



Pepper Residential Securities Trust No.12 Prices \$500m Non-Conforming RMBS Issue

Pepper Australia Pty Limited ("Pepper") and Joint Lead Managers, Commonwealth Bank of Australia (AUD Arranger and Currency Swap Provider) and National Australia Bank (USD Arranger and Redemption Facility Provider), today confirmed that the Pepper Residential Securities Trust No. 12 ("PRS12") A\$500 million (equivalent) non-conforming RMBS issue has priced.

Transaction details are as follows:

Class of Notes Provisional

Ratings

S&P / Moody's

Issue Amount

(Million)

WAL

(Years) 1.

Issue Margin

A1-u1

A-1+(sf) / P-1(sf)

US\$200

1.0

1m Libor + 0.35%

A1-a

AAA(sf) / Aaa(sf)

A\$136.0

2.5

30 Day BBSW +1.10%

A-2

AAA(sf) / Aaa(sf)

A\$52.5

2.5

30 Day BBSW +1.50%

AA(sf) / NR

A\$26.5

4.4

30 Day BBSW +2.00%

C

A(sf) / NR

A\$25.5

4.4

Undisclosed

D

BBB(sf) / NR

A\$18.0

4.4

Undisclosed

E

BB(sf) / NR

A\$11.5

4.4

Undisclosed

F

B(sf) / NR

A\$8.0

3.6

Undisclosed

G

Not Rated

A\$8.0

5.1

Undisclosed

The estimated WAL for each Note Class is based on full amortisation with a CPR of 20% p.a. for the first 18 months and 25% p.a. thereafter, the Stepdown Criteria being met from the earliest possible date and the Trust Manager Call Option being exercised at the earliest possible date. All tranches were priced at par.

Settlement Date: Thursday, 24 April 2014

Clean Up Call: Any Payment Date occurring:

From April 2019 (i.e. 5 years); or When the aggregate Invested Amount of the Notes outstanding is less than 20% of the aggregate initial Invested Amount of the Notes. Commonwealth Bank of Australia and National Australia Bank Limited were the Joint Lead Managers of the AUD denominated tranches and NAB Securities LLC and Jeffries LLC were the Joint Lead Managers of the USD denominated A1-u1 tranche.

The transaction is Pepper's first public RMBS issue for 2014. It is also Pepper's third 144A compliant issue into the US market, with the A1-u1 tranche structured with a one year legal final maturity to appeal to US 2A7 money market funds. Significantly though, it is the first time Pepper has placed a non-conforming issue into the US market.

"The inclusion of a USD tranche in our PRS non-conforming program marks another significant milestone in the long history of non-conforming issuance by Pepper, dating back to 2003. The participation of US investors, along with a small number of European investors, in our non-conforming program helps to further diversify our offshore investor base, which is vital for a frequent RMBS issuer like Pepper," said Pepper's Co-Group Chief Executive Officer, Patrick Tuttle.

"Based on the strong response to our two previous prime mortgage backed issues, we were confident that the US investor base would also find this offering appealing. That said, we are thrilled with the broad investor participation in the PRS12 USD tranche. We are also delighted with the strong support that we continue to receive from loyal repeat Australian institutions, with each of the AUD tranches pricing inside the equivalent PRS 11 margins set in October 2013", added Tuttle.

"The PRS12 issue was well supported by investors across the entire capital structure, with a total of 14 domestic and 7 foreign investors participating, many of whom are repeat buyers. Our track record and commitment to always call our term deals at the first available date, continues to attract strong support from investors, and we are now developing repeat buying from a number of US and European investors" said Pepper Group Treasurer, Todd Lawler.

"This transaction demonstrates that there is genuine investor demand for Australian non-conforming RMBS paper from quality issuers with strong servicing and asset performance history. For PRS12 we were also able to introduce some first-time investors to Pepper's non-conforming programme who had only previously participated in our prime transactions. This is a strong endorsement of Pepper's business model, the credit quality of the underlying loan collateral and our expertise as a specialist mortgage servicer" added Lawler.

"This is a benchmark transaction for Pepper, entering the US market with non-conforming assets for the first time. New investor participation as well as significant demand from repeat buyers facilitated a tightening in price across all tranches and an increase in volume compared to their two 2013 Non-conforming RMBS trades." said Rob Verlander, Head of Debt Markets Securitisation at Commonwealth Bank of Australia.

"This is the largest Australian pure non-conforming RMBS transaction completed since the financial crisis" said Sarah Samson, Director, Debt Markets, National Australia Bank Limited. "There was a healthy level of oversubscription across all of the AUD and USD tranches, and it is great for Pepper to be able to call on the US investor market to enable this larger transaction size and pricing".

Pepper is a diversified financial services business with specialist experience in lending, advisory and asset management across the residential, auto and equipment and commercial property sectors. It is a specialist servicer of prime and non-conforming residential mortgages and consumer loan and lease receivables. PRS12 is the fourteenth public issue of residential mortgage-backed securities backed by Pepper owned and serviced mortgages, increasing its total RMBS issuance to A\$5.2 billion.

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), 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 750 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.