LATITUDE GROUP HOLDINGS LIMITED

ACN 83 604 747 391

Management Discussion & Analysis for the half year ended 30 June 2023

18 August 2023

Table of Contents

Section A | Results 3

01 | Summary of Group Performance 4

02 | Volume, Receivables & Net Interest Income 6

03 | Other Operating Income 9

04 | Net Charge Offs, Provisions & Asset quality 10

05 | Operating Expenses, Notable Items & Discontinued Operations 12

06 | Balance Sheet & Shareholder Returns 14

07 | Funding & Liquidity 15

Section B | Supplementary Information 18

Date of this Management Discussion & Analysis

This Management Discussion & Analysis has been prepared for the half year ended 30 June 2023 and is current as at 18 August 2023.

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 half year ended 30 June 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 4D.

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.

'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 $7.0m, down 88% HoH, down 92% YoY.

On a continuing operations basis, 1H23 statutory loss after tax was $98.2m, in line with guidance. Including discontinued operations, statutory loss after tax attributable to owners of Latitude Group Holdings Limited (*LFS*) was $116.3m.

Despite a strong start in Jan & Feb volumes, the combined impacts of unprecedented interest rate rises in Australia (*+400bps*) and New Zealand *(+525bps*), along with the March 2023 cyber incident which resulted in higher charge offs, lower receivables and costs of $75.9m (pre-tax) resulting in a materially negative impact on both earnings & the balance sheet for 1H23. Due to the underlying statutory performance noted above, no interim dividend has been declared.

Table 1: Summary profit & loss statement

($m)	30-Jun-23 1H23	31-Dec-22 2H22	30-Jun-22 1H22	Change % HoH	Change % YoY
Interest income	476.2	450.8	439.4	*6%*	*8%*
Interest expense	(165.3)	(127.7)	(86.7)	*29%*	*91%*
Net interest income	311.0	323.1	352.7	*(4%)*	*(12%)*
Other income	22.6	18.7	17.7	*21%*	*28%*
Total operating income	333.6	341.8	370.4	*(2%)*	*(10%)*
Net charge offs	(105.2)	(73.4)	(74.2)	*43%*	*42%*
Risk adjusted income	**228.4**	**268.4**	**296.2**	***(15%)***	***(23%)***
Cash operating expenses	(173.1)	(157.5)	(174.3)	*10%*	*(1%)*
Cash PBT	**55.3**	**110.9**	**121.9**	***(50%)***	***(55%)***
Movement in provisions	(20.9)	(7.2)	35.3	*190%*	*(159%)*
Depreciation & amortisation (*ex leases*)	(22.3)	(23.2)	(22.1)	*(4%)*	*1%*
Profit before tax & notable items	**12.1**	**80.5**	**135.1**	***(85%)***	***(91%)***
Income tax expense	(5.1)	(20.0)	(42.1)	*(75%)*	*(88%)*
Cash NPAT from continuing operations	**7.0**	**60.5**	**93.0**	***(88%)***	***(92%)***
Notable items after tax:					
Amortisation of acquisition intangibles	(14.2)	(16.6)	(17.0)	*(14%)*	*(16%)*
Amortisation of legacy transaction costs	(0.2)	(1.1)	(1.7)	*(82%)*	*(88%)*
Other notable items	(90.8)	(30.8)	(28.4)	*195%*	*220%*
Total Notable items after tax	(105.2)	(48.5)	(47.1)	*117%*	*123%*
Statutory profit after tax (continuing ops)	**(98.2)**	**12.0**	**45.9**	***large***	***(314%)***
Profit/(loss) from discontinued operations	(18.7)	(5.9)	(15.7)	*217%*	*19%*
Statutory profit after tax	**(116.9)**	**6.1**	**30.2**	***large***	***(487%)***
Profit/(loss) is attributable to:					
Owners of Latitude Group Holdings Limited	(116.3)	7.1	30.6	*large*	*(480%)*
Non-controlling interest	(0.6)	(1.0)	(0.4)	*(40%)*	*50%*
Statutory profit after tax	**(116.9)**	**6.1**	**30.2**	***large***	***(488%)***

(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

Despite a strong start in Jan & Feb volumes, 1H23 performance adversely impacted by the March cyber incident along with continued increases in funding costs

Group performance summary (*1H23*):

- **Volume down 3% YoY, down 15% HoH**. Jan/Feb volumes up 12.5% YoY. In March, business operations were disrupted for ~6 weeks to contend with the cyber incident. This event coupled with macro-economic factors impacting discretionary spend resulted in Money volumes ↓19% YoY (↓28% HoH). Pay ↑ 2% YoY (↓11% HoH).
- **Receivables down 4% HoH.** Despite repayment rate reducing to 94%, down 700bps HoH (seasonality) & 400bps YoY they remain above pre-COVID levels, in addition to lower volumes noted above driving receivables down 4%.
- **Net interest margin 9.80%** (*NIM*), whilst on guidance, contracted 43bps HoH and 147bps YoY as unprecedented material central bank tightening (*Aus: +400bps/ NZ: +525bps*) continued to rapidly increase funding costs (*+117bps HoH*) along with delays in implementing pricing actions due to the cyber incident.
- **Net charge offs 3.31%** (*NCO*) up 94bps YoY as collection activities ceased during the cyber incident coupled with underlying macro conditions (inflation & Interest rates) deteriorating for the consumers across A&NZ.
- **Risk adjusted income $228m** (*RAI*) down 15% HoH, down 23% YoY. RAI yield down 130bps HoH and 230bps YoY to 7.2% as funding costs increase ahead of asset yields (pricing delays noted above).
- **Cash operating expenses down 1% YoY, up 10% HoH** driven by normalisation of one-offs (STI accrual resumption & property exit credits), plus an increase in marketing expenses & underlying cost inflation. These increases were partially offset by continued efficiencies and FTE reductions
- **Effective tax rate 42.5%** with low tax base impacted by the non-deductible costs of Asia.
- **Notable items of $105m after tax** due to the cyber incident (*$75.9m pre-tax*), continued Symple integration costs (*lending platform replacement & integration*) and asset/work in progress impairments.
- **Balance sheet metrics** impacted by the cyber incident with provision coverage increased to 4.22%, 90 days past due 1.27% at Jun'23 and the tangible equity ratio (*TER*) returned to the top end of our range at 7.0%.
- **No interim dividend was declared**

Table 2: Key performance indicators

($m)	30-Jun-23 1H23	31-Dec-22 2H22	30-Jun-22 1H22	Change % HoH	Change % YoY
Volume	3,617	4,240	3,713	*(15%)*	*(3%)*
Gross Loan Receivables	6,229	6,474	6,257	*(4%)*	*(0%)*
AGR	6,399	6,264	6,313	*2%*	*1%*
Active accounts (ex BNPL) '000s	1,410	1,456	1,468	*(3%)*	*(4%)*
Operating Income	334	342	370	*(2%)*	*(10%)*
Risk adjusted income (*RAI*)	228	268	296	*(15%)*	*(23%)*
Cash PBT	55	111	122	*(50%)*	*(55%)*
Cash NPAT	**7**	**61**	**93**	***(89%)***	***(92%)***
Interest income yield	**15.01%**	**14.28%**	**14.04%**	***73***	***97***
Interest expense/ AGR	5.21%	4.04%	2.77%	*117*	*244*
Net interest margin	9.80%	10.23%	11.27%	*(43)*	*(147)*
Operating income margin	10.51%	10.83%	11.83%	*(32)*	*(132)*
Net charge offs	**(3.31%)**	**(2.32%)**	**(2.37%)**	***(99)***	***(94)***
RAI yield	**7.2%**	**8.5%**	**9.5%**	***(130)***	***(230)***
90+ days past due	1.27%	0.69%	0.80%	*58*	*47*
Coverage ratio	4.22%	3.75%	3.74%	*47*	*48*
Cost/ income - Cash	51.9%	46.1%	47.1%	*580*	*480*
Cost/ income - Total	58.6%	52.9%	53.0%	*570*	*560*
Cash opex/ AGR	5.5%	5.0%	5.6%	*50*	*(10)*
Spot FTE	936	1,008	1,089	*(7%)*	*(14%)*
Cash NPAT Effective tax rate	42.5%	24.8%	31.2%	*1770*	*1130*
RoAGR	**0.2%**	**1.9%**	**2.9%**	***(170)***	***(270)***
RoE	1.0%	8.0%	12.1%	*(700)*	*(1110)*
RoTE	3.0%	22.4%	35.3%	*(1940)*	*(3230)*
TER	**7.0%**	**8.5%**	**9.2%**	***(150)***	***(220)***
DPS cents	0.00	4.00	7.85	*(100%)*	*(100%)*
EPS cents (*cash*)	0.67	5.83	8.95	*(89%)*	*(93%)*
Payout ratio	0%	69%	88%	*(6,900)*	*(8,800)*
EPS cents (*diluted*)	0.61	5.26	8.19	*(88%)*	*(93%)*

Section A | Results

02 | Volume, Receivables & Net Interest Income

Volumes reduced 15% HoH driving a 4% HoH decline in receivables. In addition, rapidly increasing cost of funds and cyber related re-pricing delays combined to compress margins by 43bps HoH.

1H23 volume of $3,617m despite being up 12.5% across Jan and Feb, ended down 3% YoY & 15% HoH due to the impacts to new originations and customer spend during the cyber incident.

Pay A&NZ volumes of $2,958m fell 11% HoH (including seasonal factors) but increased 2% YoY.

Sales Finance A&NZ volumes of $1,801m down 14% HoH and down 6% YoY reflect the impact of cost of living pressures weighing on consumer spending, lower retail sales and disruptions through the cyber incident. Scheme volume was flat YoY, while Interest Free was down 17% YoY. New originations were paused during the cyber incident which impacted interest free volume for the half.

The 28° Global Platinum Mastercard® continues to improve with volumes seasonally down only 1% HoH, and up 29% YoY to $1,005m which is consistent with a pre-COVID annualised level of over $2bn annually.

Money A&NZ volumes were significantly impacted by the business closure (cyber incident) and pricing actions, down 28% HoH and down 19% YoY.

Auto volume (*$107m*), which is generated by the Broker channel, was particularly impacted, down 36% HoH and down 45% YoY.

Australian personal loan volumes declined 19% HoH and 8% YoY. New Zealand personal loan also lower, down 44% HoH and down 21% YoY.

The integration of the Q2 platform continues to progress well with all products now originated via Q2.

Australian personal loans migration completed in 1H23. Back-book migration for New Zealand personal loans was completed in July 23, with Australian auto loans scheduled to be complete by 3Q23 (delayed by 1 quarter due to Cyber).

The new platform offers variable and fixed rate loans for both personal loans and auto loans across a fully digitised cloud-based platform. In 1H23 variable rate loans represented around 60% of new volume for Money.

Table 3: Volume & receivables

($m)	30-Jun-23 1H23	31-Dec-22 2H22	30-Jun-22 1H22	Change % HoH	Change % YoY
Volume					
Pay	**2,958.5**	**3,339.9**	**2,910.3**	***(11%)***	***2%***
- Australia	2,422.4	2,741.8	2,376.0	*(12%)*	*2%*
- New Zealand	536.1	598.0	534.4	*(10%)*	*0%*
Money	**636.6**	**885.7**	**790.4**	***(28%)***	***(19%)***
- Australia	520.9	679.8	643.7	*(23%)*	*(19%)*
- New Zealand	115.7	205.9	146.7	*(44%)*	*(21%)*
Other	22.3	14.5	12.2	*54%*	*83%*
Group	**3,617.3**	**4,240.1**	**3,712.9**	***(15%)***	***(3%)***
Repayment rate (ex credit cards & BNPL)	**94%**	**101%**	**98%**	***(700)***	***(400)***
Receivables					
Pay	**3,510.5**	**3,683.5**	**3,622.0**	***(5%)***	***(3%)***
- Australia	2,680.9	2,807.5	2,801.5	*(5%)*	*(4%)*
- New Zealand	829.5	876.0	820.5	*(5%)*	*1%*
Money	**2,708.1**	**2,786.7**	**2,633.3**	***(3%)***	***3%***
- Australia	2,247.2	2,293.3	2,187.3	*(2%)*	*3%*
- New Zealand	460.9	493.4	446.0	*(7%)*	*3%*
Other	10.4	4.0	1.2	*160%*	*767%*
Group gross receivables	**6,229.0**	**6,474.2**	**6,256.6**	***(4%)***	***(0%)***
Provisions	(263.1)	(242.7)	(234.1)	*8%*	*12%*
Unearned	(65.6)	(80.6)	(83.5)	*(19%)*	*(21%)*
Net receivables	**5,900.3**	**6,150.9**	**5,939.0**	***(4%)***	***(1%)***

[1)] Prior periods have been restated to remove Discontinued Operations

The repayment rate declined 400bps YoY as higher interest rates and inflation continue to weigh on household savings, in addition the cyber incident impacting collection activities. The underlying trend in repayments continue to trend towards the long term pre-COVID annual average of ~92%.

However, the declining repayment rate was not enough to offset the impact to volumes and therefore gross receivables decreased 4% HoH and flat YoY.

Pay A&NZ receivables declined 5% HoH and 3% YoY due to the volume and repayment trends described above. Interest Bearing receivables were up 1% HoH and up 1% YoY due to the growth in scheme volume, while Interest Free receivables reduced 10% HoH and 7% YoY due to lower Interest Free volume. The '*interest free*' value proposition is expected to increase in attractiveness with lower house hold savings to fund purchases and the higher home loan rates.

Money A&NZ receivables declined 3% HoH and up 3% YoY. Money Australia receivables decreased 2% HoH but up 3% YoY with Auto *($742m: down 6% HoH, down 5% YoY*) and Personal loans (*$1,505m: flat HoH, up 7% YoY*). Money New Zealand receivables fell 7% HoH but up 3% YoY.

Table 4: Net interest income/ margin & RAI yield

($m)	30-Jun-23 1H23	31-Dec-22 2H22	30-Jun-22 1H22	Change % HoH	Change % YoY
Interest income	476.2	450.8	439.4	*6%*	*8%*
Interest expense	(165.3)	(127.8)	(86.6)	*29%*	*91%*
Net interest income	**311.0**	**323.1**	**352.7**	***(4%)***	***(12%)***
Other income	22.6	18.7	17.7	*21%*	*28%*
Net charge offs	(105.2)	(73.4)	(74.2)	*43%*	*42%*
Risk adjusted income (RAI)	**228.4**	**268.4**	**296.2**	***(15%)***	***(23%)***
Interest income yield	15.01%	14.28%	14.04%	*73*	*97*
Interest expense cost	5.56%	4.37%	3.02%	*119*	*254*
Net interest spread	9.45%	9.90%	11.02%	*(45)*	*(157)*
Benefit of equity	0.35%	0.33%	0.25%	*2*	*10*
Net interest margin	**9.80%**	**10.23%**	**11.27%**	***(43)***	***(147)***
Other income	0.71%	0.60%	0.56%	*11*	*15*
Operating income margin	**10.51%**	**10.83%**	**11.83%**	**(32)**	**(132)**
Net charge offs	(3.31%)	(2.32%)	(2.37%)	*(99)*	*(94)*
RAI yield	**7.20%**	**8.50%**	**9.46%**	***(130)***	***(226)***

Unprecedented rapid and material central bank tightening cash rates persisted through the half (*Aus: +400bps/ NZ: +525bps from the trough*). Cash/ 3-yr swap rates, during the half, increased in Australia (*+100bps/ +30bps*) and New Zealand (*+125bps/-4bps*). These moves drive a timing difference whereby funding and fixed rate loan hedging costs move ahead of LFS product yields. Also noteworthy, around half of sales finance receivables are in a '*funded but interest free*' state at any point in time.

Net interest income declined 4% or $12m HoH/ down 12% or $42m YoY. This is decomposed as NIM yield contraction -43bps (-*$14m*), AGR's up 2% (*$7m*) and three less days 1H vs 2H (-*$6m*). The 43bps HoH contraction in NIM yield is comprised of: mix (*+1bps*), income yield (*+73bps = Pay +42bps, Money +32bps, Other -1bps*) and higher funding (-*117ps)*.

In response, products continued to be strategically repriced during the half to manage this increased cost of funds, however the effect of these pricing changes was slowed by the cyber incident: Pay +100-200bps, Personal Loans AU +~170bps, Auto +~75bps and Gem Personal Loans NZ +~50bps in 1H23, in addition to changes made through 2022. Overall, pricing actions completed through 2022 and in 1H23 added 97bps in income yield yoy and 73bps HoH. Further pricing actions across Pay and Money will provide additional benefits in 2H23.

AGR's increased 2% HoH with Pay up 1% HoH and Money up 4% HoH.

Section A | Results

Table 5: Average balance sheet

($m)	Half year 30-Jun-23 1H23			Half year 31-Dec-22 2H22			Half year 30-Jun-22 1H22		
	Ave bal.	Interest	Rate	Ave bal.	Interest	Rate	Ave bal.	Interest	Rate
Receivables (AGR)	**6,399**	**476**	**15.0%**	**6,264**	**451**	**14.3%**	**6,313**	**439**	**14.0%**
- Pay	3,617	293	16.3%	3,585	283	15.6%	3,681	276	15.1%
- Money	2,775	182	13.2%	2,676	168	12.4%	2,631	163	12.5%
- Other	7	1	25.8%	2	0	40.4%			
Average assets	**7,689**			**7,844**			**7,891**		
- Securitisation	5,838	157	5.4%	5,720	123	4.3%	5,786	83	2.9%
- Corporate Debt	156	7	9.1%	75	3	8.8%	19	2	17.1%
- Other		1	n.m		2	n.m	0	2	n.m
Total ave interest bearing	5,995	165	5.6%	5,795	128	4.4%	5,805	87	3.0%
Average liabilities	**6,300**			**6,337**			**6,339**		
NII/ spread		311	9.4%		323	9.9%		353	11.0%
Net interest margin		311	**9.8%**		323	**10.2%**		353	**11.3%**
Average equity	**1,389**			**1,507**			**1,553**		

Note: 9.1% 1H23 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, supporting YoY growth with HoH impacted by seasonality

Interchange fees down 4% HoH due to seasonality, and up 19% YoY with growth in scheme volume (particularly global travel, which attracts higher interchange rates). Positive mix effects from the continued recovery in 28 Degrees (*1H23 volumes of $1,005m up 29% YoY and down 1% HoH due to seasonality*) saw interchange yield increase 5bps YoY and 2bps HoH.

Other income increased 256% HoH and 56% YoY due to higher scheme incentives (*commensurate with higher scheme volume*) and higher bank interest (*commensurate with rapidly increasing cash rate*).

Table 6: Other income

($m)	30-Jun-23 1H23	31-Dec-22 2H22	30-Jun-22 1H22	Change % HoH	Change % YoY
Interchange fees	16.2	16.9	13.6	*(4%)*	*19%*
Other income	6.4	1.8	4.1	*256%*	*56%*
Total other income	**22.6**	**18.7**	**17.7**	***21%***	***28%***

Section A | Results

04 | Net Charge Offs, Provisions & Asset quality

Disrupted collection activities from cyber incident and a more challenging macro environment contributed to elevated net charge offs

Net charge offs increased 43% HoH to $105.2m reflecting the disrupted collection activities over 6 weeks due to cyber incident, macro driven normalisation of losses and the customary 1H seasonality. Net charge offs were 3.31%, up 99bps HoH, which is now in line with our longer term pre-COVID average of ~3.30%.

Pre-cyber net charge offs for Jan and Feb combined were 2.6%, an increase 44bps vs Jan/Feb22, as the expected reversion to normalised losses began, driven by higher cash rates and cost of living pressures on households.

Origination quality remains strong with 71% rated CR1/CR2 at origination in 1H23, which is up ~100bps HoH and YoY and up in 800bps v pre-COVID.

The provision balance increased 47bps to 4.22% to manage both the adverse outcome of cyber disrupted collections and the macro economic environmental pressures.

Looking forward, the economic uncertainty associated with high levels of household debt, increasing interest rates, stubborn inflation, withdrawal of fiscal support, ongoing geopolitical tensions further warrants persistent prudence with our coverage ratio. However, unemployment, a key driver of delinquency, in both Australia and New Zealand remains at long term lows of 3.5%/ 3.6% respectively. At 4.22% LFS's provision at 1.3x current NCO's is back in line with the pre-COVID average.

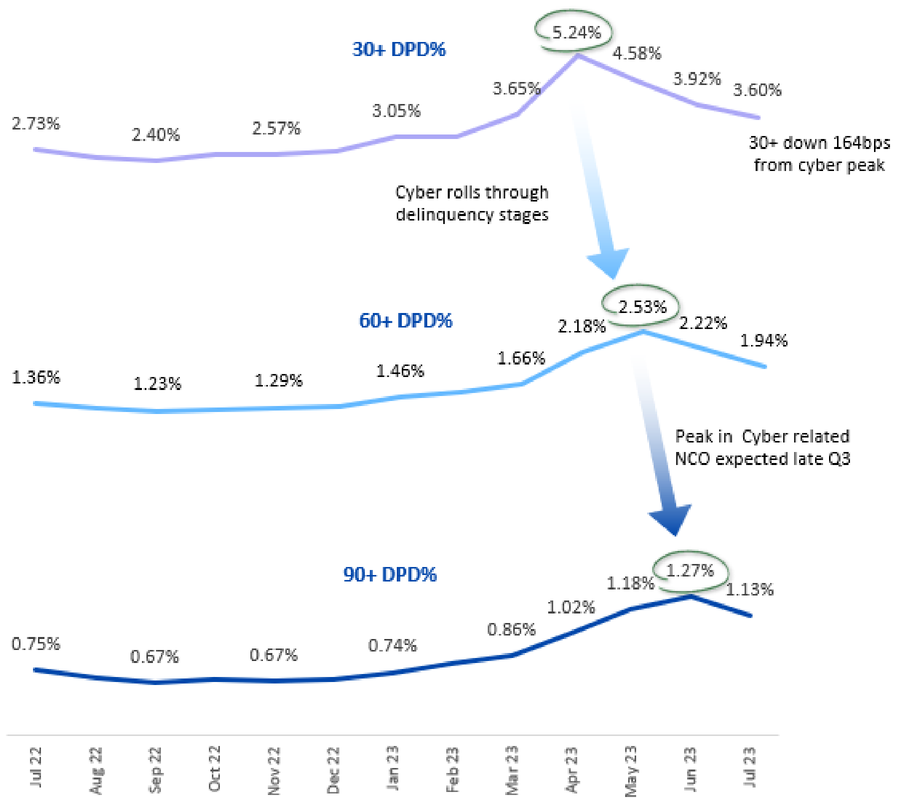
Receivables 90 days past due jumped 58bps HoH to 1.27% reflecting the above impact from the cyber incident. Early stage delinquency buckets are reducing from their cyber incident peaks with Jun'23 60 days past due at 2.22% (down from 2.53% at May'23) and Jun'23 30 days past due at 3.92% (down from peak of 5.24% at Apr'23) as can be seen in Chart 1. Hardship trends have also increased but are in line with pre-COVID levels.

Table 7: Net charge offs & provisions

($m)	30-Jun-23 1H23	31-Dec-22 2H22	30-Jun-22 1H22	Change % HoH	Change % YoY
Net charge offs					
Prior period net charge offs	(73.4)	(74.2)	(67.6)	*(1%)*	*9%*
Impact of change in AGR	(1.6)	0.6	0.1	*(367%)*	*large*
Impact of change in NCO rate	(30.2)	0.2	(6.8)	*large*	*344%*
Total NCOs	**(105.2)**	**(73.4)**	**(74.2)**	***43%***	***42%***
NCOs/ AGR	**(3.31%)**	**(2.32%)**	**(2.37%)**	***(99)***	***(94)***
Provision movement					
Impact of change in receivables	9.2	(8.1)	3.9	*(214%)*	*142%*
Impact of change in coverage	(29.6)	(0.4)	32.9	*large*	*(190%)*
Provision expense movement	**(20.4)**	**(8.5)**	**36.8**	***140%***	***(156%)***
FX impact	(0.5)	1.3	(1.5)	*(138%)*	*(67%)*
Loan impairment expense	**(126.1)**	**(80.6)**	**(38.9)**	***56%***	***224%***
Group coverage	**4.22%**	**3.75%**	**3.74%**	***47***	***48***
90+ days past due					
Group	**1.27%**	**0.69%**	**0.80%**	***58***	***47***
Pay	**1.62%**	**0.99%**	**1.16%**	***63***	***46***
- Australia	1.73%	1.05%	1.24%	*68*	*49*
- New Zealand	1.31%	0.81%	0.89%	*50*	*42*
Money	**0.82%**	**0.31%**	**0.31%**	***51***	***51***
- Australia	0.82%	0.30%	0.30%	*52*	*52*
- New Zealand	0.85%	0.37%	0.31%	*48*	*54*
Hardship Inventory					
Group	**2.50%**	**2.25%**	**2.34%**	***25***	***16***
Pay	2.07%	1.67%	1.90%	*40*	*17*
Money	3.05%	3.15%	2.94%	*(11)*	*11*

Section A | Results

Chart 1: Delinquency reducing, reverting to normalised levels



05 | Operating Expenses, Notable Items & Discontinued Operations

Disciplined underlying cost control, including continued reduction in FTE, helped absorb inflationary pressures on external services and other operational costs

Cash operating expenses in 1H23 increased 10% HoH, (1%) YoY due to the resumption of short-term incentive (*STI*) accruals, general cost inflation and the normalisation of occupancy costs, offset by lower FTE's and employee costs.

Marketing expenses in 1H23 increased 7% HoH to support early 1H23 momentum. These were down 18% YoY given reduction in marketing during cyber incident. Occupancy returned to normal levels in the new location with the 2H22 negative expense reflecting the outcome of leasing adjustments upon lease termination. On an annualised cash basis, the underlying saving from the move equates to ~$5m.

Information Technology in 1H23 increased 2% HoH and 12% YoY from continued investment and general cost/contract inflation.

Other expenses in 1H23 increased 13% HoH mainly due to higher external services to support the continued progress on the operating structure, in addition to general cost inflation.

Depreciation & amortisation in 1H23 decreased 4% HoH due to the impact of asset/work in progress impairments.

Table 8: Operating expenses

($m)	30-Jun-23 1H23	31-Dec-22 2H22	30-Jun-22 1H22	Change % HoH	Change % YoY
Employee	74.4	69.1	73.8	*8%*	*1%*
Marketing	12.7	11.9	15.5	*7%*	*(18%)*
Occupancy	2.4	(0.8)	6.1	*(400%)*	*(61%)*
Information technology	33.7	33.1	30.0	*2%*	*12%*
Other	49.9	44.2	48.9	*13%*	*2%*
Cash operating expenses	**173.1**	**157.5**	**174.3**	***10%***	***(1%)***
Depreciation & amortisation (ex leases)	22.3	23.2	22.1	*(4%)*	*1%*
Total Opex	**195.4**	**180.7**	**196.4**	***8%***	***(1%)***
Cost to income ratio – Cash	51.9%	46.1%	47.1%	*580*	*480*
Cost to income ratio - Total	58.6%	52.9%	53.0%	*570*	*560*
Spot FTE	936	1,008	1,089	*(7%)*	*(14%)*
Capex	2.0	8.2	16.0	*(76%)*	*(88%)*
Notable items pre-tax	**149.2**	**67.1**	**66.5**	***122%***	***124%***
Amortisation of acquisition intangibles	20.3	23.5	24.1	*(14%)*	*(16%)*
Amortisation of legacy transaction costs	0.3	1.5	2.4	*(80%)*	*(88%)*
Corporate development	22.0	23.9	17.4	*(8%)*	*26%*
Restructuring Costs	5.3	9.5	5.7	*(44%)*	*(7%)*
Cyber related costs	75.9	0.0	0.0	*n.m.*	*n.m.*
Asset/ Work in Progress Impairment	21.0	6.9	15.3	*204%*	*37%*
Decommissioned facilities	4.4	1.8	1.6	*144%*	*175%*

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 remained elevated due to ongoing Symple integration costs (*1H22 $9m, 2H22 $17m, 1H23 $16m*), David Jones store card preparation (*$4m*) and international investment (*1H22 $2m, 2H22 $3m, 1H23 $1m*).

Restructuring costs relate to redundancy & restructuring as LFS transitions to a simplified operating structure.

Impairments relate primarily to decommissioning of the infrastructure associated with the closed BNPL A&NZ product ($17m) and other smaller assets.

Cyber related costs of $75.9m reflect the 1H costs of responding to the Cyber incident as well as provisions for customer remediation. These costs do not capture potential future costs associated with regulatory fines, class actions, IT system enhancements and proceeds from any insurance recoveries.

Section A | Results

Discontinued Operations

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.

A provisional loss on sale of the insurance operations of approximately $18m was recognised on final settlement which took place on 31 May 2023. This loss on sale is provisional and is subject to a completion adjustment process with the acquirers that is ongoing at this time.

The nascent operations of Symple Canada remain under strategic review and continue to be classified as '*held for sale*'/ '*discontinued operations*'.

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

($m)	30-Jun-23 1H23	31-Dec-22 2H22	30-Jun-22 1H22	Change % HoH	Change % YoY
Net profit/(loss) after tax	(18.7)	(5.9)	(2.1)	*217%*	*790%*
Goodwill write-off (insurance)	0.0	0.0	(13.6)	*n.m*	*n.m*
Total	(18.7)	(5.9)	(15.7)	*217%*	*19%*

Section A | Results

06 | Balance Sheet & Shareholder Returns

The impact of the cyber incident has reduced excess capital, with TER decreasing to 7% (Target range of 6-7%). A statutory loss & reduced TER leading to the decision to pause the dividend.

A statutory loss due to the cyber incident, continued sharp interest rate rises and sale of the discontinued insurance business has consumed excess capital and required the board to pause the interim dividend.

Tangible equity/ net receivables (*TER*) declined 150bps to 7.0%, at the top end of the 6-7% target range. Considering the overhang of outstanding cyber incident related items (*regulatory fines, class actions, IT enhancement investment and insurance recoveries*), the present economic environment and potential growth opportunities that may emerge from this environment, a sufficiently capitalised balance sheet is prudent and appropriate.

RoAGR declined 170bps due to funding costs repricing faster than asset yields and cyber related delays to repricing actions. This is expected to recover as repricing actions work through the book.

Table 10: Balance sheet

($m)	30-Jun-23 1H23	31-Dec-22 2H22	30-Jun-22 1H22	Change % HoH	Change % YoY
Total assets	7458	7921	7767	*(6%)*	*(4%)*
Net receivables	5900	6151	5939	*(4%)*	*(1%)*
Intangible assets	890	949	994	*(6%)*	*(10%)*
Total liabilities	6153	6446	6228	*(5%)*	*(1%)*
Total equity	1304	1474	1540	*(12%)*	*(15%)*
Tangible equity	414	525	546	*(21%)*	*(24%)*
Tangible equity / net receivables (*TER*)	**7.0%**	**8.5%**	**9.2%**	***(150)***	***(220)***
RoAGR	0.2%	1.9%	3.0%	*(170)*	*(280)*
RoE	1.0%	8.1%	12.1%	*(710)*	*(1,110)*
RoTE	3.0%	22.4%	35.3%	*(1,940)*	*(3,230)*
Net tangible assets per share (*$ps*)	0.40	0.51	0.53	*(22%)*	*(26%)*
Book value per share (*$ps*)	1.25	1.42	1.48	*(12%)*	*(16%)*
Dividend cents	**0.00**	**4.00**	**7.85**	***n/a***	***n/a***
Franking	n/a	100%	100%	*n/a*	*n/a*
Payout ratio	0%	69%	88%	*n/a*	*n/a*
Ex-dividend date	n/a	21-Mar-23	23-Sep-22		
Record date	n/a	22-Mar-23	26-Sep-22		
Dividend payment date	n/a	24-Apr-23	26-Oct-22		

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.

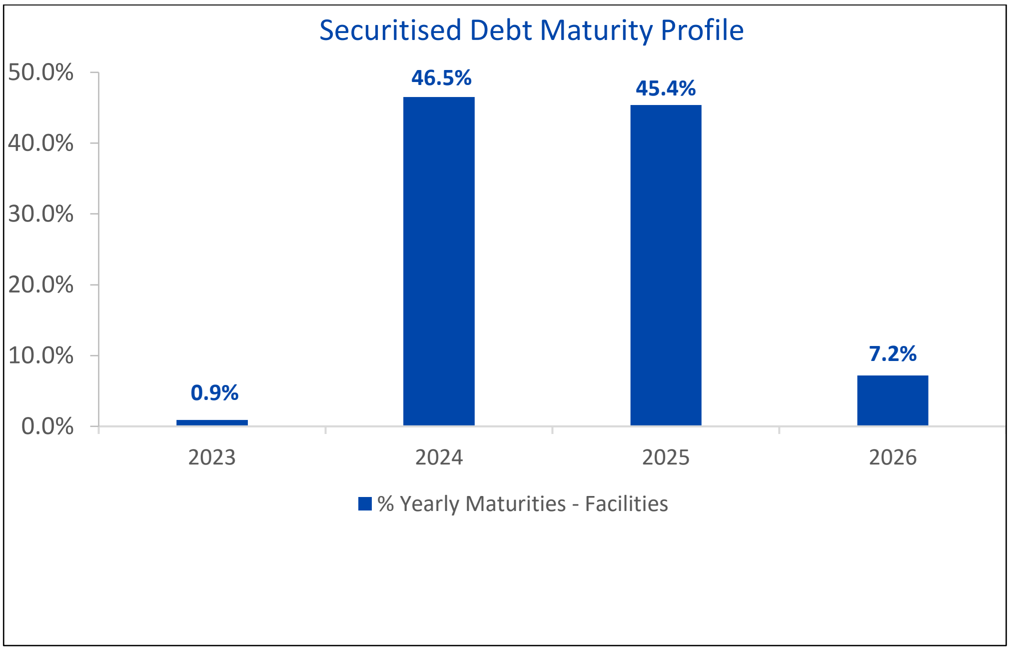
Section A | Results

07 | Funding & Liquidity

Latitude actively managed its funding programme in 1H23, refinancing warehouses and issuing ABS transactions. These actions maintained our cost effective, diverse and prudent funding program with $1.4bn of 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 30 June 2023.

Chart 2: Latitude debt maturity profile as at 30 June 2023



Summary of Warehouse Funding Facilities

Significant changes in Warehouse funding during the year included:

- **January**: The New Zealand Personal Loans warehouse refinance was completed on payment date 17 January 2023, extending the scheduled amortisation date to 17 December 2025.

Section A | Results

The following table sets out the position of each of Latitude's warehouses as at 30 June 2023.

Table 11: Warehouse facilities as at 30 June 2023

(All amounts million)	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$1,055.6	A$1,036.1	A$184.0	A$926.3	NZ$864.1	NZ$610
Drawn	A$573.5	A$668.5	A$969.5	A$173.0	A$707.9	NZ$569.8	NZ$438.9
Headroom	A$227.7	A$387.1	A$66.6	A$11.0	A$218.4	NZ$294.3	NZ$171.1
Revolving period end date	24-Mar-25	22-Apr-24	19-May-25	18-Mar-24	19-Dec-24	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 $1.4bn 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:** Issue of $400m Series 2023-1 credit card ABS under the Australian Credit Card Master Trust closed in March, with an expected redemption date in 22 March 2026.

- **March:** The Australia Credit Card Master Trust Series 2018-1 $500m was redeemed on its expected redemption date in March. All noteholders were repaid in full, with the remaining balance of assets sold to the Australian Credit card warehouses.

- **June:** Series 2017-VFN under the Australian Credit Card Master Trust was resized to $80m and extended to 22 March 2024.

Table 12: ABS issuance as at 30 June 2023

(All amounts million)	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 2020-1 Trust	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	Personal loans	Sales finance & credit card receivables
Notes issued	A$750	A$400	A$500	A$500	NZ$250
Issue date	13-Sep-19	8-Mar-23	26-Feb-20	24-Nov-21	17-Aug-21
Revolving period end date	22-Sep-24	22-Mar-26	n.a.	n.a.	22-Aug-24
Expected call date[a]	22-Sep-24	22-Mar-26	17-Aug-23	17-Apr-25	22-Aug-24
Outstanding Notes at 30 June 2023	A$750	A$400	A$42.5	A$163	NZ$250
Outstanding Variable Funding Note at 30 June 2023	-------- A$40.6 --------				NZ$16.4
Outstanding Notes at 31 December 2022	A$750	n.a	A$67.9	A$225.4	NZ$250
Outstanding Variable Funding Note at 31 December 2022	A$59.9	n.a			NZ$22.4

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 2020-1 and Series 2021-1 Trusts are expected to be called at their 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)	30-Jun-23 1H23	31-Dec-22 2H22	30-Jun-22 1H22	Change % HoH	Change % YoY
Amortisation of acquisition intangibles	20.3	23.5	24.1	*(14%)*	*(16%)*
Amortisation of legacy transaction costs	0.3	1.5	2.4	*(80%)*	*(88%)*
Total	**20.5**	**25.0**	**26.5**	***(18%)***	***(23%)***

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 1.5 years in Australia. New Zealand was fully amortised by 31 December 2022.

The Amortisation of Legacy Transaction costs has decreased by $1.2 million or 80% 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 continued to amortise. 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 and have less than 6 months remaining. 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 1H23

1H23 ($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	311.0		(0.3)					(0.2)	310.5
Other income	22.6							0.4	23.0
Total operating income	**333.6**	**-**	**(0.3)**					**0.2**	**333.5**
Net charge offs	(105.2)								(105.2)
Risk adjusted income	**228.4**	**-**	**(0.3)**					**0.2**	**228.3**
Cash opex	(173.1)			(22.0)	(5.3)	(75.9)	(21.0)	(0.9)	(298.2)
Cash PBT	**55.3**	**-**	**(0.3)**	**(22.0)**	**(5.3)**	**(75.9)**	**(21.0)**	**(0.7)**	**(69.9)**
Movement in provision	(20.9)								(20.9)
D&A (excluding leases)	(22.3)	(20.3)						(3.7)	(46.3)
Profit before tax and notable items	**12.1**	**(20.3)**	**(0.3)**	**(22.0)**	**(5.3)**	**(75.9)**	**(21.0)**	**(4.4)**	**(137.1)**
Income tax expense	(5.1)	6.1	0.1	6.4	1.6	22.7	6.0	1.1	38.9
NPAT (continuing ops)	**7.0**	**(14.2)**	**(0.2)**	**(15.6)**	**(3.7)**	**(53.2)**	**(15.0)**	**(3.3)**	**(98.2)**

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*). 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, excluding amortisation of transaction costs and changes in capital structure
Cost to income ratio total	Represents the ratio of total operating expenses to operating income, excluding amortisation of transaction costs and changes in capital structure
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 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
Latitude Money	Variable and fixed rate unsecured/ secured personal loans and unsecured/ secured auto loans
Latitude Pay	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.
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
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
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.

Term	Definition
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, facilities expenses for offices 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*)
Payout ratio	Calculated as the ratio of cash earnings per share divided by cash dividend 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