pepper money

Appendix 4D

Company details

Name of entity:	Pepper Money Limited
ACN:	094 317 665
ABN:	55 094 317 665
Reporting period:	For the half-year ended 30 June 2024 (the "period")
Prior comparative period:	For the half-year ended 30 June 2023 ("PCP")

Results for announcement to the market

All comparisons to half-year ended 30 June 2023:

Statutory Results				$M
Net interest income	Down	8%	to	170.9
Total operating income	Down	4%	to	186.0
Net profit after income tax	Down	11%	to	46.1

Dividends

The Directors have approved an Interim dividend in respect to the half-year ended 30 June 2024 of 5.0 cents per ordinary share (30 June 2023: 3.5 cents per ordinary share).

This Interim dividend will be paid on 10 October 2024 to shareholders on the share register as at 12 September 2024.

	2024	
	Amount per security	**Franked amount per security**
Interim 2024 dividend	5.0 cents	5.0 cents
Final 2023 dividend	5.0 cents	5.0 cents

Net tangible assets per ordinary share

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

	30 June 2024 $	**31 December 2023 $**
Net tangible assets per ordinary share	**1.60**	1.59

Explanation of results

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

This information should be read in conjunction with the annual financial report for the year ended 31 December 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.

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

Details of associate investments and joint venture entities

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

Foreign entities

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

Audit

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

Akiko Jackson
Chair

29 August 2024

Mario Rehayem
CEO and Director

29 August 2024

Condensed consolidated financial statements

for the half-year ended 30 June 2024

Pepper Money Limited

ASX-PPM

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

1H 2024

Highlights

Our Mission

We help people succeed

Our Values

Can do

Balanced

Real

New Customers

37,357

492,605[1]
Customers helped

Originations

$3.3bn

Mortgages: $1.8bn

Asset Finance: $1.4bn

Total AUM[2]

$19.3bn

Mortgages: $11.3bn

Asset Finance: $5.7bn

Servicing: $2.3bn

Net Interest Margin[3]

1.92%

vs 1.81% 2H 2023

Mortgages: 1.60%[3]
2H 2023: 1.51%

Asset Finance: 2.52%
2H 2023: 2.39%

Credit Quality

0.45%

Loan Loss[4] % AUM

Coverage ratio[5] **0.71%**
1H 2023: 0.72%
2H 2023: 0.65%

Expenses Management[6]

2%

less than PCP

Core FTE[7]
down 10% on PCP

NPAT[8]

$46.1m

Statutory and Pro forma

Interim Dividend[9]

5.0 cps[10]

47.5% payout ratio

Increase of 1.5 cps
vs 2023 Interim Dividend

PCP: prior comparable period being 1 January 2023 – 30 June 2023. 2H 2023 refers to six months to 31 December 2023.

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

Directors' Report

The Directors of Pepper Money Limited ("Pepper Money" or the "Company") present their report, together with the interim financial statements of Pepper Money Limited and its controlled entities ("the Group") for the half-year ended 30 June 2024 ("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.

To comply with the provisions of the *Corporations Act 2001*, the Directors' report is as follows:

Directors

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

- **Akiko Jackson:** Chair (appointed 23 May 2024) and Independent Non-Executive Director.
- **Mike Cutter:** Independent Non-Executive Director.
- **Des O'Shea:** Non-Executive Director and Shareholder Representative Director.
- **Vaibhav Piplapure:** Non-Executive Director and Shareholder Representative Director (appointed 23 May 2024).
- **Mario Rehayem:** Chief Executive Officer, Pepper Money Limited.
- **Justine Turnbull:** Independent Non-Executive Director.
- **Rob Verlander:** Independent Non-Executive Director.

Michael Culhane resigned as Chair and Shareholder Representative Director effective 23 May 2024.

Company Secretary

John Williams.

Presentation of financial information

Results and key financial drivers of the current and prior periods are set out below in the Directors' Report and are on a Pro-forma basis. In the six months to 30 June 2024 no Pro-forma adjustments were recorded (1H 2023: $Nil).

Principal activities

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

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. Pepper Money recognises 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: **Customer – Business – People** and **Brand** – that link vision and mission to the Company's strong values.

Since 2000, Pepper Money has broadened its Australian business activities to include the origination of prime residential mortgages, commercial real estate loans, self-managed super fund 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 in outstanding balance (A$1.0 billion) delivering scale to Pepper Money's existing New Zealand home loan business.

Funding is a core competency of Pepper Money and from 2003 until 30 June 2024 the business has raised $40.0 billion in the public markets. In 2016, Pepper Money implemented a Whole Loan Sales program as part of the funding and capital management strategy for Australian Mortgages. This was extended to include Asset Finance loans from December 2023. Whole Loan Sales realise value by selling the loans Pepper Money has originated, while retaining the servicing of the loans therefore earning the business an ongoing servicing fee, while maintaining the same level and quality of service to the customer.

Pepper Money's operating model combines risk-based credit underwriting expertise with customer focused operations and loan servicing 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. 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.

On 28 March 2024, Pepper Money completed the acquisition of the residual 35% shareholding in **Stratton Finance Pty Ltd** ('Stratton') funded through operating cash flows.

Segment overview

Pepper Money operates in a large addressable market, covering $2,645 billion of credit outstanding for mortgages[1] and $237 billion of credit outstanding for asset finance[2]. Pepper Money has a broad product offering within its Mortgage and Asset Finance businesses that cater for a range of customer needs. Pepper Money's business model provides a diversified base of revenue generated at multiple points across the customer relationship and includes loan origination, lending, loan servicing and broker administration.

The **three core segments** Pepper Money operates in, and summary performance for the first half of 2024, are as follows:

Segment	Mortgages	Asset Finance	Loan & Other Servicing
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).	Provision of independent loan servicing.
Products	• Residential Mortgages – Conforming: Prime – Non-Conforming: Near Prime and Specialist • Commercial Real Estate (Australia) • Self-Managed Super Fund Mortgages (Australia)	• Consumer • Commercial • Novated Leasing	• Residential home loans servicing • Asset Finance loan servicing • Other Third-party loan servicing
Originations (1H 2024)	**$1.82 billion** +6% vs. 1H 2023 (17)% vs. 2H 2023	**$1.44 billion** (19)% vs. 1H 2023 (8)% vs. 2H 2023	
Originations Mix Product (1H 2024)	Prime: 40% Non-Conforming: 60%	Tier A: 67% Tier B: 26% Tier C: 7%	
Originations Mix Channel (1H 2024)	Retail: 52% White Label: 43% Direct: 5%	Auto Broker: 13% Commercial Broker: 16% Mortgage Broker: 12% Dealer: 12% Novated Lease: 47%	
AUM (closing) (June 2024)	**$11.3 billion** (9)% vs. June 2023 (10)% vs. December 2023	**$5.7 billion** + 1% vs. June 2023 (1)% vs. December 2023	**$2.3 billion** +149% vs. June 2023 +61% vs. December 2023
NIM %[3] (1H 2024)	**1.60%** (3) bps vs. 1H 2023 +9 bps vs. 2H 2023	**2.52%** (10) bps vs. 1H 2023 +13 bps vs. 2H 2023	
Pre accounting change[3]	**1.79%** (4) bps vs. 1H 2023 +9 bps vs. 2H 2023		
Loan Loss % AUM (excludes Post Model/ Management Overlay)	**0.05%** (1) bps vs. 1H 2023 (8) bps vs. 2H 2023	**1.29%** (25) bps vs. 1H 2023 (48) bps vs. 2H 2023	

1. Combination of Australia and New Zealand mortgage markets at June 2024 (Total housing credit, RBA D2 Lending and credit aggregates (including owner-occupier housing credit and investor housing credit)); Housing, RBNZ C5 Sector lending (registered banks and non-bank lending institutions), June 2024, converted at an assumed exchange rate of NZD:AUD = 0.9331.
2. New household loan commitments for purchase of road vehicles, other transport vehicles and equipment, New household loan commitments, ABS 5601.0 Lending Indicators Table 27, July 2023 – June 2024 (published August 2024). Assumes market size is approximately 4x lending commitments for last 12 months. New business loan commitments, finance lease and fixed term, purchase of vehicles, plant and equipment, ABS 5601.0 Table 29, 31 and 33, July 2023 – June 2024 (published August 2024). Assumes market size is approximately 4x lending commitments for last 12 months.
3. NIM:Total and Mortgages revised in prior periods to reflect the change in the accounting treatment for trail commissions.

Results overview

For the half year ended 30 June 2024, the Group reported Statutory and Pro-forma **Net Profit After Tax** ("NPAT") of $46.1 million, down (11)% compared to Statutory and Pro-forma NPAT for 1H 2023 (prior comparative period, "PCP"). This result reflects a (4)% reduction in **Total Operating Income** versus PCP partially offset by lower **Total Pro-forma Expenses** which reduced 2% on prior comparable period.

Profit Pre-Provisions[4] in 1H 2024 was $108.0 million, up from $95.8 million in the first half of 2023, a growth of 13% on PCP, and increased 12% on 2H 2023 (2H 2023: $96.2 million).

During the reporting period, Pepper Money revised its treatment of ongoing trail commission payable in respect of mortgages originated through brokers in Australia and New Zealand. As a result, the Group has:

- recognised a liability within Other Financial Liabilities equivalent to the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs in Loans and Advances; and
- reclassified Trail Commission Expense from Lending Expense to Net Interest Income.

Comparatives have not been revised for the above change in accounting treatment as the impact of this change is not material to the financial statements. The change in accounting presentation resulted in a reduction in **Net Interest Income** of $(11.1) million with a corresponding offset in **Lending Expense**.

Prior to applying the change in accounting treatment, underlying **Net Interest Income** was $182.0 million, a decrease of $(2.9) million or (2)% on PCP driven by a (2) basis points reduction in **Net Interest Margin** to 2.04% for 1H 2024. Compared to the six months to December 2023, Net Interest Margin increased 11 basis points. Adjusting for the change in accounting treatment for trail commission, **Net Interest Income** was $170.9 million and **Net Interest Margin** 1.92%.

Total Operating Income for the first half of 2024 of $186.0 million declined (4)% on prior comparable period. Total Operating Income was impacted by higher loan impairment, with Loan Loss Expense at $(41.6) million up $(16.9) million on PCP. The key drivers of **Loan Loss Expense** movement were:

Mortgages:

- Collective Provisions: $0.4 million was released – an improvement of $0.9 million on PCP driven by lower AUM.
- Specific Provisions: were $(3.2) million – up $(1.2) million from PCP.

Asset Finance:

- Collective Provisions: $4.7 million was released (versus $2.9 million released in 1H 2023), following the Whole Loan Sale completed in June 2024 (1H 2023: $Nil) coupled with favourable mix as Originations continued to be weighted to higher credit performance loans (Novated Lease and Tier A customers) as a percent of overall portfolio.
- Specific Provisions: increased by $(18.5) million to $(43.6) million from $(25.1) million 1H 2023 driven by an increase in insolvency activity and an increase in late-stage arrears against which 100% is provisioned. As a percent of AUM, Asset Finance Specific Losses moved from 1.0% to 1.5% 1H 2023 versus 1H 2024.

Continued realisation of scale economies through technology, automation and process improvement, coupled with strong cost management, resulted in **Total Pro-forma Expenses**, at $119.6 million reducing by $2.8 million versus prior comparable period. Employee benefit expenses increase was substantially below salary and wage inflation at (0.4)% versus PCP. All other expense lines, other than Corporate Interest, reported a reduction on PCP. Corporate Interest expense increase was driven by changes in BBSY[5].

Unrestricted cash closed 1H 2024 at $99.8 million, up from $78.8 million June 2023 ($121.1 million December 2023). The Group completed the acquisition of the residual 35% interest in Stratton, effective 28 March 2024, funded through operating cash flows.

4. Profit Pre Provisions – Profit Before Tax and Loan Loss Expense
5. BBSY: Australian Bank Bill Swap Bid Rate.

Sustainability

Sustainability is deeply ingrained in Pepper Money's foundations. Pepper Money defines sustainability as the strategies and activities adopted in relation to its customers, employees, the environment, ethics, and the community. Pepper Money links environmental, social and governance ("ESG") initiatives to strategy and to ensure alignment to its mission to "**help people succeed**" by meeting their financial needs, through our focus on providing innovative home loan and asset finance solutions to customers who are being underserved by traditional lenders.

Over the first half of 2024, progress against the four pillars continued:

1. **Governance:** Pepper Money is committed to good governance, transparency, and accountability. Pepper Money's approach to ESG starts with governance at the Board and Management. Pepper Money has established a separate ESG Board Committee, which is supported by a Management ESG Committee. This ensures that Directors and Management consider, in undertaking their duties, environmental, social and governance factors in delivering the business' strategy and ensures Pepper Money optimises governance structures, controls and procedures used to monitor, measure and manage ESG outcomes and risks.
2. **Strategy:** Pepper Money is committed to being a responsible and sustainable business that supports our people, customers and communities. Pepper Money recognises that it operates in an environment of rapidly changing economic conditions, societal and geo-political shifts, cyber security uncertainty, and the increasing impacts of climate change. Pepper Money remains committed to being a business that supports our people, customers and communities through our commitment to financial inclusion.
3. **Risk Management:** Pepper Money treats financial activities in the same way – whether for customers or our business – with care and diligence and within an ethical risk management framework. 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'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 rigour in the Company's ESG reporting to market.
4. **Metrics:** core metrics[6] for the first half of 2024 are below:

Material Topic	Material topic	At 30 June 2024	Target
Responsible Business	Board composition	Chair – female	50% of Board
		50% of Independent Directors – female (no change on PCP)	
		33% of Board – female (no change on PCP)	
	Remuneration	15% of Executive short-term variable remuneration linked to ESG	15% of STVR
	Company-wide compliance training	94.53% of employees completed on time	95% of employees complete on time
Diversity and Inclusion	Gender diversity	57% Women in work force[7] (up from 55% December 2023)	Hold or improve on prior period
		45% Women in senior manager roles[8] (constant on December 2023)	
	Gender pay equity[9]	Median gender wage gap 22.9% (improved from 28.5% prior survey)	Year on year improvement
Climate	Financed emissions	Electric vehicles financed: 3,341 (up 74% on PCP)	Hold or improve on prior period
		Electric and hybrid[10] vehicles financed: 5,473 (up 91% on PCP)	

6. As several metrics are annualised measures, update will be provided in Pepper Money's CY2024 Annual Report.
7. Based on Pepper Money Limited employees – Australia, New Zealand and the Philippines as at 30 June 2024.
8. Excludes resignations as at 30 June 2024.
9. Gender pay gap as measured by the Workplace Gender Equality Agency (WGEA) for employees of Pepper Money Limited (Australia), as per 2023 – 2024 survey (dated 22 May 2024). A positive percentage indicates men are paid more on average than women in the organisation. A negative percentage indicates women are paid more on average than men.
10. Includes electric vehicles, plug in hybrids and non-plug in hybrids.

Material Topic	Material topic	At 30 June 2024	Target
Customer	Customers helped	37,357 new customers over first half 2024 (down 13% on PCP)	Hold or improve on prior period
	Underserved customers	Sharia loans launched in Australia	
Employee	Turnover	13.8%[11] voluntary turnover (versus 19.1% PCP)	<20.0%
	Absenteeism[12]	3.03 days (up from 2.34 days PCP)	Hold or improve on prior period
	Learning & development	793 hours of Learning and Development[13] delivered (down 3% on PCP)	Hold or improve on prior period
	Health & Safety Training	100% of employees trained (constant on PCP)	100%

Macro-economics

Pepper Money has considered the market conditions, which are being impacted by macro-economic uncertainty, in preparing the financial statements for the half-year ending 30 June 2024, including the application of critical estimates and judgements. In line with the year ending 31 December 2023, the main impact on the financial statements was the provision for expected credit losses.

In assessing market conditions over the period Pepper Money has:

- reviewed the macro-economic scenarios used in modelling expected credit losses, the relative weightings of base to downside, and the evaluation of certain specific industry overlays, taken historically; and
- increased provisions raised in prior periods, while maintaining a prudent provision coverage to cater for ongoing uncertainty of the current market, macro-economic and geo-political conditions.

As at 30 June 2024, the Group holds a Post Model Overlay of $10.0 million for potential future economic loss directly related to the impacts from macro-economic conditions over and above those captured in models (31 December 2023: $8.7 million, 30 June 2023: $15.8 million). The current coverage remains adequately provisioned and continues to reflect a cautious approach to managing risks given ongoing market conditions. Macro-economic variables have been held constant on 31 December 2023.

Refer to Note 1 (E)(a) for additional information on credit risk management and the provision for expected credit losses.

11. Turnover: voluntary employee turnover for Australia, New Zealand and Philippine FTE. Excludes Stratton Finance Pty Ltd. % is annual rolling average as at 30 June 2024 (PCP annual rolling average as at 30 June 2023).
12. Absenteeism: average unscheduled absence by FTE for Australia, New Zealand and Philippine FTE. Excludes Stratton Finance Pty Ltd
13. Learning and Development hours: hours delivered by internal programs, which includes Pepper Money's program with the Australian Institute of Management. Excludes external training as annual measure.

Summary financial results

A$ Million	1H 2024 Statutory & Pro-forma	2H 2023 Pro-forma[14]	% Change[15] Pro-forma	1H 2023 Statutory & Pro-forma	Change[16] Pro-forma	% Change Pro-forma
Net interest income	**170.9**	178.3	(4)%	184.9	(14.0)	(8)%
Lending fee income	**33.4**	35.2	(5)%	37.0	(3.6)	(10)%
Lending expense	**(13.9)**	(27.4)	49%	(27.2)	13.3	49%
Other operating income	**37.2**	25.8	45%	23.5	13.8	59%
Loan losses	**(41.6)**	(15.2)	(173)%	(24.7)	(16.9)	(69)%
Total operating income	**186.0**	**196.6**	**(5)%**	**193.5**	**(7.5)**	**(4)%**
Employee benefits expense	**(65.3)**	(63.6)	(3)%	(65.0)	(0.3)	(0)%
Marketing expense	**(7.6)**	(7.1)	(6)%	(7.8)	0.2	3%
Technology expense	**(11.5)**	(11.7)	1%	(12.1)	0.6	5%
Other operating expenses	**(11.8)**	(10.2)	(16)%	(13.9)	2.1	15%
Depreciation and amortisation expense	**(9.6)**	(10.0)	4%	(11.9)	2.3	19%
Corporate interest expense	**(13.8)**	(13.1)	(6)%	(11.7)	(2.1)	(18)%
Tax expense	**(20.3)**	(21.8)	7%	(19.1)	(1.2)	(6)%
Net profit after income tax	**46.1**	59.1	(22)%	**52.0**	**(5.9)**	**(11)%**
Equity Holders of Pepper Money Limited	**46.7**	60.1	(22)%	53.0	(6.3)	(12)%
Non-controlling interest	***(0.6)***	*(1.0)*	*38%*	*(1.0)*	*0.4*	***(34)%***
Profit pre provisions[17]	**108.0**	**96.2**	**12%**	**95.8**	**12.2**	**13%**

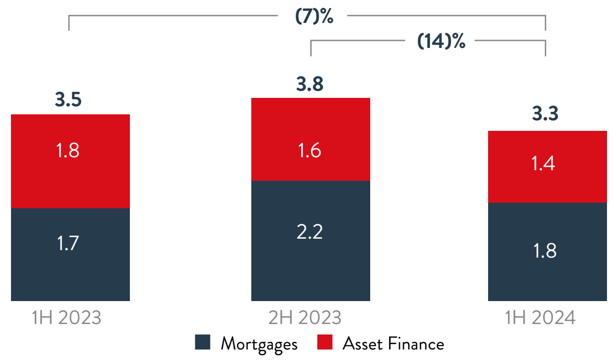
In the table above, comparatives have not been revised for the change in the accounting treatment for trail commissions payable in respect of mortgages originated through brokers in Australia and New Zealand, as the impact of this change is not material to the financial statements. The change in the accounting treatment resulted in a reduction in **Net Interest Income** of $(11.1) million with a corresponding offset in **Lending Expense** in the period.

14. Pro-forma pre-tax adjustments: 1H 2024 $Nil. 2H 2023 $(3.3) million relating to the acquisition of the HSBC New Zealand mortgage portfolio completed 1 December 2023. 1H 2023. $Nil.
15. % Change is versus 2H 2023. Variances are presented as positive/better or (negative/worse) based on value contribution.
16. % Change is versus 1H 2023 (PCP). Variances are presented as positive/better or (negative/worse) based on value contribution.
17. Profit pre Provisions – Profit Before Tax and Loan Loss Expense.

OPERATING PERFORMANCE

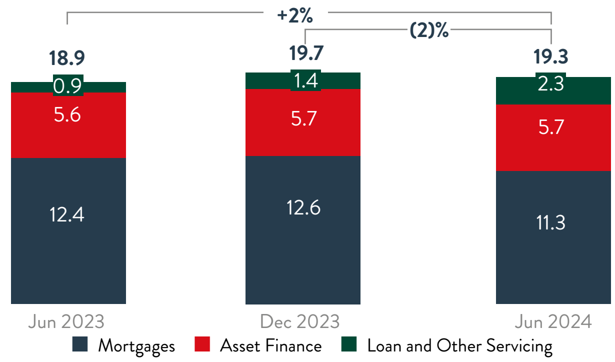
Originations
($ billion)

$3.3bn



Assets Under Management (AUM)[18]
($ billion)

$19.3bn



Half Year Ended 30 June 2024 versus 30 June 2023

Total Originations at $3.3 billion – (7)% below PCP

Mortgages: Originations for first half 2024 of $1.8 billion grew 6% on PCP. Originations mix for 1H 2024 was 40% Prime and 60% Non-Conforming. Prime Originations of $0.7 billion grew +20% on PCP supported by strong performance from the SMSF mortgage product, launched October 2023, and Commercial Real Estate lending. Non-Conforming Originations at $1.1 billion in the first half 2024 were marginally down (2)% on PCP.

Asset Finance: Originations in 1H 2024 at $1.4 billion were down (19)% on PCP. The decline in Originations reflected both underlying soft market conditions, as well as the impact of the removal of Government tax incentives from 1 July 2023 impacting EOFY[19] Commercial volume. Commercial Originations fell from $0.8 billion 1H 2023 to $0.4 billion 1H 2024, and Consumer Originations were down (32)% on PCP. Novated Lease continues to perform strongly with 1H 2024 Originations at $0.7 billion up 56% on PCP. Overall, credit risk was skewed to higher performing customers – with Tier A customers accounting for 67% of the Originations in 1H 2024 (versus 63% PCP).

Total AUM of $19.3 billion – 2% higher than PCP

Mortgages: AUM closed June 2024 at $11.3 billion, down from $12.4 billion June 2023. Over the first half of 2024 three Mortgage Whole Loan Sales were completed – two Prime and one Non-Conforming totalling $0.6 billion in AUM. Excluding Whole Loan Sales, the reduction in AUM on PCP reflects the flow through of lower Originations and customer attrition in prior periods.

Asset Finance: AUM closed June 2024 at $5.7 billion, which included the impact of an Asset Finance Whole Loan Sale of $0.5 billion executed in June 2024.

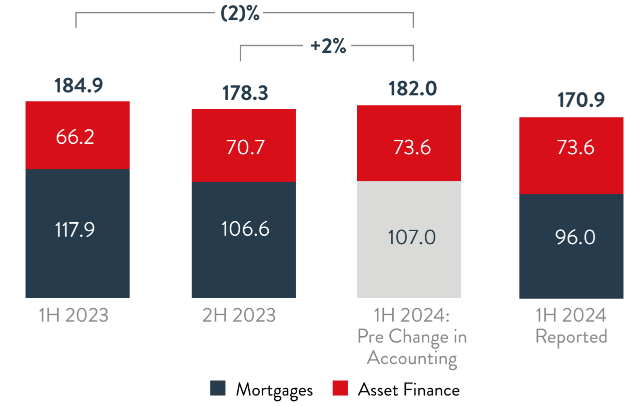
Servicing AUM closed June 2024 at $2.3 billion, an increase of $1.4 billion on June 2023. The increase in Servicing AUM reflects the Whole Loan Sales detailed above, as the first loss equity is sold, but the Servicing of the assets is retained.

18. Figures reported for AUM are closing AUM – Lending and Servicing.
19. EOFY – End of Financial Year (Australian tax year 30 June).

Half Year Ended 30 June 2024 versus 31 December 2023	
Total Originations at $3.3 billion – (14)% below 2H 2023	**Total AUM of $19.3 billion – (2)% below December 2023**
Mortgages: Originations were down (17)% on 2H 2023 driven in part by lower consumer confidence given macro-economic conditions and uncertainty on interest rates, as well as seasonality (Spring sale activity driving higher originations in the second half of the calendar year). Prime Originations of $0.7 billion were down (15)% on 2H 2023 and Non-Conforming fell (19)% on the second half 2024 of 2023.	**Mortgages AUM** versus December 2023 close declined by (10)%. Removing the impact of the Whole Loan Sales, AUM was (5)% lower than December 2023 given lower Originations.
Asset Finance: Originations over 1H 2024 declined (8)% on 2H 2023. The decline in Originations reflected both underlying soft market conditions as well as lower demand due to the deterioration in consumer and business sentiment.	**Asset Finance AUM** was largely flat on December 2023 at $5.7 billion, as Originations offset the impact of the Whole Loan Sale transfer of AUM to Servicing. **Servicing AUM** increased by 61% on December 2023 following the execution of four Whole Loan Sales in total over the first half of 2024.

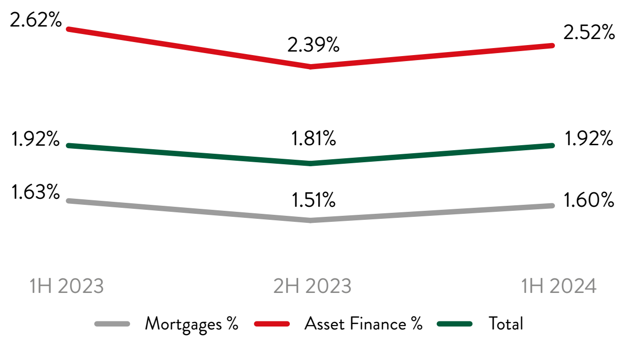
Net Interest Income[20]
($ million)

$170.9m / $182.0m
Reported Pre accounting change

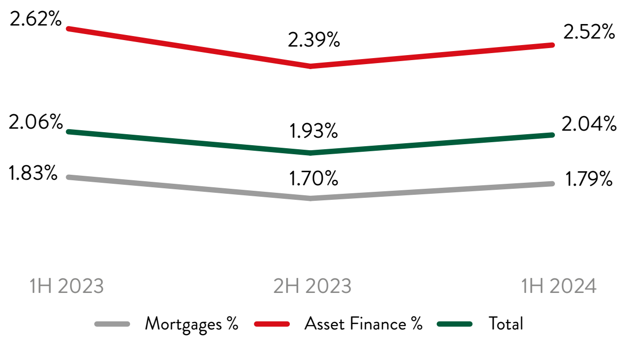


Net Interest Margin
(%)

1.92%
Reported (prior period revised)[21]



2.04%
Pre accounting change



Half Year Ended 30 June 2024 versus 30 June 2023

Total Net Interest Income of $170.9 million Reported. $182.0 million like for like basis

Mortgages the change in accounting for trail commissions reduced Mortgages Net Interest Income in the period by $(11.1) million from $107.0 to $96.0 million, with a reciprocal offset in Lending Expense. On a like for like basis Mortgage Net Interest Income reduced (9)% on PCP reflecting lower Originations/AUM coupled with higher Whole Loan Sales versus 1H 2023.

Asset Finance Net Interest Income for 1H 2024 at $73.6 million, grew $7.4 million, +11% on PCP as improvement in swap rates and funding costs helped to offset the impact of lower origination volumes and higher product mix from lower risk Novated Lease and Tier A.

Reported Total NIM at 1.92% in line with PCP

Mortgages NIM, after revising all periods for the change in the accounting for trail commission from Lending Expenses to Net Interest Expense, at 1.60% was (3) bps lower than PCP as back/front book price increases flow-through were also supported by stabilisation in the BBSW, lower customer attrition and product mix.

Asset Finance NIM at 2.52% experienced (10) bps of compression 1H 2024 versus 1H 2023, driven by product mix as Novated Lease grew as a proportion of the portfolio from 12% of closing AUM – June 2023 to 25% June 2024. Other than the product mix impact – NIM was supported by more stable swap rate environment.

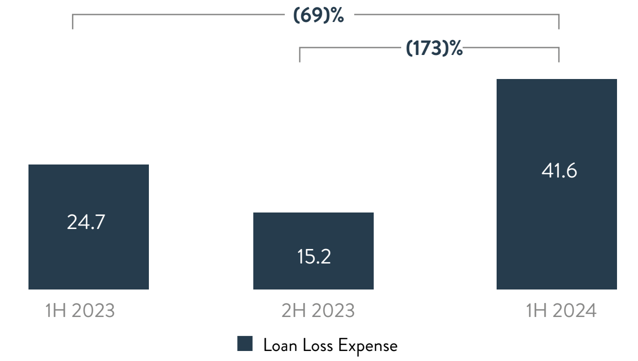
20. Loan and Other Servicing and Corporate segment Net Interest Income not displayed in the bar chart as not material but included in the total.
21. Total and Mortgage NIM revised in prior periods to reflect the change in the accounting treatment for trail commissions. On a statutory reporting comparative basis Total NIM is 1.92% vs 1H 2023 2.06%. Mortgages NIM is 1.60% vs 1H 2023 1.83%.

Half Year Ended 30 June 2024 versus 31 December 2023	
Total Net Interest Income grew +2% on 2H 2023 on a like for like basis **Mortgages** Net Interest Income before changes to trail commission at $107.0 million, grew $0.4 million on the second half of 2023, as the benefits from stabilisation in the BBSW, product mix and improved customer rates offset lower AUM.	**Total NIM improved by +11 bps over revised 2H 2023** **Mortgages** NIM at 1.60% increased by 9 bps over the second half of 2023 (revised for change in accounting). Customer rate increases were assisted by stabilisation of BBSW, and lower customer attrition given the RBA significantly slowed down the pace of interest rate increases – with only one OCR increased over 2H 2023 and none over 1H 2024.
Asset Finance: constant AUM over the period, coupled with more stable swap rates, drove an increase of $2.8 million, +4%, in Asset Net Interest Income 1H 2024 versus second half 2023.	**Asset Finance** NIM improved by 13 bps versus 2H 2023 given stable swap rates / cost of funds, coupled with the positive flow through of pricing initiatives implemented over the second half of 2023.

Credit Performance
($ million)

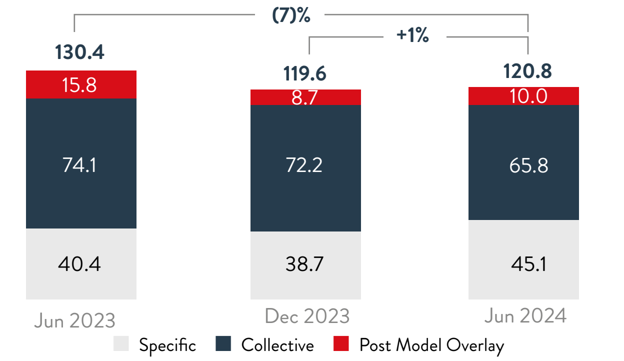
Loan Loss Expense (Including Overlays[22])

$41.6m



Total Loan Loss Provisions

$120.8m



Half Year Ended 30 June 2024 versus 30 June 2023

Loan Losses Expense of $41. 6 million increased from $24.7 million PCP

1H 2023 included a writeback of $4.0 million **Post Model Overlay**.

1H 2024 expense included an increase of $(1.3) million in **Post Model Overlay** booked given the deterioration in customer sentiment, uncertain rate environment, and heightened level of insolvencies.

Normalising for the above, the underlying increase in **Loan Loss Expense** was (41)% on PCP.

The key movement in loan losses:

- **Mortgages Loan Loss Expense** at $2.8 million was $(0.3) million higher than 1H 2023 in line with portfolio mix following the Whole Loan Sales executed in the first half of 2024.
- **Asset Finance Loan Loss Expense** at $38.9 million increased by $(16.6) million, $(11.3) million when removing changes in Post Model Overlays. The increase in Asset Finance Loan Loss expense was driven by higher Specific Provisions – as late-stage arrears and insolvencies increased - net of Collective Provision release following the Whole Loan Sale in June 2024 coupled with higher proportion of new loans written skewed to cleaner credit loans – being Novated Lease and Tier A customers.

Total Provisions at $120.8 million reduced by $(9.5) million versus PCP

Specific Provisions increased from $40.4 million June 2023 to $45.1 million June 2024 driven by an increase in both late-stage arrears and insolvencies impacting Asset Finance. Insolvencies have increased following the removal of Government insolvency protections, implemented under COVID-19 at the beginning of 2023.

Collective Provisions declined by $8.4 million on PCP to $65.8 million reflecting a recalibration in Asset Finance – given higher portfolio mix from Novated Lease (attracts near zero losses as salary sacrificed), and provision release following the Whole Loan Sale completed in June 2024.

Post Model Overlay Provision at 30 June 2024 at $10.0 million, reduced by $5.8 million over 30 June 2023. This reduction related to the recalibration of the Asset Finance Expected Credit Loss (ECL) model to actual performance of the Novated Lease portfolio and was taken over second half of 2023.

Loan Loss as a % of Lending AUM excluding Post Model Overlay closed June 2024 at 0.45% versus 0.28% PCP. The increase was driven by mix – with **Asset Finance AUM** as a % of Total Lending AUM increasing from 31% 1H 2023 to 33% 1H 2024.

22. Overlays include Post Model and Management Overlays

Half Year Ended 30 June 2024 versus 31 December 2023

Loan Losses Expense increased $(26.4) million versus 2H 2023

The key movement in loan loss expenses versus the second half of 2023 were:

- **Mortgages Loan Loss** expense at $2.8 million for 1H 2024 increased by $(9.5) million, following the provision write back of $5.0 million in the second half of 2023 given lower AUM.
- **Asset Finance Loan Loss** expense at $38.9 million increased by $(16.9) million, $(13.5) million when removing changes in Post Model Overlays. The increase was driven by higher Specific Provision, as late-stage arrears and insolvencies increased – net of Collective Provision releases following the Whole Loan Sale in June 2024.

Total Provisions increased by $(1.2) million versus 31 December 2023

Specific Provisions increased from $38.7 million December 2023 to $45.1 million in June 2024 driven by an increase in late-stage arrears and a continued increase in insolvencies in legacy loans following the Government's removal of COVID-19 insolvency protections impacting Asset Finance.

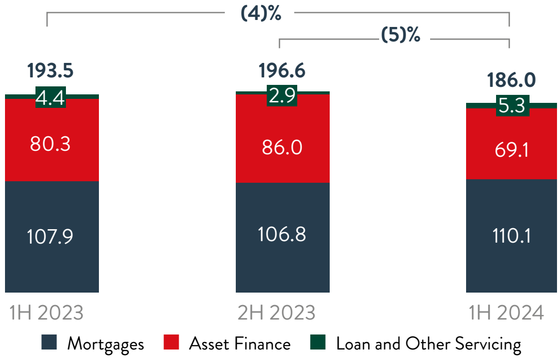
Collective Provisions reduced by $6.5 million on December 2023 driven by provision releases following Whole Loan Sales completed over the first half of 2024, coupled with model recalibration as Originations mix skews to higher credit quality new loans originated in the half year period in Asset Finance.

Post Model Overlay Provision at 30 June 2024 at $10.0 million, increased by $(1.3) million over 31 December 2023, given the deterioration in consumer and business sentiment, uncertain rate environment, and heightened level of insolvencies.

Loan Loss as a % of Lending AUM excluding Post Model Overlay closed June 2024 at 0.45% versus 0.24% December 2023. The increase was driven by mix – with **Asset Finance AUM** as a % of Total Lending AUM increasing from 31% for 2H 2023 to 33% for 1H 2024.

Total Operating Income[23]
($ million)

Total Operating Income
$186.0m



Operating Income pre–Loan Loss	$218.1	$211.9	$227.6

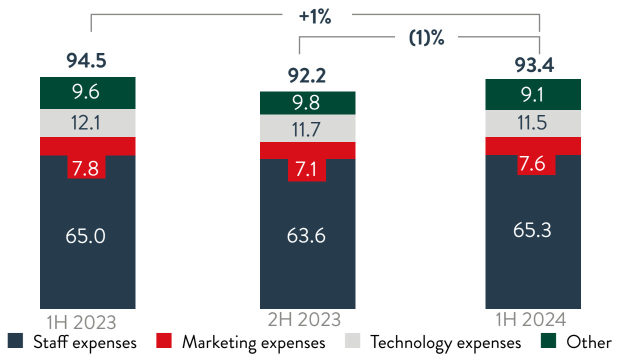
Half Year Ended 30 June 2024 versus 30 June 2023	Half Year Ended 30 June 2024 versus 31 December 2023
Total Operating Income at $186.0 million was (4)% lower than PCP. **Mortgage Operating Income** of $110.1 million grew 2% on PCP with Whole Loan Sale gains, up $10.3 million versus 1H 2023, offsetting lower Net Interest Income as lending AUM reduced due to Whole Loan Sales, and the marginal compression in NIM versus PCP. **Asset Finance Operating Income** decreased by (14)%, on PCP to $69.1 million, as the $5.7 million gain from the Whole Loan Sale executed in June 2024 partially offset higher Credit Expenses. **Loan and Other Servicing Operating Income** for 1H 2024 at $5.3 million increased $0.9 million, 20% on PCP. 1H 2023 included the Broker Servicing business, which was exited on 1 October 2023.	**Total Operating Income** declined (5)% on 2H 2023. **Mortgage Operating Income** grew by $3.3 million, 3%, over the second half of 2023 with Whole Loan Sale gains offsetting the movement in Credit Expenses. **Asset Finance Operating Income** decreased by $(16.8) million, (20)%, on second half of 2023, as Net Interest Income improvement and the gain from Whole Loan Sale were offset by higher Credit expenses. **Loan and Other Servicing Operating Income** for 1H 2024 increased $2.5 million on the second half of 2023, given the increase in Whole Loan Sales, where the Servicing of the assets is retained, delivering annuity income.

23. Total Operating Income: chart does not show Corporate segment as not material, however has been included in the totals.

Pro-forma Expenses
($ million)

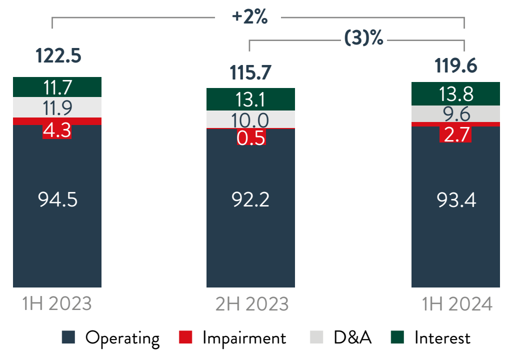
Operating Expenses
(Excluding Impairment)

$93.4m



Total Expenses
(Including Impairment, D&A and Interest) $119.6 million

$119.6m



Half Year Ended 30 June 2024 versus 30 June 2023

1H CY2024 Pro-forma Operating Expenses, excluding impairment, at $93.4 million, reduced by $1.1 million, 1%, compared to 1H 2023. Employee expenses increased only marginally from $65.0 million to $65.3 million, as ongoing benefits from technology and process/automation benefits drove efficiencies, offsetting the impact of salary and wage inflation. In an ongoing high inflation environment, disciplined cost management saw all other Pro-forma Operating Expense lines realise savings 1H 2024 on PCP.

Pro-forma Total Expenses for 1H 2024 at $119.6 million decreased by 2% over PCP, with the flow through of Operating Expense savings partially offset by higher Corporate Interest Expense, which increased $(2.1) million half on half.

Impairment/Fair value expense decreased from $4.3 million in 1H 2023 to $2.7 million in 1H 2024.

Depreciation and Amortisation (D&A), reduced by $2.3 million, 19%, 1H 2024 versus 1H 2023 given lower software and right of use ("ROU") depreciation.

Half Year Ended 30 June 2024 versus 31 December 2023

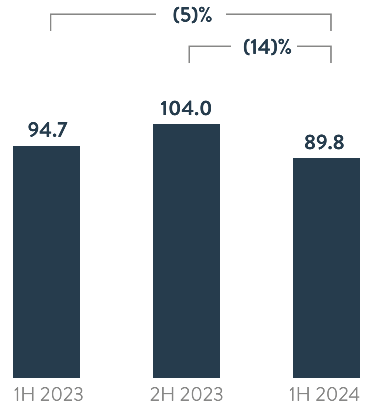
1H CY2024 Pro-forma Operating Expenses, excluding impairment, increased by $(1.2) million, (1)%, when compared to 2H CY2023, driven by Employee Provisions adjustments to reflect for annual wage increase. Marketing expense increased by $(0.5) million, (6)%, on 2H 2023, as marketing activities are weighted to the first half of the calendar year. Other Operating Expenses reflects lower professional fees, which is typically weighted to the second half of the year.

1H CY2024 Pro-forma Total Expenses, increased by (3)%, versus 2H CY2023. Including Operating Expense items, the key movement in expenses was Impairment/Fair Value – which increased by $(2.2) million driven by re-valuation of an equity investment.

Profitability
($ million)

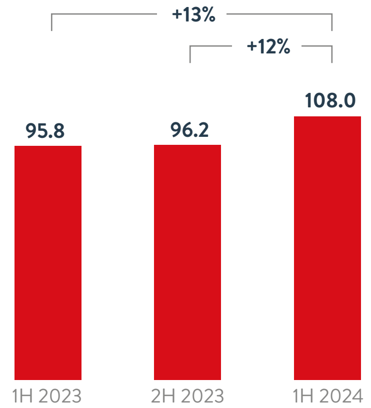
Pro-forma EBITDA[24]

$89.8m



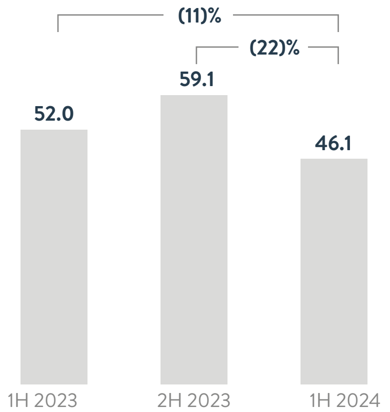
Profit pre Provisions[25]

$108.0m



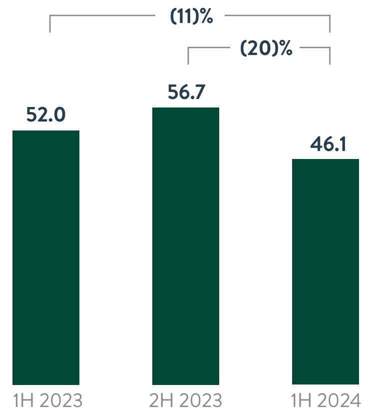
Pro-forma NPAT

$46.1m



Statutory NPAT

$46.1m



Half Year Ended 30 June 2024 versus 30 June 2023

EBITDA at $89.8 million was (5)% lower than 1H 2023.

Profit pre Provisions (tax and loan losses), grew by 13% from $95.8 million to $108.0 million compared to 1H 2023.

Pro-forma and Statutory NPAT at $46.1 million was (11)% below PCP. Lower D&A and Impairment / Fair Value costs were offset by higher Corporate Interest expense. The Effective Tax Rate ("ETR") increased from 27% PCP to 31% as the prior comparable period benefitted from prior year overprovision releases, while the current period tax expenses exceeded 30% due to equity investment impairment.

Half Year Ended 30 June 2024 versus 31 December 2023

EBITDA at $89.8 million was (14)% lower than 2H 2023. Credit Expense coupled with marginal increases in Operating Expenses drove lower EBITDA.

Profit pre Provisions (tax and loan losses), grew by 12% from $96.2 million to $108.0 million compared to 2H 2023.

Pro-forma NPAT at $46.1 million was (22)% below the second half of 2023. Lower D&A costs were offset by higher Impairment and Corporate Interest expenses. The ETR increased from 27% to 31% as the second half of 2023 benefitted from prior year overprovision releases, while the current period tax expenses exceeded 30% due to equity investment impairment.

24. EBITDA: Earnings before interest, tax, depreciation and amortisation.
25. Profit pre Provisions: profit before tax and loan losses.

Funding and capital

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

Funding: the following funding channels are used to support Pepper Money's lending activities:

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

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

- **PRS 39 (RMBS)** was settled on 28 February 2024 and is a domestic non-conforming mortgage issuance of $750.0 million; and
- **SPARKZ 8 (ABS)** was settled on 18 April 2024 and is a domestic car and equipment asset-backed issuance of $675.9 million.

During the six months to 30 June 2024, Warehouse facility limits were reduced by $(160.7) million, with total Warehouse capacity as at 30 June 2024 of $9.2 billion which, including Pepper Notes, was (2)% down from 31 December 2023.

A further $1,115.4 million was added in Private term securitisations during the period, including:

- two Prime Mortgage Whole Loan Sales totalling $389.3 million;
- a Non-Conforming Mortgage Whole Loan Sale of $226.1 million; and
- an Asset Finance Whole Loan Sale of $500.0 million.

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.

On 28 March 2024, Pepper Money completed the acquisition of the residual shareholding in Stratton Finance Pty Ltd for a cash consideration of $41.9 million funded from existing cash reserves.

Following the maturity, and repayment, of Pepper Money's **Corporate Debt Facility** (CDF), a new syndicated 3-year revolving credit facility was established on 23 May 2024. The key terms of the corporate debt facilities are summarised below:

Facility Name	Syndicated Facility Agreement[26]	Medium Term Notes
Commencement Date	23 May 2024	13 October 2021
Facility Size	A$270 million Revolving cash advance facility	
Drawn as of 30 June 2024	A$155 million	A$115 million
Interest and Fees	At a minimum, the CDF bears interest at the 90-day BBSY 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[27] plus a margin, which increases over time. A one-off upfront fee paid on drawdown of the Notes.

As at 30 June 2024, the Group had $99.8 million in unrestricted cash. (30 June 2023: $78.8 million, 31 December 2023: $121.1 million). The Group completed the acquisition of the residual 35% interest in Stratton, effective 28 March 2024, funded through operating cash flows.

26. Known as the Corporate Debt Facility (CDF).
27. BBSW: Australian Bank Bill Swap Rate.

Interim dividend and shareholder return

A fully franked Interim dividend will be paid on 10 October 2024 of 5.0 cents per basic share. This represents a payout ratio of 47.50% of Pro-forma NPAT for the six months to 30 June 2024, up from 30.00% for the 2023 Interim dividend. The 2024 Interim dividend represents an annual yield of 6.7% (2023 Interim 5.1%). The Interim dividend of $21.9 million represents 22% of unrestricted cash as at 30 June 2024.

	1H 2024	1H 2023
CY2024 Interim Dividend	**Pro Forma & Statutory**	**Pro Forma & Statutory**
Unrestricted Cash ($ million)	**99.8**	78.8
Issued Shares (million)	**441.6**	439.8
NPAT ($ million):	**$46.1**	$52.0
Interim Dividend Payout Ratio	**47.50%**	30.00%
Interim Dividend ($ million)	**$21.9**	$15.6
Interim Dividend per Share (cents/basic)	**5.0**	3.5
Interim Dividend yield: annualised	**6.7%**	5.1%
Earnings per Share (cents/basic)	**10.46**	11.82
Dividend % Unrestricted cash	**22%**	20%

Consolidated balance sheet (extract)

$ Million	**30 June 2024**	**31 December 2023**	**30 June 2023**
Assets			
Cash and cash equivalents	**1,106.3**	1,528.7	1,110.6
Receivables	**15.7**	21.2	15.5
Loans and advances	**17,120.5**	18,379.4	18,129.3
Derivative financial assets	**64.6**	52.4	140.9
Other financial assets	**19.8**	19.2	19.6
Other assets	**5.9**	12.0	10.1
Deferred tax assets	**15.6**	21.8	4.0
Property, plant and equipment	**28.4**	32.0	31.7
Goodwill and intangibles	**137.8**	141.0	147.1
Total assets	**18,514.6**	**20,207.7**	**19,608.8**
Liabilities			
Trade payables	**12.0**	17.1	11.9
Current tax	**4.3**	9.5	7.9
Provisions	**25.6**	23.6	23.2
Borrowings	**17,511.1**	19,257.0	18,644.2
Derivative liabilities	**1.7**	4.0	4.3
Other liability categories	**100.5**	33.7	32.4
Deferred tax liabilities	**–**	–	8.4
Total liabilities	**17,655.2**	**19,344.9**	**18,732.3**

The Group had loans and advances as at 30 June 2024 of $17.1 billion (31 December 2023: $18.4 billion), reflecting a (7)% net portfolio change on December 2023 close. The Group originated $3.3 billion in new financial assets in the period, while over the same period executed Whole loan sales totalling $1.1 billion. The asset growth was further financed by two Public Term securitisation issues totalling $1.4 billion. Warehouse capacity was reduced by $(160.7) million.

Events since the end of the period

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

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

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22 and forms part of this report.

Rounding of amounts

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

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

On behalf of the Directors of Pepper Money Limited.

Akiko Jackson
Chair
29 August 2024

Mario Rehayem
CEO & Director
29 August 2024

Condensed Consolidated Financial Statements

for the half-year ended 30 June 2024

Contents

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Quay Quarter Tower,
50 Bridge Street,
Sydney NSW 2000

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

29 August 2024

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

Dear Board Members

Auditor's Independence Declaration to Pepper Money Limited

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

As lead audit partner for the review of the half year financial report of Pepper Money Limited for the half year ended 30 June 2024, 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 review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Heather Baister

Heather Baister
Partner
Chartered Accountants

Independent Auditor’s Report

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Sydney NSW 2000

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

Conclusion

We have reviewed the half-year financial report of Pepper Money Limited and its subsidiaries (the “Group”), which comprises the condensed consolidated statement of financial position as at 30 June 2024 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes to the financial statements, including material accounting policy information and other explanatory information, and the director’s declaration as set out on pages 25 to 51.

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

- Giving a true and fair view of the Group’s financial position as at 30 June 2024 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (“the Code”) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Directors’ Responsibilities for the Half-year Financial Report

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

Deloitte.

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Heather Baister

Heather Baister
Partner
Chartered Accountants

Sydney, 29 August 2024

Directors' Declaration

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

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

(b) the condensed consolidated financial statements of Pepper Money Limited (as defined in Note 1) including the Notes set out on pages 26 to 51:

(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.

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

On behalf of the Directors

Akiko Jackson
Chair

29 August 2024

Mario Rehayem
CEO and Director

29 August 2024

Condensed consolidated statement of profit or loss

	Notes	Half-year ended 30 June 2024 $M	Half-year ended 30 June 2023 $M
Interest income	2(A)	**732.4**	664.3
Interest expense[1]	2(A)	**(561.5)**	(479.4)
Net interest income[1]		**170.9**	184.9
Lending fee income	2(B)	**33.4**	37.0
Lending expense	2(B)	**(13.9)**	(27.2)
Whole loan sales gain		**19.1**	3.1
Loan losses	3(B)	**(41.6)**	(24.7)
Servicing fees and other income	2(B)	**18.1**	20.4
Total operating income		**186.0**	193.5
Employee benefits expense	2(D)	**(65.3)**	(65.0)
Marketing expense		**(7.6)**	(7.8)
Technology expense		**(11.5)**	(12.1)
General and admin expense	2(D)	**(9.1)**	(9.6)
Fair value losses on financial assets		**(2.7)**	(4.3)
Depreciation and amortisation expense		**(9.6)**	(11.9)
Corporate interest expense		**(13.8)**	(11.7)
Operating expenses		**(119.6)**	(122.4)
Profit before income tax		**66.4**	71.1
Income tax expense		**(20.3)**	(19.1)
Net profit after income tax		**46.1**	52.0
Attributable to equity holders of Pepper Money Limited		**46.7**	53.0
Attributable to non–controlling interests		**(0.6)**	(1.0)

	Note	Cents per share	Cents per share
Earnings per share (EPS)	2(E)		
Basic EPS		**10.46**	11.82
Diluted EPS		**10.03**	11.52

1. Excludes corporate interest expense

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

Condensed consolidated statement of comprehensive income

	Half-year ended	
	30 June 2024 $M	**30 June 2023 $M**
Net profit after tax	**46.1**	52.0
Other comprehensive income that may be recycled to profit or loss		
Currency translation movement	**(0.5)**	(0.1)
Changes in fair value of hedging instruments	**16.0**	4.5
Income tax relating to items that may be recycled to profit or loss	**(4.8)**	(1.4)
Total other comprehensive income that may be recycled to profit or loss	**10.7**	3.0
Total comprehensive income for the period	**56.8**	55.0
Total comprehensive income attributable to:		
Owners of Pepper Money Limited	**57.4**	56.0
Non-controlling interests	**(0.6)**	(1.0)

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

Condensed consolidated statement of financial position

	Notes	As at 30 June 2024 $M	As at 31 December 2023 $M
Assets			
Cash and cash equivalents	3(A)	**1,106.3**	1,528.7
Receivables		**15.7**	21.2
Loans and advances	3(B)	**17,120.5**	18,379.4
Derivative financial assets		**64.6**	52.4
Other financial assets	3(C)	**19.8**	19.2
Other assets		**5.9**	12.0
Deferred tax assets		**15.6**	21.8
Property, plant and equipment		**28.4**	32.0
Goodwill and intangibles	8	**137.8**	141.0
Total assets		**18,514.6**	20,207.7
Liabilities			
Trade payables		**12.0**	17.1
Current tax		**4.3**	9.5
Provisions		**25.6**	23.6
Borrowings	4(A)	**17,511.1**	19,257.0
Derivative liabilities		**1.7**	4.0
Other liabilities		**40.1**	33.7
Other financial liabilities	5(A)	**60.4**	–
Total liabilities		**17,655.2**	19,344.9
Total net assets		**859.4**	862.8
Equity			
Issued capital	7(A)	**732.7**	729.8
Other reserves	7(B)	**56.4**	50.0
Retained earnings		**70.3**	45.6
Total equity attributable to owners of Pepper Money Limited		**859.4**	825.4
Non-controlling interests		**–**	37.4
Total equity		**859.4**	862.8

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

Condensed consolidated statement of changes in equity

	Issued capital $M	Currency translation reserve $M	Cash flow hedge reserve $M	Share-based payments reserve $M	Business combinations reserve	Retained earnings $M	Attributable to owners of the Group $M	Non-controlling interests $M	Total equity $M
1 January 2023									
Opening balance	729.6	(0.3)	90.3	9.8	–	(27.5)	801.9	39.4	841.3
Profit/(loss) for the period	–	–	–	–	–	53.0	53.0	(1.0)	52.0
Currency translation movements	–	(0.1)	–	–	–	–	(0.1)	–	(0.1)
Cash flow hedge movements	–	–	3.1	–	–	–	3.1	–	3.1
Total comprehensive income	–	(0.1)	3.1	–	–	53.0	56.0	(1.0)	55.0
Ordinary shares issued	0.2	–	–	–	–	–	0.2	–	0.2
Dividends paid	–	–	–	–	–	(22.3)	(22.3)	–	(22.3)
Share-based payments	–	–	–	2.3	–	–	2.3	–	2.3
Balance as at 30 June 2023	729.8	(0.4)	93.4	12.1	–	3.2	838.1	38.4	876.5
1 January 2024									
Opening balance	**729.8**	**(0.4)**	**33.1**	**17.3**	**–**	**45.6**	**825.4**	**37.4**	**862.8**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**46.7**	**46.7**	**(0.6)**	**46.1**
Currency translation movements	**–**	**(0.5)**	**–**	**–**	**–**	**–**	**(0.5)**	**–**	**(0.5)**
Cash flow hedge movements	**–**	**–**	**11.2**	**–**	**–**	**–**	**11.2**	**–**	**11.2**
Total comprehensive income	**–**	**(0.5)**	**11.2**	**–**	**–**	**46.7**	**57.4**	**(0.6)**	**56.8**
Ordinary shares issued	**2.9**	**–**	**–**	**–**	**–**	**–**	**2.9**	**–**	**2.9**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(22.0)**	**(22.0)**	**–**	**(22.0)**
Other equity movements	**–**	**–**	**–**	**–**	**(5.1)**	**–**	**(5.1)**	**–**	**(5.1)**
Derecognition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(36.8)**	**(36.8)**
Share-based payments	**–**	**–**	**–**	**0.8**	**–**	**–**	**0.8**	**–**	**0.8**
Balance as at 30 June 2024	**732.7**	**(0.9)**	**44.3**	**18.1**	**(5.1)**	**70.3**	**859.4**	**–**	**859.4**

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

Condensed consolidated statement of cash flows

	Half-year ended	
	30 June 2024 $M	30 June 2023 $M
Cash flows from operating activities		
Interest received	**721.2**	648.8
Interest paid	**(578.6)**	(468.3)
Receipts from loan fees and other income	**49.6**	57.5
Payments to suppliers and employees	**(108.9)**	(126.9)
Receipts from net loans to borrowers	**180.6**	31.7
Proceeds from sale of loan portfolios	**1,152.9**	156.6
Income taxes paid	**(24.1)**	(39.3)
Net cash inflow from operating activities	**1,392.7**	260.1
Cash flows from investing activities		
Payments for property, plant and equipment, intangibles and other assets	**(3.1)**	(2.2)
Net payments for investments	**(3.4)**	(0.3)
Payments for business acquired	**(41.9)**	–
Net cash (outflow) from investing activities	**(48.4)**	(2.5)
Cash flows from financing activities		
Proceeds from borrowings	**3,521.7**	6,348.8
Repayment of borrowings	**(5,262.8)**	(6,712.7)
Repayment of lease liability	**(3.6)**	(4.4)
Payment of dividends	**(22.0)**	(22.3)
Net cash (outflow) from financing activities	**(1,766.7)**	(390.6)
Net (decrease) in cash and cash equivalents	**(422.4)**	(133.0)
Cash and cash equivalents at the beginning of the financial period	**1,528.7**	1,243.6
Cash and cash equivalents at end of period	**1,106.3**	1,110.6

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

Notes to the Condensed Consolidated Financial Statements

1. General information

A. Reporting entity

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

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

B. Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following transaction during the reporting period:

- on 20 March 2024, the Group exercised its call option to acquire the remaining 35% of shares in Stratton Finance Pty Ltd ("Stratton"); and
- the transaction completed on 28 March 2024 for a cash consideration of $41.9 million and was funded from existing cash reserves.

As a result of this transaction, a non-controlling interest in respect of Stratton is no longer present.

C. Basis of preparation

The condensed consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value.

The accounting policies are consistent with Australian Accounting Standards.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the annual financial report for the financial year ended 31 December 2023, with the exception of those discussed in Note 1(F) and the following:

Trail commission payable

During the reporting period, the Group revised its treatment of ongoing trail commission payable in respect of mortgages originated through brokers in Australia and New Zealand. As a result, the Group has:

- recognised a liability within Other financial liabilities equivalent to the present value of expected future trail commission payments and a corresponding increase in Capitalised brokerage costs in Loans and advances; and
- reclassified Trail commission expense from Lending expense, to be amortised through Net interest income in line with the effective interest rate ("EIR") method.

Comparatives have not been revised for the above change in accounting treatment as the impact of this change is not material to the financial statements.

Please refer to Note 5(A) for further information.

D. Statement of compliance

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

This interim financial report does not contain all disclosures of the type normally found within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report. This report should be read in conjunction with the annual financial report for the financial year ended 31 December 2023 and any public announcements made up until the date of this interim financial report.

E. Accounting estimates

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

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

a. Determination of impairment losses on loans and advances

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

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

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 evaluated 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 aligned its approach to estimating ECLs with its credit risk management practices and the requirements of AASB 9 *Financial Instruments*, which incorporates segmentation between the following three stages at each reporting date:

	Stage	Required provision	Provision approach
Stage 1	Performing loans and advances less than 30 days past due	Losses that arise from a default event in the next 12 months	Modelled collective provision, post-model overlay adjustments
Stage 2	All loans and advances where a significant increase in credit risk 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	Captures estimated impacts of scenario weighted macro-economic assumptions. The Group uses macro-economic factors including unemployment rates, target cash rate and GDP growth rates analysed across 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, judgements and analysis. The macro-economic variables used in the base case, upside and downside scenarios have not changed since 31 December 2023. In addition, the weighting applied to the three scenarios has not changed since 31 December 2023.
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. As at 30 June 2024, the post-model overlay adjustment was $10.0 million given the deterioration in customer sentiment, uncertain rate environment and heightened level of insolvencies (31 December 2023: $8.7 million).

b. Goodwill and intangibles

Goodwill on acquisitions of subsidiaries is included in goodwill and intangibles in the statement of financial position. The Group determines whether goodwill and other identifiable 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 ("CGUs") to which the goodwill and other intangible assets with indefinite useful lives are allocated.

Refer to Note 8 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.

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 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. Net present value of trail commission payable

The recognition of expected future trail commission payable in the statement of financial position is an accounting estimate, given the valuation techniques and assumptions applied in the modelling.

Key assumptions underlying the estimation of the present value of future cash flows include the run-off rate and discount rate. These assumptions are determined based on experience and current and forecast economic factors.

Refer to Note 5(A) for further information, including the key assumptions used.

F. Accounting Standards adopted in the period

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

Pillar Two Tax Reform

The Group has completed an initial assessment of the 15% global minimum tax under the OECD Pillar Two model rules, in conjunction with the ultimate parent entity Pepper Global Topco Limited. The initial assessment is that the Group is excluded from the scope of the OECD Pillar Two model rules and that this status is not expected to change in the foreseeable future.

2. Financial performance

A. Interest income and interest expense

	Half-year ended	
	30 June 2024 $M	**30 June 2023 $M**
Interest income:		
Interest from customers	**705.7**	644.1
Bank interest	**26.7**	20.2
Total interest income	**732.4**	664.3
Interest expense:		
Interest expense	**(561.5)**	(479.4)
Net interest income	**170.9**	184.9

B. Non-interest income and expenses

Lending fee income

	Half-year ended	
	30 June 2024 $M	**30 June 2023 $M**
Settlement fees	**14.7**	17.1
Post–settlement fees	**18.7**	19.9
Total lending fee income	**33.4**	37.0

Lending expense

	Half-year ended	
	30 June 2024 $M	**30 June 2023 $M**
Trail commission expense	–	(12.9)
Trustee and other special purpose vehicle expenses	**(1.5)**	(1.5)
Enforcement costs	**(4.8)**	(4.8)
GST input tax loss	**(2.2)**	(2.0)
Origination expense	**(1.7)**	(3.1)
Other lending expense	**(3.7)**	(2.9)
Total lending expense	**(13.9)**	(27.2)

During the period, Trail commission expense ($11.1 million) was reclassified from Lending expense to be amortised through Net interest income in line with the EIR method. Refer to Note 5(A) for further information.

Servicing fees and other income

	Half-year ended	
	30 June 2024 $M	**30 June 2023 $M**
Loan and other servicing income	**2.0**	3.5
Brokerage commissions	**6.4**	6.7
Volume bonuses and incentives	**3.3**	6.0
Other income	**6.4**	4.2
Total servicing fees and other income	**18.1**	20.4

C. Disaggregation of revenue from contracts with customers

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

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

	Mortgages		Asset Finance		Loans and Other Servicing		Corporate		Total	
Half-year ended 30 June	**2024 $M**	**2023 $M**	**2024 $M**	**2023 $M**	**2024 $M**	**2023 $M**	**2024 $M**	**2023 $M**	**2024 $M**	**2023 $M**
Revenue Type:										
Lending fee income	**11.0**	10.8	**22.4**	26.2	**–**	–	**–**	–	**33.4**	37.0
Whole loan sales income	**13.4**	3.1	**5.7**	–	**–**	–	**–**	–	**19.1**	3.1
Servicing fees and other income	**–**	–	**12.7**	16.0	**5.4**	4.4	**–**	–	**18.1**	20.4
Total revenue from contracts with customers	**24.4**	13.9	**40.8**	42.2	**5.4**	4.4	**–**	–	**70.6**	60.5
Timing of revenue recognition:										
Services transferred at a point in time	**24.4**	13.9	**37.5**	36.2	**3.4**	0.9	**–**	–	**65.3**	51.0
Services transferred over time	**–**	–	**3.3**	6.0	**2.0**	3.5	**–**	–	**5.3**	9.5
Total revenue from contracts with customers	**24.4**	13.9	**40.8**	42.2	**5.4**	4.4	**–**	–	**70.6**	60.5
Lending expense	**(7.5)**	(21.4)	**(6.4)**	(5.8)	**–**	–	**–**	–	**(13.9)**	(27.2)
Other operating income as reported in Note 2(F) Segment Reporting	**16.9**	(7.5)	**34.4**	36.4	**5.4**	4.4	**–**	–	**56.7**	33.3

D. Expenses

Employee benefits expense

	Half-year ended	
	30 June 2024 $M	**30 June 2023 $M**
Salaries and wages	**(48.0)**	(51.5)
Employee incentive and share-based payments	**(13.9)**	(11.1)
Other personnel expenses	**(3.4)**	(2.4)
Total employee benefits expense	**(65.3)**	(65.0)

General and admin expense

	Half-year ended	
	30 June 2024 $M	**30 June 2023 $M**
Related party charges	**(0.2)**	(0.3)
Postage, printing and office expenses	**(1.0)**	(1.2)
Professional expenses	**(3.9)**	(4.5)
Travel and entertainment expenses	**(0.7)**	(0.8)
Financing fees and expenses	**(0.4)**	0.1
Insurance expenses	**(0.3)**	(0.5)
Occupancy expense	**(1.1)**	(0.6)
Other expenses	**(1.5)**	(1.8)
Total general and admin expense	**(9.1)**	(9.6)

E. 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 of the dilutive potential ordinary shares into ordinary shares.

b. EPS calculation inputs

	Half-year ended	
	30 June 2024 $M	**30 June 2023 $M**
Profit attributable to ordinary equity holders of the Group	**46.1**	52.0
Weighted average number of ordinary shares ("WANOS") used in the calculation of basic EPS (millions of shares)	**440.6**	439.7
Dilutive effect of share rights (millions of shares)	**18.9**	11.4
WANOS used in the calculation of diluted shares (millions of shares)	**459.5**	451.1

c. Basic earnings per share

	Half-year ended	
	30 June 2024 Cents	30 June 2023 Cents
Basic EPS	**10.46**	11.82
Total basic EPS attributable to the ordinary equity holders of the Group	**10.46**	11.82

d. Diluted earnings per share

	Half-year ended	
	30 June 2024 Cents	30 June 2023 Cents
Diluted EPS	**10.03**	11.52
Total diluted EPS attributable to the ordinary equity holders of the Group	**10.03**	11.52

F. Segment reporting

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

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

The chief operating decision makers examine the Group's performance from a portfolio perspective and 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 and self managed super fund loans in Australia. Mortgage lending comprises residential prime and non–conforming mortgages.
- The **Asset Finance** segment includes the revenues and direct expenses associated with the origination and ongoing ownership of loans secured over a range of assets, including new and used cars, caravans and small commercial equipment and novated leasing in Australia. The Group's wholly owned subsidiary, Stratton Finance Pty Ltd, is included within this segment given common customer base, revenue 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:

Half-year ended 30 June 2024	Mortgages $M	Asset Finance $M	Loan and Other Servicing $M	Corporate $M	Total $M
Interest income	495.4	235.6	–	1.4	732.4
Interest expense	(399.5)	(162.0)	–	–	(561.5)
Net interest income	95.9	73.6	–	1.4	170.9
Other operating income	16.9	34.4	5.4	–	56.7
Loan losses	(2.7)	(38.9)	–	–	(41.6)
Total segment reporting income	110.1	69.1	5.4	1.4	186.0
Corporate costs	–	–	–	(96.2)	(96.2)
Depreciation and amortisation	–	–	–	(9.6)	(9.6)
Corporate interest expense	–	–	–	(13.8)	(13.8)
Profit before income tax	110.1	69.1	5.4	(118.2)	66.4
Income tax expense	–	–	–	(20.3)	(20.3)
Net profit after tax	110.1	69.1	5.4	(138.5)	46.1

Half-year ended 30 June 2023	Mortgages $M	Asset Finance $M	Loan and Other Servicing $M	Corporate $M	Total $M
Interest income	486.6	176.9	–	0.8	664.3
Interest expense	(368.7)	(110.7)	–	–	(479.4)
Net interest income	117.9	66.2	–	0.8	184.9
Other operating income	(7.5)	36.4	4.4	–	33.3
Loan losses	(2.5)	(22.3)	0.1	–	(24.7)
Total segment reporting income	107.9	80.3	4.5	0.8	193.5
Corporate costs	–	–	–	(98.8)	(98.8)
Depreciation and amortisation	–	–	–	(11.9)	(11.9)
Corporate interest expense	–	–	–	(11.7)	(11.7)
Profit before income tax	107.9	80.3	4.5	(121.6)	71.1
Income tax expense	–	–	–	(19.1)	(19.1)
Net profit after tax	107.9	80.3	4.5	(140.7)	52.0

b. Segment balance sheet

As at 30 June 2024	Mortgages $M	Asset Finance $M	Loan and Other Servicing $M	Corporate $M	Total $M
Segment assets	**11,781.6**	**5,530.2**	**0.8**	**1,202.0**	**18,514.6**
Segment liabilities	**(11,781.6)**	**(5,529.0)**	**(0.8)**	**(339.5)**	**(17,650.9)**
Current tax asset/(liability)	**–**	**0.1**	**–**	**(4.4)**	**(4.3)**
Total	**–**	**1.3**	**–**	**858.1**	**859.4**
As at 31 December 2023					
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

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

G. Dividends

a. Declared and paid during the period

	Half-year ended	
	30 June 2024 $M	**30 June 2023 $M**
Final 2023 dividend: $0.050 (2022: $0.051)	**22.0**	22.3

The final 2023 dividend of $22.0 million was fully franked at 30% and paid on 18 April 2024 (2022: $22.3 million).

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

	Half-year ended	
	30 June 2024 $M	**30 June 2023 $M**
Interim 2024 dividend: $0.050 (Interim 2023: $0.035)	**21.9**	15.6

On 29 August 2024, the Directors declared a fully-franked Interim dividend of 5.0 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 30 June 2024, to be paid to shareholders on 10 October 2024. This dividend has not been included as a liability in these financial statements.

The total estimated Interim 2024 dividend to be paid is $21.9 million.

3. Financial assets

A. Cash and cash equivalents

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

	As at	
	30 June 2024 $M	**31 December 2023 $M**
Cash at bank	**99.8**	121.1
Restricted cash	**1,006.5**	1,407.6
Total cash and cash equivalents	**1,106.3**	1,528.7

B. Gross loans and advances

	As at	
	30 June 2024 $M	**31 December 2023 $M**
Gross loans and advances		
Loans and advances	**17,006.2**	18,307.0
Deferred transaction costs	**231.5**	251.7
Capitalised brokerage costs[1]	**58.3**	–
Mortgage risk fee	**(54.7)**	(59.7)
Provision for loan impairment	**(120.8)**	(119.6)
	17,120.5	18,379.4

	As at	
	30 June 2024 $M	**31 December 2023 $M**
Provision for loan impairment		
Specific provision	**(45.1)**	(38.7)
Collective provision	**(75.7)**	(80.9)
	(120.8)	(119.6)
Specific provision		
Opening balance	**(38.7)**	(29.8)
Provided for during the year	**(46.8)**	(51.4)
Loans previously provided for written-off or sold	**40.4**	42.5
Specific provision closing balance	**(45.1)**	(38.7)
Collective provision		
Opening balance	**(80.9)**	(92.4)
Released during the year	**5.2**	11.5
Collective provision closing balance	**(75.7)**	(80.9)

1. Capitalised brokerage costs represents the revised accounting treatment of trail commission payables to mortgage brokers.

a. Staging analysis by loans and advances and provisions for impairment

The following tables show movements in:

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

for the half-year ended 30 June 2024 and year-ended 31 December 2023.

The gross carrying amount of loans and advances includes deferred transaction costs, capitalised brokerage costs and mortgage risk fees.

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 2024	17,869.1	398.3	231.6	18,499.0
Transfer to Stage 1	271.0	(219.3)	(51.7)	–
Transfer to Stage 2	(303.7)	321.7	(18.0)	–
Transfer to Stage 3	(87.2)	(60.5)	147.7	–
Financial assets that have been derecognised during the period	(3,855.8)	(73.5)	(59.4)	(3,988.7)
New financial assets originated	2,553.5	18.0	3.9	2,575.4
Net repayments and interest for the period	156.6	6.8	(7.8)	155.6
Gross carrying amount as at 30 June 2024	16,603.5	391.5	246.3	17,241.3

Provision for loan impairment $M	**Stage 1 (12-month ECL)**	**Stage 2 (Lifetime ECL)**	**Stage 3 (Lifetime ECL)**	**Total**
Loss allowance as at 1 January 2024	53.3	9.2	48.4	119.6
Transfer to Stage 1	11.5	(4.4)	(7.1)	–
Transfer to Stage 2	(0.7)	2.5	(1.8)	–
Transfer to Stage 3	(0.4)	(2.0)	2.4	–
Financial assets that have been derecognised during the period	(3.4)	(1.5)	(15.5)	(20.4)
New financial assets originated	6.7	1.2	0.9	8.8
Net repayments and interest for the period	(17.5)	4.0	25.0	11.5
Total	49.5	9.0	52.3	110.8
Post–model overlay adjustments	–	–	–	10.0
Loss allowance as at 30 June 2024	49.5	9.0	52.3	120.8

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

The value of the collateral held as security for loans in the Stage 1, Stage 2 and Stage 3 collective provision as at 30 June 2024 is $22.4 billion (31 December 2023: $24.6 billion).

The value of the collateral held as security for loans in the Stage 3 specific provision as at 30 June 2024 is $7.8 million (31 December 2023: $2.1 million).

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

30 June 2024	Maximum exposure to credit risk $M	Relative credit quality of assets Rated*	Unrated
Cash and cash equivalents	1,106.3	Investment grade	–
Derivative financial instruments	64.6	Investment grade	–
Gross Mortgages loans and advances (including undrawn facilities)	12,816.5	–	
LVR Band 90%+			224.5
LVR Band 75–90%			3,345.5
LVR Band 60–75%			3,737.8
LVR Band <60%			5,508.7
Gross Asset Finance loans and advances	5,670.5	–	
Commercial			2,270.9
Consumer			1,982.6
Novated			1,417.0
Receivables	15.7	–	15.7
Other financial assets	3.3	–	3.3
Total	19,676.9	–	18,506.0

31 December 2023	Maximum exposure to credit risk $M	Relative credit quality of assets 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.

As at 30 June 2024 the Group had $1,337.2 million of undrawn credit facilities (31 December 2023: $1,528.3 million).

Undrawn customer commitments and redraw balances which can be cancelled at any time by the Group are not recognised on the statement of financial position. The Group recognises ECL on undrawn credit commitments as required by AASB 9. The ECL has been assessed as immaterial and no provision has been recognised.

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

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

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

C. Other financial assets

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

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

	As at	
	30 June 2024 $M	**31 December 2023 $M**
Equity investments held at FVTPL	**16.5**	19.0
Debt investments held at amortised cost	**3.3**	0.2
Total other financial assets	**19.8**	19.2

4. Financial liabilities

A. Borrowings

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

	As at	
	30 June 2024 $M	**31 December 2023 $M**
Non-recourse facilities	**17,234.1**	18,978.0
Government structured finance	**4.8**	7.4
Corporate debt facilities	**272.2**	271.6
Total borrowings	**17,511.1**	19,257.0

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

Corporate debt facilities secured over certain assets of the Group were also in place in the year ended 31 December 2023 and the period to 30 June 2024.

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. This facility was fully repaid on 23 May 2024, ahead of its maturity date. A new secured, syndicated 3-year revolving credit facility was established on 23 May 2024.

As at 30 June 2024, $155.0 million was drawn down on the total facility of $270.0 million (31 December 2023: $155.0 million). This facility carries a floating interest rate at 90-day 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 30 June 2024, the value of outstanding floating rate notes was $115.0 million (31 December 2023: $115.0 million). These notes carry a floating interest rate at 3-month BBSW plus a margin. Transaction costs directly attributable to the notes have been capitalised and are amortised over the facility term.

5. Other financial liabilities

A. Trail commission payable

	As at	
	30 June 2024 $M	**31 December 2023 $M**
Present value of trail commission payable	60.4	–
Total other financial liabilities	**60.4**	–

The Group makes trail commission payments in respect of mortgages originated through brokers in Australia and New Zealand. These payments are based on monthly loan balances outstanding (excluding 0% commission rate loans and "in-arrears" loans).

On initial recognition of a mortgage loan at settlement, the Group recognises a trail commission financial liability which is recognised based on the net present value ("NPV") of expected future trailing commission payable to brokers.

A corresponding capitalised trail commission asset is capitalised to the loan as part of the transaction costs.

The following key assumptions have been used in the determination of the estimated future cash flows:

	As at 30 June 2024
Run-off rate	Between 16.8% – 46.7% (depending on product and loan seasoning)
Discount rate	10.2%

Run-off rate

The run-off rate is the most sensitive factor in the NPV modelling. This rate is calculated based on the observed seasoning performance within the portfolio.

Discount rate

For the purposes of the valuation technique, the post-tax discount rate is set each remeasurement date. The discount rate is incorporating the current market assessment of the risks specific to the Group, considering the time value of money, and is calculated using the Group's post-tax weighted average cost of capital ("WACC").

Sensitivity analysis

Sensitivity analysis (on the trail commission payable) has been performed on both the run–off rate and discount rate:

- the impact of a +/– 2% movement in the run–off rate is $2.8 million; and
- the impact of a +/– 1% movement in the discount rate is $1.2 million.

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	30 June 2024 $M	31 December 2023 $M
Equity investments at FVTPL	Level 2	Recent arms' length market transaction	**16.5**	19.0
Derivative financial assets and liabilities	Level 2	Discounted cash flow, forward interest rates, contract interest rates, counterparty valuations	**62.9**	48.4
Total			**79.4**	67.4

In the period to 30 June 2024 there has been no change in the fair value hierarchy or the valuation techniques applied to any of the balances above.

Fair value of assets and liabilities not measured at fair value

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

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

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 as at 1 January 2024	439.8	729.8
Ordinary shares issued to employees as part of share–based payment schemes	1.8	2.9
Balance as at 30 June 2024	**441.6**	**732.7**

During the period, the Group issued additional ordinary shares to employees in accordance with Pepper Money Limited equity plans.

B. Other reserves

	As at	
	30 June 2024 $M	**31 December 2023 $M**
Currency translation reserve	**(0.9)**	(0.4)
Cash flow hedge reserve	**44.3**	33.1
Share–based payments	**18.1**	17.3
Business combinations reserve	**(5.1)**	–
Total other reserves	**56.4**	50.0

The balance in the business combinations reserve represents the difference between the amount of non-controlling interest derecognised following the acquisition of the remaining 35% interest in Stratton and the fair value of the consideration paid.

8. Goodwill and intangibles

	As at	
	30 June 2024 $M	**31 December 2023 $M**
Goodwill	**98.2**	98.2
Other intangible assets	**19.5**	20.0
Software	**20.1**	22.8
Total goodwill and intangibles	**137.8**	141.0

A. Goodwill

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit ("CGU") is less than the carrying amount, an impairment loss is recognised.

Goodwill of $98.2 million arising on the acquisition of Stratton has been allocated for impairment testing purposes to the Asset Finance CGU.

a. 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 30 June 2024, Management considered that this factor is an indicator of impairment.

b. Recoverable amount of the asset

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 assumptions have been used in determining the recoverable amount:

30 June 2024	Mortgages CGU	Asset Finance CGU
Post-tax discount rate	11.8%	11.8%
Long-term growth rate	3.0%	3.0%

c. 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. Any reasonable changes in key assumptions will not lead to an impairment.

The post-tax discount rates which would result in zero headroom/impairment are 22.8% (Mortgages CGU) and 15.6% (Asset Finance CGU).

d. 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 of goodwill is recognised as at 30 June 2024.

B. Brand

Other intangible assets consist of the Stratton brand and Stratton customer relationships.

The brand was acquired as part of the acquisition of Stratton Finance Pty Ltd. 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.

The brand has been valued as an individual asset for impairment test purpose. No impairment has been recognised in the period.

9. Related party transactions

A. Related party disclosures

The ultimate parent entity of Pepper Money Limited is Pepper Global Topco Limited ("Topco"), an entity incorporated in Jersey. Topco owns 100% of the shares in Pepper Global Midco Limited ("Midco") which in turn owns 100% of the shares in Pepper Group ANZ Holdco Limited ("Holdco"). Holdco owns 60.31% of the shares of Pepper Money Limited (and its controlled entities).

The following table details the total amount of transactions that have been entered into with related parties during the half-year ended 30 June 2024 and half-year ended 30 June 2023, as well as balances with related parties as at 30 June 2024 and 31 December 2023.

a. Transactions and balances with related party entities

$'000	Dividend paid	Other fee income	Other fee expense	Receivable	Payable
Entity with control over the Group:					
Pepper Group ANZ Holdco Limited – 2024	**(13,315)**	**–**	**–**	**–**	**–**
Pepper Group ANZ Holdco Limited – 2023	(13,582)	–	–	–	–
Pepper Group Services Australia Pty Ltd – 2024	**–**	**97**	**(133)**	**47**	**–**
Pepper Group Services Australia Pty Ltd – 2023	–	150	(300)	–	(313)
Pepper Group Assets Australia Pty Ltd – 2024	**–**	**–**	**(213)**	**–**	**(273)**
Pepper Group Assets Australia Pty Ltd – 2023	–	–	(213)	–	(39)
Other related parties of Pepper Money Limited – 2024	**–**	**–**	**–**	**–**	**(59)**
Other related parties of Pepper Money Limited – 2023	–	–	–	7	–

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.

b. Loans to/from related parties

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

There is no allowance account for impaired receivables in relation to any outstanding balances. The receivable is classified as treasury shares as the receivable are limited recourse to the Pepper Money Limited shares held by Management.

	As at	
	30 June 2024 $M	**31 December 2023 $M**
Loan balances to Key Management Personnel of the Group	**5,562.0**	5,562.0

As at 30 June 2024, loans to Directors and their related parties of $2.9 million (loan balance) have been provided in the normal course of the Group's Mortgage and Asset Finance lending businesses (31 December 2023: $2.0 million loan balance). All loans are at arm's length commercial terms.

10. Events occurring after the reporting period

A. Interim dividend declared

The Pepper Money Limited Board declared a fully franked Interim dividend of 5.0 cents per share on 29 August 2024. The Record Date is 12 September 2024 and the payment date is 10 October 2024.

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

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

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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

Other information

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

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