**21.2**	10.3
Loans and advances	4(B)	**18,379.4**	18,327.8
Derivative financial assets	6(B)(h)	**52.4**	134.0
Other financial assets	4(C)	**19.2**	19.4
Other assets		**12.0**	9.0
Deferred tax assets	3(E)	**21.8**	4.0
Property, plant and equipment	8(A)	**32.0**	19.0
Goodwill and intangibles	8(B)	**141.0**	152.3
Total assets		**20,207.7**	19,919.4
Liabilities			
Trade payables		**17.1**	13.4
Current tax		**9.5**	24.5
Provisions	5(A)	**23.6**	24.8
Borrowings	5(B)	**19,257.0**	18,979.2
Derivative liabilities	6(B)(h)	**4.0**	3.3
Other liabilities	5(C)	**33.7**	22.8
Deferred tax liabilities	3(E)	**–**	10.1
Total liabilities		**19,344.9**	19,078.1
Total net assets		**862.8**	841.3
Equity			
Issued capital	7(A)	**729.8**	729.6
Other reserves	7(B)	**50.0**	99.8
Retained earnings		**45.6**	(27.5)
Total equity attributable to owners of Pepper Money Limited		**825.4**	801.9
Non-controlling interests		**37.4**	39.4
Total equity		**862.8**	841.3

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

Consolidated Statement of Changes in Equity

	Issued capital $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 2022								
Opening balance	729.3	(0.1)	8.7	3.8	(105.3)	636.4	–	636.4
Profit for the period	–	–	–	–	141.0	141.0	(0.5)	140.5
Currency translation movements	–	(0.2)	–	–	–	(0.2)	–	(0.2)
Cash flow hedge movements	–	–	81.6	–	–	81.6	–	81.6
Total comprehensive income	–	(0.2)	81.6	–	141.0	222.4	(0.5)	221.9
Ordinary shares issued	0.3	–	–	–	–	0.3	–	0.3
Dividends paid	–	–	–	–	(63.3)	(63.3)	–	(63.3)
Share-based payments	–	–	–	6.1	–	6.1	–	6.1
Transfer of share-based payments reserve to retained earnings	–	–	–	(0.1)	0.1	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–	–	39.9	39.9
Balance as at 31 December 2022	729.6	(0.3)	90.3	9.8	(27.5)	801.9	39.4	841.3
1 January 2023								
Opening balance	**729.6**	**(0.3)**	**90.3**	**9.8**	**(27.5)**	**801.9**	**39.4**	**841.3**
Profit for the period	–	–	–	–	**110.7**	**110.7**	**(2.0)**	**108.7**
Currency translation movements	–	**(0.1)**	–	–	–	**(0.1)**	–	**(0.1)**
Cash flow hedge movements	–	–	**(57.2)**	–	–	**(57.2)**	–	**(57.2)**
Total comprehensive income	–	**(0.1)**	**(57.2)**	–	**110.7**	**53.4**	**(2.0)**	**51.4**
Ordinary shares issued	**0.2**	–	–	–	–	**0.2**	–	**0.2**
Dividends paid	–	–	–	–	**(37.8)**	**(37.8)**	–	**(37.8)**
Share-based payments	–	–	–	**7.7**	–	**7.7**	–	**7.7**
Transfer of share-based payments reserve to retained earnings	–	–	–	**(0.2)**	**0.2**	–	–	–
Balance as at 31 December 2023	**729.8**	**(0.4)**	**33.1**	**17.3**	**45.6**	**825.4**	**37.4**	**862.8**

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

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2023 $M	Year ended 31 December 2022 $M
Cash flows from operating activities			
Interest received		**1,365.5**	890.3
Interest paid		**(1,023.2)**	(550.9)
Receipts from loan fees and other income		**112.4**	95.6
Payments of net loans to borrowers		**(953.3)**	(2,832.7)
Payments to suppliers and employees		**(247.5)**	(240.1)
Income taxes paid		**(59.0)**	(72.5)
Proceeds from sale of loan portfolios		**903.4**	412.4
Net cash inflow/(outflow) from operating activities	4(A)	**98.3**	(2,297.9)
Cash flows from investing activities			
Payment for intangibles and other assets		**(7.1)**	(10.2)
Payments for business acquired		**–**	(76.9)
Payments for investments		**(0.4)**	(0.5)
Net cash (outflow) from investing activities		**(7.5)**	(87.6)
Cash flows from financing activities			
Proceeds from borrowings		**13,697.3**	11,403.1
Repayment of borrowings		**(13,458.6)**	(9,011.5)
Repayment of lease liabilities		**(6.6)**	(8.4)
Payment of dividends	3(H)(a)	**(37.8)**	(63.3)
Net cash inflow from financing activities		**194.3**	2,319.9
Net increase/(decrease) in cash and cash equivalents		**285.1**	(65.6)
Cash and cash equivalents at the beginning of the financial period		**1,243.6**	1,309.2
Cash and cash equivalents at end of year	4(A)	**1,528.7**	1,243.6

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

Notes to the Consolidated Financial Statements

1. General information

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

A. Reporting entity

These consolidated financial statements are for the consolidated Group consisting of Pepper Money Limited ("Pepper Money" or "the Company") and its controlled entities ("the Group") and were approved and authorised for issue in accordance with a resolution of the Directors on 29 February 2024.

Pepper Money Limited is a public company limited by shares domiciled in Australia. The ASX ticker code is PPM.

The principal accounting policies adopted in the preparation of this financial report are set out below or in the accompanying Notes to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

B. Basis of preparation

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

The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. Items included in the consolidated financial statements of each of the Pepper Money entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars ("$"), which is the Group's functional and presentation currency. All amounts are rounded to nearest millions, except when otherwise indicated.

The Directors consider the Group able to pay their debts as and when they fall due, and therefore the Group are able to continue as a going concern.

C. Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. Pepper Money Limited is a for-profit entity for the purpose of preparing these consolidated financial statements.

D. Accounting estimates

The preparation of the 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 accounting 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 amortised cost or at fair value through other comprehensive income.

Credit risk on other financial assets held at amortised cost, including cash and cash equivalents and debt investments held at amortised cost, is assessed as low and probability of default negligible. Accordingly, the ECL recognised on these financial assets is immaterial.

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 material to the Group.

ECL for loans and advances

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

1. modelled collective ECL;
2. post-model overlay adjustments; and
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 ECL with its credit risk management practices and the requirements of AASB 9 *Financial Instruments*, which incorporates classification 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 are likely to 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 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 ECL

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

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).
Exposure at default ("EAD")	The estimated outstanding amount of credit exposure at the time of default, considering repayment of principal and interest, expected additional drawdowns and accrued interest.
Forward-looking adjustments	Capture 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 three scenarios – base case, upside and downside. The Group's analysis is informed by a combination of publicly available macro-economic forecasts in respect of the Australian and New Zealand economies, combined with Group portfolio information, judgement 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. Refer to Note 6(B)(c) for further information.

b. Goodwill and intangibles

Goodwill on acquisitions of subsidiaries is included in goodwill and intangibles in the consolidated statement of financial position. The Group determines whether goodwill and other intangible assets with indefinite useful lives, are impaired at least annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

Impairment testing requires an estimation of the recoverable amount of the cash generating units to which the goodwill and other intangible assets with indefinite useful lives are allocated.

Refer to Note 8(B) for further information, including the key assumptions used.

c. Share-based payments valuation

In measuring and recognising various equity-settled share-based payment arrangements, the Group utilises valuation models which require judgement, such as grant date fair value and vesting probability. Refer to Note 9 for further information on the key models and valuation assumptions.

d. Fair value of equity investments

The Group carries its unlisted equity investments at fair value with changes in the fair value recognised in the consolidated statement of profit or loss.

Management undertake valuations of equity investments 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. Fair value of Put and Call Option in relation to the remaining 35% interest in Stratton Finance Pty Ltd (“Stratton”)

The fair value of the Put and Call Option in relation to the remaining 35% interest in Stratton is estimated as at 31 December 2023 using a discounted cash flow model to calculate an enterprise valuation of Stratton.

The key judgements pertaining to the fair value include forecast Earnings before interest, tax, depreciation and amortisation (“EBITDA”), discount and terminal growth rates and assumed timing of exercising the Put and Call Option.

E. Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated exclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2. Application of new and revised accounting standards

A. New and revised standards in issue but not yet effective

At the date of approval and authorisation of these consolidated financial statements, the Group has not applied the following new and revised AASB standards that have been issued but are not yet effective:

- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10* and *AASB 128*, AASB 2017-5 – *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*, AASB 2021-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10* and *AASB 128 and Editorial Corrections*
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability*

The Directors do not expect that the adoption of the standards listed above will have a material impact on the consolidated financial statements in future years.

B. Accounting standards adopted in the period

Several amendments apply for the first time in the year ended 31 December 2023, but do not have a material impact on the consolidated financial statements of the Group.

Pillar Two Tax Reform

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

3. Financial performance

A. Interest income and interest expense

	Year ended	
	31 December 2023 $M	**31 December 2022 $M**
Interest income:		
Interest from customers	**1,357.2**	941.0
Bank interest	**45.0**	14.4
Total interest income	**1,402.2**	955.4
Interest expense:		
Interest expense	**(1,041.3)**	(566.5)
Net interest income	**360.9**	388.9

Loans and advances are measured on an amortised cost basis on the consolidated statement of financial position. Interest income is recognised over the life of the loan, taking into account all income and expenditure directly attributable to the origination of the loan. The rate at which interest income is recognised is referred to as the effective interest rate ("EIR") and is equivalent to the rate that effectively discounts estimated future cash flows throughout the estimated life to the net carrying value of the loan. The revenue stream includes interest revenue, loan protection fees or mortgage risk fees (together referred to as "mortgage protection fees") received at loan settlement and early termination interest adjustments payable upon early redemption of a loan. Transaction costs, such as upfront broker commissions paid, are also spread across the expected life of the loan in interest income. Interest income is recognised in the consolidated statement of profit or loss by applying the effective interest rate to the net carrying amount of any financial asset classified in Stage 3 for impairment.

Interest expense is also recognised on an EIR basis and includes costs directly associated with bringing to account the funding facilities used to fund the Group's lending assets. These are transaction costs incurred by the Group in facilitating the issue of debt securities. These costs are amortised to the consolidated statement of profit or loss over the average expected life of the debt securities using the EIR. On a consolidated basis, these costs are included as part of the amortised cost of the debt securities.

B. Non-interest income and expenses

Lending fee income

	Year ended	
	31 December 2023 $M	**31 December 2022 $M**
Settlement fees	**32.8**	34.2
Post-settlement fees	**39.4**	36.8
Total lending fee income	**72.2**	71.0

Lending fee income includes fees other than those that are an integral part of EIR (see Note 3(A)) and includes loan fees paid by the customer such as application fees, discharge fees, settlement fees and post-settlement fees. The performance obligation for these fees is met at a point in time (settlement and discharge) when the fee is charged to the customer and revenue is recognised.

Lending expense

	Year ended	
	31 December 2023 $M	**31 December 2022 $M**
Trail commission expense	**(24.8)**	(27.4)
Trustee and other special purpose vehicle ("SPV") expenses	**(3.4)**	(3.2)
Enforcement costs	**(9.8)**	(7.8)
GST input tax loss	**(3.8)**	(4.7)
Origination expense	**(6.3)**	(7.0)
Other lending expense	**(6.5)**	(5.6)
Total lending expense	**(54.6)**	(55.7)

Lending expenses includes broker trail commission, valuation, trustee, custodian and servicer fees, unrecoverable GST and other lending-related fees which are expensed when incurred.

Servicing fees and other income

	Year ended	
	31 December 2023 $M	**31 December 2022 $M**
Loan and other servicing income	**5.9**	8.0
Brokerage commissions	**13.1**	7.6
Volume bonuses and incentives	**10.5**	5.5
Other income	**7.9**	8.0
Total servicing fees and other income	**37.4**	29.1

Loan and other servicing fees are negotiated per contract. They include a base and variable component and typically include a performance-based element linked to the achievement of performance milestones, as well as financial outcomes for the owners of the loan assets. The servicing rates charged vary depending on the complexity of the portfolio, size of mandate and other relevant factors.

Servicing fee revenue is recognised over time as the servicing activities are performed and the Group earns the right to consideration, as identified in the contractual pricing arrangements the Group has with its customers.

The revenue from Stratton's major business activity is recognised as follows:

- volume bonuses and incentives are recognised over time as the mandated sales volumes are fulfilled; and
- brokerage commissions are recognised on an accrual basis when the service has been provided or on completion of the underlying performance obligations.

Other income includes miscellaneous income items which:

- are recognised in the period in which they are 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 includes a reconciliation of the disaggregated revenue with the Group's reportable segments (refer to Note 3(G)).

	Mortgages		Asset Finance		Loans and Other Servicing		Corporate		Total	
Year ended 31 December	**2023 $M**	**2022 $M**	**2023 $M**	**2022 $M**	**2023 $M**	**2022 $M**	**2023 $M**	**2022 $M**	**2023 $M**	**2022 $M**
Revenue Type:										
Lending fee income	**22.0**	22.6	**50.2**	48.4	–	–	–	–	**72.2**	71.0
Whole loan sales income	**6.4**	8.2	**5.5**	–	–	–	–	–	**11.9**	8.2
Servicing fees and other income	**0.1**	1.3	**30.0**	16.6	**7.3**	11.0	–	0.2	**37.4**	29.1
Total revenue from contracts with customers	**28.5**	32.1	**85.7**	65.0	**7.3**	11.0	–	0.2	**121.5**	108.3
Timing of revenue recognition:										
Service transferred at a point in time	**28.5**	32.1	**75.2**	59.5	**7.3**	3.0	–	0.2	**111.0**	94.8
Services transferred over time	–	–	**10.5**	5.5	–	8.0	–	–	**10.5**	13.5
Total revenue from contracts with customers	**28.5**	32.1	**85.7**	65.0	**7.3**	11.0	–	0.2	**121.5**	108.3
Lending expense	**(42.4)**	(46.2)	**(12.2)**	(9.5)	–	–	–	–	**(54.6)**	(55.7)
Other operating income as reported in Note 3(G) Segment reporting	**(13.9)**	(14.1)	**73.5**	55.5	**7.3**	11.0	–	0.2	**66.9**	52.6

D. Expenses

Employee benefits expense

	Year ended	
	31 December 2023 $M	**31 December 2022 $M**
Salaries and wages	**(101.3)**	(92.8)
Employee incentive and share-based payments	**(21.8)**	(15.5)
Other personnel expenses	**(5.5)**	(5.6)
Total employee benefits expense	**(128.6)**	(113.9)

Employee benefits expenses are recorded primarily in respect of wages and salaries, superannuation, bonuses, share-based payments, annual leave and long service leave and are recognised in respect of employees' services up to the end of the reporting period.

Refer to Note 9 for detail on the share-based payment schemes.

Marketing expense

	Year ended	
	31 December 2023 $M	31 December 2022 $M
Sponsorship and advertising expenses	(10.4)	(9.6)
Digital and other marketing expenses	(4.5)	(4.2)
Total marketing expense	(14.9)	(13.8)

Marketing expenses are expensed when incurred.

Technology expense

	Year ended	
	31 December 2023 $M	31 December 2022 $M
Software licence fees	(11.3)	(9.2)
IT hardware, maintenance and support	(12.5)	(14.6)
Total technology expense	(23.8)	(23.8)

Technology expenses are expensed when incurred.

General and admin expense

	Year ended	
	31 December 2023 $M	31 December 2022 $M
Related party charges	(1.3)	(0.7)
Postage, printing and office expenses	(2.3)	(2.6)
Professional expenses	(9.0)	(5.8)
Travel and entertainment expenses	(2.1)	(2.0)
Financing fees and expenses	(0.2)	(1.7)
Insurance expenses	(0.8)	(0.9)
Occupancy expense	(1.6)	(1.8)
Other expenses	(3.1)	(3.7)
Total general and admin expense	(20.4)	(19.2)

General and administration expenses are expensed when incurred.

Corporate interest expense

	Year ended	
	31 December 2023 $M	31 December 2022 $M
Corporate debt facility	**(22.7)**	(12.4)
Lease liability interest	**(2.1)**	(0.9)
Total corporate interest expense	**(24.8)**	(13.3)

Corporate interest expenses relate to interest paid on corporate debt facilities measured under the EIR method. Refer to Note 5(B) for further disclosures.

Lease liability interest is recognised on the Group's lease liability. Refer to Note 5(C).

E. Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except where it relates to a business combination, or items recognised in equity or other comprehensive income.

a. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

b. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax base used for income tax purposes. Deferred tax assets and liabilities are not recognised in respect of temporary differences arising from:

- the initial recognition of other assets and liabilities (other than in a business combination) that affects neither the taxable income nor the accounting profit and does not give rise to equal taxable and deductible temporary differences;
- investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- the initial recognition of goodwill.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax is determined using the tax rates that are expected to apply in the periods in which the temporary differences reverse, based on income tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and the Group intends to settle them on a net basis.

(i) Income tax recognised in profit or loss	Year ended 31 December 2023 $M	Year ended 31 December 2022 $M
Current tax		
Current tax expense in respect of the current year	**46.8**	60.6
Adjustments recognised in the current year in relation to the current tax of prior years	**(3.4)**	(2.7)
Total current tax expense	**43.4**	57.9
Deferred tax		
Deferred tax (benefit)/expense recognised in the current year	**(2.4)**	0.6
Adjustments recognised in the current year in relation to the deferred tax of prior years	**(1.0)**	2.7
Total deferred tax (benefit)/expense	**(3.4)**	3.3
Total income tax expense recognised in the current year	**40.0**	61.2

(ii) The income tax expense for the year can be reconciled to the accounting profit as follows:	Year ended 31 December 2023 $M	Year ended 31 December 2022 $M
Profit before income tax expense	**148.7**	201.7
Tax at the Australian tax rate of 30.0% (2022 – 30.0%)	**44.6**	60.5
Effect of different tax rates of operations in foreign jurisdictions	**(0.5)**	(0.5)
Effect of expenses that are not deductible in determining taxable profit	**0.3**	1.2
	44.4	61.2
Adjustments recognised in current year in relation to income tax of prior years	**(4.4)**	–
Income tax expense	**40.0**	61.2

The tax rate used for the reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on the taxable profits under Australian tax law.

(iii) Deferred tax balance movements	As at 31 December 2023 $M	As at 31 December 2022 $M
Opening balance	**(6.1)**	37.5
Adjustment for prior periods	**1.0**	(2.7)
Adjusted opening balance	**(5.1)**	34.8
Current year tax recognised in the statement of profit or loss	**2.4**	(0.6)
Current year tax recognised in other comprehensive income	**24.5**	(34.7)
Deferred tax balances acquired in business combination	–	2.0
Deferred tax on intangibles acquired in business combination	–	(7.6)
Closing balance	**21.8**	(6.1)

(iv) Deferred tax balances	As at 31 December 2023 $M	As at 31 December 2022 $M
Breakdown of closing balance as follows:		
Employee expenses	8.7	5.8
Provisions	0.3	0.2
Deferred expenses	(5.4)	(6.9)
Loan loss provisions and other doubtful debts	35.7	36.5
Other financial assets	(0.4)	(0.4)
Derivatives	(13.9)	(38.3)
Recognition of tax assets relating to tax losses	2.4	4.4
Recognition of tax liabilities relating to intangibles in business combination	(5.9)	(7.6)
Right of use assets	(7.2)	(3.4)
Lease liabilities	8.5	4.2
Other	(1.0)	(0.6)
	21.8	(6.1)
Deferred tax balances are presented in the balance sheet as follows:		
Deferred tax assets	21.8	4.0
Deferred tax liabilities	–	(10.1)
	21.8	(6.1)

A deferred tax asset has not been recognised for $2.2 million of unused capital losses carried forward in Australia (2022: $2.2 million)

c. Australian tax consolidated group

Pepper Money Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation for Australian income tax purposes. The deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

The head entity, Pepper Money Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Pepper Money Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax sharing and funding agreement under which the wholly-owned entities fully compensate Pepper Money Limited for any current tax payable assumed and are compensated by Pepper Money Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Pepper Money Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' stand alone financial statements.

Assets or liabilities arising under the tax sharing and funding agreement with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax sharing and funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

F. Earnings per share

a. Methodology

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

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

b. EPS calculation inputs

	Year ended	
	31 December 2023 $M	**31 December 2022 $M**
Profit from continuing operations attributable to ordinary equity holders of the Group	108.7	140.5
Weighted average number of ordinary shares ("WANOS") used in the calculation of basic EPS (millions of shares)	439.7	439.6
Dilutive effect of share options (millions of shares)	16.3	8.8
WANOS used in the calculation of diluted shares (millions of shares)	456.0	448.4

c. Basic earnings per share

	Year ended	
	31 December 2023 Cents	**31 December 2022 Cents**
Basic EPS	24.71	31.97
Total basic EPS attributable to the ordinary equity holders of the Group	24.71	31.97

d. Diluted earnings per share

	Year ended	
	31 December 2023 Cents	**31 December 2022 Cents**
Diluted EPS	23.83	31.34
Total diluted EPS attributable to the ordinary equity holders of the Group	23.83	31.34

G. 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 have 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 residential mortgages in Australia and New Zealand and with the origination of small balance commercial real estate loans in Australia. Mortgage lending comprises 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 and novated leasing in Australia. The Group's 65% owned subsidiary, Stratton, is included within this segment given common customer base, revenues and cost synergies.
- The **Loan and Other Servicing** segment includes the revenues and direct expenses associated with the servicing of loan portfolios (mortgages, asset finance and personal loans) for third parties conducted by the Group.

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.

a. Segment income statement

Information regarding these segments is presented below. Inter-segment revenue is immaterial to the Group and all revenue is derived from external customers.

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

Year ended 31 December 2023	Mortgages $M	Asset Finance $M	Loan and Other Servicing $M	Corporate $M	Total $M
Interest income	995.8	404.7	(0.1)	1.8	1,402.2
Interest expense	(771.4)	(267.7)	–	(2.2)	(1,041.3)
Net interest income	224.4	137.0	(0.1)	(0.4)	360.9
Other operating income	(13.9)	73.5	7.3	–	66.9
Loan losses	4.2	(44.2)	0.1	–	(39.9)
Total segment reporting income	214.7	166.3	7.3	(0.4)	387.9
Corporate costs	–	–	–	(192.5)	(192.5)
Depreciation and amortisation	–	–	–	(21.9)	(21.9)
Corporate interest expense	–	–	–	(24.8)	(24.8)
Profit before income tax	214.7	166.3	7.3	(239.6)	148.7
Income tax expense	–	–	–	(40.0)	(40.0)
Net profit after tax	214.7	166.3	7.3	(279.6)	108.7

Year ended 31 December 2022	Mortgages $M	Asset Finance $M	Loan and Other Servicing $M	Corporate $M	Total $M
Interest income	700.2	254.8	(0.2)	0.6	955.4
Interest expense	(432.7)	(133.8)	–	–	(566.5)
Net interest income	267.5	121.0	(0.2)	0.6	388.9
Other operating income	(14.1)	55.5	11.0	0.2	52.6
Loan losses	(6.6)	(26.9)	0.2	–	(33.3)
Total segment reporting income	246.8	149.6	11.0	0.8	408.2
Corporate costs	–	–	–	(172.8)	(172.8)
Depreciation and amortisation	–	–	–	(20.4)	(20.4)
Corporate interest expense	–	–	–	(13.3)	(13.3)
Profit before income tax	246.8	149.6	11.0	(205.7)	201.7
Income tax expense	–	–	–	(61.2)	(61.2)
Net profit after tax	246.8	149.6	11.0	(266.9)	140.5

b. Segment balance sheet

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

As at 31 December 2023	Mortgages $M	Asset Finance $M	Loan and Other Servicing $M	Corporate $M	Total $M
Segment assets	**13,452.1**	**5,659.8**	**0.8**	**1,095.0**	**20,207.7**
Segment liabilities	**(13,452.1)**	**(5,656.1)**	**(0.8)**	**(226.4)**	**(19,335.4)**
Current tax liability	–	–	–	**(9.5)**	**(9.5)**
Total	–	**3.7**	–	**859.1**	**862.8**
As at 31 December 2022					
Segment assets	14,094.9	4,785.0	1.2	1,038.3	19,919.4
Segment liabilities	(14,094.9)	(4,785.5)	(1.2)	(172.0)	(19,053.6)
Current tax liability	–	0.7	–	(25.2)	(24.5)
Total	–	0.2	–	841.1	841.3

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.

H. Dividends

a. Declared and paid during the reporting period

	Year ended	
	31 December 2023 $M	31 December 2022 $M
Final 2022 dividend: $0.051 (2021: $0.09)	22.3	39.6
Interim 2023 dividend: $0.035 (2022: $0.054)	15.5	23.7
Total	**37.8**	63.3

All dividends were fully franked at 30%.

b. Proposed dividends not recognised as a liability at the end of the reporting period

	Year ended	
	31 December 2023 $M	31 December 2022 $M
Final 2023 dividend: $0.05 (2022: $0.051)	22.0	22.4

The final dividend recommended after 31 December 2023 will be fully franked at 30%.

c. Franking credits

	Year ended	
	31 December 2023 $M	31 December 2022 $M
Franking credits available for future years at 30%, adjusted for the payment of income tax and dividends payable or receivable	103.1	72.0
Impact on the franking account of dividends proposed before the financial report was issued, but not recognised as a distribution to equity holders during the year	(9.4)	(9.6)

The above amounts are calculated from the balance of the franking account as at the end of the reporting year, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

4. 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	
	31 December 2023 $M	31 December 2022 $M
Cash at bank	121.1	114.3
Restricted cash	1,407.6	1,129.3
Total cash and cash equivalents	**1,528.7**	1,243.6

Reconciliation of profit after tax for the year to net cash flows from operating activities	Year ended 31 December 2023 $M	Year ended 31 December 2022 $M
Net profit after income tax	**108.7**	140.5
Non-cash items:		
Depreciation and amortisation expense	**21.9**	20.4
Amortisation of debt issuance transaction costs	**44.4**	44.7
Loan loss expense	**39.9**	33.3
Amortisation of loan origination fees and commissions	**84.0**	61.9
Employee benefits and share based-payment expenses	**5.8**	4.5
Other non-cash operating items	**(2.5)**	(0.8)
Deferred tax expense/(benefit)	**–**	3.3
Total non-cash items	**193.5**	167.3
Cash movements in:		
Receivables	**–**	(5.6)
Loans and advances	**(184.7)**	(2,583.7)
Other assets	**0.1**	(1.9)
Trade payables	**(0.3)**	2.3
Other liabilities	**–**	6.5
Borrowings	**–**	(6.7)
Property, plant and equipment	**–**	(2.1)
Current tax liabilities	**(19.0)**	(14.5)
Total cash movements in assets and liabilities	**(203.9)**	(2,605.7)
Net profit after non-cash items	**302.2**	307.8
Total operating cash movements	**98.3**	(2,297.9)

Reconciliation of Financing Activities

	Issued Capital $M	Borrowings $M	Lease liability (in Other liabilities) $M	Total $M
As at 31 December 2022	729.6	18,979.2	18.2	19,727.0
Financing cash flow	–	238.7	(6.6)	232.1
Non-cash movements	0.2	(18.0)	21.0	3.2
Other cash movements	–	57.1	–	57.1
As at 31 December 2023	**729.8**	**19,257.0**	**32.6**	**20,019.4**

B. Gross loans and advances

	As at	
	31 December 2023 $M	**31 December 2022 $M**
Gross loans and advances		
Loans and advances	**18,307.0**	18,278.4
Deferred transaction costs	**251.7**	242.6
Mortgage risk fee	**(59.7)**	(71.0)
Provision for loan impairment	**(119.6)**	(122.2)
	18,379.4	18,327.8
Provision for loan impairment		
Specific provision	**(38.7)**	(29.8)
Collective provision	**(80.9)**	(92.4)
	(119.6)	(122.2)
Specific provision		
Opening balance	**(29.8)**	(19.1)
Provided for during the year	**(51.4)**	(32.7)
Loans previously provided for written-off or sold	**42.5**	22.0
Specific provision closing balance	**(38.7)**	(29.8)
Collective provision		
Opening balance	**(92.4)**	(91.8)
Released/(provided for) during the year	**11.5**	(0.6)
Collective provision closing balance	**(80.9)**	(92.4)

Accounting policy

Initial recognition

Loans and advances are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions. Loans and advances are initially measured at fair value plus transaction costs directly attributable to the origination of the loans. Refer to Note 1(D)(a) for further information.

Classification

The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Loans and advances are measured at amortised cost if both of the following conditions are met:

- they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of each contract give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's loans and advances meet the above criteria and therefore are measured at amortised cost.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Transaction costs include broker fees and commissions capitalised on the balance sheet as part of loans and advances. These costs are amortised to the consolidated income statement in line with the reduction in the underlying mortgage portfolio as part of the effective interest rate.

Derecognition

Loans and advances are derecognised when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantively all of the risks and rewards of ownership are transferred (eg. a whole loan sale) or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control.

Upon derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised as a gain or loss on the consolidated income statement.

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	
	31 December 2023 $M	**31 December 2022 $M**
Equity investments held at FVTPL	**19.0**	19.2
Debt investments held at amortised cost	**0.2**	0.2
Total other financial assets	**19.2**	19.4

Equity Investments

The Group holds equity investments in several private companies that are not traded in an active market. These investments were designated on initial recognition at FVTPL and are disclosed at fair value at the end of each reporting period.

Debt Investments

The Group's debt investments include a debt investment measured at amortised cost.

5. Financial liabilities

A. Provisions

	As at 31 December 2023			As at 31 December 2022		
	< 12 months $M	> 12 months $M	Total $M	< 12 months $M	> 12 months $M	Total $M
Bonus and other employee benefits	**16.8**	**5.3**	**22.1**	18.5	4.7	23.2
Provisions	**1.5**	**–**	**1.5**	1.6	–	1.6
Total provisions	**18.3**	**5.3**	**23.6**	20.1	4.7	24.8

a. Employee benefits

Employee benefit liabilities are recognised for benefits accruing to employees predominantly in respect of wages and salaries, bonuses, annual leave and long service leave and are recognised in respect of employees' services up to the end of the reporting period. Bonuses are dependent upon the financial performance of the Group.

B. 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	
	31 December 2023 $M	31 December 2022 $M
Non-recourse facilities	**18,978.0**	18,698.4
Government structured finance	**7.4**	13.4
Corporate debt facilities	**271.6**	267.4
Total borrowings	**19,257.0**	18,979.2

Non-recourse facilities are secured on the assets of each of the individual trusts. Refer to Note 6(B)(f) for more detail.

Corporate debt facilities secured over certain assets of the Group were also in place in the year ended 31 December 2022 and the year ended 31 December 2023.

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 31 December 2023, $155.0 million is drawn down on the total facility of $200.0 million (2022: $145.0 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.

A debt issuance programme was established in October 2021. As at 31 December 2023, the value of outstanding floating rate notes was $115.0 million (2022: $120.0 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.

C. Other liabilities

	As at	
	31 December 2023 $M	**31 December 2022 $M**
Lease-related liabilities	**32.6**	16.5
Other provisions	**1.1**	6.3
Total other liabilities	**33.7**	22.8

The Group assesses at contract inception whether a contract is, or contains, a lease. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

The Group recognises a right-of-use asset as part of Property, Plant and Equipment at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Right-of-use assets are depreciated using the straight-line method over the expected useful lives. Refer to Note 8(A).

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Other provisions include related party balances and miscellaneous liabilities.

The below table summarises the Group's remaining expected maturity for its non-derivative financial liabilities with agreed repayment periods and specifically relates to lease liabilities.

The table details the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and hence will not necessarily reconcile with the amounts disclosed in the consolidated statement of financial position. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	As at	
	31 December 2023 $M	**31 December 2022 $M**
Not later than 1 year	**7.0**	7.2
Later than 1 year	**32.6**	13.4
Total commitments	**39.6**	20.6

6. 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**	**31 December 2023 $M**	**31 December 2022 $M**
Equity investments at FVTPL	Level 2	Recent arms' length market transaction	**19.0**	19.2
Derivative financial assets and liabilities	Level 2	Discounted cash flow, forward interest rates, contract interest rates, counterparty valuations	**48.4**	130.7
Total			**67.4**	149.9

For the period to 31 December 2023 there has been no change in the fair value hierarchy or the valuation techniques applied to any of the balances above.

Fair value of financial 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.

Management consider that the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements approximate their fair value.

B. Financial risk management

a. Overview

The Group has exposure to those risks associated with most financial services organisations. The more notable risks are as follows:

Risk	**Exposure arising from**	**Measurement**
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments, loans and advances.	Credit risk analysis, Credit ratings.
Market risk – foreign exchange	Future commercial transactions, recognised foreign currency financial assets and liabilities.	Cash flow forecasting, Sensitivity analysis.
Market risk – interest rate	Mismatch in interest rates between assets and liabilities.	Sensitivity analysis.
Market risk – equity price risk	Exposure to movements in enterprise value of investees.	Sensitivity analysis.
Liquidity risk	Borrowings, derivative financial liabilities and other liabilities.	Rolling cash flow forecasts.
Compliance and operational risks	Obligations under license, regulatory or statutory conditions and the design and execution of business operations.	Risk and control assessment, Incident management.

Roles and responsibilities

The Board is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has oversight of the Group's Risk Management Program, which includes operating within the Board-approved Risk Appetite.

The Group's Risk Management Framework focuses on the unpredictability of financial markets and the effectiveness of controls to manage risks in a way which seeks to minimise potential adverse effects on the financial performance and reputation of the Group. The Group's Risk Management Framework leverages the "Three Lines of Accountability" model that ensures there is independent oversight of business activities and process by the Group Risk and Compliance function, and Internal and External Audit.

The Board has established an Audit and Risk Committee ("BARC") which is responsible for managing risk as follows:

- identifying and monitoring the emerging and changing risk profile of Group;
- ensuring that risk activities are governed by appropriate policies and procedures and that financial risks are identified; and
- reviewing the adequacy and effectiveness of internal systems, controls and procedures managing risks faced by the Group.

The BARC are supported by the following Management Committees:

1. Executive Risk Committee;
2. Credit Committee;
3. Asset and Liability Committee;
4. Product and Pricing Committee; and
5. Environmental, Social and Governance Committee

Reporting

Monitoring and controlling risk is primarily based on limits established by the Board and BARC. The Chief Financial Officer and Chief Risk Officer report regularly to the Board and BARC.

b. Credit risk

Credit risk is the risk that a counterparty will not meet its contractual obligations leading to a financial loss. The Group's primary credit risk exposures relate to its lending activities in its mortgage and asset finance portfolios.

The Board of Directors is responsible for determining the Group's overall appetite for credit risk and monitoring the quality and performance of the mortgage and asset finance portfolios.

i. Maximum exposure to credit risk and the relative credit quality of financial assets

		Relative credit quality of assets	
31 December 2023 $M	**Maximum exposure to credit risk**	**Rated***	**Unrated**
Cash and cash equivalents	1,528.7	Investment grade	–
Derivative financial instruments	52.4	Investment grade	–
Gross Mortgages loans and advances (including undrawn facilities)	14,117.8	–	
LVR Band 90%+			214.2
LVR Band 75-90%			3,721.9
LVR Band 60-75%			4,139.3
LVR Band <60%			6,042.4
Gross Asset Finance loans and advances	5,730.7	–	
Commercial			2,469.9
Consumer			2,204.9
Novated			1,055.9
Receivables	21.2	–	21.2
Other financial assets	0.2	–	0.2
Total	**21,451.0**	–	**19,869.9**

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

31 December 2022 $M	Maximum exposure to credit risk	Relative credit quality of assets Rated*	Unrated
Cash and cash equivalents	1,243.6	Investment grade	–
Derivative financial instruments	134.0	Investment grade	–
Gross Mortgages loans and advances (including undrawn facilities)	15,073.6	–	
LVR Band 90%+			262.0
LVR Band 75-90%			4,768.5
LVR Band 60-75%			4,389.4
LVR Band <60%			5,653.7
Gross Asset Finance loans and advances	4,766.9	–	
Commercial			2,508.4
Consumer			2,258.5
Receivables	10.3	–	10.3
Other financial assets	0.2	–	0.2
Total	**21,228.5**	**–**	**19,851.0**

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

As at 31 December 2023 the Group had $1,528.3 million of undrawn customer facilities (2022: $1,566.6 million).

Undrawn customer commitments and redraw balances which can be cancelled at any time by the Group, 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.

ii Analysis of loans and advances by past due status

The table below provides an analysis of the gross carrying amount of loans and advances by past due status:

	Loans and advances ($M) 31 December 2023			Loans and advances ($M) 31 December 2022		
Days in arrears	**Mortgages**	**Asset Finance**	**Total**	**Mortgages**	**Asset Finance**	**Total**
0 days and <30 days	**12,211.4**	**5,709.2**	**17,920.6**	13,341.9	4,616.9	17,958.8
30 days and less than 90 days	**226.6**	**130.4**	**357.0**	218.7	91.9	310.6
90 days and less than 180 days	**76.6**	**41.5**	**118.1**	78.3	25.8	104.1
180 days and less than 365 days	**55.8**	**19.2**	**75.0**	34.4	10.5	44.9
365 days and over	**19.3**	**9.0**	**28.3**	22.7	8.9	31.6
Total	**12,589.7**	**5,909.3**	**18,499.0**	13,696.0	4,754.0	18,450.0

c. Expected credit loss provisions

Macro-economic scenarios

The provision coverage of the Group has been strengthened via forward looking adjustments for macro-economic assumptions. The ECL model includes macro-economic forecasts detailed in the table below representing the Group's view of future economic conditions. The Group applies three alternative macroeconomic scenarios (base case, upside and downside) to reflect unbiased, probability-weighted ranges of possible future outcomes in estimating ECL. As at 31 December 2023 the weighting applied to each of these scenarios was as follows:

- Base case scenario 60% (2022: 60%) – considers economist's and RBA forecasts as well as the Group's base case assumptions used in Management's strategic planning and forecasting.
- Upside scenario 5% (2022: 5%) – considers the potential impact of more favourable economic conditions which are less likely to occur than in the base case scenario.
- Downside scenario 35% (2022: 30%) – considers the potential impact of possible, but less likely, adverse macroeconomic conditions. The severe downside scenario has been removed as at 31 December 2023 (2022: 5%).

The table below summarises the macro-economic variables used in the base case, upside and downside scenarios as at 31 December 2023. Multipliers are derived qualitatively from stress test results and by comparison to other scenarios.

	CY2023					
	Upside case (5%)		Base case (60%)		Downside case (35%)	
	Mortgages	Asset Finance	Mortgages	Asset Finance	Mortgages	Asset Finance
Macroeconomic variable:						
GDP (annual % change)	2.0%	N/A	1.2%	N/A	(0.5%)	N/A
GDP (quarter on quarter % change)	N/A	0.5%	N/A	0.3%	N/A	(0.3%)
Unemployment rate (%)	N/A	4.0%	N/A	4.5%	N/A	5.0%
Cash rate (%)	3.6%	N/A	4.1%	N/A	4.6%	N/A

Post-model overlay adjustments

	Mortgages		Asset Finance		Total	
	31 December 2023 $M	31 December 2022 $M	31 December 2023 $M	31 December 2022 $M	31 December 2023 $M	31 December 2022 $M
Management overlay	**(8.0)**	(13.0)	**(0.7)**	–	**(8.7)**	(13.0)
Targeted model recalibration	**–**	–	**–**	(6.8)	**–**	(6.8)
Total	**(8.0)**	(13.0)	**(0.7)**	(6.8)	**(8.7)**	(19.8)

The post-model overlay adjustments comprise of a Management overlay and targeted model recalibration.

Management overlay

As at the reporting date, the Group retained a Management overlay by applying adjustments to the modelled ECL results to ensure that the provision balance is sufficiently responding to both known and potential changes in credit risk that would not be captured by the ECL model assumptions (i.e. the ECL model is deemed insufficient provision coverage).

The Management overlay includes a "model risk" overlay to account for potential errors in the development and implementation of any of the quantitative elements supporting the ECL model.

Targeted model recalibration

In 2021, the Group undertook a recalibration of the risk rating methodology for the asset finance portfolio. Prima facie, the recalibration led to a reduction in the modelled ECL. As at 31 December 2023, the Group has recognised $nil (2022: $6.8 million) overlay to adjust for economic uncertainty and ongoing validation of the modelled ECL.

Management continue to assess the level of provision coverage on a monthly basis and all overlays are reviewed by Management and approved by the Board at each reporting period.

d. Sensitivity of provisions

The Group applies three alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL.

The below table provides approximate levels of provisions for impairment under the base case and downside scenarios for the Group. It assumes 100% weighting was applied to each scenario and holding all other assumptions constant.

These scenarios and their associated weights have been selected based on the expected range of potential future loss outcomes.

	As at	
	31 December 2023 $M	**31 December 2022 $M**
Reported probability-weighted ECL	**64.8**	65.1
100% base case scenario	**59.2**	57.1
100% downside scenario	**76.6**	76.5

Sensitivity of provisions for impairment to SICR assessment criteria

If 1% of Stage 1 credit exposures as at 31 December 2023 was included in Stage 2, provisions for impairment would increase by approximately $4.0 million (2022: $1.7 million).

If 1% of Stage 2 credit exposures as at 31 December 2023 was included in Stage 1, provisions for impairment would decrease by approximately $0.09 million (2022: $0.03 million).

e. 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 years ended 31 December 2023 and 31 December 2022.

Deferred transaction costs, mortgage risk fee and loans and advances are incorporated in 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 2023	**17,983.3**	**264.5**	**202.2**	**18,450.0**
Transfer to Stage 1	**185.2**	**(141.7)**	**(43.5)**	**–**
Transfer to Stage 2	**(328.9)**	**339.9**	**(11.0)**	**–**
Transfer to Stage 3	**(127.3)**	**(34.8)**	**162.1**	**–**
Financial assets that have been derecognised during the period	**(5,548.9)**	**(86.1)**	**(91.4)**	**(5,726.4)**
New financial assets originated	**6,646.7**	**57.6**	**19.7**	**6,724.0**
Net repayments and interest for the period	**(941.0)**	**(1.1)**	**(6.5)**	**(948.6)**
Gross carrying amount as at 31 December 2023	**17,869.1**	**398.3**	**231.6**	**18,499.0**

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 2023	56.2	3.2	43.0	102.4
Transfer to Stage 1	6.7	(1.7)	(5.0)	–
Transfer to Stage 2	(0.8)	1.9	(1.1)	–
Transfer to Stage 3	(0.6)	(0.5)	1.1	–
Financial assets that have been derecognised during the period	(7.0)	(0.9)	(16.1)	(24.0)
New financial assets originated	20.7	4.3	6.0	31.0
Net repayments and interest for the period	(21.9)	2.9	20.5	1.5
Total	53.3	9.2	48.4	110.9
Post-model overlay adjustments	–	–	–	8.7
Loss allowance as at 31 December 2023	53.3	9.2	48.4	119.6

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	106.0	(71.5)	(34.5)	–
Transfer to Stage 2	(188.2)	194.3	(6.1)	–
Transfer to Stage 3	(101.3)	(22.6)	123.9	–
Financial assets that have been derecognised during the period	(4,706.8)	(46.8)	(62.6)	(4,816.2)
New financial assets originated	7,974.8	80.2	26.5	8,081.5
Net repayments and interest for the period	(727.8)	(3.6)	(14.6)	(746.0)
Gross carrying amount as at 31 December 2022	17,983.3	264.5	202.2	18,450.0

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	4.2	(0.9)	(3.3)	–
Transfer to Stage 2	(0.6)	1.2	(0.6)	–
Transfer to Stage 3	(0.4)	(0.3)	0.7	–
Financial assets that have been derecognised during the period	(6.7)	(0.5)	(9.3)	(16.5)
New financial assets originated	26.3	2.1	6.1	34.5
Net repayments and interest for the period	(11.6)	0.1	16.7	5.2
Total	56.2	3.2	43.0	102.4
Post–model overlay adjustments	–	–	–	19.8
Loss allowance as at 31 December 2022	56.2	3.2	43.0	122.2

The value of the collateral held as security for loans in the Stage 1, Stage 2 and Stage 3 collective provision as at 31 December 2023 is $24.6 billion (2022: $24.5 billion).

The value of the collateral held as security for loans in Stage 3 specific provision as at 31 December 2023 is $2.1 million (2022: $6.7 million).

f. Economic exposure to credit risk in Loans and advances

The Group's exposure to loans and advances is limited, as they are legally owned by SPVs in the form of trusts, with limited recourse to the Group. The financial results of these SPVs have been consolidated with the results of the Group, as presented in this financial report.

The Group is required to invest in Credit Risk Retention ("CRR") Securities to meet CRR requirements of regulatory agencies in various investor jurisdictions. Specific debt financing arrangements are entered into by the Group with banks or other investors in order to fund the acquisition of these CRR Securities. These borrowings are full recourse to the Group to the extent that payments or proceeds are insufficient to cover the Group's obligations under the debt financing arrangements.

The nature and extent of the Group's interests can be summarised as follows:

	As at	
	31 December 2023 $M	**31 December 2022 $M**
Investments in trust notes	**513.2**	477.1
Cash collateral	**79.6**	82.3
	592.8	559.4
CRR obligations	**693.8**	752.4
Total exposure	**1,286.6**	1,311.8

g. Market risk

Market risk is the risk of an adverse impact on the Group's earnings resulting from changes in market factors, including interest rates, foreign exchange rates and equity prices. Financial instruments affected by market risk include loans and borrowings, debt, equity investments and derivative financial instruments.

i. Interest rate risk

Interest rate exposure is created due to mismatches in interest rates between assets and liabilities (i.e. borrowing at floating interest rates and lending with fixed interest rates). Interest rate risk may be managed by entering into interest rate swaps subject to the Group's hedging and derivatives policies.

Of the Group's lending portfolio of $18.4 billion as at 31 December 2023 (2022: $18.3 billion), $6.5 billion is made up of loans and advances with fixed interest rates (2022: $4.7 billion) that are subject to interest rate risk .

Interest rate risk is managed by the Group by the use of interest rate swap contracts, in accordance with the Group's hedging and derivative policies, where the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the cash flow exposures on interest rates and the fair value risk of changing interest rates.

The Group designates the interest rate swaps as cash flow hedges and fair value hedges.

Sensitivity analysis

The majority of the Group's liabilities are issued through warehouse facilities and term securitisations in special purpose vehicles. Under such arrangements, the repayment profile of the bonds is typically matched to the repayments collected from the loan assets.

For illustrative purposes, the Group has calculated the impact of a potential increase or decrease in borrowing costs in limited recourse entities for the year in the event of a +/- 10bps change in interest rates as shown in the table below:

	Impact on pre-tax profit +/- Year ended	
	31 December 2023 $M	**31 December 2022 $M**
Loans and advances in special purpose entities	**18.3**	17.1
Borrowing costs in special purpose entities	**20.1**	18.8

ii. Foreign currency risk

The Group's financial reports are prepared in Australian dollars. The Group's revenues, expenses, cash flows, assets and liabilities in regions outside Australia are denominated in local currencies which include the New Zealand Dollar and Philippine Peso. The Group is exposed to exchange rate fluctuations relating to non-Australian dollar borrowings as well as its investments in foreign operations. The Group manages its foreign exchange risk by matching the currency of loan receivables and funding and by monitoring the cash flow requirements of the business on an ongoing basis. The Group also uses cross currency interest rate swap contracts to hedge fair value interest rate risk and foreign exchange risk when debt is issued in foreign currencies.

The Group hedges exposure to foreign currency risks with derivative instruments such that at 31 December 2023 there is no sensitivity to movements in foreign exchange rates. There is no material unhedged foreign exchange exposure as at 31 December 2023.

The Group does not currently hedge its offshore earnings or the capital invested in the overseas operations, thereby accepting the foreign currency translation risk on capital and offshore earnings.

iii. Equity price risk

The Group's equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through performing pre-acquisition due diligence on investees, ensuring strategic alignment with the Group's objectives and actively monitoring the ongoing financial performance of investees against budgets. The Group's Board of Directors reviews and approves all equity investment decisions.

The Group has determined that an increase/(decrease) of 10% could have an impact of approximately $1.9 million increase/(decrease) on the income and equity (2022: $1.9 million).

h. Derivatives and hedge accounting

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including cross-currency interest rate swaps and interest rate swaps.

Derivatives are used for hedging financial risks as part of the Group's approach to risk management. They are not used for speculative purposes.

Accounting policy

Initial recognition and ongoing measurement

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised as profit or loss immediately, adjusted for those derivatives in designated hedge relationships, as described below.

Netting of derivative financial assets and liabilities

The Group currently has a legally enforceable right under an International Swap and Derivatives Association ("ISDA") master agreement in place to net off the derivative assets and liabilities where they relate to the same trust and counterparty. Derivative payments and settlements are done on a net basis where they relate to the same trust and counterparty and the Group intend to continue this netting arrangement.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, or cash flow hedges, as appropriate.

At the inception of a hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group has applied the hedge ratio of 1:1 to all hedge relationships.

Treatment of gains or losses

The fair value gain or loss associated with the effective portion of derivatives that are designated and qualify as cash flow hedges is recognised initially in other comprehensive income and then recycled to the income statement in the same period the hedged item affects the income statement. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

Gains or losses from remeasuring the hedging instruments designated as a fair value hedge are recognised in the income statement. In addition, changes in the fair value of the hedged item are recognised in the income statement.

Discontinuation

If the hedge no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a financial asset the amount recognised in equity is reclassified to profit or loss in the same period that the hedged item affects the statement of profit or loss and other comprehensive income.

Interest rate risk management

Interest rate swap contracts – cash flow hedges

The Group enters into interest rate swap contracts to offset the variability in cash flows from changing interest rates. As the critical terms of the interest rate swap contracts and the corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the cash flows of the interest rate swap contracts and the cash flows of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates and offset one another.

Interest rate swap contracts – fair value hedges

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates.

Cross-currency interest rate swap contracts

The Group designates the cross-currency interest rate swap contracts in:

- fair value hedges of changing interest rates on foreign currency fixed rate borrowings; and
- cash flow hedges of foreign currency exposure on foreign currency borrowings.

The foreign currency basis spread of a cross-currency interest rate swap is excluded from the designation of that financial instrument as the hedging instrument. Changes in fair value of the foreign currency basis spread of a financial instrument is accumulated in the cash flow hedge reserve ("CFHR"), and is amortised to profit or loss on a rational basis over the term of the hedging relationship.

As the critical terms of the cross-currency interest rate swap contracts and their corresponding hedged items match, the Group performs a qualitative assessment of effectiveness. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the funding structure's credit risk on the fair value of the cross-currency interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

Impacts of hedge accounting

The table below sets out the outcome of the Group's hedging strategy, as described above, including the notional and the carrying amounts of the derivatives the Group uses as hedging instruments.

Derivative financial assets/(liabilities):

	Fair value of derivative			Change in value		CFHR			
31 December 2023	**Notional $M**	**Assets $M**	**Liabilities $M**	**Hedging instrument $M**	**Hedged item $M**	**Opening Dr/(Cr) $M**	**Movement Dr/(Cr) $M**	**Transfer to P&L Dr/(Cr) $M**	**Closing Dr/(Cr) $M**
Cash flow hedges									
Interest rate swaps	7,095.2	51.4	(3.8)	(82.2)	82.2	(90.9)	9.3	48.2	(33.4)
Cross-currency interest rate swaps	114.1	1.0	(0.2)	(0.1)	0.1	0.6	0.1	(0.4)	0.3
Fair value hedges									
Interest rate swaps	–	–	–	–	–	–	–	–	–
Total	7,209.3	52.4	(4.0)	(82.3)	82.3	(90.3)	9.4	47.8	(33.1)

	Fair value of derivative			Change in value		CFHR			
31 December 2022	**Notional $M**	**Assets $M**	**Liabilities $M**	**Hedging instrument $M**	**Hedged item $M**	**Opening Dr/(Cr) $M**	**Movement Dr/(Cr) $M**	**Transfer to P&L Dr/(Cr) $M**	**Closing Dr/(Cr) $M**
Cash flow hedges									
Interest rate swaps	4,707.1	129.8	-	115.1	(115.1)	(10.3)	(80.0)	(0.6)	(90.9)
Cross-currency interest rate swaps	271.0	4.2	(3.3)	9.5	(9.5)	1.6	(6.6)	5.6	0.6
Fair value hedges									
Interest rate swaps	–	–	–	(0.1)	0.1	–	–	–	–
Total	4,978.1	134.0	(3.3)	124.5	(124.5)	(8.7)	(86.6)	5.0	(90.3)

The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, which is mainly due to the (gain)/loss from the hedged item spot rate revaluation and the foreign currency basis spread ("FCBS") amortised to profit or loss on a rational basis over the term of the hedging relationship. The 2023 opening balance of the CFHR contained $1.4 million FCBS (2022: $3.0 million) that subsequently reduced by $0.04 million (2022: reduced by $0.2 million) during the year due to changes in fair value, partially offset by $1.0 million (2022: $1.4 million) transferred to profit and loss.

No significant hedge ineffectiveness was recorded in either the current or prior period.

Derivatives maturity profile

The following table details the portion of notional principal amounts reduced each year:

31 December 2023	Average contracted fixed rate	< 1 year	1 - 2 years	2 - 5 years	> 5 years
Interest rate swap contracts					
Notional amount $M	3.34%	2,708.1	2,050.4	2,250.0	86.7
Cross-currency interest rate swap contracts (AUD/USD)					
Notional amount $M	$0.6961	11.3	–	–	–
Cross-currency interest rate swap contracts (AUD/EUR)					
Notional amount $M	$0.6226	102.8	–	–	–

31 December 2022	Average contracted fixed rate	< 1 year	1 - 2 years	2 - 5 years	> 5 years
Interest rate swap contracts					
Notional amount $M	2.25%	1,556.1	1,391.6	1,671.1	88.3
Cross-currency interest rate swap contracts (AUD/USD)					
Notional amount $M	$0.7103	83.5	8.6	–	–
Cross-currency interest rate swap contracts (AUD/EUR)					
Notional amount $M	$0.6276	79.5	91.7	7.7	–

i. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's funding platform currently comprises a mix of secured warehouse facilities, term securitisations, corporate debt, debt issuance programme and equity. Refer to Notes 5(B) and 7 for more information on the Group's borrowings and equity respectively.

The majority of the Group's liabilities represent bonds issued by special purpose vehicles through warehouse facilities and term securitisation transactions. Under such arrangements, bondholder recourse is limited to the assets of the relevant special purpose vehicle to which the liability relates and the repayment profile of the bonds is matched to the repayments collected from the loan assets. Given the limited recourse nature of these borrowings, they have not all been included in the table below.

The Group's policy is to retain access to sufficient liquidity in the form of unencumbered liquid assets (i.e. unrestricted cash and readily available capital from corporate debt facilities) to meet potential funding requirements arising from potential stress events, without incurring unacceptable losses or risking damage to the Group's reputation. The amount of liquidity held is determined by policy, judgement and internal liquidity stress tests, which estimate the potential funding requirements stemming from extreme loss events.

The Group has cultivated strong long-term relationships with a range of domestic and international banks and professional investors as one of its key liquidity risk mitigants.

For the year ended 31 December 2023 there were no material breaches of any warehouse triggers and/or covenants that were not waived by the relevant funder(s) in the ordinary course of business.

The following table details the Group's remaining expected maturity for its financial liabilities and derivatives. The tables are based on the undiscounted cash flows of financial liabilities on the earliest date on which the Group can be required to meet the obligation. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

Contractual maturities of financial liabilities	Carrying amount $M	3 months or less $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total contractual cash flows $M
At 31 December 2023						
Payables and other liabilities	**(17.1)**	**(17.1)**	**–**	**–**	**–**	**(17.1)**
Borrowings – non-recourse facilities	**(2,587.9)**	**(36.6)**	**(1,110.8)**	**(1,730.0)**	**–**	**(2,877.4)**
Derivative liabilities	**(4.0)**	**(0.2)**	**(0.6)**	**(2.5)**	**(0.4)**	**(3.7)**
Total	**(2,609.0)**	**(53.9)**	**(1,111.4)**	**(1,732.5)**	**(0.4)**	**(2,898.2)**

Contractual maturities of financial liabilities	Carrying amount $M	3 months or less $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total contractual cash flows $M
At 31 December 2022						
Payables and other liabilities	(13.4)	(13.4)	–	–	–	(13.4)
Borrowings – non-recourse facilities	(2,334.2)	(27.8)	(79.2)	(2,551.5)	–	(2,658.5)
Derivative liabilities	(3.3)	(0.6)	(1.7)	(1.4)	(0.1)	(3.8)
Total	(2,350.9)	(41.8)	(80.9)	(2,552.9)	(0.1)	(2,675.7)

j. Compliance and operational risk

Compliance risk is the risk of legal or regulatory sanctions, financial loss, or loss to reputation the entity may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice relevant to the entity. Operational risks are the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This includes risks such as data, IT, security, outsourcing and legal, but excludes strategic and reputational risks.

The Group's objective is to manage:

- *Compliance risk* to ensure that the Group is compliant with all applicable laws, regulations, codes of conduct and standards of good practice; and
- *Operational risk* so as to balance the avoidance of financial loss and damage to the Group's reputation, against excessive cost and control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to executives across the business. This responsibility is supported by the development of the Group's overall standards for management of compliance and operational risk in the following areas:

- compliance with regulatory and other legal requirements;
- adherence to the Group's overall compliance and operating standards and policies;
- third party supplier relationships, including the risk of modern slavery;
- business continuity and contingency planning;
- people and key person risk including training and professional development;
- outsourcing risk associated with materially outsourced services;
- competition risk;
- fraud risk;
- execution of the Group's standard operating procedures;
- technology risk;
- cyber risk;
- data risk; and
- reputation risk.

7. 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)	$M
Opening balance 1 January 2022	439.5	729.3
Ordinary shares issued to NEDs and employees as part of share-based payment schemes	0.2	0.3
Balance 31 December 2022	439.7	729.6
	Number of shares (millions)	**$M**
Opening balance 1 January 2023	**439.7**	**729.6**
Ordinary shares issued to employees as part of share-based payment schemes	**0.1**	**0.2**
Balance 31 December 2023	**439.8**	**729.8**

During the period, the Group issued additional ordinary shares to employees in accordance with Pepper Money equity plans. These plans were outlined in the Prospectus lodged by Pepper Money with the Australian Securities and Investments Commission on 7 May 2021.

B. Other reserves

	As at	
	31 December 2023 $M	**31 December 2022 $M**
Currency translation reserve	**(0.4)**	(0.3)
Cash flow hedge reserve	**33.1**	90.3
Share-based payments	**17.3**	9.8
Total other reserves	**50.0**	99.8

Nature and purpose of other reserves

Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the re-translation of the Group's net investment in foreign operations.

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated in the cash flow hedge reserve will be reclassified to the statement of profit or loss only when the hedged transaction affects the profit or loss.

Share-based payments reserve

The share-based payments reserve represents the value of equity-settled shared-based payment schemes. Refer to Note 9 for further information on each of the schemes.

8. Non-Financial Assets

A. Property, plant and equipment

	As at	
	31 December 2023 $M	31 December 2022 $M
Property, plant and equipment		
Right of use assets	**28.7**	14.4
Leasehold improvements	**2.1**	3.9
Plant and equipment	**1.2**	0.7
Total	**32.0**	19.0

	As at	
	31 December 2023 $M	31 December 2022 $M
Right of use assets		
Carrying amount at start of period	**14.4**	3.4
Acquisition of Stratton	**–**	4.0
Additions	**20.8**	11.8
Depreciation expense	**(6.5)**	(4.5)
Derecognition of right of use assets	**–**	(0.3)
	28.7	14.4
Leasehold improvements		
Carrying amount at start of period	**3.9**	2.7
Acquisition of Stratton	**–**	1.6
Additions	**0.1**	1.5
Depreciation expense	**(1.9)**	(1.9)
	2.1	3.9
Plant and equipment		
Carrying amount at start of period	**0.7**	0.5
Additions	**0.6**	0.6
Depreciation expense	**(0.1)**	(0.4)
	1.2	0.7
Total property, plant and equipment	**32.0**	19.0

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

The expected useful lives are as follows:

Right of use assets	The shorter of the asset's useful life and the lease term
Leasehold improvements	Not greater than the reasonably certain term of the lease of the premises
Plant and equipment	Between 3 and 5 years

B. Goodwill and intangibles

	As at	
	31 December 2023 $M	**31 December 2022 $M**
Goodwill and intangibles		
Goodwill	**98.2**	98.2
Other intangible assets	**20.0**	25.2
Software	**22.8**	28.9
Total	**141.0**	152.3

	As at	
	31 December 2023 $M	**31 December 2022 $M**
Goodwill		
Opening balance	**98.2**	–
Acquisition of controlled entities	**–**	98.2
	98.2	98.2
Other intangible assets with an indefinite useful life		
Opening balance	**21.0**	–
Acquired intangibles – brand	**–**	21.0
Impairment	**(4.3)**	–
	16.7	21.0
Other intangible assets		
Opening balance	**4.2**	–
Acquired intangibles – customer relationships	**–**	4.7
Amortisation expense	**(0.9)**	(0.5)
	3.3	4.2
Software		
Opening balance	**28.9**	31.5
Additions	**6.4**	10.2
Amortisation expense	**(12.5)**	(12.8)
	22.8	28.9
Total goodwill and intangibles	**141.0**	152.3

a. Goodwill

Goodwill arising on an acquisition of a business is initially measured at cost as established at the date of acquisition of the business (less any accumulated impairment losses).

The goodwill is not deductible for tax purposes.

Impairment assessment

Goodwill of $98.2 million arising on the acquisition of Stratton Finance Pty Ltd ("Stratton") has been allocated for impairment testing purposes to the Asset Finance segment. The goodwill represents the value expected from revenue synergies arising from combining the operations of Stratton into Pepper Money through the broadening of Stratton into Pepper Money's established distribution footprint, as well as extending Pepper Money's product portfolio into Stratton's established broker base and franchise network.

Stratton is an online direct-to-consumer asset finance broking platform. As the Company's Asset Finance business provides funding to Stratton, and given common customers and revenue and cost synergies, the Asset Finance segment is considered to be the cash generating unit ("CGU") that benefits from the synergies of the business combination, and the associated goodwill has been tested for impairment accordingly.

The Group has performed goodwill impairment testing in December 2023.

Indicators of impairment

Several indicators of impairment have been considered by Management, across all CGUs. These include both internal and external sources of information such as:

- significant changes (historical and future) in the market, economic, legal or technological environment which would have an adverse impact on the Group;
- interest rate changes which impact the discount rate used in modelling;
- evidence of a worsening financial position;
- plans to discontinue operations; and
- macro-economic conditions.

As the Group's market capitalisation is below the net asset position of the Group as at 31 December 2023, Management considered that this factor is an indicator of impairment.

Recoverable amount

The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use.

Management uses the value in use method to determine the recoverable amount of the Mortgages and Asset Finance CGUs. The following key assumption has been used in determining the recoverable amount:

31 December 2023	Mortgages CGU	Asset Finance CGU
Post-tax discount rate	14.6%	14.6%

A post-tax discount rate of 14.6% is applied to the cash flow projections. The discount rate represents the current market assessment of the risks specific to the respective CGUs, considering the time value of money and specific risks of the underlying assets that have not been incorporated into the cash flow projections. The discount rate is calculated using the cost of equity and reflects Management's estimation of specific risks assumed in the cash flow projections. The discount rate is identical as both CGUs operate primarily in the same country (Australia) and are mostly exposed to similar market conditions.

A long term growth rate of 3.0% is applied to the last year's projected cash flow and into the terminal period. The terminal growth rate is based on the expected long-term performance for the industry and generally accepted future consumer price index ("CPI") rate.

Sensitivity analysis

Sensitivity analysis has been performed on the cost of equity only – the Gordon Growth model is used to calculate the terminal value, hence, no sensitivity is applied to price earnings ("P/E") multiples.

For the base case, the recoverable amount of the Mortgages and Asset Finance CGUs are in excess of the carrying amount and any reasonable changes in key assumptions will not lead to an impairment.

Mortgages CGU

Discount rate sensitivity (1% increment)			Base case		
Discount rate	12.6%	13.6%	**14.6%**	15.6%	16.6%
Headroom to CGU carrying value ($M)	196.8	128.2	**72.6**	27.4	(10.4)
Headroom %	56.0%	36.5%	**20.7%**	7.8%	(2.9%)

Asset Finance CGU

Discount rate sensitivity (1% increment)			Base case		
Discount rate	12.6%	13.6%	**14.6%**	15.6%	16.6%
Headroom to CGU carrying value ($M)	434.9	334.8	**252.4**	184.3	126.6
Headroom %	104.9%	80.8%	**60.9%**	44.5%	30.5%

In addition, the annualised impact of a +/- 5bps movement in Net Interest Margin ("NIM") on year one post tax profit for the Mortgages CGU is estimated at $7.7 million and for the Asset Finance CGU $4.0 million.

Impairment charge

Based on the impairment testing performed, the recoverable amount of the Mortgages and Asset Finance CGUs are higher than the carrying amount and no impairment is recognised as at 31 December 2023.

b. Intangible assets with finite lives

Intangible assets are measured on the cost basis, less amortisation and impairment losses.

Intangible assets that have a finite life are amortised on a straight line basis over the expected useful life of the asset. Amortisation periods used for each class of asset are:

- product development costs: 3-5 years.
- computer software and licenses: 3 years.
- customer relationships: 5 years.

The customer relationships were acquired as part of the Stratton acquisition and recognised at fair value at this date.

At the reporting date, no impairment loss has been recognised on intangible assets with finite lives held by the Group.

c. Brand

The brand was acquired as part of the Stratton acquisition. The Stratton brand is classified as an indefinite life intangible asset given the length of time it has been in use and the likelihood that a market participant acquiror would have retained this key asset of the business.

The brand is not subject to amortisation and is tested annually for impairment, or more frequently, if events or changes in circumstances indicate that it might be impaired.

Impairment assessment

The brand has been valued as an individual asset for impairment test purpose. The Group performed its impairment testing in December 2023.

Recoverable amount

The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use.

Management uses the relief from royalty ("RfR") method to determine the recoverable amount of the Stratton brand. This is a commonly used and widely accepted method for valuing trade names. The following key assumptions have been used in determining the recoverable amount:

- Revenue projections: estimated revenue is based on a 5-year business plan. In developing revenue projections, current economic conditions, expected business performance and impact of macroeconomic conditions are considered.
- Royalty rate: Management has considered several factors when determining an appropriate royalty rate, including the brand's position in the market, the brand's profitability and royalty rate benchmark in similar industries. On balance, Management determined a royalty rate of 5.0% to reflect Management expectations of revenue contribution to the business and plans to invest and develop the brand going into the foreseeable future.
- Post-tax discount rate: a post-tax discount rate of 14.5% is applied in valuing the brand. The discount rate is calculated using the weighted average cost of capital ("WACC") and reflects Management's estimation of specific risks assumed in the cash flow projections.
- Long term growth rate: a long term growth rate of 3.0% is applied in the calculation, considering the brand has an indefinite useful economic life. The growth rate is based on the expected long-term performance for the industry and generally accepted future CPI rate.

Sensitivity analysis

Management has performed sensitivity analysis of the reasonably possible changes in the key assumptions used in the model, including changing the royalty rate from a minimum of 2.0% to a maximum of 6.0%. Further, Management has sensitised the post-tax discount rate from 12.5% to 16.5%. Under each of these independent scenarios, no impairment was identified.

Impairment charge

Based on the impairment testing performed, the recoverable amount of the Stratton brand is lower than the carrying amount.

The decrease in the recoverable amount of the brand largely reflected difficult trading conditions in an increasingly competitive market and a moderated outlook for the business. An impairment loss of $4.3 million was recognised as at 31 December 2023.

9. Share-based payments

During the current and prior year, the Group provided benefits to non-executive directors ("NEDs"), executives and employees of the Group through share-based incentives. Relevant employees are paid for their services or incentivised for their performance in part through shares or rights over shares ("equity-settled transactions"). NEDs are paid for their services in part, or are able to sacrifice fees towards, shares or rights over shares.

As at 31 December 2023, the Group did not have any cash-settled share-based payment arrangements.

Accounting policy

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made, using an appropriate valuation model, as detailed below.

The cost is recognised in employee benefits expense (Note 3(D)), together with a corresponding increase in equity (other reserves), over the measurement period in which the vesting conditions are fulfilled. The share-based payments reserve is used to record the value of equity benefits provided to employees and NEDs as part of their remuneration.

Fair value estimation

The Group is required to measure the fair value of the rights granted and the estimation of the fair value of share-based payment awards requires judgement with respect to the appropriate valuation methodology. The choice of valuation methodology has been determined by the structure of the awards, particularly the vesting conditions. The applicable valuation methodology for each scheme is outlined below.

The number of rights granted to executives and employees is calculated in accordance with the performance-based formula approved by the Pepper Money Limited Board and Remuneration and Nomination Committee. The formula rewards employees to the extent of the Group's and individual's achievement judged against both qualitative and quantitative criteria.

The number of rights granted to NEDs is calculated in accordance with a formula approved by the Pepper Money Limited Board and Remuneration and Nomination Committee. The number of rights granted to the NEDs is calculated by reference to the NEDs remuneration divided by the Black Scholes value of the rights at the time of calculation.

The below table details the number and weighted average exercise prices ("WAEP") and movements in share rights during the year, noting that 2021 marks the first year where share schemes were issued in Pepper Money Limited. As at 31 December 2023, there were no share schemes which had an exercise price.

	2023 Number of units	**2023 WAEP ($)**	**2022 Number of units**	**2022 WAEP ($)**
Outstanding at 1 January	**6,923,961**	–	4,853,904	–
Granted	**10,518,075**	–	5,131,626	–
Forfeited	**(75,996)**	–	(128,261)	–
Exercised	**(112,528)**	–	(159,168)	–
Expired	**(1,064,179)**	–	(2,774,140)	–
Outstanding at 31 December	**16,189,333**	–	6,923,961	–
Exercisable at 31 December	**2,855,012**	–	218,141	–

The following plans were exercisable as at 31 December 2023:

- Employee service rights plan (2021 and 2022);
- Executive performance rights plan (2021 – tranche 2 only);
- Executive deferred STVR restricted rights plan (2022); and
- Executive equity recognition plan (2023 – tranche 1 only).

Total expenses arising from equity-settled share-based payment transactions recognised during the year as part of employee benefits expense were $7.5 million (2022: $6.0 million).

There have been no cancellations or modifications to the awards in 2023, 2022 or 2021. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (refer to Note 3(F)).

As at 31 December 2023, the Group had the following share-based payment schemes in place:

a. Executive Performance Rights Plan

Executive Performance Rights Plans were introduced in both 2022 and 2023.

Under the 2023 Executive Performance Rights Plan, performance rights were granted to senior eligible executives subject to both market and non-market based vesting conditions. There are two tranches to the plan: Tranche 1 is based on a ranked total shareholder return ("TSR") whilst Tranche 2 has a return on equity ("ROE") hurdle.

The rights will only vest to the extent that the conditions are satisfied over the relevant performance periods, as follows:

- The participant achieving a performance rating of at least "meets expectations" in the final year of the measurement period.
- The rating for Pepper Money Risk Scorecard must be at least "meets expectations" in the final year of the measurement period.
- TSR and ROE performance over the performance period, as follows:

Tranche 1:

- The TSR of the Group is compared to the relative TSR ranking against peer companies for the purpose of determining the relative performance/ranking of the Group.
- The rank is converted to a percentile ranking which is used to determine the proportion of awards that vest, as per a sliding scale.
- For the TSR metric, a minimum ranking must be achieved before any awards vest.
- The higher the ranking, the more awards vest.

Tranche 2:

- The vesting of tranche 2 is subject to the Group's ROE against a range of pre-specified levels of ROE.

The Group may offer additional grants to eligible participants over time, in accordance with the rules of the Executive Performance Rights Plan.

No amounts are paid or payable by the participant on receipt of the rights. If the rights remain unexercised after a period of 15 years from the date of grant, the rights expire. Subject to the performance testing outcome, the rights may convert into one ordinary share each on the exercise request at an exercise price of nil.

The Executives do not receive any dividends and are not entitled to vote in relation to the performance rights during the vesting period. If an Executive ceases to be employed by the Group during the first year of the measurement period, the rights will be forfeited in the proportion that the remainder of the first year of the measurement period compares to a full year. Remaining rights will continue to be held for vesting at the end of the measurement period, except in limited circumstances that are approved by the Board on a case-by-case basis.

Further details of the two Plans are as follows:

2023 Plan

	Tranche 1	Tranche 2
Conditions		
Grant date	7 June 2023	7 June 2023
Share price at grant date	$1.28	$1.28
Vesting period	1 January 2023 to 31 December 2025	1 January 2023 to 31 December 2025
Allocation date	1 March 2026	1 March 2026
Assumptions		
Expected volatility – Pepper Money Limited	36%	36%
Dividend yield	6.25%	6.25%
Risk-free interest rate	3.70%	3.70%
Expected life	2.7 years	2.7 years
Other information		
Weighted average fair value at measurement date (“WAFV”)	$0.75	$1.08
Expense for the period	$412,562	Nil
Number of rights granted	2,502,476	2,502,476
Vested at the end of the period	None	None
Valuation methodology	Monte Carlo	Binomial

There were no rights granted in prior years and there will be expense incurred in future years.

The volatility assumption is representative of the level of uncertainty expected in the movements of the Group’s share price over the life of the award. The following factors have been determined in assessing the expected volatility of the Group’s share price:

- the historic volatility of the market price of the Group’s share price
- the mean reversion tendency of volatilities
- the tendency of newly listed entities to show decreasing volatility early in their life
- volatility of comparable companies.

The expected volatility of each company in the peer group is determined based on the historic volatility of the companies’ share prices.

2022 Plan

	Tranche 1	Tranche 2
Conditions		
Grant date	12 May 2022	12 May 2022
Share price at grant date	$1.85	$1.85
Vesting period	1 January 2022 to 31 December 2024	1 January 2022 to 31 December 2024
Allocation date	1 March 2025	1 March 2025
Assumptions		
Expected volatility – Pepper Money Limited	38%	38%
Expected volatility – ASX 300 Financials (Sector) Total Return Index ("the index")	18%	N/A
Correlation between Pepper Money Limited and the index	35%	N/A
Dividend yield	5.8%	5.8%
Risk-free interest rate	2.84%	2.84%
Expected life	2.8 years	2.8 years
Other information		
Weighted average fair value at measurement date ("WAFV")	$0.74	$1.58
Expense for the prior period	$323,402	$693,005
Expense for the period	$807,180	$1,729,671
Number of rights granted	1,757,397	1,757,397
Vested at the end of the period	None	None
Valuation methodology	Monte Carlo	Binomial

There were no rights granted in prior years and there will be expense incurred in CY2024 only.

The volatility assumption is representative of the level of uncertainty expected in the movements of the Group's share price over the life of the award. The following factors have been determined in assessing the expected volatility of the Group's share price:

- the historic volatility of the market price of the Group's share price
- the mean reversion tendency of volatilities
- the tendency of newly listed entities to show decreasing volatility early in their life
- up to 5 years' historic volatility of comparable companies.

The expected volatility of the index is determined based on up to 5 years' historic volatility of the index.

2021 Plan

The measurement period for Tranche 2 of the 2021 plan has now passed and 456,080 rights are due to vest in March 2024.

b. Employee Service Rights

Eligible employees were invited to participate in separate Employee Service Rights schemes in both 2023 and 2022. The rights vest when applicable performance and service conditions have been fulfilled.

Service rights requires eligible employees to be employed by the Group at the date of vesting and the employee must achieve a "meets expectation" rating in the final year of the measurement period.

No vesting will occur prior to the elapsing of the measurement period and additional rights cannot be applied for.

Rights are granted under the Employee Service Rights schemes for no consideration and carry no dividend or voting rights.

The below tables summarise both the 2023 and 2022 schemes:

2023

Conditions	
Grant date	**7 June 2023**
Share price at grant date	**$1.28**
Vesting period	**1 January 2023 to 31 December 2024**
Allocation date	**1 March 2025**
Other information	
WAFV	**$1.28**
Number of rights granted	**1,307,363**
Expense in the current period	**$604,601**
Vested at the end of the period	**None**
Valuation methodology	**Rights valued based on grant date share price, subject to holding restrictions**

There were no rights granted in prior years.

2022

Conditions	
Grant date	14 June 2022
Share price at grant date	$1.35
Vesting period	1 January 2022 to 31 December 2023
Allocation date	1 March 2024
Other information	
WAFV	$1.35
Number of rights granted	1,050,011
Expense for the prior period	
Expense in the current period	$523,549
Vested at the end of the period	None
Valuation methodology	Rights valued based on grant date share price, subject to holding restrictions

No rights have been granted in the period or prior year.

The measurement period has now passed and 876,922 rights are due to vest in March 2024.

c. Employee Share Save Scheme

A scheme under which shares were issued by the Group to Australian employees for no cash consideration was approved by the Board in October 2021.

All Australian permanent full time or part time employees (excluding Directors and the CFO) were eligible to participate in the scheme. Employees could elect not to participate in the scheme.

Under the scheme, eligible employees could elect to salary sacrifice a minimum of $1,000 or maximum of $20,000 in exchange for fully paid ordinary shares in Pepper Money Limited. Employees may vary the amount of salary sacrifice in relation to earnings for future work at any time, but not more than twice per annum, unless approved by the Board.

Exercise restrictions apply for 90 days after the grant date and have a term of 14 years from their date of grant.

Conditions	
Measurement date	1 October 2021
Share price at measurement date	$2.46
Exercise restrictions	90 days from grant date
Vesting date	Upon grant
Assumptions	
N/A	
Other information	
Number of rights granted	Nil
Expense for the prior period	$436,191
Expense for the current period	Nil
Exercised at the end of the period	9,171
Valuation methodology	Rights valued based on grant date share price

d. IPO Rights and IPO Share Appreciation Rights

In September 2021, the Remuneration and Nomination Committee nominated selected employees for their contribution to the IPO of Pepper Money Limited by granting them 2,774,140 IPO Rights and IPO Share Appreciation Rights (“SARs”). The Rights entitle the employees to an equity payment at the end of the performance period if the employee achieves a “meets expectations” performance rating in 2022. For either tranche to vest, Pepper Money’s share price at the end of the measurement period (based on a 10 trading day VWAP up to the end of the measurement period, 31 December 2022) must equal at least the Offer Price of $2.89.

The amount of Rights payable will be determined based on the increase of Pepper Money Limited’s share price between the IPO date (25 May 2021: $2.89) and the vesting date. The Rights cannot be exercised until 31 December 2023 and have an expiry date of 20 September 2026.

No amount was payable in relation to the application for the rights and SARS (the acquisition price is nil) and rights to dividends do not exist until the rights are exercised.

As the share price did not meet the vesting conditions, the Rights lapsed at 31 December 2022.

For the financial year ended 31 December 2023, share-based payment expense relating to this scheme was nil (2022: $1.0 million).

e. Deferred STVR Restricted Rights – Executives

Under the scheme, 35% of the Executive's Short-Term Variable Remuneration ("STVR") is deferred in the form of restricted rights:

- A deferral of 35% of any short-term variable remuneration applies to both the CY2023 STVR and CY2022 STVR.
- Deferred awards are made in the form of "restricted rights".
- The number of rights to be granted will be calculated by reference to the award for each participant in respect of CY2022 and CY2023, the deferral rate of 35%, and divided by the 10 trading day VWAP following the release of the 2022 and 2023 annual results respectively.

The fair value of the Scheme equates to 35% of the calculated STVR amount.

	2023 scheme	**2022 scheme**
Conditions		
Grant date	**June 2024**	7 June 2023
Adjusted VWAP over the 10 trading days following the release of the annual results	**TBC**	$1.25
Exercise restrictions	**1 January 2024 to 31 December 2025**	1 January 2023 to 31 December 2024
Vesting date	Upon grant	Upon grant
Other information		
Number of rights granted	**TBC**	740,069
Expense for the prior period	**N/A**	$929,568
Expense for the period	**$943,588**	Nil
Exercised at the end of the period	**None**	None
Valuation methodology	**Shares valued based on 35% of STVR award**	Shares valued based on 35% of STVR award

The measurement period for the 2021 plan has now passed and 553,911 rights are due to vest in March 2024.

f. Deferred STVR Restricted Rights – Senior Employees

Under the Scheme, 20% of eligible, Senior Employee's STVR is deferred in the form of restricted rights:

- A deferral of 20% of any short-term variable remuneration applies to both the CY2023 STVR and CY2022 STVR.
- Deferred awards are made in the form of "restricted rights".
- The number of rights to be granted will be calculated by reference to the award for each participant in respect of CY2022 and CY2023, the deferral rate of 20%, and divided by the 10 trading day VWAP following the release of the 2022 and 2023 annual results respectively.

The fair value of the Scheme equates to 20% of the calculated STVR amount.

	2023 scheme	2022 scheme
Conditions		
Grant date	**June 2024**	7 June 2023
Adjusted VWAP over the 10 trading days following the release of the annual results	**TBC**	$1.25
Exercise restrictions	**1 January 2024 to 31 December 2025**	1 January 2023 to 31 December 2024
Vesting date	**Upon grant**	Upon grant
Other information		
Number of rights granted	**TBC**	382,589
Expense for the prior period	**N/A**	$472,752
Expense for the period	**$487,801**	Nil
Exercised at the end of the period	**None**	None
Valuation methodology	**Shares valued based on 20% of STVR award**	Shares valued based on 20% of STVR award

g. Equity Recognition Plan

A one-off Equity Recognition Plan was introduced in 2023 to recognise, motivate and retain KMP and other key Executives to continue to deliver Pepper Money's strategy and operating performance.

Under the Scheme, 30% of the award is due to vest in March 2024 with the achievement of the performance gate opener and service conditions which have both been met as at 31 December 2023. The remaining 70% of the award is delivered in Tranche 2 (subject to performance and service vesting conditions).

	Tranche 1	Tranche 2
Conditions		
Grant date	7 June 2023	7 June 2023
Vesting period	1 January 2023 to 31 December 2023	1 January 2023 to 31 December 2024
Vesting date	March 2024	March 2025
Share price at grant date	$1.28	$1.28
Adjusted VWAP over the 10 trading days following the release of the 2022 annual results	$1.35	$1.25
Other information		
Number of rights granted	873,403	2,209,699
Expense for the prior period	N/A	N/A
Expense for the period	$369,531	$862,239
Vested at the end of the period	None	None
Valuation methodology	Rights valued based on grant date share price, subject to holding restrictions	Rights valued based on grant date share price, subject to holding restrictions

No rights have been granted in the period or prior year.

The measurement period for Tranche 1 has now passed and 873,403 rights are due to vest in March 2024.

There will be expense incurred in future years.

10. Related party transactions

A. Related party disclosures

a. Subsidiaries

Interests in the Group's subsidiaries at the end of the reporting period are set out below. These subsidiaries are in addition to the consolidated structured entities, which are 100% owned. Refer to Note 12(A) for more detail.

Name of subsidiary (controlled companies)	Principal activity	Place of incorporation and operation	31 December 2023	31 December 2022
Pepper Homeloans Pty Ltd	Mortgage originator	Australia	**100%**	100%
Pepper Finance Corporation Ltd	Australian mortgage lender of record and trustee	Australia	**100%**	100%
Well Nigh Capital No. 1 Pty Ltd	Australian mortgage lender of record and trustee	Australia	**100%**	100%
Pepper Asset Finance Pty Ltd	Australian asset finance originator and lender of record	Australia	**100%**	100%
Habanero Asset Finance Pty Ltd	Trustee	Australia	**100%**	100%
Pepper Europe Holdings Pty Limited	Holding company	Australia	**100%**	100%
Pepper Chipotle Investments Pty Ltd	Dormant	Australia	**100%**	100%
Pepper Chipotle Investments No. 2 Pty Ltd	Special purpose vehicle	Australia	**100%**	100%
Pepper Chipotle Investments No. 3 Pty Ltd	Special purpose vehicle	Australia	**100%**	100%
Pepper Chipotle Investments No. 4 Pty Ltd	Special purpose vehicle	Australia	**100%**	100%
Pepper Chipotle Investments No. 5 Pty Ltd	Special purpose vehicle	Australia	**100%**	100%
Pepper Jalapeno Investments Pty Ltd	Dormant	Australia	**100%**	100%
Pepper Jalapeno Investments No. 2 Pty Ltd	Special purpose vehicle	Australia	**100%**	100%
Pepper Jalapeno Investments No. 3 Pty Ltd	Special purpose vehicle	Australia	**100%**	100%
Pepper Jalapeno Investments No. 4 Pty Ltd	Special purpose vehicle	Australia	**100%**	0%
PEPL Holdings Pty Limited	Dormant	Australia	**100%**	100%
Pepper New Zealand Limited	New Zealand mortgage originator and lender of record	New Zealand	**100%**	100%
Pepper New Zealand (Beneficiary) Ltd	Dormant	New Zealand	**100%**	100%
Pepper New Zealand (Settlor) Ltd	Dormant	New Zealand	**100%**	100%
PSO (Manila) Limited	Management services	United Kingdom	**100%**	100%
Stratton Finance Pty Ltd	Asset finance broking	Australia	**65%**	65%
Stratton Franchise Pty Ltd	Asset finance broking	Australia	**65%**	65%
Stratton Connect Pty Ltd	Asset finance broking	Australia	**65%**	65%
Stratton Marine and Outdoor Finance Pty Ltd	Asset finance broking	Australia	**65%**	65%

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 60.55% of the shares of Pepper Money Limited (and its controlled entities).

b. Transactions and balances with related party entities

The following table details the total amount of transactions that have been entered into with related parties during the years ended 31 December 2023 and 31 December 2022, as well as balances with related parties as at 31 December 2023 and 31 December 2022:

$'000	Dividend paid	Other fee income	Other fee expense	Receivable	Payable
Entity with control over the Group:					
Pepper Group ANZ Holdco Limited – 2023	**(22,901)**	**–**	**–**	**–**	**–**
Pepper Group ANZ Holdco Limited – 2022	(38,349)	–	–	298	–
Pepper Group Services Australia Pty Ltd – 2023	**–**	**304**	**(1,162)**	**–**	**(313)**
Pepper Group Services Australia Pty Ltd – 2022	–	300	(810)	–	(1,097)
Pepper Group Assets Australia Pty Ltd – 2023	**–**	**–**	**(425)**	**–**	**(39)**
Pepper Group Assets Australia Pty Ltd – 2022	–	–	(213)	–	(234)
Other related parties of Pepper Money Limited – 2023	**–**	**–**	**–**	**7**	**–**
Other related parties of Pepper Money Limited – 2022	–	–	–	29	(323)

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.

c. 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. The receivable is classified as treasury shares as the receivables are limited recourse to the Pepper Money Limited shares held by Management.

	As at	
	31 December 2023 $'000	**31 December 2022 $'000**
Loans to Key Management Personnel of the Group		
Loan balances	**5,562.0**	5,562.0

Loans to Directors and their related parties of $4.5 million have been provided in the normal course of the Group's Mortgage and Asset Finance lending businesses. All loans are at arm's length commercial terms.

d. Key Management Personnel compensation

The remuneration of Directors and Key Management Personnel ("KMP") is determined by the Remuneration and Nomination Committee having regard to the performance of individuals and market trends.

Detailed remuneration disclosures are provided in the Remuneration Report (refer to page 58).

	Year ended	
	31 December 2023 $'000	**31 December 2022 $'000**
Key Management Personnel remuneration		
Short-term employee benefits	**(2,558)**	(2,634)
Long-term benefits	**(1,238)**	(1,035)
Share-based payment benefits	**(371)**	(1,040)
Total Key Management Personnel remuneration	**(4,167)**	(4,709)

The above table includes those individuals who during or since the end of the period were determined to be KMP of the Group, and their historic benefits.

11. Parent entity financial information

A. Summary financial information

Pepper Money Limited is the parent entity of the Group, as at and throughout the year ended 31 December 2023.

The individual consolidated financial statements for the parent entity of the Group's continuing operations show the following aggregate amounts:

	As at	
	31 December 2023 $M	**31 December 2022 $M**
Total assets	**1,715.3**	1,432.5
Total liabilities	**292.1**	291.0
Total net assets	**1,423.2**	1,141.5
Equity		
Issued capital	**729.8**	729.7
Other reserves	**17.3**	9.8
Retained earnings	**676.1**	402.0
Total equity	**1,423.2**	1,141.5

	Year ended	
	31 December 2023 $M	**31 December 2022 $M**
Net profit after tax	**292.4**	225.1
Total comprehensive income	**292.4**	225.1

B. Guarantees, contingent assets and contingent liabilities

As at 31 December 2023, there were no financial guarantees or contingent assets with respect to the parent company (2022: Nil).

The Group has provided guarantees over funding facilities provided by several external parties to the Group. As at balance date, the balance drawn on the guaranteed facilities was $635.7 million (2022: $752.5 million).

C. Contractual commitments for the acquisition of property, plant or equipment

The Group has not entered into any contractual commitments for the acquisition of property, plant or equipment in 2023 or 2022.

D. Determining the parent entity financial information

The financial information for the parent entity Pepper Money Limited has been prepared on the same basis as the consolidated financial statements, except as set out below:

a. Investments in subsidiaries and associates

Investment in subsidiaries and associates are accounted for at cost (less accumulated impairment loss, if any) in the financial statements of the parent entity.

b. Tax consolidation legislation

Refer to Note 3(E)(c) for further information.

12. Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements. The Group considers all limited recourse entities in which it has interests to be structured entities.

a. Consolidated structured entities

Pepper Money Limited primarily utilises warehouse facilities and the securitisation markets to fund the origination of new loans.

Once loans are originated into funding vehicles, they are funded by third-party senior and mezzanine debt and equity, or other "first loss" capital, contributed by the Group as part of a warehouse facility arrangement. The majority of warehouse facility funding is represented by the senior debt facilities, which are typically provided by highly-rated, regulated financial institutions and are available to the Group on a revolving basis subject to eligibility criteria and other terms specific to each warehouse facility.

Periodically, assets assigned to warehouse facilities are refinanced through term securitisations involving the issuance of asset-backed securities which are long term and typically match funding transactions placed by the Group through the debt capital markets to a range of financial investors.

In both warehouse facility and term securitisation structures, the third-party providers of liquidity facilities and the senior notes have first ranking priority over cash flows generated by the loans held by the funding vehicle and their contractual interest and principal repayments rank at or near the top of payment waterfalls (after certain expenses). Mezzanine funding providers' priority ranks below that of the senior funding providers. The Group, as the provider of "first loss" capital and the residual unitholder, receives its distributions only when the senior and mezzanine funders have received their contractual payments. As the residual income unitholder, the Group benefits from any additional incremental profits generated in the funding vehicle.

The Group's limited-recourse financing structures partially transfers the risk of credit losses on portfolios to the capital providers to the funding vehicles. The Group's exposure to losses is therefore limited to its rights to current and future residual income from its funding vehicles, along with the value of the equity notes that the Group contributes as "first loss" capital to the funding vehicles and in certain circumstances, CRR notes.

Should a material increase in losses on the Group's portfolios occur, the level of income available for distribution from the funding vehicles will decline, resulting in a reduction in equity note coupons and residual income paid to the Group by the funding vehicles.

As losses increase beyond certain thresholds, the funding vehicles would cease distributing residual income and making distributions on the Group's equity notes, and cash will instead be applied to repay the senior and mezzanine funding components of the funding vehicles, however, the Group will have no legal obligation to contribute additional capital to offset the realised losses. In such a scenario, the Group is able to increase the interest rate that it charges to its portfolio customers (where the customer rate is variable) in order to offset the reduction in income due to credit losses.

The Group is deemed to control these funding structures for accounting purposes due to the combination of the Group's investment in each funding vehicle (exposure to variable interest) and the Group's role as servicer (power to influence those variable returns). As a result, the Group consolidates the assets and liabilities, income and expenses of most of these entities in accordance with AASB 10 *Consolidated Financial Statements*.

13. Commitments

A. Capital commitments

There were no capital commitments as at the end of the financial year or arising since balance date (2022: Nil).

B. Lease commitments: group as lessee

The Group has provided guarantees in respect of the leases over its office premises of $3.2 million (2022: $3.7 million).

14. Contingent liabilities

The Directors were not aware of any contingent liabilities as at the end of the financial year or arising since balance date.

15. Remuneration of auditors

The following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Year ended	
	31 December 2023 $	**31 December 2022 $**
Deloitte Touche Tohmatsu		
Audit and review of financial statements	**1,561,257**	1,210,582
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	**168,132**	277,200
Other services – advisory	–	235,000
	1,729,389	1,722,782
Other auditors		
Other services	**1,036,935**	642,497
	1,036,935	642,497
Total remuneration	**2,766,324**	2,365,279

Non-audit services

The auditor of the Group is Deloitte Touche Tohmatsu ("Deloitte"). It is the Group's policy to employ Deloitte on assignments additional to their statutory audit duties, in compliance with the Group's independence policies, where Deloitte's expertise and experience with the Group are important.

16. Business combination

Acquisition of Stratton Finance Pty Ltd

On 1 July 2022, the Group completed the acquisition of a 65% interest in Stratton Finance Pty Ltd ("Stratton"), one of Australia's largest online asset finance brokers.

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 $77.5 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% interest in Stratton, exercisable from Q1 CY 2024 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 to the exercise of the option. As at 31 December 2023, the put and call option was measured at a fair value of nil (2022: nil). Future changes to the fair value of the put and call option will be recognised in the consolidated statement of profit or loss.

There were no acquisitions in the year ending 31 December 2023.

17. Events occurring after the reporting period

Final dividend declared

The Pepper Money Limited Board declared a fully-franked final dividend of $0.05 per share on 29 February 2024. The Record Date is 14 March 2024 and the payment date will be 18 April 2024.

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

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.

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 consolidated financial statements of Pepper Money Limited (as defined in Note 1) including the Notes set out on pages 90 to 147:

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

   ii. comply with International Financial Reporting Standards and other mandatory professional reporting requirements, and

   iii. the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Michael Culhane
Chair

29 February 2024

Mario Rehayem
CEO and Director

29 February 2024

Independent Auditor's Report

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Quay Quarter Tower
50 Bridge Street
Sydney NSW 2000
Australia

Tel: +61 (02) 9322 7000
www.deloitte.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pepper Money Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Expected credit loss on loans and advances

As at 31 December 2023, the Group has recognized $119.6m of expected credit loss (ECL) on loans and advances held at amortised cost in accordance with AASB 9 Financial Instruments as disclosed in Note 4(B).

Loans and advances subject to AASB 9's impairment requirements include both the residential Mortgage lending and Asset Finance portfolio.

Significant Management judgement was necessary in determining expected credit losses, including:
The application of the requirements of AASB 9 as reflected in the Group's ECL models, particularly considering the current macroeconomic environment, including the ongoing rise in interest rates and inflation
Assumptions used in the ECL models such as the financial condition of the counterparty, repayment capacity and forward-looking macroeconomic factors, as disclosed in Note 6(B); and
Judgements used in the estimation of post-model adjustments to the ECL models.</td><td>Our procedures, in conjunction with our specialists, included, but were not limited to:
Obtaining an understanding of credit risk judgements made by Management in the ECL models
Testing the design and implementation of relevant key controls in relation to loan originations, collections and arrears management as well as controls over the use and review of AASB 9 ECL models
Assessing the reasonableness of key judgements and assumptions exercised by Management, including:
timing and recognition of loss event and significant increase in credit risk
timing of expected cash flows; and
assumptions used in modelling including Probability of Default ("PD"), Loss Given Default ("LGD") and forward-looking assumptions and scenarios;
Testing the accuracy of modelled PDs and LGDs against historical losses
Testing the mathematical accuracy of the ECL models through re-performance on a sample of loans
Identifying key inputs used in calculation of collective provisions, and testing a sample of the source data for completeness and accuracy; and
Challenging Management's judgements in respect post-model adjustments recognised considering current macroeconomic environment.
We also assessed the appropriateness of the disclosures in Note 6(B) to the financial statements.</td></tr>
<tr><td>Interest income recognition

The Group reported interest income of $1,402.2m for the year ended 31 December 2023 which included interest income of $404.7m on the Asset Finance portfolio.

As disclosed in Note 3(A), interest income earned on loans and advances is calculated using the effective interest rate ('EIR') method as required by AASB 9. Determination of EIR requires Management to exercise significant judgements in determining the period over which cash flows from the loans are expected to be received and identifying and allocating various types of fees associated with loans.</td><td>Our procedures included, amongst others:
Understanding and evaluating the IT systems and control environment for recording revenue transactions
Evaluating the design and implementation of relevant controls relating to the estimation of the EIR
Assessing the rationale of significant judgements made with respect to the expected life of loans as well as the appropriate inclusion or exclusion of fees and expenses in estimation of EIR
Recalculating the interest income using the EIR method on a sample of loans; and
Agreeing, on a sample basis, key inputs in Management's calculations to underlying source data such as, signed loan agreements and bank statements.
We also assessed the appropriateness of the disclosures in Note 3(A) to the financial statements.</td></tr>
</table>

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impairment of non-current assets including goodwill As at 31 December 2023 the Group has recognised goodwill amounting to \$98.2m and brand intangible amounting to \$16.7m, arising from the acquisitions of Stratton Finance Pty Limited as disclosed in Note 8(B). In accordance with AASB 136 Impairment of Assets, Cash Generating Units (CGUs), including goodwill and indefinite life intangibles, are required to be tested for impairment at least annually. The impairment test requires significant judgement due to assumptions applied in preparing a discounted cash flow model ('value in use'). These assumptions include: • Future cash flows for the Cash Generating Unit ('CGU'), or individual assets, taking into account regulatory and macroeconomic factors • Discount rates; and • Terminal value growth rates.	Our procedures, in conjunction with our valuation specialists, included, but were not limited to: • Evaluating the appropriateness of management's key controls over the impairment assessment process, including the identification of potential indicators of impairment such as the carrying value exceeding market capitalisation • Assessing the reasonableness of cash flow projections and growth rates against external economic and financial data and the Group's own historical performance • Comparing historical performance against prior years' budgets and forecasts to assess Management's historical forecasting accuracy • Assessing the key assumptions and methodologies used by Management in the impairment models, in particular the discount rate and the terminal growth rate; and • Testing the mathematical accuracy of the impairment models. We also assessed the appropriateness of the disclosures in Note 8(B) to the consolidated financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 58 to 89 of the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Pepper Money Limited, for the year ended 31 December 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants

Sydney, 29 February 2024

Shareholder Information

Additional information required by the ASX and not disclosed elsewhere in the report is set out below. The information is current as at 31 January 2024.

Opting in for electronic communication

34.68% of our shareholders have opted in to receive electronic communications. Consistent with our commitment to reduce paper consumption and in turn our environmental footprint, we encourage more shareholders to opt-in for electronic communications.

Number of holders of equity securities

Ordinary share capital: 439,790,514 fully paid ordinary shares are held by 3,308 shareholders.

Voting rights

All issues ordinary shares carry one vote, and each member is entitled to one vote for every ordinary share held via poll or show of hands as permitted under the Company's constitution.

Distribution of members of their holdings

The number of equity securities by size of holding is set out below:

Holdings Ranges	Holders	Total Units	%
1 – 1,000	1,424	671,846	0.150
1,001 – 5,000	902	2,493,020	0.570
5,001 – 10,000	399	3,116,539	0.710
10,001 – 100,000	532	15,635,167	3.560
100,001 – 999,999	51	417,873,942	95.020
Totals	**3,308**	**439,790,514**	**100.000**

Unmarketable Parcel

As at 31 January 2024 there were 790 holdings of less than a marketable parcel (less than $500 in value or 376 number of shares based on the market price of $1.33 per share).

Substantial shareholders

The names of the substantial shareholders of the Company and the number of equity securities in which they have a relevant interest as disclosed in substantial shareholding notices given to the Company are set out below:

Shareholder	Number of shares	%
Pepper Group ANZ Holdco Limited	266,309,851	60.554%
AustralianSuper Pty Ltd	50,289,929	11.435%

Pepper Money Twenty largest shareholders

The 20 largest shareholders of ordinary shares on the Company’s register at 31 January 2024 were:

Shareholder	Number of shares	%
Pepper Group ANZ Holdco Ltd	266,309,851	60.554%
J P Morgan Nominees Australia Pty Limited	56,260,827	12.793%
National Nominees Limited	29,657,316	6.744%
Citicorp Nominees Pty Limited	14,244,814	3.239%
Netwealth Investments Limited <Wrap Services A/C>	11,009,142	2.503%
HSBC Custody Nominees (Australia) Limited	9,788,688	2.226%
BNP Paribas Noms Pty Ltd	6,722,604	1.529%
HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	4,578,456	1.041%
UBS Nominees Pty Ltd	3,597,614	0.818%
Denise Aoun	2,387,234	0.543%
Neweconomy Com Au Nominees Pty Limited <900 Account>	1,753,256	0.399%
HSBC Custody Nominees (Australia) Limited-Gsi Eda	1,578,454	0.359%
Mr David Moore <D & S Moore Family A/C>	1,100,000	0.250%
HSBC Custody Nominees (Australia) Limited - A/C 2	750,000	0.171%
John Williams	637,858	0.145%
Sue Kent	618,964	0.141%
Sally Jane Thompson	595,501	0.135%
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	486,235	0.111%
Warragal Holdings Pty Ltd <Gole Family A/C>	386,383	0.088%
Mr Romano Sala Tenna & Mrs Linda Sala Tenna <The Sala Tenna Super A/C>	315,000	0.072%
% Total of Securities of Top 20	**412,778,197**	**93.858%**
Total of Securities	**439,790,514**	

Managing your shareholding

The Company's share register is managed by BoardRoom Pty Limited ("BoardRoom").

The Investor Centre website www.peppermoney.com.au/about/shareholders is the fastest, easiest, and most convenient way to view and manage your shareholding.

The Investor Centre enables a shareholder to:

- view the company share price;
- change your address (for non-CHESS sponsored holdings);
- update your dividend instruction;
- update your Tax File Number ("TFN") Australian Business Number ("ABN") or exemption;
- select your email and communication preference; and
- view your transaction history.

When communicating with BoardRoom or accessing your holding online you will need your Securityholder reference number ("SRN"), or Holder Identification Number ("HIN") as shown on your Issuer Sponsored/ CHESS statements.

Website:	www.boardroomlimited.com.au
Address:	Level 8, 210 George Street, Sydney NSW 2000
Post:	GPO Box 3993 Sydney NSW 2001
Contact:	1300 737 760 (in Australia)
	+61 2 9290 9600 (International)

Information on Pepper Money Limited

Pepper Money website

Up-to-date information on the Company can be obtained from the Company's website www.peppermoney.com.au

Securities exchange listing

The Company's shares are listed on the Australian Securities Exchange ("ASX") and the Home Exchange is Sydney. Ordinary shares are traded under the code, ASX: PPM

Share prices can be accessed from Pepper Money's Shareholder Centre at the Company's website, major Australian newspapers, or at: www.asx.com.au

Glossary of Terms

Term	Meaning
1H	first half of the financial year for the six months ending 30 June
2H	second half of the financial year for the six months ending 31 December
AAS or **Australian Accounting Standards**	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
AASB	Australian Accounting Standards Board
ABN	Australian business number
ABS	asset-backed securities
ADI	authorised deposit-taking institution
Asset Finance	a segment of Pepper Money product, as defined in Section 2 of the Operating and Financial Review
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange that it operates, as the context requires
ASX Listing Rules	the listing rules of ASX
ASX Recommendations	the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition, 2019)
AUM – Lending closing	assets under management originated and serviced (securitised and Pepper Money balance sheet lending)
AUM – Servicing closing	assets under management portfolios of third parties which are serviced by Pepper Money
Board or **Board of Directors**	the Board of Directors of the Company
CAGR	compound annual growth rate
calendar year or **CY**	year to 31 December
capital expenditure	includes investment in property and equipment and intangible software and licenced assets
Company	Pepper Money Limited (ACN 094 317 665)
Corporations Act	*Corporations Act 2001 (Cth)*
CPR	conditional prepayment rate. The proportion of the principal of a pool of loans that is expected to be paid off prematurely in each payment period
CRE	commercial real estate

Term	Meaning
CTI	cost to income ratio is defined as Pro-forma Total Expenses (including depreciation, amortisation and corporate interest) divided by Total Operating Income before Loan Losses
Director	a member of the Board of Pepper Money Limited
Distribution Partners	Pepper Money's network of distributors
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
Effective Interest Rate	an annual interest rate that takes into account the effect of compound interest and fees
Equity Loans, Equity Notes, Junior Loans, Junior Notes or **Junior Securities**	investment interests in Term Securitisations or Warehouse Facilities that have a lower priority than other funders in the event of default
Executive Rights Plan	as defined in Sections 4.4, 4.5 and 4.6 of the Remuneration Report
Expected Credit Losses	as defined in the Financial Statements
FTE	full time equivalent
Funding Vehicle	a special purpose vehicle, typically a trust, established to fund and hold financial assets as part of a Warehouse Facility or Term Securitisation
FVTPL	fair value through profit or loss, as defined in the Financial Statements
GST	goods and services tax imposed in Australia
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Independent Non-Executive Director	each of Mike Cutter, Akiko Jackson, Justine Turnbull, and Rob Verlander
Junior Securities	securities which are in substance the most junior class of debt securities issued in a Warehouse Facility or Term Securitisation such that any losses in respect of the assets funded by the Warehouse Facility or Term Securitisation are applied to this class of securities first, also referred to as "first loss" capital
Loan and Other Servicing	A segment that 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) which commenced in Q4 2020
LPF	loan protection fee
LTVR	long term variable remuneration
LVR	loan to value ratio
Management	current management employees of the Company
Mortgages	a segment of Pepper Money product, as defined in Section 2 of the Operating and Financial Review
MPF	mortgage protection fee
NED Equity Plan	as defined in Section 4.8 of the Remuneration Report

Term	Meaning
Non-Conforming or **Non-Prime**	home loans not adhering to the traditional standard lending criteria of ADIs
NCI	Non-controlling interest
Non-Executive Director	a member of the Board of Directors who does not form part of Management
Non-IFRS financial measures	measures used to manage and report on the business that are neither recognised under AAS or IFRS but that are included as in the Directors' opinion they are considered useful for the users of this Annual Report
NIM	net interest margin: 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)
NIM %	net interest income divided by average lending AUM expressed on an annualised basis
NPAT	net profit after tax
Originations	new loans originated during the period
PAYG	pay as you go
PCP	refers to prior comparative period being December 2022
Pepper Direct	Pepper's direct distribution platform including www.peppermoney.com.au and supported by a dedicated in-house call centre
Pepper Money	Pepper Money Limited (ACN 094 317 665)
Prime	home loans adhering to the traditional standard lending criteria of an ADI
Private Term Securitisations	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
PRS	Pepper Residential Securities
Public Term Securitisations	a pool of loan assets initially funded through one or more Warehouse Facilities are grouped together and sold to a new Funding Vehicle, which then issues securities against those assets to investors in public wholesale capital markets
RMBS	residential mortgage-backed securities
ROE	return on shareholder equity
Service Rights	As defined in Section 4.6 of the Remuneration Report
Servicing AUM	as defined in Section 2 of the Operating and Financial Review
Share Registry	Boardroom Pty Limited (ABN 14 003 209 836)
Shareholder Representative Director	each of Michael Culhane and Des O'Shea
STVR	short term variable remuneration

Term	Meaning
Term Securitisation	an arrangement under which a pool of financial assets is sold to a Funding Vehicle which funds those financial assets in the capital markets through an issue of limited-recourse debt securities generally having a legal final maturity similar to the expected term of the financial assets in the pool, and includes Private Term Securitisations and Public Term Securitisations
TFN	tax file number
VWAP	volume weighted average price
WANOS	weighted average number of shares for the period 1 January to 31 December
Warehouse Facility	an arrangement under which financial assets are originated in the name of, or sold to, a Funding Vehicle which funds those financial assets through drawing on committed funds provided by funding banks and/or other investors during a relatively short-term availability period. Funding is through a limited-recourse facility for a term which does not necessarily match the term of those financial assets. Warehouse Facilities are often established with a view to selling the assets to another Funding Vehicle pursuant to a Term Securitisation or as part of a Whole Loan Sale
White-label	Pepper provides an unbranded product or service for the originator to sell and distribute the product or service under its own brand to sell to their customers
Whole Loan Sale	an arrangement under which pools of financial assets are sold to an unrelated third-party purchaser which purchases those financial assets using its own resources and/or a funding structure for which they are the sponsor. Pepper may continue to act as servicer of the financial assets if agreed with the purchaser and may make an investment in the pool in connection with that appointment

Corporate Directory

Secretary

John Williams

Principal registered office in Australia

Level 27
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North Sydney
NSW 2060

Share register

BoardRoom Registry

Auditor

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