



## MEDIA RELEASE

### **PEPPER TO ACQUIRE \$5.0 BILLION RESIDENTIAL MORTGAGE PORTFOLIO FROM GE CAPITAL**

**Wednesday, 25 May 2011, Australia:** Australian specialist mortgage lender, Pepper Australia Pty Limited ("Pepper") has today signed definitive agreements to acquire the approximately \$5.0 billion residential mortgage portfolio originated by GE Capital Australia and New Zealand.

The acquisition is one of the largest whole loan transactions in Australian history. Pepper Executive Chairman, Mike Culhane, said, "The acquisition of this loan portfolio is transformational for Pepper and enables us to grow assets under management quickly at a time when non bank lenders are seeking to grow their market share, rebuild a competitive marketplace, and broaden the choice of home lending options for Australian consumers".

The acquisition of the GE Capital home loan portfolio will accelerate Pepper's expansion into niche segments of the prime residential lending market in Australia and New Zealand. Pepper Managing Director & CEO , Patrick Tuttle, commented, "The acquisition accelerates Pepper's long-term growth plans within the Australian and New Zealand residential lending space. It presents us with a unique opportunity to further expand our existing business model into prime residential lending, extending our specialist product suite. This enhanced offering will be leveraged through our growing national broker distribution networks, utilising our core credit underwriting and loan servicing expertise."

"The purchase of the GE Capital home loan portfolio will enable Pepper to drive significant economies of scale and technology enhancements across our mortgage origination and third-party loan servicing platform," he added.



Backed by a consortium of institutional banks and mezzanine investors, Pepper will initially acquire the GE Capital home loan portfolio through a series of warehouse financing facilities. Mike Culhane commented, "The support of our senior facility providers, Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation, as well as mezzanine investors comprising Deutsche Bank AG, Varde Partners Asia, York Capital Management, IFM's Alternative Fixed Income Fund, and MKM Capital has been instrumental in enabling Pepper to finance this milestone transaction".

He added, "Pepper plans to issue a series of residential mortgage-backed securities (RMBS) deals over the next few years, subject to prevailing market conditions. Since 2003, we have successfully issued around \$2.5 billion of RMBS transactions through our Pepper Residential Securities ("PRS") programme".

Since launching in Australia in early 2001, Pepper has built a strong reputation for its expertise in originating and servicing high quality residential mortgage assets. During the past 10 years Pepper has consistently demonstrated superior performance both in the quality of its own lending and the improvement in performance of portfolios it has managed on behalf of third parties.

"Pepper's robust performance during the GFC has given our funding partners the confidence to back our ability to take on an acquisition of this size. Our focus on technology and a tailored customer experience will ensure that all our customers receive the highest level of service," Tuttle said.

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**About Pepper Australia**

- **Pepper Australia Pty Limited (“Pepper”)** is a highly experienced specialty mortgage lender, third-party loan servicer, and asset manager. Our underwriting philosophy, credit, loan servicing, collections and asset recovery procedures have been developed on the basis of more than 18 years of specialist mortgage lending experience, tried and tested in the United Kingdom and Australia.
- Pepper commenced as a specialist residential mortgage lender in the Australian market in March 2001 and is now recognised as one of Australia’s leading providers of specialty residential mortgage finance.
- Pepper is also recognised as Australia’s pre-eminent **special servicer** of residential and commercial mortgage assets, including non-conforming and low documentation mortgages.
- Pepper was first ranked by **Standard & Poor’s (“S&P”)** as an **“ABOVE AVERAGE” Residential Loan Servicer** in May 2004 and is included on **S&P’s Global Select Servicer List**.
- Since its inception in 2001, Pepper’s specialist loan servicing performance in terms of cumulative loan losses and delinquencies, as measured by the industry-standard S&P SPIN Index, is **unrivalled**. This reflects our superior loan underwriting and servicing techniques.
- Pepper’s philosophy of arrears management is best described as **“early detection, quick response, implementing effective solutions”**.
- The application of **proactive risk grading and behavioral scoring techniques**(supported by data warehouse technology) enables Pepper to prioritise loans in default, or more likely to default, and more effectively deliver on specific arrears management strategies.
- Pepper is a wholly-owned subsidiary of **Pepper Group (Singapore) Pte Limited**, a Singapore-incorporated investment holding company owned by senior executive management and a group of high-net worth individuals and institutional co-investors.
- Pepper Group (Singapore) essentially brings together **Mike Culhane** (Pepper’s Founder) and the existing senior management team led by **Patrick Tuttle** (Managing Director & CEO), with a group of private investors, all of whom have extensive domestic and international experience in originating and servicing residential mortgage books.
- Pepper’s current warehouse funding partners include **Commonwealth Bank of Australia** and **National Australia Bank**.
- Pepper has completed eight (8) residential mortgage-backed securities (RMBS) issues in the Australian market for a total value of A\$2.5 Billion via its proprietary Pepper Residential Securities (“PRS”) programme.
- Our most recent A\$260 Million PRS8 transaction was completed in December 2010 and was the first non-conforming RMBS deal in Australia (and outside the US) since early 2008.
- Since commencement of the GFC in 2007, Pepper has **successfully exercised / refinanced all call options** under its PRS programme, including PRS4 (A\$60 Million) in November 2008 and PRS5 in July 2010 (A\$80 Million).
- ASIC issued an **Australian Financial Services Licence (“AFSL”)** to Pepper Australia Pty Limited in May 2005.
- ASIC issued an **Australian Credit Licence** to Pepper Australia Pty Limited in January 2011.