LATITUDE

LATITUDE GROUP HOLDINGS LIMITED

ABN 83 604 747 391

Management Discussion & Analysis for the full year ended 31 December 2024

21 February 2025

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Date of this Management Discussion & Analysis

This Management Discussion & Analysis (MD&A) has been prepared for the full year ended 31 December 2024 and is current as at 21 February 2025.

Notice to readers

The purpose of this MD&A is to provide information supplementary to Latitude Group Holdings Limited Financial Report (*the Financial Report*) for the year ended 31 December 2024, including further detail in relation to key elements of Latitude Group Holdings Limited's financial performance and financial position. The MD&A 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

On the back of a strong performance turnaround executed in 2024, Cash NPAT[1] from continuing operations was $65.9m for FY24, up 139% YoY. Specifically, for the 2H24 it stood at $38.5m, up 40% HoH and up 137% YoY.

On a continuing operations basis, FY24 statutory profit after tax was $30.6m, up from a loss of $102.7m in FY23. Including the contribution of discontinued operations, statutory profit after tax attributable to owners of Latitude Group Holdings Limited (LFS) was $21.6m.

FY24 saw growing momentum across multiple key performance metrics, including receivables up 8% YoY (2H24 up 6% HoH) driven by total volume up 13% YoY (2H24 up 16% HoH and YoY), and interest bearing receivables up 11% YoY (2H24 up 7% HoH). Considered pricing actions made across FY23 & FY24 drove operating income margin expansion in 2024, while funding costs stabilised. Delinquencies increased slightly across the year as they progressively trended back toward long term averages.

Given the underlying performance noted above, an unfranked FY24 Final dividend of 3.00cps was declared in February 2025, equivalent to a 47% payout ratio relative to FY24 Cash NPAT.

Table 1: Summary profit & loss statement

($m)	31-Dec-24 2H24	30-Jun-24 1H24	31-Dec-23 2H23	HoH Change %	YoY Change %	FY24	FY23	FY Change %
Interest income	559.7	503.8	481.8	*11%*	*16%*	1,063.5	957.0	*11%*
Interest expense	(198.2)	(187.8)	(178.2)	*(6%)*	*(11%)*	(386.0)	(342.8)	*(13%)*
Net interest income	**361.5**	**316.0**	**303.6**	***14%***	***19%***	**677.5**	**614.2**	***10%***
Other income	25.9	25.8	20.7	*1%*	*25%*	51.7	43.9	*18%*
Total operating income	**387.4**	**341.8**	**324.3**	***13%***	***19%***	**729.2**	**658.1**	***11%***
Net charge offs	(104.0)	(110.0)	(109.6)	*5%*	*5%*	(214.0)	(214.5)	*0%*
Risk adjusted income	**283.4**	**231.8**	**214.7**	***22%***	***32%***	**515.2**	**443.6**	***16%***
Cash operating expenses	(194.8)	(165.2)	(176.0)	*(18%)*	*(11%)*	(360.0)	(345.9)	*(4%)*
Cash PBT	**88.6**	**66.6**	**38.7**	***33%***	***129%***	**155.2**	**97.7**	***59%***
Movement in provisions	(13.4)	(8.4)	(0.4)	*(59%)*	*large*	(21.8)	(21.1)	*(4%)*
Depreciation & amortisation (*ex leases*)	(19.3)	(18.7)	(19.5)	*(4%)*	*1%*	(38.0)	(41.3)	*8%*
Profit before tax & notable items	**55.9**	**39.5**	**18.8**	***41%***	***197%***	**95.4**	**35.3**	***170%***
Income tax expense	(17.4)	(12.1)	(2.6)	*(44%)*	*(583%)*	(29.5)	(7.7)	*(283%)*
Cash NPAT from continuing operations	**38.5**	**27.4**	**16.2**	***40%***	***137%***	**65.9**	**27.6**	***139%***
Notable items after tax								
Amortisation of acquisition intangibles and legacy transaction costs	(11.3)	(14.2)	(14.2)	*21%*	*20%*	(25.5)	(28.6)	*11%*
Other notable items	(5.6)	(4.2)	(12.3)	*(35%)*	*54%*	(9.8)	(101.7)	*90%*
Total Notable items after tax	(16.9)	(18.4)	(26.5)	*8%*	*36%*	(35.3)	(130.3)	*73%*
Statutory profit after tax (continuing ops)	**21.6**	**9.0**	**(10.3)**	***140%***	***309%***	**30.6**	**(102.7)**	***130%***
Profit/(loss) from discontinued operations	(2.0)	(7.0)	(31.9)	*72%*	*94%*	(9.0)	(56.4)	*84%*
Statutory profit after tax	19.6	2.0	(42.2)	*900%*	*146%*	21.6	(159.1)	*114%*
Profit/(loss) is attributable to:								
Owners of Latitude Group Holdings Limited	19.6	2.0	(42.2)	*900%*	*146%*	21.6	(158.5)	*114%*
Non-controlling interest	0.0	0.0	0.0	*n.m.*	*n.m.*	0.0	(0.6)	*n.m.*
Statutory profit after tax	**19.6**	**2.0**	**(42.2)**	***900%***	***146%***	**21.6**	**(159.1)**	***114%***

(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" work together to serve two million customers and generate valuable opportunities to extend the customer life cycle with LFS:

- **Pay Division:** Comprising of credit cards that allow customers to make everyday purchases and access interest free payment plans to finance goods and services from Latitude's retail partners.
- **Money Division:** Providing unsecured and secured lending products to customers who are seeking personal loans and motor loans.

The financial results of discontinued operations are excluded from the individual account lines of LFS and are instead reported as a single net profit/(loss) after tax line. Discontinued operations primarily include the Insurance (sold in May 2023), Canada (largely disposed in December 2023) and Asia operations (wound down in 2024).

Section A | Results

Growth momentum restored with improvements across a wide range of key performance metrics. Disciplined pricing management and stable funding costs led to expanding operating margins.

2H24 Group performance summary:

- **Total Volume up 16% HoH, up 16% YoY**. 2H24 saw the continuation of volume momentum in prior periods with a more stable macro environment supporting increasing household credit demand. Money Division new origination was up 3% HoH and 24% YoY, while Pay Division total purchase volume was up 19% HoH and up 15% YoY.
- **Receivables up 6% HoH, up 8% YoY.** The strong volume performance noted above supported an acceleration in receivable balances which rose 6% HoH to $6.748 billion, highest level since 1H20.
- **Operating income margin 11.74%, up 81bps HoH, and up 128bps YoY** driven by considered pricing actions executed through 2023 & 2024 lifting interest income yields 85bps HoH & 141bps YoY, offsetting the rising funding costs experienced in 1H24 before they stabilised in 2H24 (flat HoH and up 26bps YoY). Other income yields down 3bps HoH and up 12bps YoY.
- **Net charge offs 3.15% (*NCO*) down 37bps HoH and down 39bps YoY**. Stronger performance experienced in 2H24 vs. 1H24 is primarily due to seasonality, while net charge offs continue to normalise toward long term averages.
- **Cash operating expenses up 9% (ex 1H24 one-off benefit), and up 11% YoY** due to continuation of investment into strategic growth initiatives to further advance LFS's "Path to Full Potential" strategy, whilst maintaining disciplined cost management with lower FTE costs following implementation of a simplified operating structure in 2023. Effective cost management is evident in the 399bps YoY improvement of the Cash Cost-to-Income ratio. Instead, the HoH increase is impacted by $13m one-off benefit in 1H24 related to discretionary benefits.
- **Balance sheet metrics** Provision coverage steady at 4.29% (up 6bps HoH), 90 days past due stood at 1.35% (up 20bps HoH) and the tangible equity ratio (TER) at 7.1%, slightly above our 6–7% target range.

Table 2: Key performance indicators

($m)	31-Dec-24 2H24	30-Jun-24 1H24	31-Dec-23 2H23	HoH Change %/bps	YoY Change %/bps	FY24	FY23	FY Change %/bps
Volume	4,418	3,805	3,795	*16%*	*16%*	8,223	7,255	*13%*
Gross loan receivables	**6,748**	**6,378**	**6,232**	***6%***	***8%***	**6,748**	**6,232**	***8%***
AGR	6,565	6,287	6,146	*4%*	*7%*	6,430	6,273	*2%*
Interest bearing receivables	5,042	4,724	4,524	*7%*	*11%*	5,042	4,524	*11%*
Active accounts (ex BNPL) '000s	1,533	1,392	1,373	*10%*	*12%*	1,533	1,373	*12%*
Total operating income	387.4	341.8	324.3	*13%*	*19%*	729.2	658.1	*11%*
Risk adjusted income (*RAI*)	283.4	231.8	214.7	*22%*	*32%*	515.2	443.6	*16%*
Cash PBT	88.6	66.6	38.7	*33%*	*129%*	155.2	97.7	*59%*
Cash NPAT	**38.5**	**27.4**	**16.2**	***40%***	***137%***	**65.9**	**27.6**	***139%***
Interest income yield	**16.96%**	**16.11%**	**15.55%**	***85***	***141***	**16.54%**	**15.26%**	***128***
Interest expense / AGR	(6.01%)	(6.01%)	(5.75%)	*0*	*(26)*	(6.00%)	(5.47%)	*(53)*
Net interest margin	10.95%	10.11%	9.80%	*84*	*115*	10.54%	9.79%	*75*
Operating income margin	**11.74%**	**10.93%**	**10.46%**	***81***	***128***	**11.34%**	**10.49%**	***85***
Net charge offs / AGR	(3.15%)	(3.52%)	(3.54%)	*37*	*39*	(3.33%)	(3.42%)	*9*
RAI yield	**8.59%**	**7.41%**	**6.93%**	***118***	***166***	**8.01%**	**7.07%**	***94***
30 days past due	3.82%	3.74%	3.50%	*8*	*32*	3.82%	3.50%	*32*
90 days past due	1.35%	1.15%	0.92%	*20*	*43*	1.35%	0.92%	*43*
Coverage	4.29%	4.23%	4.21%	*6*	*8*	4.29%	4.21%	*8*
Cost/ income - Cash	50.3%	48.3%	54.3%	*196*	*(399)*	49.4%	52.6%	*(318)*
Cost/ income - Total	55.3%	53.8%	60.3%	*151*	*(497)*	54.6%	58.8%	*(424)*
Spot FTE	742	757	767	*(2%)*	*(3%)*	742	767	*(3%)*
Effective tax rate	31.2%	30.5%	13.6%	*68*	*large*	31.0%	21.8%	*918*
RoAGR	**1.2%**	**0.9%**	**0.5%**	***28***	***64***	**1.0%**	**0.4%**	***58***
RoE	6.2%	4.5%	2.5%	*169*	*366*	5.3%	2.1%	*328*
RoTE	17.2%	13.1%	7.9%	*403*	*928*	15.4%	6.0%	*971*
TER	**7.1%**	**7.2%**	**6.8%**	***(9)***	***33***	**7.1%**	**6.8%**	***33***
DPS cents	3.00	0.00	0.00	*n.m.*	*n.m.*	3.00	0.00	*n.m.*
Payout ratio	81%	0%	0%	*n.m.*	*n.m.*	47%	0%	*n.m.*
EPS cents (*cash*)	3.70	2.63	1.56	*42%*	*131%*	6.33	2.66	*133%*
EPS cents (*cash diluted*)	**3.29**	**2.34**	**1.40**	***43%***	***136%***	**5.63**	**2.38**	***133%***

Section A | Results

02 | Volume, Receivables & Net Interest Income

FY24 Volumes increased 13% YoY delivering 8% increase in receivables vs. Dec 2023. Strategic margin management initiatives delivered 75bps NIM expansion YoY.

FY24 Volume of $8,223m is up 13% YoY as the positive momentum experienced in 1H24 continued to gather pace in 2H24 (up 16% HoH and up 16% YoY) benefiting from the continued investment into our core divisions of Pay and Money, coupled with a more supportive macro environment and households' demand for credit.

Pay A&NZ Division volumes of $6,748m for FY24 were up 10% YoY driven by the onboarding of the David Jones card customers in 2H24, as well as growth in both interest free plan purchases and card purchase volumes across the core portfolios.

Interest free plan purchase volume increased 2% YoY to $1,239m, delivering our first year of growth since 2018. This is reflective of a turn in the demand for credit, greater investment in marketing and value proposition enhancements, and continued expansion of our retail network offering interest free purchases. New marquee partnerships added in the year included Amazon, Officeworks, Coco Republic and Warehouse Group (NZ), while long-standing sales finance partnerships with Apple (Upgrade+), JB Hi-Fi and The Good Guys were extended with multi-year contracts.

Card purchase volume was up 13% YoY to $5,274m with growth driven by the David Jones portfolio acquired in July 2024, as well as increasing everyday card spend across customers on an interest free plan (up 10% YoY), offset by a slight reduction in purchase volume across the portfolio of cards without interest free plan options (down 3% YoY) impacted by the customer turnover that followed the revamped value configuration of the 28° Global Platinum Mastercard®.

Money A&NZ Division new origination volume for FY24 were up 33% YoY to $1,475m driven by strong performance across our core products of Personal Loans Australia, Auto Loans Australia, and Personal Loans New Zealand. This is the highest volume level recorded in Latitude's history and has been supported by Money's enhanced systems and origination capabilities, which fully integrated Symple's contemporary technology platform from the fourth quarter of 2023.

Personal Loans Australia new origination volume increased 30% YoY to $896m. The performance is driven by several factors including pricing actions taken to optimise risk-adjusted margins, technology system integration, the cyber incident impacting the baseline for the prior year and increased marketing investment, leading to strong growth in both Broker and Direct channels. Personal Loans New Zealand new origination increased 30% to $249m driven by Direct channel performance and a growing Broker network.

Auto new origination volume increased 49% YoY to $330m. The result was driven by price optimisation, system integration, brokers embracing the enhanced new platform and the 2023 cyber incident.

The repayment rate increased 168bps YoY. While the cyber incident reduced 1H23 payments and seasonally 2H tends to naturally have higher payments, the repayment rate in 2H24 increased by 142bps compared to 2H23 on the back of greater card spending activity, which tends to carry a higher repayment rate than interest free plan receivables.

Table 3: Volume & repayments

($m)	31-Dec-24 2H24	30-Jun-24 1H24	31-Dec-23 2H23	HoH Change %/bps	YoY Change %/bps	FY24	FY23	FY Change %/bps
Volume								
Pay	**3,671**	**3,077**	**3,191**	***19%***	***15%***	**6,748**	**6,150**	***10%***
- Australia	3,085	2,529	2,610	*22%*	*18%*	5,614	5,032	*12%*
- New Zealand	586	548	581	*7%*	*1%*	1,134	1,118	*1%*
Money	**747**	**728**	**604**	***3%***	***24%***	**1,475**	**1,106**	***33%***
- Australia	610	615	489	*(1%)*	*25%*	1,226	914	*34%*
- New Zealand	137	113	115	*21%*	*19%*	249	192	*30%*
Group	**4,418**	**3,805**	**3,795**	***16%***	***16%***	**8,223**	**7,255**	***13%***
Repayment rate (ex credit cards & BNPL)	99%	96%	98%	*351*	*142*	97%	96%	*168*

Section A | Results

Pay Division receivables up 6% HoH and YoY through a combination of volume growth as well as the acquisition of the David Jones back-book portfolio in July 2024, which migrated ~$168m of additional Gross Loan Receivables.

Money Division receivables up 5% HoH and up 11% YoY to $3,022m, reaching a new high watermark. Personal Loans Australia was the key driver of this performance with receivables up 15% YoY to $1,776m, and up 6% HoH driven by very strong new origination volume at attractive margins. Auto Loan receivables up 4% YoY to $737m, and up 3% HoH. Personal Loans New Zealand receivables up 8% YoY to $509m, and up 7% HoH.

Table 4: Receivables

($m)	31-Dec-24 2H24	30-Jun-24 1H24	31-Dec-23 2H23	HoH Change %	YoY Change %	FY24	FY23	FY Change %
Receivables								
Pay	**3,726**	**3,506**	**3,512**	***6%***	***6%***	**3,726**	**3,512**	***6%***
- Australia	2,908	2,690	2,663	*8%*	*9%*	2,908	2,663	*9%*
- New Zealand	818	816	849	*0%*	*(4%)*	818	849	*(4%)*
Money	**3,022**	**2,871**	**2,720**	***5%***	***11%***	**3,022**	**2,720**	***11%***
- Australia	2,513	2,395	2,248	*5%*	*12%*	2,513	2,248	*12%*
- New Zealand	509	477	472	*7%*	*8%*	509	472	*8%*
Group gross receivables	**6,748**	**6,378**	**6,232**	***6%***	***8%***	**6,748**	**6,232**	***8%***
Provisions	(289)	(270)	(262)	*(7%)*	*(10%)*	(289)	(262)	*(10%)*
Unearned	(56)	(53)	(57)	*(7%)*	*2%*	(56)	(57)	*2%*
Net receivables from Cont. Ops	**6,402**	**6,055**	**5,913**	***6%***	***8%***	**6,402**	**5,913**	***8%***
Net receivables from Disc Ops	0	4	11	*n.m.*	*n.m.*	0	11	*n.m.*
Net receivables	**6,402**	**6,059**	**5,924**	***6%***	***8%***	**6,402**	**5,924**	***8%***

In 2024 the Australian cash rate remained steady at 4.35%, while New Zealand commenced a monetary easing cycle in August 2024, with RBNZ cash rates reducing 125bps in-year to 4.25%. Interest expense/AGR for FY24 increased by 53bps YoY, driven by the full annualisation of multiple rate hikes occurred during 2023 and the full impact of higher swap rates on new Money origination vintages, partially offset by renewed focus in our funding activities and the ability to secure improved pricing and structural terms. As a result, funding costs stabilised in 2H24 at 6.0% driven by warehouse refinancing activities, the positive impact of new term funding initiatives and lower base rates in New Zealand, which helped offset the cost of higher swap rates.

Strategic margin initiatives implemented during 2023 and 2024 countered the upward pressure on funding costs noted above. Margin management actions in 2H24 include: Pay Division products increased APR's by 50bps; Money New Business APR increased 87bps HoH and up 121bps YoY; Late Fees and Account Keeping Fees were also increased or introduced across most products in Australia in 2H24.

Net interest income in 2H24 grew by 19% or $58m YoY. This is comprised of:

- ↑$38m due to NIM yield expansion of 115bps YoY. The 115bps in NIM yield expansion is comprised of higher income yield (↑141bps = Pay Division *(Ex DJs)* ↑52bps, Money Division↑78bps, Mix/Other ↑11bps) and partially offset by Interest Expense Yield (↑26bps = Pay Division *(Ex DJs)* ↑7bps, Money Division ↑32bps, Mix/Other ↓13bps);
- ↑$21m due to receivables growth with AGR up 7%; and
- ↓$1m due to product mix.

Net interest income in 2H24 grew by 14% or $46m HoH. This is comprised of:

- ↑$28m due to NIM yield expansion of 84bps HoH. The 84bps in NIM yield expansion is comprised of higher income yield (↑85bps = Pay Division *(Ex DJs)* ↑31bps, Money Division↑35bps, Mix/Other ↑18bps) while Interest Expense Yield remained flat (0bps = Pay Division (Ex DJs) ↓8bps, Money Division ↑12bps, Mix/Other ↓4bps);
- ↑$14m due to receivables growth with AGR up 4%; and
- ↑$4m due to 2 additional days in 2H24 v 1H24.

Table 5: Net interest income/ margin & RAI yield

($m)	31-Dec-24 2H24	30-Jun-24 1H24	31-Dec-23 2H23	HoH Change %/bps	YoY Change %/bps	FY24	FY23	FY Change %/bps
Interest income	559.7	503.8	481.8	*11%*	*16%*	1,063.5	957.1	*11%*
Interest expense	(198.2)	(187.8)	(178.2)	*(6%)*	*(11%)*	(386.0)	(342.7)	*(13%)*
Net interest income	**361.5**	**316.0**	**303.6**	***14%***	***19%***	**677.5**	**614.2**	***10%***
Other income	25.9	25.8	20.7	*1%*	*25%*	51.7	43.9	*18%*
Net charge offs	(104.0)	(110.0)	(109.6)	*5%*	*5%*	(214.0)	(214.5)	*0%*
Risk adjusted income	**283.4**	**231.8**	**214.7**	***22%***	***32%***	**515.2**	**443.6**	***16%***
Interest income yield	16.96%	16.11%	15.55%	*85*	*141*	16.54%	15.26%	*128*
Interest expense cost	(6.52%)	(6.54%)	(6.25%)	*2*	*(27)*	(6.38%)	(5.89%)	*(49)*
Net interest spread	10.44%	9.58%	9.30%	*86*	*114*	10.16%	9.36%	*80*
Benefit of equity	0.51%	0.53%	0.50%	*(2)*	*1*	0.37%	0.43%	*(6)*
Net interest margin	**10.95%**	**10.11%**	**9.80%**	***84***	***115***	**10.54%**	**9.79%**	***75***
Other income	0.79%	0.82%	0.67%	*(3)*	*12*	0.80%	0.70%	*10*
Operating income margin	**11.74%**	**10.93%**	**10.46%**	**81**	**128**	**11.34%**	**10.49%**	**85**
Net charge offs / AGR	(3.15%)	(3.52%)	(3.54%)	*37*	*39*	(3.33%)	(3.42%)	*9*
RAI yield	**8.59%**	**7.41%**	**6.93%**	***118***	***166***	**8.01%**	**7.07%**	***94***

Table 6: Average balance sheet

($m)	Half year 31-Dec-24 2H24			Half year 30-Jun-24 1H24			Half year 31-Dec-23 2H23		
	Ave bal.	Interest	Rate	Ave bal.	Interest	Rate	Ave bal.	Interest	Rate
Receivables (AGR)	**6,565**	**560**	**17.0%**	**6,287**	**504**	**16.1%**	**6,146**	**482**	**15.5%**
- Pay	3,614	325	17.9%	3,501	296	17.0%	3,453	290	16.6%
- Money	2,951	235	15.8%	2,785	208	15.0%	2,693	192	14.1%
- Other	0	(0)	0.0%	0	0	0.0%	0	0	0.0%
Average assets	**7,651**			**7,383**			**7,402**		
- Securitisation	5,982	193	6.4%	5,697	182	6.4%	5,576	172	6.1%
- Corporate Debt	64	3	9.9%	77	4	10.7%	78	4	11.4%
- Other	0	2	n.m.	0	2	n.m.	0	1	n.m.
Total avg interest bearing	6,046	198	6.5%	5,775	188	6.5%	5,654	178	6.3%
Average liabilities	**6,425**			**6,151**			**6,132**		
NII/ spread		362	10.4%		316	9.6%		304	9.3%
Net interest margin		**362**	**11.0%**		**316**	**10.1%**		**304**	**9.8%**
Average equity	**1,227**			**1,232**			**1,269**		

Note. Corporate debt average balance excludes undrawn balances on the facility. Corporate debt interest costs includes facility fee.

Section A | Results

03 | Other Operating Income

Other income YoY growth driven by strategic pricing changes, while 2H24 impacted by introduction of loyalty programs on 28 Degrees and David Jones credit cards

Interchange fees and operating fees FY24 up 14% due to increase in customer fees as a result of margin management initiatives on Pay Australia products during 1H24. 2H24 down 4% HoH due to increased costs related to rewards for the loyalty programs introduced in 2H24 following launch of new 28 Degrees value configuration and growth in David Jones credit cards. Overall, 2H24 remains up 9% YoY.

Other income stronger in FY24 largely due to higher FX gains with Other Income up 29% YoY, with 2H24 up 13% HoH and 78% YoY.

Table 7: Other income

($m)	31-Dec-24 2H24	30-Jun-24 1H24	31-Dec-23 2H23	HoH Change %	YoY Change %	FY24	FY23	FY Change %
Interchange and operating fees	17.4	18.2	15.9	*(4%)*	*9%*	35.6	31.3	*14%*
Other Income	8.5	7.6	4.8	*13%*	*78%*	16.1	12.5	*29%*
Total other income	**25.9**	**25.8**	**20.7**	***1%***	***25%***	**51.7**	**43.9**	***18%***

Section A | Results

04 | Net Charge Offs, Provisions & Asset quality

Delinquency and losses returning to long term averages, underpinned by steady unemployment.

Net Charge offs for FY24 remained steady YoY at $214m (improving 9bps YoY) though underlying delinquency rates are progressively returning to long term averages. The macro environment comprising rising cost of living and declining excess savings over recent years has driven upward pressure on delinquencies, however this has been partially offset by the strong labour market across Australia and New Zealand, which continues to deliver steady and low unemployment levels. 2H24 net charge offs of $104m were $6m lower HoH (expecting 2H to seasonally have lower charge offs than 1H) and $6m lower YoY (with 2H23 impacted by elevated charge offs related to the cyber incident).

Group coverage rate rose to 4.29% in 2H24, up 6bps HoH aligning with the ongoing normalisation of delinquency rates.

FY24 origination quality remains strong with 69% rated CR1/CR2 at origination, which is broadly consistent with the 70% reported in FY23, and aligned with our overall credit risk appetite.

Receivables at 90+ days past due increased 20bps HoH and 43bps YoY to 1.35%. In June 24, the Money Division extended its charge off period from 120 to 180 days as part of a broader initiative aimed at harmonising the charge off methodologies between Pay and Money Divisions. This change resulted in an overall increase of ~33bps to the Group 90+ days past due given balances are now held on book for a longer period. Under the previous 120 days policy, 90+ days past due on a pro forma basis would stand at 1.02%, which is up 10bps YoY and up 2bps HoH but remains 11bps below the 1.13% long term average.

Hardship inventory increased by 10bps HoH and 67bps YoY to 2.81%. The increased rate of hardship is reflective of the cumulative cost of living pressures felt by consumers over the past few years, with Group hardship rates now more in line with levels experienced pre-Covid (2018–2019).

Table 8: Net charge offs & provisions

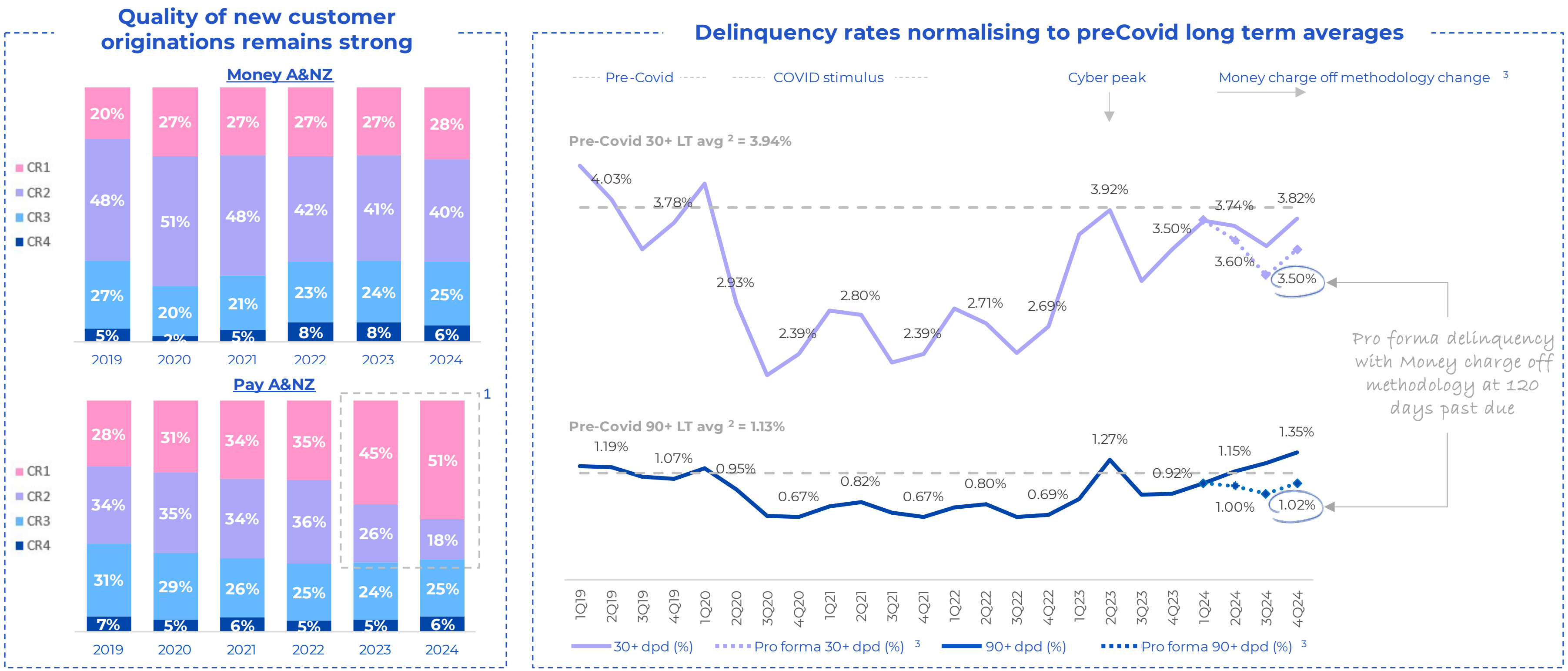
($m)	31-Dec-24 2H24	30-Jun-24 1H24	31-Dec-23 2H23	HoH Change %/bps	YoY Change %/bps	FY24	FY23	FY Change % /bps
Net charge offs								
Prior period net charge offs	(110.0)	(109.6)	(104.9)	*(0%)*	*(5%)*	(214.5)	(146.8)	*(46%)*
Impact of change in AGR	(4.9)	(2.5)	4.1	*(99%)*	*220%*	(5.4)	0.4	*large*
Impact of change in NCO rate	10.9	2.1	(8.8)	*(424%)*	*224%*	5.8	(68.1)	*109%*
Total NCOs	**(104.0)**	**(110.0)**	**(109.6)**	***5%***	***5%***	***(214.0)***	***(214.5)***	***0%***
NCOs/ AGR	**(3.15%)**	**(3.52%)**	**(3.54%)**	***37***	***39***	**(3.33%)**	**(3.42%)**	***9***
Provision movement								
Impact of change in receivables	(15.7)	(6.1)	(0.6)	*(156%)*	*large*	(21.7)	8.9	*343%*
Impact of change in coverage	(4.0)	(1.5)	(0.3)	*(171%)*	*large*	(5.5)	(29.7)	*81%*
Other [1]	6.7	0.0	0.0	*n.m.*	*n.m.*	6.7	0.0	*n.m.*
Provision expense movement	**(12.9)**	**(7.6)**	**(0.9)**	***(70%)***	***large***	**(20.5)**	**(20.9)**	***2%***
FX impact	(0.4)	(0.8)	0.5	*52%*	*179%*	(1.3)	(0.2)	*(528%)*
Loan impairment expense	**(117.3)**	**(118.4)**	**(110.0)**	***1%***	***(7%)***	**(235.7)**	**(235.4)**	***(0%)***
Group coverage	**4.29%**	**4.23%**	**4.21%**	***6***	***8***	**4.29%**	**4.21%**	***8***
90+ days past due								
Group	**1.35%**	**1.15%**	**0.92%**	***20***	***43***	**1.35%**	**0.92%**	***43***
Pay	**1.37%**	**1.35%**	**1.18%**	***2***	***19***	**1.37%**	**1.18%**	***19***
- Australia	1.43%	1.41%	1.20%	*2*	*23*	1.43%	1.20%	*23*
- New Zealand	1.16%	1.13%	1.13%	*3*	*3*	1.16%	1.13%	*3*
Money	**1.33%**	**0.91%**	**0.58%**	***42***	***75***	**1.33%**	**0.58%**	***75***
- Australia	1.22%	0.83%	0.57%	*39*	*65*	1.22%	0.57%	*65*
- New Zealand	1.87%	1.28%	0.65%	*59*	*122*	1.87%	0.65%	*122*
Hardship Inventory								
Group	**2.81%**	**2.71%**	**2.14%**	***10***	***67***	**2.81%**	**2.14%**	***67***
Pay	2.37%	2.44%	2.11%	*(7)*	*26*	**2.37%**	2.11%	*26*
Money	3.35%	3.03%	2.17%	*32*	*118*	**3.35%**	2.17%	*118*

[1] Other provision movement relates to the opening balance provision associated with the transfer of David Jones back-book receivables of $168m in July 2024

Chart 1: Credit quality remains strong, with delinquency reverting to normalised levels

Credit discipline maintained

Delinquency and losses returning to long term averages, underpinned by steady unemployment



[1] Uplift in CR grades due to recalibration of score cut offs to align with target probability of default (PD) in mid FY23 and optimisation of credit model strategy

[2] Pre-Covid LT avg is from FY17 to FY19. Refer to P40 for more detail on long term trends.
[3] Impact to DPD % of 32bps on 30+ and 33bps on 90+ as a result of Money Charge off methodology change from 120 to 180 days

Section A | Results

05 | Operating Expenses, Notable Items & Discontinued Operations

Continued discipline in managing underlying costs and inflationary pressure, while supporting business growth via continued investment in technology and marketing

FY24 Cash operating expenses increased $14m/4% YoY reflecting ongoing support for business growth while managing inflationary pressures. Effective cost management is evident in the Cash Opex to Income Ratio, which improved 318bps YoY to 49.4%. This improvement highlights the full-year realisation of the benefits from the 2023 cost base and operating model re-engineering initiatives, which freed up capital and operating expense capacity for targeted investment in marketing and technology. These strategic initiatives boosted in-year volume and receivables growth and is poised to bolster future growth.

In 2H24 Cash operating expenses increased $30m/18% HoH and $19m/11% YoY. The HoH increase is driven by a $13m one-off benefit booked in 1H24 due to lower discretionary incentive payments made relating to 2023 performance, $5m higher spend for strategic growth initiatives (expensed to comply with relevant accounting standards), seasonally higher marketing spend, increase in volume related spend and general vendor inflation. YoY increase due to higher marketing spend supporting volume growth, additional strategic initiative investments (as mentioned above), volume related increases and vendor inflation. From a cost efficiency perspective, 2H24 Cash Opex to Income Ratio of 50.3% improved 399bps YoY also thanks to the full realisation of benefits in the half from the 2023 cost base re-engineering. Normalised for the $13m one-off benefit booked in 1H24, 2H24 cash operating expenses increased by 9% HoH.

Employee expense in 2H24 increased $10m/20% HoH due to the unfavourable comparison with 1H24 benefiting from a $13m one-off reserve release related to lower 2023 incentive payments (as described above). Excluding the $13m one-off benefit in 1H24, 2H24 Employee expense is down 4% HoH and down 3% YoY due to lower headcount from the implementation of a new operating model in 2023 and more than offsetting annual remuneration changes.

Marketing expenses in 2H24 increased 20% HoH and 43% YoY due to higher acquisition spend to build volume and receivables, as part of the execution of Latitude's "Path to Full Potential" strategy.

Information Technology increased 9% HoH and 5% YoY due to investment initiatives and general cost inflation.

Other expenses increased 22% HoH and 23% YoY due to spend on strategic growth initiatives, including optimisation of marketing and revenue strategies.

Depreciation and amortisation increased 4% HoH due to the acquisition of new intangible assets (related to David Jones credit cards) but remained broadly flat YoY.

Table 9: Operating expenses

($m)	31-Dec-24 2H24	30-Jun-24 1H24	31-Dec-23 2H23	HoH Change %/bps	YoY Change %/ bps	FY24	FY23	FY Change % / bps
Employee	60.5	50.4	62.6	*20%*	*(3%)*	110.9	135.5	*(18%)*
Marketing	21.6	18.1	15.1	*20%*	*43%*	39.7	27.5	*44%*
Occupancy	2.0	2.2	2.4	*(11%)*	*(18%)*	4.2	4.7	*(11%)*
Information technology	42.1	38.4	40.3	*9%*	*5%*	80.5	73.7	*9%*
Other	68.6	56.1	55.6	*22%*	*23%*	124.7	104.5	*19%*
Cash operating expenses	**194.8**	**165.2**	**176.0**	***18%***	***11%***	**360.0**	**345.9**	***4%***
Depreciation & amortisation (ex leases)	19.3	18.7	19.5	*4%*	*(1%)*	38.0	41.3	*(8%)*
Total Opex	**214.2**	**183.9**	**195.4**	***16%***	***10%***	**398.0**	**387.1**	***3%***
Cost to income ratio - Cash	50.3%	48.3%	54.3%	*196*	*(399)*	49.4%	52.6%	*(318)*
Cost to income ratio - Total	55.3%	53.8%	60.3%	*151*	*(497)*	54.6%	58.8%	*(424)*
Cash opex/ AGR	(5.9%)	(5.3%)	(5.7%)	*(62)*	*(22)*	(5.6%)	(5.5%)	*(9)*
Spot FTE	742	757	767	*(2%)*	*(3%)*	742	767	*(3%)*
Capex	0.5	2.5	13.5	*(80%)*	*(96%)*	3.0	15.5	*(81%)*

Section A | Results

Amortisation of acquisition intangibles ended in November 2024, while legacy transaction costs ended in FY23.

Corporate development in 2H24 included credit of $6.7m due to rebate incentives toward the migration of David Jones cards for spend incurred in FY23/1H24. Spend across 1H24 was mainly on preparing for the David Jones backbook migration from AMEX of $168m receivables, which was executed on 13 July, whilst FY23 spend was preparing for the launch of the new David Jones card products.

Asset/Work in Progress Impairments in 2H24 are for small asset write-offs.

Remediations (including cyber) of $5.4m in 2H24 includes a provision for regulatory costs, partly offset by reduction in the provision for cyber costs and insurance recoveries relating to the cyber incident.

Table 10: Amortisation & notable items

($m)	31-Dec-24 2H24	30-Jun-24 1H24	31-Dec-23 2H23	Change % HoH	Change % YoY	FY24	FY23	FY Change %
Amortisation of acquisition intangibles and legacy transaction costs	16.2	20.3	20.2	*(20%)*	*(20%)*	36.4	40.8	*(11%)*
Corporate development	(6.5)	7.4	10.0	*188%*	*165%*	0.9	30.6	*(97%)*
Restructuring Costs	0.6	2.9	9.2	*(78%)*	*(93%)*	3.5	14.5	*(76%)*
Remediations (including cyber)	5.4	(6.6)	(7.6)	*(182%)*	*(171%)*	(1.2)	68.3	*102%*
Asset/ Work in Progress Impairment	1.5	0.9	4.5	*60%*	*(66%)*	2.4	25.5	*(91%)*
Decommissioned facilities	1.4	1.4	1.5	*(1%)*	*(5%)*	2.8	5.8	*(52%)*
Notable items pre-tax	**18.6**	**26.3**	**37.8**	***(29%)***	***(51%)***	**44.8**	**185.5**	***(76%)***

Discontinued Operations

There has been no change to the treatment of discontinued operations since the 1H24 results release.

On 3 April 2024, the Group made the strategic decision to exit the LatitudePay Asia business and commenced actions to discontinue the Asia operations. No new customers were originated from 4 April 2024 and no new purchases could be made from 19 April 2024. The Asian operations and its associated loan book have been substantially wound down by the end of 2024.

The Asia operations were classified as a discontinued operation as of 1H24. The comparative consolidated statement of profit or loss and OCI for 2H23 and FY23 has been restated to show the discontinued operations separately from continuing operations.

The Group continues to present the Symple Canada Financial Group Ltd as discontinued operations in accordance with the applicable accounting standards. Such operations were negligible in 2024 given Canada's personal lending portfolio was sold to a third-party in December 2023.

Table 11: Profit/ (Loss) after tax from discontinued operations

($m)	31-Dec-24 2H24	30-Jun-24 1H24	31-Dec-23 2H23	Change % HoH	Change % YoY	FY24	FY23	FY Change %
Net profit/(loss) after tax	(2.0)	(7.0)	(31.9)	*72%*	*94%*	(9.0)	(56.4)	*(84%)*
Goodwill write-off (insurance)	0.0	0.0	0.0	*n.m.*	*n.m.*	0.0	0.0	*n.m.*
Total	(2.0)	(7.0)	(31.9)	*72%*	*94%*	(9.0)	(56.4)	*(84%)*

Section A | Results

06 | Balance Sheet & Shareholder Returns

Growing business momentum and a strong balance sheet, has enabled the Board to reinstate a dividend of 3.00 cents per share, unfranked

The results achieved in 2024, the growing momentum of our business performance and the strength of our balance sheet, which saw our Tangible Equity Ratio (TER) close the year at 7.1%, slightly above the 6–7% target range, enabled Latitude's Board to declare an unfranked dividend of 3.00 cents per share, equivalent to a 47% payout ratio relative to FY24 Cash NPAT of $65.9m.

Table 12: Balance sheet

($m)	31-Dec-24 2H24	30-Jun-24 1H24	31-Dec-23 2H23	HoH Change %/bps	YoY Change %/ bps	FY24	FY23	FY Change % / bps
Total assets	7,883	7,421	7,347	*6%*	*7%*	7,883	7,347	*7%*
Net receivables	6,402	6,059	5,924	*6%*	*8%*	6,402	5,924	*8%*
Intangible assets	769	793	833	*(3%)*	*(8%)*	769	833	*(8%)*
Total liabilities	6,658	6,192	6,112	*8%*	*9%*	6,658	6,112	*9%*
Total equity	1,224	1,229	1,235	*(0%)*	*(1%)*	1,224	1,235	*(1%)*
Tangible equity	455	436	402	*4%*	*13%*	455	402	*13%*
Tangible equity/ net receivables (*TER*)	**7.1%**	**7.2%**	**6.8%**	***(9)***	***33***	**7.1%**	**6.8%**	***31***
RoAGR	1.2%	0.9%	0.5%	*28*	*64*	1.0%	0.4%	*58*
RoE	6.2%	4.5%	2.5%	*169*	*366*	5.3%	2.1%	*328*
RoTE	17.2%	13.1%	7.9%	*403*	*928*	15.4%	6.0%	*941*
Net tangible assets per share (*$ps*)	0.44	0.42	0.39	*4%*	*13%*	0.44	0.39	*13%*
Book value per share (*$ps*)	1.18	1.18	1.19	*(0%)*	*(1%)*	1.18	1.19	*(1%)*
Dividend cents	**3.00**	**0.00**	**0.00**	***n.m.***	***n.m.***	**3.00**	**0.00**	***n.m.***
Franking	0%	n/a	n/a	*n.m.*	*n.m.*	0%	n/a	*n.m.*
Payout ratio	81%	0%	0%	*n.m.*	*n.m.*	47%	0%	*n.m.*
Ex-dividend date	21/03/2025	n/a	n/a					
Record date	24/03/2025	n/a	n/a					
Dividend payment date	23/04/2025	n/a	n/a					

LFS will continue to target a full year payout ratio of 60–70% of cash NPAT, as per its stated dividend policy over the medium term. 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

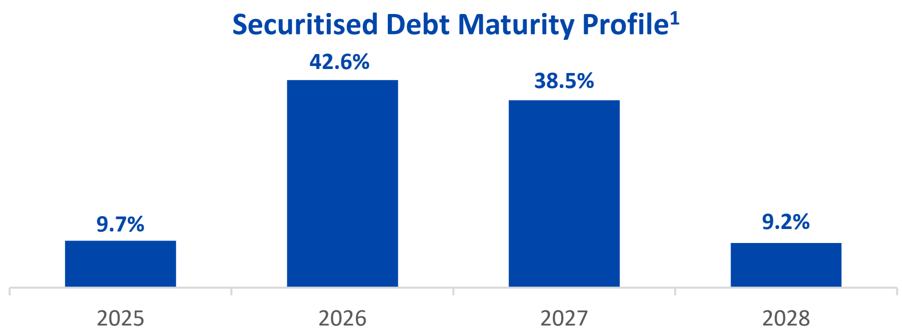
07 | Funding & Liquidity

Latitude reaffirmed the strength of its funding platform by issuing four public term transactions worth $1.6 billion and refinancing three private warehouse facilities worth $2.7 billion, with $1bn of headroom to accommodate further receivables growth.

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 2024, with less than 10% of total secured debt due in FY25.

Summary of Securitisation Funding Facilities

Chart 2: Latitude securitised debt maturity profile as at 31 December 2024



Note: [1] Amortising ABS term deals included at their 10% call option date

Summary of Warehouse Funding Facilities

Significant changes in Warehouse funding in 2024 included:

- **May**: The New Zealand Personal Loans warehouse limit was reduced in May from NZ$610m to NZ$518.3m.
- **September**: The New Zealand Sales Finance and Credit Card Trust was extended on 23 September 2024, with a scheduled amortisation date of 22 September 2026 and a reduced limit from NZ$864.1m to NZ$813.9m.
- **October**: The Australian Sales Finance and Credit Card Trust was extended on 22 October 2024, with a scheduled amortisation date of 22 October 2027 and revised structure providing a total limit of $807.5m.
- **December:** The Australian Personal Loans Trust was extended on 17 December 2024, with a scheduled amortisation date of 17 December 2027 and revised structure providing a total limit of $1.1b.

The following table sets out the position of each of Latitude's warehouses as at 31 December 2024.

Table 13: Warehouse facilities as at 31 December 2024

($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$807.5	A$1,055.6	A$1,118.4	A$337.5	A$712.5	NZ$813.9	NZ$518.3
Drawn	A$667.5	A$640.7	A$1,022.6	A$284.1	A$697.2	NZ$597	NZ$489.6
Headroom	A$140.0	A$414.9	A$95.8	A$53.4	A$15.3	NZ$216.9	NZ$28.7
Revolving period end date	22-Oct-27	22-Nov-26	17-Dec-27	17-Aug-26	21-Dec-26	22-Sep-26	17-Dec-25

Notes:

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

Section A | Results

Summary of ABS Funding

$1.6 billion of new term funding in the public Asset Based Securities (ABS) market was raised in 2024 with best-in-class pricing and advance rates, while expanding LFS debt investor base and the overall maturity profile of the programme. Significant transactions in ABS funding in 2024 included:

- **March:** Issue of A$400m Series 2024-1 credit card ABS under the Australian Credit Card Master Trust closed in March, with an expected redemption date in March 2027.
- **April:** Issue of A$500m Australian Personal Loan Series 2024-1 Trust closed in April, with a final maturity in September 2032 and an expected call option date in April 2028.
- **June:** Issue of NZ$250m Series 2024-1 credit card ABS under the New Zealand Credit Card Master Trust closed in June, with an expected redemption date in June 2027.
- **August:** New Zealand Credit Card Master Trust Series 2021-1 was redeemed on its expected redemption date 22 August 2024. All noteholders were repaid in full, with the remaining balance of loans sold to the New Zealand Sales Finance and Credit Card Trust
- **September:** Australia Credit Card Master Trust Series 2019-1 was redeemed on its expected redemption date 23 September 2024. All noteholders were repaid in full, with the remaining balance of loans sold to the Australian Sales Finance and Credit Card warehouses.
- **September**: Issue of A$500m Series 2024-2 credit card ABS under the Australian Credit Card Master Trust closed in September, with an expected redemption date in March 2028.

Table 14: ABS issuance as at 31 December 2024

($m)	Latitude Australia Credit Card Loan Note Trust – Series 2023-1	Latitude Australia Credit Card Loan Note Trust – Series 2024-1	Latitude Australia Credit Card Loan Note Trust – Series 2024-2	Latitude Australia Personal Loan Series 2021-1 Trust	Latitude Australia Personal Loan Series 2024-1 Trust	Latitude New Zealand Credit Card Loan Note Trust – Series 2024-1
Underlying segment receivables	Sales finance & credit card receivables	Sales finance & credit card receivables	Sales finance & credit card receivables	Personal loans	Personal loans	Sales finance & credit card receivables
Notes issued	A$400.0	A$400.0	A$500.0	A$500.0	A$500.0	NZ$250.0
Issue date	8-Mar-23	26-Mar-24	30-Sep-24	24-Nov-21	30-Apr-24	26-Jun-24
Revolving period end date	23-Mar-26	22-Mar-27	22-Mar-28	n.a.	n.a.	22-Jun-27
Outstanding Notes at 31 December 2024	A$400.0	A$400.0	A$500.0	A$45.8	A$304.8	NZ$250.0
Outstanding Variable Funding Note at 31 December 2024		………………………… A$74.9 …………………………		n.a.	n.a.	NZ$13.7
Expected call date[(a)]	23-Mar-26	22-Mar-27	22-Mar-28	17-Feb-25	17-Apr-28	22-Jun-27
Outstanding Notes at 30 June 2024	A$400.0	A$400.0		A$74.1	A$439.9	NZ$250.0
Outstanding Variable Funding Note at 30 June 2024		………………………… A$46.2 …………………………		n.a.	n.a.	NZ$8.1

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 and Series 2024-1 Trusts are expected to be called at their 10% clean-up call option date.

Section A | Results

Summary of Corporate Debt Facilities

LFS successfully refinanced a large portion of its corporate debt outstanding over the course of 2024. Despite a difficult FY23 due to the cyber incident, the strong business performance delivered in FY24 ensured a constructive refinancing process of LFS's syndicated corporate debt facility in April 2024, which saw the right-sizing of the facility to more effectively and cost-efficiently support Latitude's liquidity needs, while maintaining terms and pricing unchanged. As the year progressed LFS also repaid a bilateral facility which historically supported the expansion of its Asian business (reclassified to discontinued operations) and repaid a portion of other bilateral debt facilities, reducing the overall amount of corporate debt outstanding at year end by over 50%.

Significant changes in corporate debt facilities in 2024 included:

- **March**: US$20m single draw bullet facility #1 with SBI Shinsei Bank was refinanced, maturing 28 March 2025.
- **April:** The syndicated facility agreement was extended for 3 years maturing 5 April 2027 with the following lines of credit:
  - Facility A & C: A$77.5m multicurrency bullet revolving credit facility;

    As at 31 December 2024, A$2.5m of the Facility A was utilised to support bank guarantees and letters of credit. A$75m of Facility A & C remained undrawn.
  - Facility B: US$41m bullet revolving credit facility.

    As at 31 December 2024, US$37.9m of the Facility B was utilised to support existing letters of credit provided as collateral for access to Schemes. US$3.1m of Facility B remained undrawn.
- **October:** Latitude repaid US$20 million of the US$30 million single draw bullet facility #2 with SBI Shinsei Bank, maturing 6 January 2025.
- **October:** Latitude repaid the outstanding SG$17.2 million of the revolving credit facility with Hongkong and Shanghai Banking Corporation Limited and cancelled the remaining commitment.

Following year end, the remaining US$10.0 million stub in single draw bullet facility #2 with SBI Shinsei Bank was fully repaid on its maturity date of 6 January 2025.

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, depreciation of capitalised software and depreciation of property, plant & equipment. It also excludes notable items and is a pre-tax measure. Latitude uses Cash PBT for internal management reporting as it believes it reflects the best reflects 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 notable items (including amortisation of acquisition intangibles and amortisation of legacy transaction costs) 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 other 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.

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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 Pay Division 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 for Australia 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-24 2H24	30-Jun-24 1H24	31-Dec-23 2H23	Change % HoH	Change % YoY	FY24	FY23	FY Change %
Amortisation of acquisition intangibles	(16.2)	(20.3)	(20.2)	*(20%)*	*(20%)*	(36.4)	(40.5)	*(10%)*
Amortisation of legacy transaction costs	0.0	0.0	(0.0)	*n.m.*	*n.m.*	0.0	(0.3)	*n.m.*
Total	**(16.2)**	**(20.3)**	**(20.2)**	***(20%)***	***(20%)***	**(36.4)**	**(40.8)**	***(11%)***

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

Amortisation of acquisition intangibles amortised in line with the straight-line amortisation schedule. Acquisition intangibles recognised as part of a business combination in 2015 full amortised by 31 December 2024, while New Zealand was fully amortised by 31 December 2022.

The Amortisation of Legacy Transaction costs relate to 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.

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

Table B.2: Cash NPAT to Stat NPAT FY24

FY24 ($'m)	Cash NPAT	Amortisation of acquisition intangibles	Corporate development	Restructuring costs	Remediations (including cyber)	Asset impairment	Decommissioned facilities	Stat NPAT
Net interest income	677.5	-	-	-	-	-	(0.1)	677.4
Other income	51.7	-	-	-	-	-	-	51.7
Total operating Income	**729.2**	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**729.1**
Net charge offs	(214.0)	-	-	-	-	-	-	(214.0)
Risk adjusted income	**515.2**	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**515.1**
Cash operating expenses	(360.0)	-	(0.9)	(3.5)	1.2	(2.4)	(2.3)	(367.9)
Cash PBT	**155.2**	**-**	**(0.9)**	**(3.5)**	**1.2**	**(2.4)**	**(2.4)**	**147.2**
Movement in provision for impairment	(21.8)	-	-	-	-	-	-	(21.8)
Depreciation & Amortisation (excluding leases)	(38.0)	(36.4)	-	-	-	-	(0.4)	(74.8)
Profit before tax	**95.4**	**(36.4)**	**(0.9)**	**(3.5)**	**1.2**	**(2.4)**	**(2.8)**	**50.6**
Income tax (expense)/benefit	(29.5)	10.9	0.3	1.0	(4.2)	0.7	0.8	(20.0)
Profit after tax from continuing operations	**65.9**	**(25.5)**	**(0.6)**	**(2.5)**	**(3.0)**	**(1.7)**	**(2.0)**	**30.6**

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Table B.3: Cash NPAT to Stat NPAT FY23

FY23 ($'m)	Cash NPAT	Amortisation of acquisition intangibles & legacy transaction costs	Corporate development	Restructuring costs	Remedations (including cyber)	Asset impairment	Decommissioned facilities	Stat NPAT
Net interest income	614.2	(0.3)	-	-	-	-	(0.2)	613.7
Other income	43.9	-	-	-	-	-	0.4	44.3
Total operating Income	**658.1**	**(0.3)**	**-**	**-**	**-**	**-**	**0.2**	**658.0**
Net charge offs	(214.5)	-	-	-	-	-	-	(214.5)
Risk adjusted income	**443.6**	**(0.3)**	**-**	**-**	**-**	**-**	**0.2**	**443.5**
Cash operating expenses	(345.9)	-	(30.6)	(14.5)	(68.3)	(25.5)	(3.0)	(487.8)
Cash PBT	**97.7**	**(0.3)**	**(30.6)**	**(14.5)**	**(68.3)**	**(25.5)**	**(2.8)**	**(44.3)**
Movement in provision for impairment	(21.1)	-	-	-	-	-	-	(21.1)
Depreciation & Amortisation (excluding leases)	(41.3)	(40.5)	-	-	-	-	(3.0)	(84.8)
Profit before tax	**35.3**	**(40.8)**	**(30.6)**	**(14.5)**	**(68.3)**	**(25.5)**	**(5.8)**	**(150.2)**
Income tax (expense)/benefit	(7.7)	12.2	9.0	4.1	20.5	7.4	2.0	47.5
Profit after tax from continuing operations	**27.6**	**(28.6)**	**(21.6)**	**(10.4)**	**(47.8)**	**(18.1)**	**(3.8)**	**(102.7)**

B.5 Glossary of key terms

Term	Definition
30+ days past due	Total amount of receivables 30+ days past due at period end divided by period end gross loan receivables
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 transaction/fee 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, 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.
Card Purchase Volume	The total value of transactions processed through card payment networks, such as Visa or Mastercard, within a specific period. This metric encompasses all purchases made by customers using Latitude-issued credit cards that are part of the scheme card payment networks, but excludes interest free plans, Balance Transfers and Cash related volume.
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
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	Represents the cash dividend per share calculated as dividend for the period divided by the weighted average shares on issue for the period

Term	Definition
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 remediations (including cyber) which have been presented separately in notable items
FTE	Includes a permanent or fixed term employee of Latitude.
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*) 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
Loan Origination Volume	Encompasses all new principal personal and auto loan receivables lent by the business, including secured and unsecured loans, in the relevant period (excludes refinanced balance on Personal Loans).
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

Term	Definition
Net charge offs/AGR	Net charge offs divided by AGR for the relevant period
n.m. or "Not Meaningful"	Refers to a variance that is not meaningful due to being immaterial or includes a denominator or numerator that is equal to Zero
Net interest margin (NIM)	Interest income less interest expense 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 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*)
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

Term	Definition
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 new principal receivables lent by the business in the relevant period. The metric encompasses, new personal and auto loan originations (excluding refinanced balances on Personal Loans) and total purchase volumes (including card purchases, interest free plan purchases, balance transfers and cash advances). It shows customer spending habits, as well as overall performance of Latitude products, future income levels, effectiveness of top line initiatives implemented and Latitude's lending appetite. This definition has been updated from prior periods to exclude refinanced balances on Personal Loans.