



## Pepper Group Responds to 18 October 2013 Announcement by RHG Limited

Media Release

Pepper Group

Friday, 25 October 2013

Pepper Australia Pty Limited ("Pepper") has today responded to a media release made by RHG Limited (ASX Code: RHG) on Friday, 18 October 2013. In that media release RHG confirmed that it had reached agreement with the Resimac Syndicate on the key terms of a revised offer (the "Revised Offer") which included an increased cash offer to all RHG shareholders of 50.1 cents per share.

Specifically, the media release stated: "The Revised Offer provides a certain and equal cash value for all shareholders and is supported by the RHG Board in the absence of a superior proposal".

Pepper's Co-Group Chief Executive Officer, Patrick Tuttle, commented: "In the interests of providing certainty to all of RHG's shareholders, many of whom have supported the Company since its initial ASX listing in 2007, Pepper and Cadence Capital Limited ("CDM") (together the "Pepper Syndicate") have decided to withdraw their offer (the "Pepper Offer") dated 6 September 2013".

He added: "Despite our belief that the Pepper Offer remains clearly superior to the Revised Offer made by the Resimac Syndicate last Friday, the RHG Board has decided to approve it within 3 days of its receipt, despite having been in possession of the latest Pepper Offer since 6 September. For a period of nearly 6 weeks the RHG Board has made no attempt to engage with Pepper in any meaningful way. In fact, Pepper has not once met with any of RHG's independent directors since competition for control of the Company began over six months ago".

As highlighted by Mike Culhane, Pepper's Co-Group Chief Executive Officer: "We can only assume that by increasing its cash offer to 50.1 cents per share the Resimac Syndicate was of the opinion that the Pepper Offer was clearly superior to their previous offer for the Company".

"It is inconceivable that, for close to 6 weeks, the RHG Board was in receipt of a superior proposal but failed to take any positive steps to explore whether agreement could be reached on the terms of our proposal. Yet, surprisingly, they were able to promptly respond, within 3 days, of receiving the Revised Offer from the Resimac Syndicate", said Culhane.

Patrick Tuttle further commented: "At no stage during this process has the RHG Board made a genuine effort to engage with the Pepper Syndicate. The only inference that can be drawn from this behaviour is that the Board has been solely focused on doing a deal with the Resimac Syndicate. On this basis, and given our view that the economic value to Pepper of RHG's loan book has materially deteriorated due to the prolonged period of time taken by the RHG Board to bring this process to a successful conclusion, we have no alternative but to withdraw our offer".

He added: "We believe that Pepper will be better served by focusing on our own direct origination strategy in prime residential mortgages in Australia which will enable us to provide a broader range of residential lending products, including prime, near prime and specialist residential mortgages. Our product range will also be differentiated by the fact that we will not rely on Lender's Mortgage Insurance ("LMI") as the primary source of credit enhancement, thereby offering a more efficient, streamlined credit approval process for our broker and white-label distribution partners".

Culhane concluded by saying: "Pepper is currently reviewing a range of potential investments across both Australia and Europe, so we feel our time and resources will be better utilised in focusing on these alternative opportunities".

– Ends –

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About Pepper – Key Facts

Pepper Group ("Pepper") is Australia's largest non-bank residential mortgage lender (as measured by total assets under management), 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 Oakwood transaction the company 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). Since establishing itself as a specialist residential mortgage lender in the Australian market in March 2001, Pepper has originated more than A\$4.3 billion of specialist residential mortgages in Australia. In 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 mortgage portfolio, Pepper provides third party servicing of various types of mortgages, leases and unsecured loan products. Pepper is jointly led by its Co-Group Chief Executive Officers, Patrick Tuttle and Mike Culhane. Patrick and Mike 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 ranked by S&P as a "STRONG" Residential Loan Servicer and is included on S&P's Global Select Servicer List.