



## Pepper Group Announces Acquisition of South Korean Savings Bank, Formerly Evergreen Savings Bank

Pepper Group

Monday, 21 October 2013

Mutual Savings Bank will commence trading under "Pepper Savings Bank" brand from Monday, 21 October 2013. Pepper Group's first acquisition in South Korea and the first Korean bank to be owned by an Australian institution. Former Standard Chartered Bank executive, Mr Matthew Chang, appointed as Chief Executive Officer of Pepper Savings Bank. Pepper Group ("Pepper") today announced that it has completed the acquisition of a South Korean mutual savings bank. Founded in 1982, Evergreen Savings Bank has 2 retail branch locations in Ansan and Bundang, close to the South Korean capital in Seoul. The Bank currently has 29 employees, approximately 30,000 active customers, total assets of 186,955,298,473 KRW (US\$175.9 Million) (including a corporate loan portfolio), and is primarily funded by customer deposits of 161,838,790,376 KRW (US\$152.2 Million).

With respect to the application for the purchase of shares in Evergreen Savings Bank (to be renamed "Pepper Savings Bank") by PSB Investment Holdings Pty Ltd (a Pepper Group-controlled entity), the Financial Services Commission ("FSC") in South Korea approved Pepper's application in accordance with Article 10-6 of the Mutual Savings Bank Act and Article 7-4 of the Enforcement Decree of the same Act on 16 October 2013.

The mutual savings bank (MSB) sector in South Korea was initially enacted via Government legislation in the early 1970s to facilitate competition in the South Korean banking market, promoting the delivery of traditional retail banking services (eg customer deposits, home loans, personal loans, auto loans, and small business loans) to individual households and small business owners across all regions within South Korea.

At its peak, the MSB sector comprised over 300 active mutual savings banks. Real estate lending, particularly project finance loans, led to the downfall of many mutual savings banks when defaults increased following the global financial crisis in 2008. Today, there are less than 100 active mutual savings banks operating in South Korea.

Pepper Group Co-CEO, Patrick Tuttle, commented: "We have been closely monitoring the mutual savings bank sector in South Korea for more than two years, looking for the right opportunity to invest in an established platform with a sound customer base and balance sheet. After completing detailed financial and legal due diligence on Evergreen Savings Bank, we believe we are acquiring a solid platform from which to launch a more traditional retail banking strategy in South Korea, with a view to taking the Bank back to more grass roots consumer and small business lending, backed by a competitive retail deposit book".

As explained by Mike Culhane, Pepper's Co-Group CEO: "This acquisition marks Pepper's first foray into the Asian financial services market. Evergreen Savings Bank, to be renamed "Pepper Savings Bank" from today, is the first mutual savings bank in South Korea to be acquired by an Australian institution. It is also the first regulated retail bank to be owned within the Pepper Group which is an important and exciting milestone for us in the context of our overall strategy".

According to Patrick Tuttle: "We have deliberately acquired a relatively small savings bank in terms of branches, employees and total balance sheet size in order to avoid many of the legacy problem loan issues that have been experienced by a number of MSBs in the past few years. We have also identified a world class executive team to be led by Matthew Chang who we strongly believe will deliver best-in-class management expertise to a sector which has faced considerable public and regulatory scrutiny as a result of poor management practices over the past few years. Pepper Group will also leverage its deep international experience in consumer lending, loan servicing, treasury management and risk management to deliver strong corporate governance and regulatory oversight of Pepper Savings Bank's future business activities".

Pepper's Korean business is led by Matthew Chang, CEO, who joins Pepper with over 20 years' experience within retail and commercial banking in South Korea and the United States, including holding key executive roles within Standard Chartered First Bank, Korea.

Mike Culhane further commented: "This acquisition is highly strategic for Pepper and will enable us to establish a long-term presence in South Korea. The opportunity to establish a retail savings bank, led by a strong local management team, will enable Pepper to leverage its core skills in credit underwriting and asset management in a financial services market with strong regulatory controls and a proven appetite for competitive consumer deposit and lending products".

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For more information please contact:

(Australia & Asia Pacific)

DEC Public Relations for Pepper Australia

Anna Frilingos / Michael Henderson

02 8014 5036 / 02 8014 5033

pepper@decpr.com.au

#### About Pepper – Key Facts

Pepper Group (“Pepper”) is Australia’s largest non-bank residential mortgage lender (as measured by total assets under management), is a leading provider of specialty residential mortgage and consumer financing, and a highly experienced third-party loan servicer and asset manager. Worldwide, with the recently announced UK acquisition of Oakwood Global Finance (to be renamed Pepper UK), the Group currently has approximately A\$13.5 billion of loan and lease assets under management (comprising residential mortgages, commercial mortgages, equipment leases, small business loans, unsecured consumer loans and car loans). Pepper Group now comprises approximately 675 employees worldwide and has offices in Sydney, Parramatta, London, Dublin, Shannon, Madrid, Singapore and Seoul. Since establishing itself as a specialist residential mortgage lender in the Australian market in March 2001, Pepper has originated more than A\$4.2 billion of specialist residential mortgages in Australia. It also commenced originating commercial auto & equipment finance in April 2013. In August 2011 Pepper acquired GE Capital’s Australian and New Zealand mortgage lending businesses, which comprised a portfolio of approximately A\$5.0 billion of Australian and New Zealand residential mortgages. This transaction was one of the largest whole loan transactions in Australian history. Pepper’s current wholesale funding partners in Australia include Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation. In addition to lending and servicing its own residential mortgage and consumer finance portfolio, Pepper provides third party primary and special servicing across various types of mortgages, leases and unsecured loan products. Pepper is jointly led by Co-Group Chief Executive Officers, Mike Culhane and Patrick Tuttle. Mike and Patrick are focused on ensuring Pepper continues to leverage its core credit underwriting and loan servicing expertise both in its home market of Australia and other underserved markets in Europe and Asia. Pepper is regulated by the Australian Securities & Investments Commission (“ASIC”) in Australia. Pepper Finance Corporation (Ireland) is regulated by the Central Bank of Ireland (CBI) in Ireland. Pepper Savings Bank is regulated in South Korea by the Financial Supervisory Service (FSS). Pepper is ranked by S&P as a “STRONG” Residential Loan Servicer and is included on S&P’s Global Select Servicer List.