LATITUDE

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ASX ANNOUNCEMENT

2024 Annual General Meeting – Managing Director and CEO's Address

Good morning everyone and thank you for joining us at today's Annual General Meeting.

As we look back, it's evident that 2023 was an extraordinarily difficult year for our company. What's also clear is that we enter 2024 with a renewed focus, conviction in the strength of our business model and rational optimism about our ability to deliver strong and sustained value to our shareholders into the future.

Since the onset of Covid, Latitude – and the financial services industry more broadly – has been confronted by a range of macro-economic headwinds that have impacted lending demand, increased funding and operating costs and put pressure on our ability to deliver profit growth.

Our 2023 results were further challenged by the malicious cyber-attack in March last year that impacted key systems needed to originate new loans and service existing customers. The situation required decisive action, and in response we deployed the full resources of the company to quickly and safely restore our systems, regain business momentum and, importantly, begin the process of rebuilding trust in our brand.

The cumulative and compounding effect of these factors is evident in last year's performance outcomes. Our company lent $7.65 billion to Australian and New Zealand customers. This was down about $300 million (or 4%) on the prior year – primary attributable to a pause in lending activity as systems were restored following the cyber incident.

Receivables balances came in at $6.25 billion which was $230 million (or 4%) lower on a YOY basis. This reflects a combination of fewer new loan originations for the reasons just mentioned, along with higher customer repayment rates which remained above historical levels.

Pricing actions taken by management resulted in a $70 million (or 8%) YOY increase in interest income. However, these gains were offset by a $130 million increase in funding costs, resulting in an 8% decline in Operating Income to $658 million.

Earnings were further impacted by a $68 million increase in charge offs due to cyber-related disruptions to our debt collection activities, along with the slow but steady reversion of credit losses to more normalised historical levels.

While expense discipline was maintained throughout the year, Operating Costs rose by $20 million (or 6%). That said, this was predominately linked to non-recurring costs related to the re-engineering of our operating model to deliver sustained productivity gains, along with various investment in initiatives to drive revenue growth in 2024 and beyond.

In line with the guidance we provided to the market, our Cash Profit After Tax for FY23 dropped to $18.4 million. When accounting for amortisation of intangibles and other notable items – which included $68 million in pre-tax provisions and costs due to cyber – we recorded a Statutory Loss of $138 million from continuing operations.

Importantly, Latitude maintains insurance policies to cover key risks, including those arising from the cyber incident, and we continue to work cooperatively with our insurers to ensure all eligible expenses are recovered.

Despite these challenges, our balance sheet remained strong and our Tangible Equity Ratio – a key measure of our capital adequacy – was 6.8%, at the upper end of our 6% to 7% target range.

Through all of this, Latitude's customers, financiers and partners stood behind us and all of our retail and broker partnerships were retained. By Q4, new origination volumes had returned to pre-cyber incident levels across both our Pay and Money divisions and receivables balances have been on a steady upward trajectory since August. Planned pricing actions were also resumed which stabilised net interest margins.

Our actions last year were, and will continue to be, guided by our *Path To Full Potential* corporate strategy, endorsed by Latitude's Board shortly after my commencement as CEO 12 months ago.

Our new strategy places emphasis on the fundamentals needed to deliver market outperformance growth in our core Sales Finance and Personal Lending businesses – segments that have historically served our customers and retailers well and generate superior returns for shareholders. Our strategy also sees us investing more in innovative technologies to meet the evolving needs of our customers and that further enhance our cyber defences.

While there is still much to be done, I'm pleased with the pace and quantum of the change being delivered. Some key highlights for 2023 include:

- The sale of our Hallmark Insurance business, Symple Canada assets and the exit from Buy Now Pay Later, aligning with our commitment to simplify the business and bolster our balance sheet;

- The completion of the Symple technology platform integration which allowed us to decommission legacy systems, reduce operating costs and unlock new capabilities to further increase our market share in this high ROE segment; and

- The difficult but necessary decision to restructure our operating model in 2H which contributed to a 22% reduction in personnel over the year. This was vital to reshaping our expense profile to be much more tilted towards growth and enabling more capital to be invested into our highest potential and highest yielding opportunities going forward.

The company's persistent focus on a clearly defined set of strategic imperatives is now becoming evident in our leading performance metrics. Momentum that began towards the end of last year has accelerated in Q1 this year, resulting in one of the strongest starts to a new financial year in quite some time.

Our Money division recorded the highest number of approved applications in five years which is driving strong receivables growth while maintaining strict underwriting discipline. In the first quarter, our Australia Personal Loans receivables balances (the largest of our Money division portfolios) grew at approximately 1.5 times system. By the end of this month, we expect to hold the #2 personal loans market share position in Australia behind only Commonwealth Bank.

Pleasingly, this growth has been achieved while also increasing net interest margins. Despite some residual funding costs pressures that carried over from last year, disciplined pricing actions are rebuilding margins which are now trending above 2H 2023 levels.

Targeted investments made in our Pay division throughout last year are also beginning to yield the desired outcomes. The strong volumes we're seeing this first quarter is a key indicator of customer engagement and value in our product offering. March 2024 volumes for our Pay division was the strongest March volume result achieved in four years. Spend activity on Latitude credit cards across the first quarter was the strongest recorded for a Q1 since 2019, despite softness in overall retail turnover.

Adding new, scaled partnerships to our retail network is key to expanding the relevance of our Pay division products, and so I'm pleased to share several exciting new partnerships including the signing of JB Hi Fi and Smith City in New Zealand, expanding our relationship with The Warehouse Group in New Zealand and the addition of BSR group and Officeworks in Australia.

At the Enterprise level, receivables have now grown for seven consecutive months – up $196 million since the start of 2H 2023. Net Interest Margin has recovered to around 10% (+20bps vs 2H 2023). Group revenue yield has also increased by 115bps in that same period.

We remain active in the public debt markets having now successfully completed two large asset backed security transactions, capitalising on more favourable debt pricing to help further improve net interest margin.

And finally, we're very proud to have supported our partners at David Jones with the very recent launch of their private label credit card which is off to a strong start since being officially offered to new customers last month.

These developments demonstrate Latitude's ability to adapt, persevere and deliver, even when faced with adversity. While 2023 was undoubtedly a very difficult year, it has also been a period of significant progress toward our renewal.

We remain the largest non-bank consumer finance lender in Australia and New Zealand, are privileged to serve the payment and lending needs of over two million customers and over five thousand retailers across the region and, with each passing month, I'm increasingly confident in our ability to unlock Latitude's full commercial potential in the quarters and years ahead.

Thank you again for joining us here today – I'll now pass it back over to our Chairman, Mike Tilley.

Authorised for release to the ASX by the Company Secretary.

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