LATITUDE

LATITUDE GROUP HOLDINGS LIMITED

ACN 83 604 747 391

Management Discussion & Analysis for the full year ended 31 December 2023

23 February 2024

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Date of this Management Discussion & Analysis

This Management Discussion & Analysis has been prepared for the full year ended 31 December 2023 and is current as at 23 February 2024.

Notice to readers

The purpose of this Management Discussion & Analysis (MDA) is to provide information supplementary to Latitude Group Holdings Limited Financial Report (*the Financial Report*) for the year ended 31 December 2023, including further detail in relation to key elements of Latitude Group Holdings Limited's financial performance and financial position. The Management Discussion & Analysis also outlines the funding and capital profile of the Group. This report should be read in conjunction with Appendix 4E.

References to the first half (*1H*) are to the six months ended 30 June of the respective year.

References to the second half (*2H*) are to the six months ended 31 December of the respective year.

References to the full year (FY) are to the twelve months ended 31 December of the respective year.

'HoH' refers to the half-on-half movement which is sequential, whereas 'YoY' refers to the year-on-year movement which is the prior corresponding period.

All amounts disclosed in the tables are presented in Australian dollars ('A$' or '$') and, unless otherwise noted, are rounded to the nearest A$0.1 million. Calculations within tables, percentage movements and movements with the commentary have been calculated from underlying source information and hence may not reconcile with rounded calculations.

Section A | Results

Section A | Results

01 | Summary of Group Performance

Cash NPAT[1] from continuing operations was $18.4m for FY23, down 88% YoY in line with guidance released in May 2023. 2H23 $11.4m, up 63% HoH, down 81% YoY.

On a continuing operations basis, FY23 statutory loss after tax was $137.9m. Including discontinued operations, statutory loss after tax attributable to owners of Latitude Group Holdings Limited (*LFS*) was $158.5m.

Across the opening two months of the year volumes were up 12.5% YoY, customer receivables peaked at $6,509m in Feb, and delinquencies remained in line with expectations of a slow increase due to higher interest rates and inflation.

A malicious cyber attack in March 2023 impeded volume and receivables growth, delayed pricing actions, elevated charge off rates and incurred costs of $68.3m pre-tax. The incident combined with the impacts of interest rate rises since 2022 in Australia (*+425bps*) and New Zealand *(+525bps)* had a materially negative impact on FY23 earnings.

As operations resumed post Cyber-incident, volumes rebounded and continued to build momentum though to December 23 despite a challenging retail sales environment and the resumption of pricing actions. The recommencement of collections activities delivered a rapid reduction in delinquencies into 2H23 across Australia and New Zealand demonstrating the resilience of our business model.

Due to the underlying performance noted above, no final dividend has been declared.

Table 1: Summary profit & loss statement

($m)	31-Dec-23 2H23	30-Jun-23 1H23	31-Dec-22 2H22	Change % HoH	Change % YoY	FY23	FY22	FY Change %
Interest income	483.4	476.2	450.8	*2%*	*7%*	959.7	890.2	*8%*
Interest expense	(179.0)	(165.3)	(127.8)	*8%*	*40%*	(344.3)	(214.4)	*61%*
Net interest income	304.4	311.0	323.0	*(2%)*	*(6%)*	615.4	675.8	*(9%)*
Other income	19.6	22.6	18.8	*(13%)*	*4%*	42.2	36.4	*16%*
Total operating income	324.0	333.6	341.8	*(3%)*	*(5%)*	657.6	712.2	*(8%)*
Net charge offs	(110.6)	(105.2)	(73.4)	*5%*	*51%*	(215.8)	(147.6)	*46%*
Risk adjusted income	**213.4**	**228.4**	**268.4**	***(7%)***	***(20%)***	**441.8**	**564.6**	***(22%)***
Cash operating expenses	(178.8)	(173.1)	(157.5)	*3%*	*14%*	(351.9)	(331.8)	*6%*
Cash PBT	**34.6**	**55.3**	**110.9**	***(37%)***	***(69%)***	**89.9**	**232.8**	***(61%)***
Movement in provisions	(0.7)	(20.9)	(7.2)	*(97%)*	*(90%)*	(21.6)	28.1	*(177%)*
Depreciation & amortisation (*ex leases*)	(19.9)	(22.3)	(23.2)	*(11%)*	*(14%)*	(42.2)	(45.3)	*(7%)*
Profit before tax & notable items	**13.9**	**12.1**	**80.6**	***15%***	***(83%)***	**26.1**	**215.6**	***(88%)***
Income tax expense	(2.6)	(5.1)	(20.0)	*(49%)*	*(87%)*	(7.7)	(62.1)	*(88%)*
Cash NPAT from continuing operations	**11.4**	**7.0**	**60.5**	***63%***	***(81%)***	**18.4**	**153.5**	***(88%)***
Notable items after tax								
Amortisation of acquisition intangibles	(14.2)	(14.2)	(16.6)	*0%*	*(14%)*	(28.4)	(33.6)	*(15%)*
Amortisation of legacy transaction costs	(0.0)	(0.2)	(1.1)	*(100%)*	*(100%)*	(0.2)	(2.8)	*(93%)*
Other notable items	(37.0)	(90.8)	(30.8)	*(59%)*	*20%*	(127.7)	(59.2)	*116%*
Notable items after tax	(51.2)	(105.2)	(48.5)	*(51%)*	*6%*	(156.3)	(95.6)	*63%*
Statutory profit after tax (continuing ops)	(39.8)	(98.2)	12.0	*(59%)*	*(432%)*	(137.9)	57.9	*(338%)*
Profit/(loss) from discontinued operations	(2.4)	(18.7)	(5.9)	*(87%)*	*(59%)*	(21.2)	(21.6)	*(2%)*
Statutory profit after tax	**(42.1)**	**(116.9)**	**6.1**	***(64%)***	***(790%)***	**(159.1)**	**36.3**	***(538%)***
Profit/(loss) is attributable to:								
Owners of Latitude Group Holdings Limited	(42.1)	(116.3)	7.1	*(64%)*	*(693%)*	(158.5)	37.7	*(520%)*
Non-controlling interest	0.0	(0.6)	(1.0)	*(100%)*	*(100%)*	(0.6)	(1.4)	*(57%)*
Statutory profit after tax	**(42.1)**	**(116.9)**	**6.1**	***(64%)***	***(790%)***	**(159.1)**	**36.3**	***(538%)***

(1) Cash NPAT is a non-IFRS metrics used for management reporting as LFS believes it reflects what it considers to be the underlying performance of the business. Further information on Cash NPAT is included in Section B.

The financial information, where relevant and useful, is separated into LFS's two key 'continuing' business units across Australia and New Zealand. These twin engines perform collaboratively and individually:

- **PAY** – comprising Sales finance (*instalments*) and credit cards
- **MONEY** – comprising Personal Loans and Auto loans

International operations are included in 'other'. The financial results of discontinued operations are excluded from the individual account lines of LFS and are reported as a single net profit/(loss) after tax line. Discontinued operations primarily include the Insurance and Canadian operations.

Section A | Results

Volumes, delinquencies and pricing actions rebounded well post the Cyber event. Receivables remain steady (↑+0.3%) vs 1H23 and Cash NPAT delivered in line with guidance.

2H23 Group performance summary:

- **Volume up 11% HoH, down 5% YoY**. Momentum post Cyber incident continued in 2H with Pay ↑8% HoH (↓4% YoY) and Money ↑28% HoH, all existing retailers retained along with new signings and DJ's integration on track.
- **Receivables flat, ↑0.3% HoH.** Receivables remained steady for the half supported by growing volumes (+11% HoH) offset by seasonally higher payments (+404bps HoH). Receivables down 4% YoY driven by volumes (↓5%).
- **Net interest margin 9.81%** (*NIM*), NIM up 1bp HoH as pricing initiatives resumed mitigating a late RBA cash rate increase of 25bps in the half. NIM contracted 42bps YoY as the flow on impacts of material central bank tightening (*Aus: +425bps/ NZ: +525bps*) continued to outpace pricing actions that were inhibited by Cyber delays.
- **Net charge offs 3.56%** (*NCO*) up 25bps HoH. The flow through impacts of the Cyber driven pause in collections activities in 1H23 resulted in peak charge offs in Q323 of 3.94% before returning to 3.20% in Q423. YoY + 124bps with Cyber impacts plus the macro environment driving an expected elevation in delinquencies.
- **Cash operating expenses up 3% HoH,** driven by increases in marketing costs for the golden quarter (Q423), ↑ tech investment costs and price inflation offset by lower employee cost from operating model changes in the half.
- **Effective annual tax rate 29.5% for FY23**, in line with normalised levels. Variations across halves with impact of non deductible Asia losses across FY23 and favourable funding related tax one offs in 2H23.
- **Notable items of $62.3m (pre tax)** includes $27m asset impairments, $20m amortisation of acquisition intangibles, $12m Corporate Development (Symple integration & David Jones), $9m restructuring related expenses and $1m decommission facilities, partially offset by $8m reduction in Cyber related costs.
- **Balance sheet metrics** Provision coverage steady at 4.23% (↑1bp HoH), 90 days past due 0.92% and the tangible equity ratio (*TER*) remaining near the top end of our range at 6.8%.

Table 2: Key performance indicators

($m)	31-Dec-23 2H23	30-Jun-23 1H23	31-Dec-22 2H22	Change % HoH	Change % YoY	FY23	FY22	FY Change %
Volume	4,028	3,617	4,240	*11%*	*(5%)*	7,646	7,953	*(4%)*
Gross Loan Receivables	6,245	6,229	6,474	*0%*	*(4%)*	6,245	6,474	*(4%)*
AGR	6,158	6,399	6,264	*(4%)*	*(2%)*	6,282	6,291	*(0%)*
Interest Bearing Receivables	4,522	4,482	4,555	*1%*	*(1%)*	4,522	4,555	*(1%)*
Active accounts (ex BNPL) '000s	1,373	1,410	1,456	*(3%)*	*(6%)*	1,373	1,456	*(6%)*
Operating Income	324	334	342	*(3%)*	*(5%)*	658	712	*(8%)*
Risk adjusted income	213	228	268	*(7%)*	*(20%)*	442	565	*(22%)*
Cash PBT	35	55	111	*(37%)*	*(69%)*	89.9	233	*(61%)*
Cash NPAT (*cont ops*)	**11**	**7**	**61**	***63%***	***(81%)***	**18**	**154**	***(88%)***
Interest income yield	**15.57%**	**15.01%**	**14.28%**	***56***	***129***	**15.28%**	**14.15%**	***113***
Interest expense/ AGR	(5.77%)	(5.21%)	(4.05%)	*(56)*	*(172)*	(5.48%)	(3.41%)	*(207)*
Net interest margin	9.81%	9.80%	10.23%	*1*	*(42)*	9.80%	10.74%	*(94)*
Operating income margin	10.44%	10.51%	10.83%	*(7)*	*(39)*	10.47%	11.32%	*(85)*
Net charge offs	**(3.56%)**	**(3.31%)**	**(2.32%)**	***(25)***	***(124)***	**(3.43%)**	**(2.35%)**	***(108)***
RAI yield	**6.9%**	**7.2%**	**8.5%**	***(33)***	***(163)***	**7.0%**	**9.0%**	***(195)***
30 days past due	(3.50%)	(3.91%)	(2.69%)	*41*	*(81)*	(3.50%)	(2.69%)	*(81)*
90 days past due	(0.92%)	(1.27%)	(0.69%)	*35*	*(23)*	(0.92%)	(0.69%)	*(23)*
Coverage	4.23%	4.22%	3.75%	*1*	*48*	4.23%	3.75%	*48*
Cost/ income - Cash	(55.2%)	(51.9%)	(46.1%)	*(331)*	*(913)*	(53.5%)	(46.6%)	*(693)*
Spot FTE	782	936	1,008	*(16%)*	*(22%)*	782	1,008	*(22%)*
Effective tax rate	18.3%	42.5%	24.8%	*(2422)*	*(650)*	29.5%	28.8%	*73*
RoAGR	**0.4%**	**0.2%**	**1.9%**	***15***	***(155)***	**0.3%**	**2.4%**	***(215)***
RoE	1.8%	1.0%	8.1%	*77*	*(629)*	1.4%	10.1%	*(876)*
RoTE	5.5%	3.0%	22.4%	*254*	*(1688)*	4.0%	29.4%	*(2544)*
TER	**6.8%**	**7.0%**	**8.5%**	***(22)***	***(174)***	**6.8%**	**8.5%**	***(174)***
DPS cents	0.00	0.00	4.00	*(100%)*	*(100%)*	0.00	11.85	*(75%)*
Payout ratio	0%	0%	69%	*n.m*	*n.m*	0%	80%	*n.m*
EPS cents (*cash*)	1.10	0.67	5.83	*(89%)*	*(93%)*	1.77	14.78	*(65%)*
EPS cents (*cash diluted*)	**1.02**	**0.61**	**5.26**	***(88%)***	***(93%)***	**1.63**	**13.34**	***(96%)***

Section A | Results

02 | Volume, Receivables & Net Interest Income

Volumes built momentum in 2H23 increasing 11% HoH to deliver modest receivables growth. Pricing activity resumed, mitigating funding pressures to hold NIM% flat for 2H23.

FY23 volume of $7,646m is down 4% YoY as 2H23 volume of $4,028m continued to build from the cyber-incident which impacted new originations and customer spend, up 11% HoH and down 5% YoY.

Pay A&NZ volumes of $6,150m for FY23 were down 2% YoY with downside driven by strategic decision to exit BNPL in 1H23 and lower interest free (IF) volumes, partially offset by growth in 28 Degrees.

Sales Finance A&NZ volumes for FY23 of $3.8bn were down 6% reflecting the impact of softer retail sales, cost of living pressures and disruptions through the cyber incident. Scheme volume was broadly flat YoY with spend per customer up 5%. Interest Free volume was down 16% for the full year with signs of momentum evident towards the end of the year with Q423 IF volumes down 7% YoY and new customer origination in Australia up 6% YoY in Q423.

The 28° Global Platinum Mastercard® continues to grow with FY23 volume of $2,107m, up 17% YoY, which exceeds pre-COVID volume levels.

Money A&NZ volumes for FY23 of $1,449m, down 14% following the significant impact in 1H23 from cyber incident and pricing actions implemented across FY23 to restore margins. Volume rebounded in 2H23 to $813m, up 28% HoH.

Personal Loans Australia volume up 26% HoH in 2H23 with FY up 3% YoY whilst also delivering ~150bps uplift in new business APR's and ~350bps of back-book re-pricing to eligible loans (37% of PL AU receivables were variable rate at Dec'23). Personal Loans New Zealand also delivered a strong result with volume for 2H23 +53% HoH (down 14% YoY).

Auto delivered volume of $115m in 2H23, 7% growth HoH and down 31% YoY with some minor disruption from system migration to the new Latitude Money Platform (LMP) in Q3'23. Volume improved in Q4'23, more than doubling Q3'23, on the back of pricing optimisation, system capability enhanced and brokers adapting to the new platform.

The migration of all new originations and existing receivables to LMP was completed in 2023. LMP provides the capability to deliver variable and fixed rate loans and a better digital experiences for customers and brokers. Variable rate personal loans grew to half of all originations in 2023.

Table 3: Volume & receivables

($m)	31-Dec-23 2H23	30-Jun-23 1H23	31-Dec-22 2H22	Change % HoH	Change % YoY	FY23	FY22	FY Change %
Volume								
Pay	**3,191.1**	**2,958.5**	**3,339.9**	***8%***	***(4%)***	**6,149.6**	**6,250.2**	***(2%)***
- Australia	2,609.7	2,422.4	2,741.8	*8%*	*(5%)*	5,032.1	5,117.8	*(2%)*
- New Zealand	581.4	536.1	598.0	*8%*	*(3%)*	1,117.5	1,132.4	*(1%)*
Money	**812.8**	**636.6**	**885.7**	***28%***	***(8%)***	**1,449.4**	**1,676.2**	***(14%)***
- Australia	635.6	520.9	679.8	*22%*	*(7%)*	1,156.5	1,323.5	*(13%)*
- New Zealand	177.2	115.7	205.9	*53%*	*(14%)*	292.8	352.6	*(17%)*
Other	24.3	22.3	14.5	*9%*	*68%*	46.7	26.6	*76%*
Group	**4,028.3**	**3,617.3**	**4,240.1**	***11%***	***(5%)***	**7,645.6**	**7,953.0**	***(4%)***
Repayment rate (ex credit cards & BNPL)	98%	94%	101%	*404*	*(264)*	96%	99%	*(312)*
Receivables								
Pay	**3,511.8**	**3,510.5**	**3,683.5**	***0%***	***(5%)***	**3,511.8**	**3,683.5**	***(5%)***
- Australia	2,663.3	2,680.9	2,807.5	*(1%)*	*(5%)*	2,663.3	2,807.5	*(5%)*
- New Zealand	848.5	829.5	876.0	*2%*	*(3%)*	848.5	876.0	*(3%)*
Money	**2,720.2**	**2,708.1**	**2,786.7**	***0%***	***(2%)***	**2,720.2**	**2,786.7**	***(2%)***
- Australia	2,247.9	2,247.2	2,293.3	*0%*	*(2%)*	2,247.9	2,293.3	*(2%)*
- New Zealand	472.3	460.9	493.4	*2%*	*(4%)*	472.3	493.4	*(4%)*
Other	12.8	10.4	4.0	*23%*	*220%*	12.8	4.0	*220%*
Group gross receivables	**6,244.8**	**6,229.0**	**6,474.2**	***0%***	***(4%)***	**6,244.8**	**6,474.2**	***(4%)***
Provisions	(264.3)	(263.1)	(242.7)	*0%*	*9%*	(264.1)	(242.7)	*9%*
Unearned	(57.0)	(65.6)	(80.7)	*(13%)*	*(29%)*	(57.0)	(80.7)	*(29%)*
Net receivables	**5,923.5**	**5,900.3**	**6,150.9**	***0%***	***(4%)***	**5,923.7**	**6,150.8**	***(4%)***

Section A | Results

The repayment rate declined 264bps YoY as higher interest rates and inflation continue to weigh on household savings. The underlying trend in repayments continue to trend towards the long term pre-COVID annual average of ~92% with 2H23 now ~900bps lower than the COVID peak in 2H20 whilst still ~400bps above 2H19 (2H23 98% vs 2H19 94%).

Receivables benefited from the steady decline in repayment rates YoY and the growing momentum in 2H23 volumes ending up $16m or 0.3% HoH. Despite the 2H23 momentum receivables ended down 4% YoY from Cyber disruptions in 1H23.

Pay A&NZ receivables grew $1m HoH, however were down 5% YoY due to the volume and repayment trends described above. Interest Bearing receivables were relatively flat, up 2% YoY and up 2% HoH due to the growth in scheme volume, while Interest Free receivables reduced 1% HoH and 11% YoY with a softer retail environment and cyber impacts subduing volumes overall. The '*interest free*' value proposition is expected to resonate in 2024 with lower household savings to fund purchases and the continuation of elevated interest rates with some early signs seen in Q423 with Sales Finance Australia new customer originations up 6% YoY.

Money A&NZ receivables increased $12m HoH and declined 2% YoY. Money Australia receivables were flat HoH and down 2% YoY with Personal Loans up 2% HoH and 2% YoY offset by softer performance in Auto down 5% HoH and 10% YoY as a result of volume performance. Personal Loans New Zealand up 2% HoH and down 4% YoY.

Table 4: Net interest income/ margin & RAI yield

($m)	31-Dec-23 2H23	30-Jun-23 1H23	31-Dec-22 2H22	Change % HoH	Change % YoY	FY23	FY22	FY Change %
Interest income	483.4	476.2	450.8	*2%*	*7%*	959.7	890.2	*8%*
Interest expense	(179.0)	(165.3)	(127.8)	*8%*	*40%*	(344.3)	(214.4)	*61%*
Net interest income	**304.4**	**311.0**	**323.1**	***(2%)***	***(6%)***	**615.4**	**675.8**	***(9%)***
Other income	19.6	22.6	18.7	*(13%)*	*4%*	42.2	36.4	*16%*
Net charge offs	(110.6)	(105.2)	(73.4)	*5%*	*51%*	(215.8)	(147.6)	*46%*
Risk adjusted income (RAI)	**213.4**	**228.4**	**268.4**	***(7%)***	***(20%)***	**441.8**	**564.6**	***-22%***
Interest income yield	15.57%	15.01%	14.28%	*56*	*129*	15.28%	14.15%	*113*
Interest expense cost	6.26%	5.56%	4.37%	*70*	*189*	5.89%	3.70%	*219*
Net interest spread	9.32%	9.45%	9.90%	*(13)*	*(58)*	9.38%	10.45%	*(107)*
Benefit of equity	0.49%	0.35%	0.33%	*14*	*16*	0.41%	0.29%	*12*
Net interest margin	**9.81%**	**9.80%**	**10.23%**	***1***	***(42)***	**9.80%**	**10.74%**	***(94)***
Other income	0.63%	0.71%	0.60%	*(8)*	*3*	0.67%	0.58%	*9*
Operating income margin	**10.44%**	**10.51%**	**10.83%**	**(7)**	**(39)**	**10.47%**	**11.32%**	**(85)**
Net charge offs	(3.56%)	(3.31%)	(2.32%)	*(25)*	*(124)*	(3.43%)	(2.35%)	*(108)*
RAI yield	**6.87%**	**7.20%**	**8.50%**	***(33)***	***(163)***	**7.03%**	**8.98%**	***(195)***

Central bank tightening of cash rates tapered in 2H23 with one 25bps increase by the RBA in Nov'23, taking Australia to +425bps since 2022, while NZ remains +525bps since 2022. The 3-yr swap rate averaged ~40bps higher in Australia over 2H23 but showed favourable signs later in the half with the expectation of future central bank easing starting to be priced in.

Products continued to be strategically repriced during the half to manage this increased cost of funds: Pay AU scheme APR's to 26.99% (incl +109bps GO/GEM, +400bps 28 Degrees), Pay AU cash/expired IF APR's to 29.99%, Pay NZ scheme to 28.99% (+100bps) and Personal Loans AU back book +~350bps. This is in addition to changes made through 1H23 and FY22. Overall, pricing actions completed through FY22 and FY23 added 129bps YoY in income yield for 2H23 and 56bps HoH.

AGR decreased 4% HoH with Pay down 5% HoH and Money down 3% HoH.

Net interest income in 2H23 declined 2% or $7m HoH / down 6% or $19m YoY. Lower AGRs noted above contributed $12m decrease HoH offset by three more days 2H vs 1H contributing $5m increase. Pricing actions noted above resulted in a NIM yield stabilising with a 1bp increase HoH. The flat NIM yield is comprised of: income yield +56bps *(Pay +23bps, Money +38bps & mix -5bps*) and higher funding -56bps *(Pay -35bps, Money -26bps, Other 6bps & mix -1bps*).

Section A | Results

Table 5: Average balance sheet

($m)	Half year 31-Dec-23 2H23			Half year 30-Jun-23 1H23			Half year 31-Dec-22 2H22		
	Ave bal.	Interest	Rate	Ave bal.	Interest	Rate	Ave bal.	Interest	Rate
Receivables (AGR)	**6,158**	**483**	**15.6%**	**6,399**	**476**	**15.0%**	**6,264**	**451**	**14.3%**
- Pay	3,453	290	16.6%	3,617	293	16.3%	3,585	283	15.6%
- Money	2,693	192	14.1%	2,775	182	13.2%	2,676	168	12.4%
- Other	12	2	27.4%	7	1	25.8%	2	0	40.4%
Average assets	**7,402**			**7,689**			**7,844**		
- Securitisation	5,576	172	6.1%	5,838	157	5.4%	5,720	123	4.3%
- Corporate Debt	101	5	10.1%	156	7	9.0%	75	3	8.8%
- Other		2	n.m		2	n.m		2	n.m
Total ave interest bearing	5,676	179	6.3%	5,995	165	5.6%	5,795	128	4.4%
Average liabilities	**6,132**			**6,300**			**6,337**		
NII/ spread		304	9.3%		311	9.4%		323	9.9%
Net interest margin		304	**9.8%**		311	**9.8%**		323	**10.2%**
Average equity	**1,269**			**1,389**			**1,507**		

Note: 10.1% 2H23 interest cost for Corporate Debt includes the facility fee. Minor restatement of categorisation of Interest Expense between Securitisation, Corporate Debt and Other in prior periods.

Section A | Results

03 | Other Operating Income

Scheme volume continued to recover, particularly 28 Degrees, driving increased interchange offset by FX impacts

Interchange fees increased 6% HoH and 2% YoY in line with growth in scheme volume and in particular international travel.

Other income decreased 63% HoH largely due to the impact from mark to market valuations of AUD/USD FX forwards.

Table 6: Other income

($m)	31-Dec-23 2H23	30-Jun-23 1H23	31-Dec-22 2H22	Change % HoH	Change % YoY	FY23	FY22	FY Change %
Interchange fees	17.2	16.2	16.9	*6%*	*2%*	33.4	30.5	*10%*
Other income	2.4	6.4	1.8	*(63%)*	*33%*	8.8	5.9	*49%*
Total other income	**19.6**	**22.6**	**18.7**	***(13%)***	***5%***	**42.2**	**36.4**	***16%***

Section A | Results

04 | Net Charge Offs, Provisions & Asset quality

Charge-offs steadily increased due to the Cyber disruptions to collection activities and the macro driven normalisation of losses in 2H23. Prudent provisioning remains.

Net charge offs in 2H23 increased 5% HoH to $110.6m due to peak write-offs (in 3Q23) arising from the 1H23 cyber incident and a more challenging macro environment for losses. On a full year basis, net charge offs in FY23 of $215.8m were 46% higher YoY as a result of the factors noted above. From a yield perspective, the net charge off rate peaked at ~3.9% across 2Q23 (3.91%) and 3Q23 (3.94%) due to the elevated cyber charge offs before normalizing back to ~3.2% in 4Q23 which is below the long-term pre-COVID average of ~3.3%, as can be seen in Chart 1.

Origination quality remains strong with 70%+ rated CR1/CR2 at origination in FY23.

Coverage rates increased 1bp HoH from 4.22% to 4.23% due to product mix, and 48bps YoY reflecting adverse outcomes of cyber disrupted collections and the macro-economic environmental pressures. At 4.23% the groups provision is 1.3 times Q423 NCO's, closely aligned against the pre-COVID average.

Receivables 90 days past due declined 35bps HoH to 0.92% reflecting both the typical seasonal elements and the resumption in collections activity post Cyber. Early-stage delinquency buckets reduced from their cyber incident peaks with Dec'23 60 dpd at 1.72% (down from 2.53% at May'23) and Dec'23 30 days past due at 3.50% (down from peak of 5.24% at Apr'23) as can be seen in Chart 2. Hardship trends have improved by 36bps HoH and 11bps YoY, with Group hardship inventory at 2.14% at Dec'23.

Table 7: Net charge offs & provisions

($m)	31-Dec-23 2H23	30-Jun-23 1H23	31-Dec-22 2H22	Change % HoH	Change % YoY	FY23	FY22	FY Change %
Net charge offs								
Prior period net charge offs	(105.2)	(73.4)	(74.2)	*43%*	*42%*	(147.6)	(149.5)	*(1%)*
Impact of change in AGR	4.0	(1.6)	0.6	*large*	*large*	0.2	2.7	*(93%)*
Impact of change in NCO rate	(9.4)	(30.2)	0.2	*(69%)*	*large*	(68.3)	(0.8)	*large*
Total NCOs	**(110.6)**	**(105.2)**	***(73.4)***	***5%***	***51%***	***(215.8)***	***(147.6)***	***46%***
NCOs/ AGR	**(3.56%)**	**(3.31%)**	**(2.32%)**	***(25)***	***(124)***	**(3.43%)**	**(2.35%)**	***(108)***
Provision movement								
Impact of change in receivables	(0.7)	9.2	(8.1)	*(108%)*	*(91%)*	8.6	(5.5)	*(256%)*
Impact of change in coverage	(0.5)	(29.6)	(0.4)	*(98%)*	*25%*	(30.2)	33.7	*(190%)*
Provision expense movement	**(1.2)**	**(20.4)**	**(8.5)**	***(94%)***	***(86%)***	**(21.6)**	**28.1**	***(177%)***
FX impact	0.3	(0.5)	1.3	*(160%)*	*(77%)*	(0.2)	(0.2)	*0%*
Loan impairment expense	**(111.4)**	**(126.1)**	**(80.6)**	***(12%)***	***38%***	**(237.4)**	**(119.5)**	***99%***
Group coverage	**4.23%**	**4.22%**	**3.75%**	***1***	***48***	**4.23%**	**3.75%**	***48***
90+ days past due								
Group	**0.92%**	**1.27%**	**0.69%**	***(35)***	***23***	**0.92%**	**0.69%**	***23***
Pay	**1.18%**	**1.62%**	**0.99%**	***(44)***	***19***	**1.18%**	**0.99%**	***19***
- Australia	1.20%	1.73%	1.05%	*(53)*	*15*	1.20%	1.05%	*15*
- New Zealand	1.13%	1.31%	0.81%	*(18)*	*32*	1.13%	0.81%	*32*
Money	**0.58%**	**0.82%**	**0.31%**	***(24)***	***27***	**0.58%**	**0.31%**	***27***
- Australia	0.57%	0.81%	0.30%	*(24)*	*27*	0.57%	0.30%	*27*
- New Zealand	0.65%	0.85%	0.37%	*(20)*	*28*	0.65%	0.37%	*28*
Hardship Inventory								
Group	2.14%	**2.50%**	**2.25%**	***(36)***	***(11)***	**2.14%**	**2.25%**	***(11)***
Pay	2.11%	2.07%	1.67%	*4*	*44*	2.11%	1.67%	*44*
Money	2.17%	3.05%	3.15%	*(88)*	*(98)*	2.17%	3.15%	*(98)*

Section A | Results

Chart 1: Net charge offs peaked in Q323 with Q424 below pre-COVID average of ~3.3%

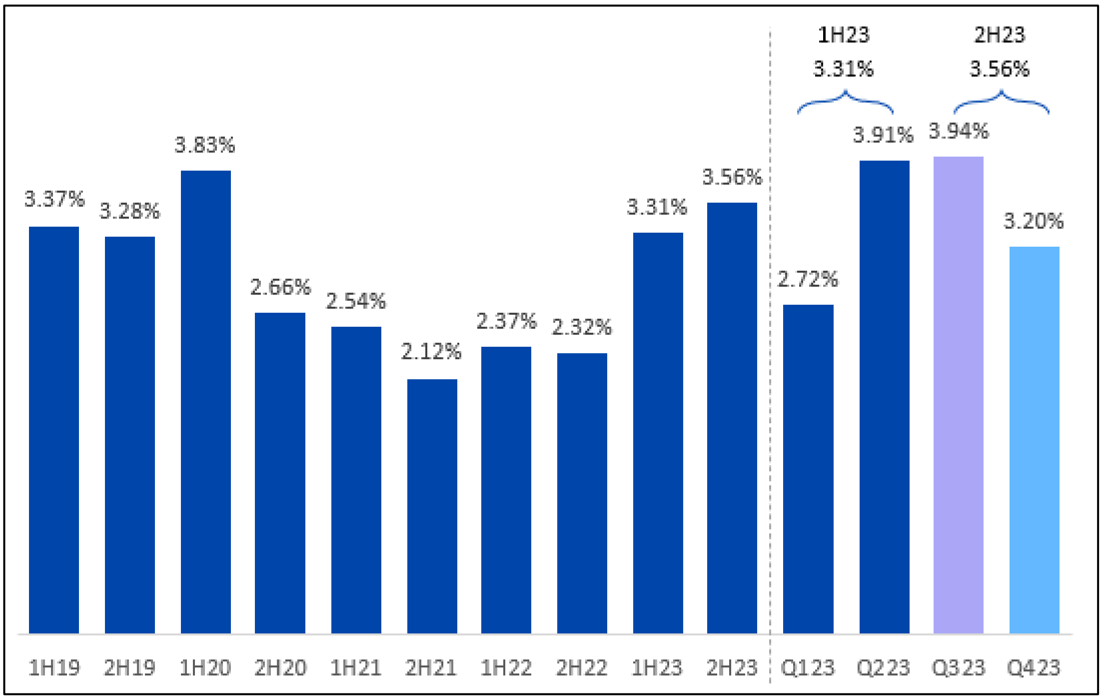
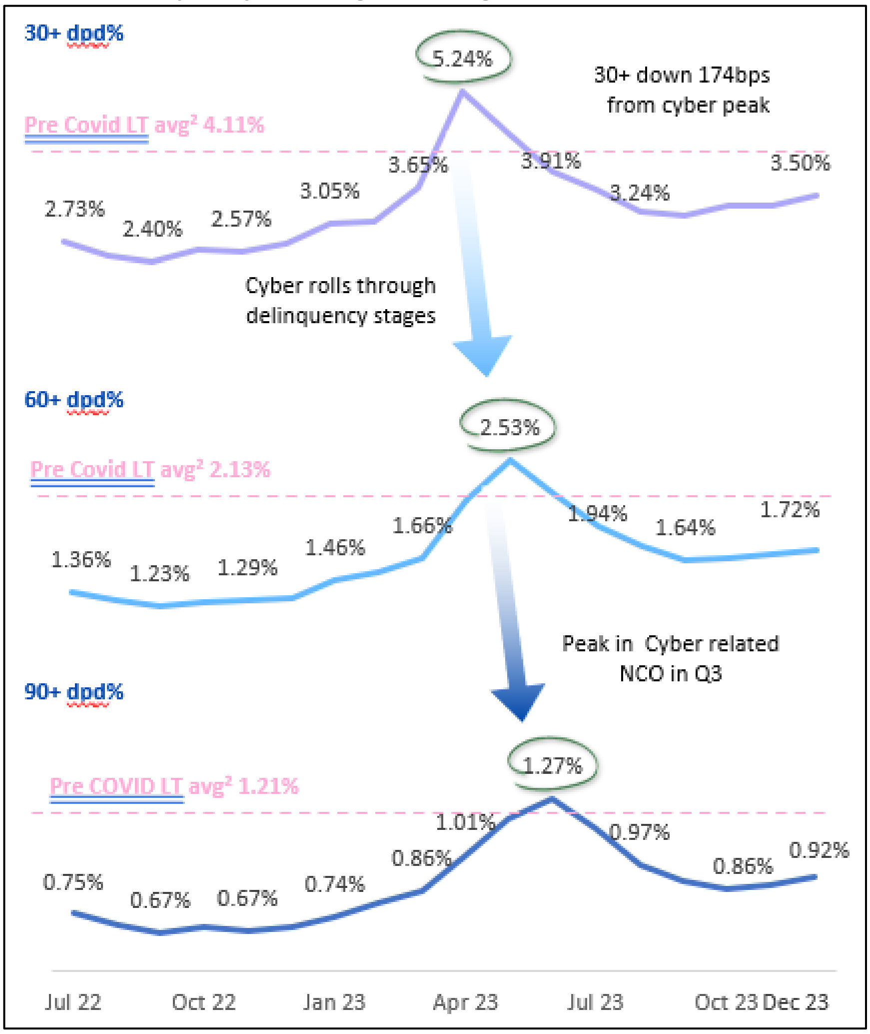


Chart 2: Delinquency reducing, reverting to normalised levels



Section A | Results

05 | Operating Expenses, Notable Items & Discontinued Operations

Continued disciplined underlying cost control, including further reduction in FTE, helped absorb inflationary pressures and enabled capacity to re-invest into drivers of growth

Cash operating expenses in 2H23 increased 3% HoH with:

- Employee expenses in 2H23 down 14% HoH due to new operating model restructure and offshoring of operational processes.
- Marketing expenses in 2H23 increased 23% HoH to support rebound strategy and seasonal uplift.
- Occupancy related expense continued at normal levels with no change in office footprint.
- Information Technology in 2H23 increased 20% HoH from continued investment in the Money platform and general cost inflation.
- Other expenses in 2H23 increased 13% HoH mainly due to higher external services to support the continued progress on the operating model structure, increased offshoring of operational processes and higher indirect taxes.

Depreciation & amortisation in 2H23 decreased 11% HoH and FY23 down 7% due to the impact of asset/work in progress impairments and lower Capex in FY22 and FY23

FY23 cash operating expenses increased 6% YoY due to the drivers of HoH movements, noting the one off benefit in PY from no short-term incentive (STI) accrual offset by a 22% reduction in FTEs.

Table 8: Operating expenses

($m)	31-Dec-23 2H23	30-Jun-23 1H23	31-Dec-22 2H22	Change % HoH	Change % YoY	FY23	FY22	FY Change %
Employee	64.0	74.4	69.1	*(14%)*	*(7%)*	138.4	142.9	*(3%)*
Marketing	15.6	12.7	11.9	*23%*	*31%*	28.3	27.3	*4%*
Occupancy	2.5	2.4	(0.8)	*4%*	*n.m.*	4.9	5.3	*(8%)*
Information technology	40.4	33.7	33.1	*20%*	*22%*	74.1	63.1	*17%*
Other	56.4	49.9	44.2	*13%*	*28%*	106.3	93.1	*14%*
Cash operating expenses	**178.8**	**173.1**	**157.5**	***3%***	***14%***	**351.9**	**331.8**	***6%***
D&A (ex leases)	19.9	22.3	23.2	*(11%)*	*(14%)*	42.2	45.3	*(7%)*
Total Opex	**198.8**	**195.4**	**180.7**	***2%***	***10%***	**394.1**	**377.1**	***5%***
Amortisation of acquisition intangibles	20.3	20.3	23.5	*0%*	*(14%)*	40.5	47.6	*(15%)*
Amortisation of legacy transaction costs	0.0	0.3	1.5	*(100%)*	*(100%)*	0.3	3.9	*(92%)*
Corporate development	12.0	22.0	23.9	*(45%)*	*(50%)*	34.1	41.3	*(17%)*
Restructuring Costs	9.2	5.3	9.5	*74%*	*(2%)*	14.5	15.2	*(5%)*
Cyber related costs	(7.7)	75.9	0.0	*(110%)*	*n.m.*	68.3	0.0	*n.m.*
Asset/ Work in Progress Impairment	26.9	21.0	6.9	*28%*	*290%*	48.0	22.2	*116%*
Decommissioned facilities	1.4	4.4	1.8	*(68%)*	*(17%)*	5.8	3.4	*71%*
Notable items pre-tax	**62.3**	**149.2**	**67.1**	***(58%)***	***(7%)***	**211.5**	**133.6**	***58%***
Cost to income ratio - Cash	55.2%	51.9%	46.1%	*331*	*913*	53.5%	46.6%	*693*
Cost to income ratio - Total	61.3%	58.6%	52.9%	*278*	*849*	59.9%	52.9%	*699*
Cash opex/ AGR	(5.8%)	(5.5%)	(5.0%)	*(31)*	*(77)*	(5.6%)	(5.3%)	*(33)*
Spot FTE	782	936	1,008	*(16%)*	*(22%)*	782	1,008	*(22%)*
Capex	13.5	2.0	8.2	*575%*	*65%*	15.5	24.1	*(36%)*

Amortisation of acquisition intangibles (*FY24 end date*) and legacy transaction costs (FY23 *end date)* continues to be recognised in accordance with the amortisation schedule.

Corporate development in 2H23 included $4m of Symple Integration costs (1H23 $16m, 2H22 $17m), $6m for David Jones store card preparation (1H23 $4m, 2H22 $1m) and $2m International investment (1H23 $1m, 2H22 $3m).

Section A | Results

Restructuring costs relate to redundancy & restructuring for implementing the operating model changes.

Impairments in 2H23 included $22m of Asia goodwill write-off, $2m of residual BNPL A&NZ write offs and $2m of other small asset write offs.

Cyber related costs returned a credit of $7.7m for 2H23 mainly driven by the reduction in the provision for cyber related costs and the commencement of Insurance recoveries.

Discontinued Operations

On 18 December 2023, LFS completed the asset sale of the Symple Canada loan portfolio to Innovation Federal Credit Union portfolio sale of the Symple Canada. This transaction resulted in a net gain of $0.2m.

On 31 May 2023, LFS completed the sale of its insurance operations (*Latitude Insurance Holdings Pty Ltd*). The transaction allows LFS to redeploy residual capital (approximately $99m) into its core business, simplify its business model, reduce costs, treatment technology, and optimise shareholder returns.

On settlement in May 2023 a provisional loss on sale of the insurance operations of approximately $18m was recognised which was reduced by ~$1m in 2H23 as a result of the completion adjustment process mechanism in 2H23.

Table 9: Profit/ (Loss) after tax from discontinued operations

($m)	31-Dec-23 2H23	30-Jun-23 1H23	31-Dec-22 2H22	Change % HoH	Change % YoY	FY23	FY22	FY Change %
Net profit/(loss) after tax	(2.4)	(18.7)	(5.9)	*(87%)*	*(59%)*	(21.2)	(8.0)	*165%*
Goodwill write-off (insurance)	0.0	0.0	0.0	*n.m.*	*n.m.*	0.0	(13.6)	*(100%)*
Total	(2.4)	(18.7)	(5.9)	*(87%)*	*(59%)*	(21.2)	(21.6)	*(2%)*

Section A | Results

06 | Balance Sheet & Shareholder Returns

Capital remains strong despite a FY23 Statutory loss driven by lower operating income margins and impacts of the cyber incident. TER reduced by 22bps to 6.8% at the top end of the target range of 6-7%. Prudent decision to pause 2H23 dividend.

The TER% (Tangible equity / net receivables) at 6.8% remains strong and at the top of the 6-7% range. This prudent and appropriately capitalized balance sheet provides the ability to support the business through the uncertainty of the current economic environment, potential for Cyber related costs and the capital required to support growth. Based on these factors, a decision was made to pause the 2023 dividends.

Table 10: Balance sheet

($m)	31-Dec-23 2H23	30-Jun-23 1H23	31-Dec-22 2H22	Change % HoH	Change % YoY	FY23	FY22	FY Change %
Total assets	7,347	7,458	7,921	*(1%)*	*(7%)*	7,347	7,921	*(7%)*
Net receivables	5,924	5,900	6,151	*0%*	*(4%)*	5,924	6,151	*(4%)*
Intangible assets	833	890	949	*(6%)*	*(12%)*	833	949	*(12%)*
Total liabilities	6,112	6,153	6,446	*(1%)*	*(5%)*	6,112	6,446	*(5%)*
Total equity	1,235	1,304	1,474	*(5%)*	*(16%)*	1,235	1,474	*(16%)*
Tangible equity	403	414	525	*(3%)*	*(23%)*	403	525	*(23%)*
Tangible equity/ net receivables (*TER*)	6.8%	7.0%	8.5%	*(22)*	*(174)*	6.8%	8.5%	***(174)***
RoAGR	0.4%	0.2%	1.9%	*15*	*(155)*	0.3%	2.4%	*(215)*
RoE	1.8%	1.0%	8.1%	*77*	*(629)*	1.4%	10.1%	*(876)*
RoTE	5.5%	3.0%	22.4%	*255*	*(1,687)*	4.0%	29.4%	*(2,548)*
Net tangible assets per share (*$ps*)	0.39	0.40	0.51	*0%*	*(20%)*	0.39	0.51	*(20%)*
Book value per share (*$ps*)	1.19	1.25	1.42	*(8%)*	*(14%)*	1.19	1.42	*(14%)*
Dividend cents	**0.00**	**0.00**	**4.00**	***n/a***	***(100%)***	**0.00**	**11.85**	***(100%)***
Franking	n/a	n/a	100%	***n/a***	***n/a***	n/a	100%	*n/a*
Payout ratio	0%	0%	69%			0%	80%	*n/a*
Ex-dividend date	n/a	n/a	21-Mar-23					
Record date	n/a	n/a	22-Mar-23					
Dividend payment date	n/a	n/a	24-Apr-23					

LFS will continue to target a full year payout ratio of 60-70% of cash NPAT. The board determines the dividend per share based on net profit after tax (*cash*) per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Long term average loss rates;
- Capital needs to support economic, regulatory and funding requirements;
- Investments and/or divestments to support business development;
- Competitors comparison and market expectations; and
- Expected earnings per share growth.

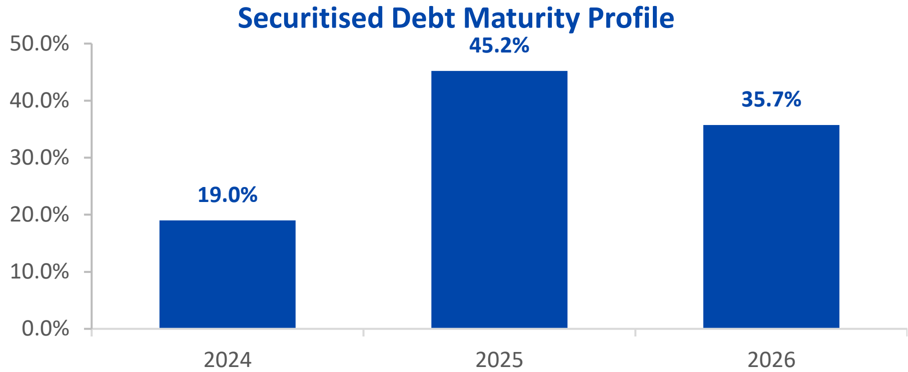
Section A | Results

07 | Funding & Liquidity

Latitude continued to actively manage its funding programme in 2023, refinancing warehouses and issuing ABS transactions. These actions maintained our cost effective, diverse and prudent funding program which includes $1.3bn of available headroom.

Latitude systematically manages its maturity profile within its target range of no more than 50% of funding maturities in any given year and no more than 40% of funding maturities within the next 12 months. The following graph sets out Latitude's debt maturity profile as at 31 December 2023.

Chart 3: Latitude debt maturity profile as at 31 December 2023



Summary of Warehouse Funding Facilities

Changes in Warehouse funding during the year included:

- **17 Jan'23**: The New Zealand Personal Loans warehouse refinance was completed on payment date, extending the scheduled amortisation date to 17 December 2025.
- **17 Aug'23:** Australian Personal Loans Warehouse Trust No. 2 was refinanced, upsizing from $200m to $338m.
- **22 Nov'23:** Australian Credit Card Warehouse Trust No. 3 was refinanced at the existing commitment of $1,056m. The scheduled amortisation date was extended by 3 years to 22 November 2026.
- **19 Dec'23:** Australian Auto Loans Trust was refinanced. The scheduled amortisation date was extended 3 years to 21 December 2026, with the total commitment reducing to $713m.

The following table sets out the position of each of Latitude's warehouses as at 31 December 2023.

Table 11: Warehouse facilities as at 31 December 2023

(All amounts $m)	Australia Sales Finance and Credit Cards Trust	Australia Sales Finance and Credit Cards Trust No. 3	Australia Personal Loans Trust	Australia Personal Loans Trust No. 2	Australia Auto Loans Trust	New Zealand Sales Finance and Credit Cards Trust	New Zealand Personal Loans Trust
Limit[(a)]	A$801.1	A$1055.6	A$1036.1	A$337.5	A$712.5	NZ$864.1	NZ$610.0
Drawn	A$525.1	A$672.2	A$1004.4	A$248.9	A$672.0	NZ$574.4	NZ$442.0
Headroom	A$276.0	A$383.4	A$31.7	A$88.6	A$40.5	NZ$289.7	NZ$168.0
Revolving period end date	24-Mar-25	22-Nov-26	19-May-25	17-Aug-26	21-Dec-26	22-Jan-25	17-Dec-25

Notes:

(a) *Limit excludes the seller note (i.e. the equity position contributed by Latitude).*

(b) *Total headroom of $1.3bn includes $0.1bn Variable Funding Note ('VFN') capacity for Australia and New Zealand as outlined in the note attached to table 12*

Section A | Results

Summary of ABS Funding

Significant changes in ABS funding during the year included:

- **March:** Australia Credit Card Master Trust Series 2023-1 new issuance of $400 million credit card ABS closed on 8 March 2023 with an expected redemption date in March 2026.
- **March:** Australia Credit Card Master Trust Series 2018-1 was redeemed on its expected redemption date 22 March 2023. All noteholders were repaid in full, with the remaining balance of loans sold to the Australian Credit card warehouses.
- **March:** Australian Credit Card Master Trust Series 2017-VFN was resized to $80 million and extended to 22 March 2024.
- **July:** Australian Personal Loans Series 2020-1 was redeemed on the expected call date of 17 July 2023.

Table 12: ABS issuance as at 31 December 2023

(All amounts $m)	Latitude Australia Credit Card Loan Note Trust – Series 2019-1	Latitude Australia Credit Card Loan Note Trust – Series 2023-1	Latitude Australia Personal Loan Series 2021-1 Trust	Latitude New Zealand Credit Card Loan Note Trust – Series 2021-1
Underlying segment receivables	Sales finance & credit card receivables	Sales finance & credit card receivables	Personal loans	Sales finance & credit card receivables
Notes issued	A$750.0	A$400.0	A$500.0	NZ$250.0
Issue date	13-Sep-19	8-Mar-23	24-Nov-21	17-Aug-21
Revolving period end date	22-Sep-24	n.a.	n.a.	22-Aug-24
Expected call date[b]	22-Sep-24	23-Mar-26	17-Apr-25	22-Aug-24
Outstanding Notes at 31 December 2023	A$750.0	A$400.0	A$110.9	NZ$250.0
Outstanding Variable Funding Note at 31 December 2023	------ A$59.4 ------		n.a.	NZ$20.5
Outstanding Notes at 30 June 2023	A$750.0	A$400.0	A$163.0	NZ$250.0
Outstanding Variable Funding Note at 30 June 2023	------ A$40.6 ------		n.a.	NZ$16.4

Notes:

(a) *Series issued by Latitude Australia Credit Card Loan Note Trust are expected to be called at the issue amount; the Latitude Australia Personal Loans Series 2021-1 Trust is expected to be called at the expected 10% clean-up call date.*

Section B | Supplementary Information

Section B | Supplementary Information

This section includes supplemental information that Latitude believes is useful for investors and users of this financial information.

B.1 Information about Cash NPAT and other Non-IFRS Metrics

Cash PBT and Cash NPAT

Cash PBT is calculated by deducting cash operating expenses from risk adjusted income (*RAI – see definition below*). It excludes non-cash items such as movement in IFRS 9 impairment provisions and acquisition related amortisation. It also excludes notable items and is a pre-tax measure. Latitude uses Cash PBT for its internal management reporting as it believes it reflects the best measure of underlying risk adjusted performance.

Some of the limitations of Cash PBT include that this measure does not reflect:

- The movements in IFRS 9 provisions for future losses on Latitude's receivables;
- The approach of other companies in Latitude's industry which may calculate this measure differently from Latitude, thus limiting its usefulness as a comparative measure; and
- The notable items, amortisation of acquisition intangibles & amortisation of legacy transaction costs or tax expense.

Cash NPAT is calculated by adding back the after-tax impact of amortisation of acquisition intangibles, amortisation of legacy transaction costs and notable items to NPAT.

Cash NPAT is measured by Latitude to evaluate the operating performance of the business without the impact of the non-cash expenses associated with amortisation of acquisition intangibles, amortisation of legacy transaction costs and notable items.

Some of the limitations of Cash NPAT include:

- It excludes amortisation of acquisition intangibles, amortisation of legacy transaction costs and notable items which by their nature create a different profile to statutory profit;
- It is not representative of the free cash flow of Latitude's business (*refer to Consolidated Statement of Cash Flows for this information*); and
- Other companies in Latitude's industry may calculate this measure differently from Latitude (*including using a different definition of notable items, amortisation of acquisition intangibles and amortisation of legacy transaction costs*), thus limiting its usefulness as a comparative measure.

Risk Adjusted Income (RAI)

RAI is calculated as total operating income less net charge offs and is measured by Latitude to evaluate the risk adjusted margin on receivables after funding costs and net charge offs before the movement in provisions for losses and operating expenses.

RAI is considered useful by Latitude as it measures the risk adjusted contribution from each product.

It allows Latitude to have a consistent measure of risk adjusted performance and yields across its various segments and portfolios. RAI should not be considered as an alternative to Profit/(loss) before income tax and NPAT in considering the overall net profit of Latitude.

Some of the limitations of RAI include that this measure does not reflect:

- The loan impairment expense associated with the movement in provisions for future losses due to growth in Latitude's receivables or changes in the coverage ratio;
- The direct operating expenses incurred by Latitude in generating RAI;
- The indirect costs associated with Latitude's business;
- The approach of other companies in Latitude's industry which may calculate this measure differently from Latitude, thus limiting its usefulness as a comparative measure; and
- Moreover, current net charge offs may not be reflective of future long run net charge offs and will be influenced by the current macro-economic environment as well as historical portfolio credit quality characteristics that may change over time.

Section B | Supplementary Information

B.2 Additional information on seasonality

Seasonality

Latitude experiences a seasonal effect in its financial performance between 1H and 2H of each financial year.

For example, demand for Latitude's sales finance and revolving credit products is typically higher during the 2H period in comparison to the 1H period as a result of increased consumer spending across the Black Friday/ Cyber Monday sales events, in addition to the lead up to the Christmas holiday period and the post-Christmas sales period. This causes an increase in volumes and receivables at the end of the 2H period. An increase in income from the higher 2H receivables balance is typically observed in 1H in the next Financial Year. Conversely the Latitude portfolio exhibits a seasonal impact with delinquencies rising in 1H with higher indebtedness following the December holiday periods as well as higher Net charge offs in 1H, followed by increased repayment rates and improving delinquencies and charge offs in 2H as borrowers typically reduce indebtedness following the end of tax year in June upon the receipt of tax refunds.

B.3 Additional amortisation of intangibles metrics including associated commentary

Table B.1: Amortisation of acquisition intangibles & legacy transaction costs pre-tax

($m)	31-Dec-23 2H23	30-Jun-23 1H23	31-Dec-22 2H22	Change % HoH	Change % YoY	FY23	FY22	FY Change %
Amortisation of acquisition intangibles	20.3	20.3	23.5	*0%*	*(14%)*	40.5	47.6	*(15%)*
Amortisation of legacy transaction costs	0.0	0.3	1.5	*(100%)*	*(100%)*	0.3	3.9	*(92%)*
Total	**20.3**	**20.5**	**25.0**	***(1%)***	***(19%)***	**40.8**	**51.5**	***(21%)***

Note – Amortisation of Legacy Transaction costs is included in Interest Expense for Statutory reporting purposes.

Amortisation of acquisition intangibles is amortising in line with the straight-line amortisation schedule. Acquisition intangibles recognised as part of a business combination in 2015 have remaining amortisation periods of just under 1 year in Australia. New Zealand was fully amortised by 31 December 2022.

The Amortisation of Legacy Transaction costs has decreased by $0.3 million HoH as the capitalised portion of both the costs related to the original establishment of the warehouse funding program in 2015, and the costs related to the historical hedging arrangements that were settled as part of Latitude's proposed 2019 IPO have been fully amortised. The funding establishment costs were amortised over the life of the respective funding vehicles and were fully amortised by 31 December 2022, while the amortisation of the historical hedging arrangements is in line with the original life of the historical instrument and the unwind of the historical cash flow hedge reserve were fully amortised by 30 September 2023. The reduction in these costs is in line with the expected amortisation profile of the balances.

Section B | Supplementary Information

B.4 Reconciliation from Cash NPAT to Stat NPAT for continuing operations

Table B.2: Cash NPAT to Stat NPAT FY23

($m)	Cash NPAT	Amortisation of acqusition intangibles	Amortisation of legacy transaction costs	Corporate Development	Restructuring Costs	Cyber related costs	Asset/ Work in Progress Impairment	Decommissioned facilities	Stat NPAT
Net interest income	615.4		(0.3)					(0.2)	614.9
Other income	42.2							0.4	42.6
Total operating income	**657.6**		**(0.3)**					**0.2**	**657.5**
Net charge offs	(215.8)								(215.8)
Risk adjusted income	**441.8**		**(0.3)**					**0.2**	**441.7**
Cash opex	(351.9)			(34.1)	(14.5)	(68.3)	(48.0)	(3.0)	(519.8)
Cash PBT	**89.9**		**(0.3)**	**(34.1)**	**(14.5)**	**(68.3)**	**(48.0)**	**(2.8)**	**(78.1)**
Movement in provision	(21.6)								(21.6)
D&A (excluding leases)	(42.2)	(40.5)						(3.0)	(85.7)
Profit before tax and notable items	**26.1**	**(40.5)**	**(0.3)**	**(34.1)**	**(14.5)**	**(68.3)**	**(48.0)**	**(5.8)**	**(185.4)**
Income tax expense	(7.7)	12.1	0.1	9.5	4.0	20.5	7.4	1.6	47.5
NPAT(continuing ops)	**18.4**	**(28.4)**	**(0.2)**	**(24.6)**	**(10.5)**	**(47.8)**	**(40.6)**	**(4.2)**	**(137.9)**

B.5 Glossary of key terms

Term	Definition
90+ days past due	Total amount of receivables 90+ days past due at period end divided by period end gross loan receivables
Active accounts	Defined as a customer who has a balance and/or performed a transaction on a product in the last month
Amortisation of acquisition intangibles	Reflects the amortisation of customer lists and distribution agreements recognised as part of the acquisition accounting. Intangible customer lists and distribution agreements are amortised on a straight-line basis over nine years in Australia and seven years in New Zealand (*ending in 2024 and 2022 respectively*)
Amortisation of legacy transaction costs	Reflects the amortisation of capitalised costs for the original establishment of the warehouse funding program and historical hedging arrangements settled as a direct result of Latitude's proposed 2019 IPO (*ending in 2023*)
Average gross receivables (*AGR*)	Average gross monthly receivables balance during the period (*e.g. calculated based on the 13 month average across the period for a financial year and a 7 month average across the period for a half year*). AGR is a key driver of earnings for the business
Book value per share	Net assets divided by ordinary shares on issue at the end of the reporting period.
Cash operating expenses	Represents the sum of Employee expense, Marketing expense, Occupancy expense, Information technology expense and Other operating expenses
Cash operating expenses/AGR	Cash operating expenses divided by AGR for the relevant period
Cash PBT	Refer Section B.1
Cash NPAT	Refer Section B.1
Cost to income ratio cash	Represents the ratio of cash operating expenses to operating income
Cost to income ratio total	Represents the ratio of total operating expenses to operating income, excluding notable items
Coverage ratio	Represents the ratio of provisions for expected losses to gross loan receivables in accordance with IFRS 9
Depreciation & amortisation expense (*ex leases*)	Includes amortisation of capitalised software and depreciation of property, plant and equipment
DPS Cash	Represents the cash dividend per share calculated as Cash NPAT for the period divided by the weighted average shares on issue for the period
EPS Cash - Basic	Represents the cash earnings per share calculated as Cash NPAT for the period divided by the weighted average shares on issue for the period
EPS Cash - Diluted	Represents the cash earnings per share calculated as Cash NPAT for the period divided by the weighted average shares on issue for the period including the dilutive effect of the capital notes on issue
Employee expense	Relates to employee salary, incentives and related on-costs. Employee expenses exclude costs associated with corporate development, restructuring and Cyber which have been presented separately in notable items
FTE	Includes a permanent or fixed term employee of Latitude.

Term	Definition
Gross loan receivables	Represents the total outstanding receivables balance across all products at the end of the period excluding the net fair value unwind and discontinued operations
Hardship inventory	Represents total of end of period Hardship balances divided by Gross loan receivables
Information technology expense	Relates to the expenses associated with technology including platform costs, license fees and maintenance
Interest Bearing receivables	Represents the amount of gross loan receivables that are on accounts that are eligible to be charged interest. It excludes balances while they are on active interest free promotion (eg. 6-60 months interest free) but does include the remaining balances once that interest free period has expired.
Interest expense	Interest expense incurred by Latitude to finance Latitude's receivable assets inclusive of interest margin, base rate interest, commitment fees, guarantee fees, interest rate swap interest expense and amortisation expenses associated with capitalised costs incurred in the establishment of new trusts
Interest expense/AGR	Interest expense divided by AGR for the relevant period
Interest expense cost	Interest expense divided by average interest-bearing liabilities for the relevant period
Interest income	Interest income is based on an effective interest rate methodology and comprises interest charged on outstanding customer balances plus fees and charges that are considered an integral part of the loan, net of origination costs. Outstanding customer balances include revolving credit card balances (*including interest-bearing sales finance products*), personal loan products and auto loan products. Fees and charges include merchant service fees (*for sales finance and BNPL*) which Latitude earns from retail partners for financing interest free sales, establishment fees, annual fees, account keeping fees, late fees and third-party commission expenses
Interest income yield	Interest income divided by AGR for the relevant period
Loan impairment expense	Represents losses from loan receivables charged off in the period and the movement in the provision for impairment losses (*estimated in accordance with IFRS 9, excluding movement in transaction fraud losses*), net of recoveries of amounts previously written off
Marketing expense	Relates to marketing, advertising and sales promotion expenses
Money	Variable and fixed rate unsecured/ secured personal loans and unsecured/ secured auto loans
Net charge-offs (*NCO*)	Gross charge offs less any subsequent recoveries of charged off debt
Net charge offs/AGR	Net charge offs divided by AGR for the relevant period
Net receivables	Represents Gross loan receivables less loan provisions for impairments, deferred income and customer acquisition costs
Net interest margin (*NIM*)	Interest income less interest expense divided by AGR for the relevant period

Term	Definition
Net tangible assets per share	Net assets excluding intangible assets, non-controlling interests and other equity instruments divided by ordinary shares on issue at the end of the reporting period.
Notable items	Latitude believes these items are outside the ordinary course of business and temporary in nature or relate to the costs associated with entering new segments and markets where the associated revenues or benefits from that uncapitalised investment will not evolve during the reporting period.
Occupancy expense	Relates to the expenses associated with facility occupancy
Operating Income	Operating Income is calculated as Net interest income plus Other operating income
Operating income margin	Operating Income divided by AGR for the relevant period
Other operating expenses	Primarily relates to outside services costs and other general operating costs. Expenses associated with Latitude's restructuring have been excluded and presented separately in notable items
Other operating income/Other income	Includes statement fees, interchange and other fees & charges. Other operating income is offset by direct costs including credit card Scheme and related fees, partner loyalty fees, customer loyalty fees. For certain fee categories where fees are a pass through of external costs due to customer channel selection, these costs are netted against the associated fees (*e.g. paper statement fees, payment handling fees*). It also includes mark to market of financial instruments (including FX forwards and Interest Rate Swaps) and FX Gain/Loss.
Pay	Comprising Sales Finance (instalments) and credit cards. Where the customer's need is to purchase goods or services and where Latitude provides a payment and finance solution for the merchant and customer.
Payout ratio	Calculated as the ratio of dividend per share divided by cash earnings per share
Provision movement	Represents the movement in the provision for impairment losses (*estimated in accordance with IFRS 9, excluding movement in transaction fraud losses*)
Return on AGR (*RoAGR*)	RoAGR is calculated as Cash NPAT divided by the average gross receivables (*AGR's*) for the relevant period
Return on Equity (*ROE*)	RoE is calculated as Cash NPAT divided by the average Total Equity for the relevant period
Return on Tangible Equity (*ROTE*)	Calculated as Cash NPAT divided by the average Tangible Equity for the relevant period
Risk adjusted income (*RAI*)	Refer Section B.1
Risk adjusted income yield	Risk adjusted income divided by AGR for the relevant period
Tangible Equity (*TE*)	Total Equity less Intangible assets
Tangible Equity/Net Receivables (*TER*)	Calculated as Tangible Equity divided by Net receivables
Total Equity	Contributed equity plus Common control reserve plus Other reserves plus Retained earnings
Volume	Key lead indicator monitored by the business. It represents all principal receivables lent by the business in the relevant period. It shows customer spending habits, future income levels, effectiveness of top line initiatives implemented and Latitude's lending appetite