LATITUDE GROUP HOLDINGS LIMITED
ABN 83 604 747 391

Management Discussion and Analysis for the year ended 31 December 2021

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Date of this Management Discussion & Analysis

This Management Discussion & Analysis has been prepared for the full year ended 31 December 2021 and is current as at 21 February 2022.

Notice to readers

The purpose of Section A is to provide information supplementary to Latitude Group Holdings Limited Financial Report (the Financial Report) for the full-year ended 31 December 2021, 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.

Comparative information within Section A has been presented to align to the IPO prospectus pro forma information that was previously released rather than the statutory comparatives contained within the Financial Report due to the restructure of the Group prior to the IPO. Further information is contained in Section B.

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.

All amounts disclosed in the tables in Section A 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

Statutory profit after tax attributable to members increased by $115.7 million to $160.9 million in FY21 from $45.2 million in FY20. Included in this result was a decrease in Statutory profit after tax attributable to members of $18.2 million from $89.5 million in 1H21 to $71.4 million in 2H21.

Cash NPAT[(1)] increased by $8.3 million or 3.7% to $232.2 million in FY21 from $223.9 million in FY20. Cash NPAT decreased by $9.6 million or 8.0% from $120.9 million in 1H21 to $111.3 million in 2H21.

Table 1: Summary financial results

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Interest income	932.4	1,058.1	(11.9)%	451.3	481.1	(6.2)%
Interest expense	(160.3)	(178.0)	(9.9)%	(80.1)	(80.2)	(0.1)%
Net interest income	**772.1**	**880.1**	**(12.3)%**	**371.2**	**400.9**	**(7.4)%**
Other operating income	54.6	54.1	0.8%	29.4	25.1	17.0%
Total Operating Income	**826.6**	**934.2**	**(11.5)%**	**400.6**	**426.0**	**(6.0)%**
Net Charge Offs	(149.5)	(227.6)	(34.3)%	(67.6)	(81.9)	(17.5)%
Risk Adjusted Income	**677.1**	**706.7**	**(4.2)%**	**333.0**	**344.1**	**(3.2)%**
Operating Expenses	(387.1)	(402.9)	(3.9)%	(201.4)	(185.7)	8.5%
Pre-provision Profit	**290.0**	**303.8**	**(4.5)%**	**131.6**	**158.4**	**(16.9)%**
Provision movement	33.3	18.8	77.4%	21.0	12.3	70.6%
Profit before Tax & Significant Items	**323.3**	**322.6**	**0.2%**	**152.6**	**170.7**	**(10.6)%**
Income tax expense	(91.1)	(98.7)	(7.7)%	(41.3)	(49.8)	(17.1)%
Cash NPAT	**232.2**	**223.9**	**3.7%**	**111.3**	**120.9**	**(8.0)%**
Amortisation of Acquisition Intangibles	(48.3)	(48.3)	(0.0)%	(24.2)	(24.1)	0.3%
Amortisation of Legacy Transaction Costs	(9.4)	(24.8)	(62.2)%	(3.8)	(5.6)	(32.8)%
Significant Items	(43.0)	(62.7)	(31.5)%	(28.2)	(14.8)	90.2%
Tax effect of adjustments	28.8	40.1	(28.2)%	15.6	13.1	18.8%
Pro forma NPAT	**160.3**	**128.1**	**25.1%**	**70.7**	**89.5**	**(21.0)%**
Changes in Capital Structure	-	(80.3)	100.0%	-	-	n/a
Transaction and historical IPO costs	-	(19.8)	100.0%	-	-	n/a
Tax effect of adjustments	-	18.7	100.0%	-	-	n/a
Statutory Profit / (Loss) after tax from continuing operations	**160.3**	**46.7**	**243.1%**	**70.7**	**89.5**	**21.0%**
Discontinued operations	-	(1.5)	100.0%	-	-	n/a
Statutory Profit / (Loss) after tax	**160.3**	**45.2**	**254.5%**	**70.7**	**89.5**	**21.0%**
Profit/ (Loss) from non-controlling interest	(0.6)	-	100.0%	0.6	-	100.0%
Statutory Profit / (Loss) attributable to members	**160.9**	**45.2**	**256.0%**	**71.4**	**89.5**	**20.3%**
Dividend per Share (cents)	15.70	n/a		7.85	7.85	
Payout ratios (% of cash NPAT)	68.9%	n/a		73.3%	64.9%	
Pro forma EPS Cash - Basic (cents)	23.1	22.4	3.1%	11.0	12.1	(9.2)%
Pro forma EPS Statutory - Basic (cents)	15.9	12.8	24.3%	7.0	9.0	(22.0)%
EPS Statutory from continuing operations - Basic (cents)	17.8	7.2	147.4%	7.0	11.3	(38.4)%

[1] *Cash NPAT is a non-IFRS metric used for management reporting as Latitude believes it reflects what it considers to be the underlying performance of the business. Cash NPAT reflects the reported net profit after tax adjusted for the after-tax impact of Amortisation of acquisition intangibles, Legacy Transaction costs and Significant items. Further information on Cash NPAT is included in Section B - supplementary Information*

Section A | Results

During FY21 group volumes increased 4.3% despite challenging trading conditions due to COVID-19 related lockdowns, travel restrictions and inconsistent consumer confidence. Customer repayments remained at elevated levels consistent with FY20, which contributed to a reduction in Gross receivables of 2.6% compared to FY20. Despite the impacts of the Omicron variant in 4Q21, receivables stabilised in 2H21, reducing by 1.9% in the half, in contrast to the 14.6% reduction in gross receivables in FY20 compared to FY19.

Cash NPAT of $232.2 million increased by 3.7%, with key drivers as follows:

- **Total Operating Income** decreased by $107.6 million or 11.5% to $826.6 million. The reduction was driven by the 7.9% reduction in Average Gross Receivables compared to FY20 combined with a 53bps contraction in Operating Income yield. The yield decrease was a result of product mix and strategic pricing changes implemented to attract high quality customers.
- **Net Charge offs** decreased by $78.1 million or 34.3% to $149.5 million. The decrease in charge offs was as a result of the ongoing improvement in the credit quality of the portfolio driven by tightening of underwriting standards during FY20, improved portfolio credit mix at origination, and elevated repayment rates during this period. The above drivers resulted in a reduction in the Net charge off rate of 94bps in FY21 compared to FY20.
- **Operating expenses** decreased by $15.8 million or 3.9% to $387.1 million from $402.9 million. Operating expenses continued to benefit from the implementation of a productivity agenda and investments in simplification and disciplined cost management despite higher levels of marketing expenses.
- **Provision movement** increased by $14.5 million or 77.4% to $33.3 million in FY21. The provision movement was driven by the Coverage ratio improvement, reducing 34bps to 4.28% from FY20 in line with the improvements in underlying asset quality and hardship metrics in 2021 (after the initial surge in hardship levels during 2020). The reduction in Gross Loan Receivables also contributed to the increased provision movement.

During the year, the Group maintained a robust funding position, remaining active in the funding markets with warehouse refinancing, ABS term transactions the establishment of a new corporate facility. The Group systematically manages its maturity profile within the 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. Further information on Funding and Liquidity metrics is contained in Section 13.

The Group's Return on Equity (ROE) of 16.6% remains strong alongside the 31% increase in tangible equity during FY21. The Tangible Equity to Net Receivables (TER) increased by 217bps to 8.7% in 2021 from 6.5% in FY20, in part due to the issuance of $150 million of Capital Notes during FY21. The ROE and TER metrics demonstrate the strength and resilience of the Group and its ability to support a dividend payout ratio of 60-70% of Cash NPAT.

The Group acquired Symple Loans in October 2021 which will deliver enhanced digital capabilities for our Lending business, followed by the acquisition of Octifi, a Singapore based Instalments business, both of these acquisitions expand our footprint for both Lending and Instalments globally. The Group announced on 18 February 2022, it had executed a binding transaction to acquire the consumer business of Humm Group Limited, incorporating its BNPL, Instalments and Cards operations.

The Directors have declared a final dividend of 7.85 cents per share, fully franked, taking the full year dividend distribution to 15.7 cents per share.

Section A | Results

Statutory Profit after tax & Proforma NPAT

Latitude has included both Statutory Profit after tax as well as Proforma NPAT in Table 1 above. Proforma NPAT directly ties into the FY20 financials disclosed in Section 4 of Latitude's IPO Prospectus dated 30 March 2021. Whilst Statutory Profit after tax would be the conventional basis for comparability under accounting standards, the FY20 statutory profit after tax and the corresponding financial statements contain items associated with the historical structure as well as the restructure arrangements entered into prior to the listing of Latitude Group Holdings Limited on the Australian Securities Exchange ('ASX') on 20 April 2021 as set out in Sections 9.3 and 9.4 of the IPO Prospectus. Furthermore, the Group Statutory Profit after tax is different to that disclosed in the IPO Prospectus (described as "Combined") as some elements of the restructure are permitted to be restated under the accounting standards whilst other elements of the restructure are not. This means that further adjustments are required to enable direct comparison to those disclosures in the Prospectus.

It is Latitude's belief that the Proforma information provided in the IPO Prospectus dated 30 March 2021 provides a more useful and representative basis of the Group's underlying performance for FY20 than the Comparative Statutory results for those historical periods. As a result, the comparative information within Section A has been presented to align to the IPO prospectus pro forma information that was previously released rather than the statutory comparatives contained within the Consolidated Financial Report.

Section B of this document includes the following information to aid the users understanding of the differences as follows:

- Section B.1 includes a description of the restructure of the Group and the impact on the statutory financial statements in the prior comparative period;
- Section B.5 Table B.2 sets out the reconciliation of the FY20 "Combined" statutory NPAT as included in the IPO prospectus Section 4 (including the composition of FY20 and its respective halves) to the Comparative Statutory NPAT as included in the Consolidated Financial Report; and
- Section B.5 Table B.3 sets out the reconciliation of Comparative Statutory NPAT for FY20, including the composition of 1H20 and 2H20 to the Proforma information in Section A of this document and the IPO Prospectus Section 4.

The remainder of the information in Section A will now reference Proforma for comparative historical periods.

Section A | Results

02 | Volume

Volumes increased 4.3% despite challenging trading conditions due to COVID-19 related lockdowns, travel restrictions and inconsistent consumer confidence. Lending volumes in both Australia and New Zealand have increased by 14% and 21% respectively compared to FY20.

Table 2: Volume

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Group	**7,337.0**	**7,032.0**	**4.3%**	**3,697.2**	**3,639.8**	**1.6%**
Australia	**5,851.3**	**5,715.6**	**2.4%**	**2,945.7**	**2,905.6**	**1.4%**
- Instalments	3,094.0	3,289.9	(6.0)%	1,533.9	1,560.1	(1.7)%
- Lending	2,757.3	2,425.7	13.7%	1,411.8	1,345.5	4.9%
New Zealand	**1,482.1**	**1,316.4**	**12.6%**	**747.9**	**734.2**	**1.9%**
- Instalments	1,117.1	1,014.8	10.1%	567.9	549.0	3.4%
- Lending	365.0	301.6	21.0%	180.0	185.2	(2.8)%
Other	**3.7**	**-**	**100.0%**	**3.7**	**-**	**100.0%**

At a Group level, volume increased by $304.9 million or 4.3% in FY21 compared to FY20, comprising:

- Australian volume increased by $135.6 million or 2.4%, reflecting a combination of strong growth in the Lending products of 13.7% offset by lower volume in the Instalments products (6.0%). Lending growth was driven by Personal & Auto loans, which increased 46.3% offset by lower international scheme volume. Personal & Auto loans includes $7.2 million delivered by the Symple Loans business since the date of acquisition. Instalments volumes decreased 6.0%, with a 2.2% increase in scheme volume during FY21 which has partially offset a decline of in interest free volume from the Sales Finance portfolio.
- New Zealand volume increased by $165.7 million or 12.6% with strong performance across both Instalments and Lending, in particular interest free volume within Instalments increased by 13.1% and Personal loans within Lending increasing by 26.8%. Overall scheme volume increased 5.1% in FY21 compared to FY20 with strong domestic spend outside COVID-19 lockdown periods offsetting a reduction in volume from international travel.

At a Group level volume increased by $57.4 million or 1.6% in 2H21 compared to 1H21, comprising:

- Australian volume increased by $40.1 million or 1.4%, driven by the continuing momentum in Lending that increased by 4.9% with Personal & Auto loans growing 8.6% in 2H21 as compared to 1H21. Instalments had a 1.7% decrease in 2H21 against 1H21 with the 2H21 volume impacted by extended periods of COVID-19 lockdowns as well as subdued volume performance in December following the outbreak of the Omicron strain.
- New Zealand volume increased by $13.7 million or 1.9% primarily driven by the retail recovery from the cessation of lockdowns and seasonal uplift for Instalments with Lending having a slower recovery from extended COVID-19 lockdowns.

Section A | Results

03 | Gross Loan Receivables

Despite the volume recovery in FY21, Receivables growth continues to be impacted by elevated repayment rates in Australia and New Zealand.

Table 3: Gross Loan Receivables and Average Gross Receivables ("AGR")

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Gross Loan Receivables						
Group	**6,352.1**	**6,521.6**	**(2.6)%**	**6,352.1**	**6,474.4**	**(1.9)%**
Australia	**4,988.6**	**5,101.0**	**(2.2)%**	**4,988.6**	**5,094.0**	**(2.1)%**
- Instalments	2,582.3	2,856.6	(9.6)%	2,582.3	2,784.5	(7.3)%
- Lending	2,406.3	2,244.4	7.2%	2,406.2	2,309.5	4.2%
New Zealand	**1,359.2**	**1,420.6**	**(4.3)%**	**1,359.2**	**1,380.3**	**(1.5)%**
- Instalments	864.2	880.0	(1.8)%	864.2	868.2	(0.5)%
- Lending	495.0	540.6	(8.4)%	495.0	512.1	(3.3)%
Other	**4.3**	**-**	**100.0%**	**4.3**	**-**	**100.0%**
AGR						
Group	**6,405.1**	**6,955.0**	**(7.9)%**	**6,327.2**	**6,492.9**	**(2.6)%**
Australia	**5,015.7**	**5,460.1**	**(8.1)%**	**4,952.2**	**5,090.4**	**(2.7)%**
- Instalments	2,712.8	3,098.4	(12.4)%	2,612.5	2,823.4	(7.5)%
- Lending	2,302.9	2,361.6	(2.5)%	2,339.7	2,267.0	3.2%
New Zealand	**1,388.8**	**1,494.9**	**(7.1)%**	**1,373.9**	**1,402.6**	**(2.0)%**
- Instalments	870.0	890.7	(2.3)%	862.4	877.8	(1.7)%
- Lending	518.8	604.2	(14.1)%	511.5	524.8	(2.5)%
Other	**0.6**	**-**	**100.0%**	**1.1**	**-**	**100.0%**

Gross Loan Receivables decreased by $169.5 million or 2.6% in FY21 compared to FY20. AGR decreased by $549.9 million or 7.9% in FY21 compared to FY20.

- Across both Australia and New Zealand, Gross Loan Receivables in FY21 were affected by the compounding effect of COVID-19 impacts on volumes through FY20 and FY21 combined with an elevated level of customer repayment rates. Aggregate repayment rates in FY21 across Australia and New Zealand (excluding the credit card portfolio) remained at FY20 levels (103%) which is an increase of 1200bps from the levels experienced in FY19 (91%).
- Australian Gross Loan Receivables decreased $112.4 million or 2.2% as the elevated levels of repayments were most pronounced in the Instalment portfolio. The Auto Loans portfolio being the primary driver of growth in FY21 increasing by 27.0%. Gross Loan Receivables for the Symple Loans business were $67.0 million at the end of FY21.
- In New Zealand Gross Loan Receivables decreased by $61.4 million or 4.3%. The instalments portfolio decreased by 1.8% due the higher Volume being offset by higher customer repayments whilst the Lending portfolio also decreased by 8.4% as higher customer repayments outpaced Volume growth.

Gross Loan Receivables decreased by $122.2 million or 1.9%, in 2H21 compared to 1H21, comprising:

- Australian Gross Loan Receivables decreased $105.4 million or 2.1%. Whilst volumes continued to rebuild toward pre-COVID-19 levels, the spread of the Omicron strain (particularly in December) affected consumer confidence and tapered growth in 4Q21. Elevated repayment levels continued and where seasonally higher in 2H21 vs 1H21. The growth in the Lending products continued to be dominated by Auto Loans which grew 9.9% in 2H21 compared to 1H21.
- New Zealand Gross Loan Receivables decreased $21.1 million or 1.5% with decreases across both the Instalments and Lending portfolios as customer repayments outpaced Volume.

04 | Interest income

Interest income reduced predominantly due to lower receivables, with product mix and strategic pricing changes implemented to attract high quality customers also having an impact on yields.

Table 4: Interest income ($) and Interest income yield (%)

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Group	**932.4**	**1,058.1**	**(11.9)%**	**451.3**	**481.1**	**(6.2)%**
Australia	**713.1**	**814.6**	**(12.5)%**	**343.0**	**370.1**	**(7.3)%**
- Instalments	417.8	481.5	(13.2)%	197.1	220.7	(10.7)%
- Lending	295.3	333.1	(11.3)%	145.9	149.3	**(2.3)%**
New Zealand	**219.3**	**243.5**	**(9.9)%**	**108.3**	**111.0**	**(2.4)%**
- Instalments	133.6	141.8	(5.8)%	66.2	67.5	(2.0)%
- Lending	85.7	101.7	(15.8)%	42.1	43.5	(3.1)%
(%)						
Group	**14.56%**	**15.21%**	**(66)bps**	**14.15%**	**14.94%**	**(79)bps**
Australia	**14.22%**	**14.92%**	**(70)bps**	**13.74%**	**14.66%**	**(92)bps**
- Instalments	15.40%	15.54%	(14)bps	14.96%	15.77%	(80)bps
- Lending	12.82%	14.10%	(128)bps	12.37%	13.29%	(91)bps
New Zealand	**15.79%**	**16.29%**	**(50)bps**	**15.64%**	**15.96%**	**(32)bps**
- Instalments	15.36%	15.92%	(56)bps	15.22%	15.51%	(29)bps
- Lending	16.51%	16.83%	(32)bps	16.34%	16.71%	(37)bps

Interest income decreased by $125.7 million or 11.9% in FY21, with lower receivables contributing $83.7 million of the variance. Interest income yield decreased by 66bps from 15.21% to 14.56% as discussed below.

- The Australian Interest income decreased by $101.6 million or 12.5% due to a combination of the lower AGR, which reduced by 8.1% (as referenced above) contributing to $66.3 million of the $101.6 million. Lower yields (70bps) reduced Interest income by $35.3 million or 4.3%. The decline in Interest income yield in the Lending products reflects the higher relative mix of Auto, which continued to grow strongly, and an increased mix of originations of higher quality customer cohorts and pricing changes taken to originate these higher quality customers in FY20.
- The New Zealand Interest income decreased by $24.2 million or 9.9%. The decrease was a result of lower AGR for the period (as referenced above) and the Interest income yield decreasing by 50bps. Instalments Interest income yield decreased (56bps) due to a higher mix of interest free volume and was lower by 32bps in the Lending segment. Consistent with Australia, the Lending portfolio Operating income yield decreased as a result of changes made to new business pricing designed to drive growth and attract a higher quality customer cohort.

Interest income decreased by $29.8 million or 6.2% in 2H21 compared to 1H21. The associated Interest income yield increased by 79bps from 14.94% to 14.15%.

- The Australian Interest income decreased by $27.1 million or 7.3% and Interest income yield decreased by 92bps. In addition to the lower AGR in Instalments a primary driver of the decrease in Interest income was the reduction in customer interest rates on specific products within the Sales Finance portfolio that occurred in April and July 2021.
- The New Zealand Interest income decreased by $2.7 million or 2.4% and Interest income yield decreased by 32bps. The key driver of both these reductions was that the composition of the AGR across 2H21 which was weighted more to interest free receivables in the Instalments portfolio compounded by the new business pricing changes discussed above in the Lending portfolio.

Section A | Results

05 | Interest expense

Interest expense reduced in absolute terms due to lower receivables whilst maintaining a relatively flat interest expense yield across FY21 (down 6bps compared to FY20).

Table 5: Interest expense ($) and Interest expense yield (%)

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Group	**160.3**	**178.0**	**(9.9)%**	**80.1**	**80.2**	**(0.1)%**
Australia	**114.9**	**130.7**	**(12.1)%**	**56.9**	**57.9**	**(1.8)%**
- Instalments	53.9	67.2	(19.9)%	26.2	27.7	(5.7)%
- Lending	61.0	63.4	(3.8)%	30.8	30.2	**1.8%**
New Zealand	**37.6**	**40.8**	**(7.8)%**	**19.1**	**18.5**	**3.6%**
- Instalments	22.2	23.7	(6.2)%	11.3	10.9	3.4%
- Lending	15.4	17.1	(10.1)%	7.9	7.5	4.0%
Other	7.9	6.6	19.6%	4.1	3.8	8.0%
(%)						
Group	**2.50%**	**2.56%**	**(6)bps**	**2.51%**	**2.49%**	**2bps**
Australia	**2.29%**	**2.39%**	**(10)bps**	**2.28%**	**2.30%**	**(2)bps**
- Instalments	1.99%	2.17%	(18)bps	1.99%	1.98%	1bps
- Lending	2.65%	2.69%	(4)bps	2.61%	2.69%	(8)bps
New Zealand	**2.71%**	**2.73%**	**(2)bps**	**2.76%**	**2.65%**	**11bps**
- Instalments	2.55%	2.66%	(11)bps	2.59%	2.51%	9bps
- Lending	2.97%	2.83%	13bps	3.05%	2.90%	15bps
Other	**n.m**	**n.m**	**n.m**	**n.m**	**n.m**	**n.m**

Interest expense decreased by $17.7 million or 9.9% in FY21 compared to FY20. The associated Interest expense yield decreased by 6bps from 2.56% to 2.50%.

- The Australian Interest expense decreased by $15.8 million or 12.1% due to a combination of the lower AGR which contributed $10.6m of the variance and lower Interest expense yield (10bps). Interest expense yield in FY21 benefited from lower base interest rates partially offset by increased credit margins (funding facilities refinanced in FY20 in a disrupted market) and higher commitment fees.
- The New Zealand Interest expense decreased by $3.2 million or 7.8% due to lower AGR, which reduced by 7.1% and lower interest expense yield, which reduced by 2bps.
- The Other segment Interest expense increased by $1.3 million or 19.6% driven by costs related to the deployment of the corporate debt facility.

Interest expense decreased by $0.1 million or 0.1% in 2H21 compared to 1H21. The associated Interest expense yield increased by 2bps from 2.49% to 2.51%.

- Australian Interest expense decreased by $1.0 million or 1.8%. Expense yield was largely flat with most drivers including credit margins, base rates and commitment fee yields little changed half on half.
- New Zealand Interest expense increased by $0.7 million or 3.6%, as lower AGR, which reduced by 2.0% was offset by higher interest expense yield (increase of 11bps). Yield in 2H21 is higher than 1H21 due to higher base rates and higher commitment fees driven by increased unutilised limit.
- The Other segment Interest expense was relatively stable with an increase of $0.3m million.

Section 13 includes a breakdown in Latitude's funding facilities. Table B.1 includes the Amortisation of Legacy Transaction costs which is included in Interest expense for Statutory reporting purposes.

06 | Operating Income

Total Operating Income declined 11.5% in FY21 reflecting the full year impact of reduced receivables compared with FY20. Operating Income yields are lower reflecting higher quality originations, product mix and strategic pricing changes taken in FY20 and FY21.

Table 6: Total Operating income ($) and Operating income yield (%)

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Group	**826.6**	**934.2**	**(11.5)%**	**400.6**	**426.0**	**(6.0)%**
Australia	**624.9**	**711.2**	**(12.1)%**	**303.0**	**321.9**	**(5.9)%**
- Instalments	380.8	430.5	(11.5)%	180.1	200.7	(10.3)%
- Lending	244.0	280.7	(13.1)%	122.9	121.1	1.4%
New Zealand	**183.2**	**206.3**	**(11.2)%**	**89.8**	**93.4**	**(3.8)%**
- Instalments	116.6	123.9	(5.8)%	57.8	58.9	(1.8)%
- Lending	66.5	82.5	(19.3)%	32.0	34.5	(7.3)%
Other	**18.6**	**16.6**	**11.9%**	**7.8**	**10.8**	**(28.0)%**
(%)						
Group	**12.91%**	**13.43%**	**(53)bps**	**12.56%**	**13.23%**	**(67)bps**
Australia	**12.46%**	**13.03%**	**(57)bps**	**12.14%**	**12.75%**	**(61)bps**
- Instalments	14.04%	13.89%	14bps	13.68%	14.34%	(66)bps
- Lending	10.60%	11.89%	(129)bps	10.42%	10.78%	(36)bps
New Zealand	**13.19%**	**13.80%**	**(62)bps**	**12.96%**	**13.42%**	**(46)bps**
- Instalments	13.41%	13.91%	(50)bps	13.29%	13.52%	(23)bps
- Lending	12.82%	13.65%	(83)bps	12.41%	13.26%	(85)bps
Other	n.m	n.m	n.m	n.m	n.m	n.m

Note – Table above excludes the Amortisation of Legacy Transaction costs (Refer Table B.1) which is included in Interest Expense and sub-lease revenue from discontinued facilities (Refer Table B.4) which is included in Other Operating Income for Statutory reporting purposes.

Total Operating Income decreased by $107.6 million or 11.5% with the Operating income yield decreasing by 53bps in FY21 compared to FY20, comprising:

- Australian Operating income decreased by $86.4 million or 12.1%. The decrease was a result of the reductions in Interest Income being partially offset by the reductions in Interest expense (as referenced above). The Operating income yields have been impacted by similar drivers as the component to the Operating income movements.
- New Zealand Operating income decreased by $23.2 million or 11.2%. The decrease was a result of the reductions in Interest Income being partially offset by the reductions in Interest expense (as referenced above).
- An increase in the Other segment Operating income of $2.0 million or 11.9% largely as a result of higher Net Insurance income with lower Claims (post elevated claims in FY20) and lower commissions offsetting reduced premium income.

Total Operating Income decreased by $25.5 million or 6.0% with Operating income yield decreasing by 67bps in 2H21 compared to 1H21, comprising:

- Australia Operating income decreased by $18.8 million or 5.9% and Operating income yield which decreased by 61bps. The decrease was a result of the reductions in Interest Income being partially offset by the reductions in Interest expense (as referenced above). The Operating income yields have been impacted by similar drivers as the component to the Operating income movements.

- New Zealand Operating income decreased by $3.6 million or 3.8% and Operating income yield which decreased by 46bps. The decrease was a result of the reductions in Interest Income being partially offset by the reductions in Interest expense (as referenced above). The Operating income yields have been impacted by similar drivers as the component to the Operating income movements.
- A decrease in the Other segment Operating income of $3.0 million or 28.0% as a result of lower Net Insurance income due lower premium income in 2H21 compared to 1H21 partially offset by lower commissions.

07 | Net charge offs

Net charge offs continued to improve during FY21, reflecting a higher quality portfolio underpinned by prudent credit risk management and higher customer repayments.

Table 7: Net charge off Rates

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Group	**(149.5)**	**(227.6)**	**(34.3)%**	**(67.6)**	**(81.9)**	**(17.5)%**
Australia	(115.4)	(186.0)	(38.0)%	(53.0)	(62.4)	(15.1)%
- Instalments	(67.0)	(115.1)	(41.7)%	(30.4)	(36.7)	(17.2)%
- Lending	(48.3)	(70.9)	(31.8)%	(22.6)	(25.7)	**(12.2)%**
New Zealand	(32.9)	(41.7)	(21.1)%	(13.9)	(19.0)	(26.9)%
- Instalments	(19.9)	(23.7)	(16.0)%	(8.5)	(11.5)	(26.1)%
- Lending	(13.0)	(18.0)	(27.8)%	(5.4)	(7.5)	(28.2)%
Other	(1.2)	(0.0)	(100.0)%	(0.7)	(0.5)	45.7%
%						
Group	**2.33%**	**3.27%**	**(94)bps**	**2.12%**	**2.54%**	**(42)bps**
Australia	**2.30%**	**3.41%**	**(111)bps**	**2.12%**	**2.47%**	**(35)bps**
- Instalments	2.47%	3.71%	(124)bps	2.31%	2.62%	(31)bps
- Lending	2.10%	3.00%	(90)bps	1.92%	2.29%	(37)bps
New Zealand	**2.37%**	**2.79%**	**(42)bps**	**2.00%**	**2.73%**	**(73)bps**
- Instalments	2.29%	2.66%	(37)bps	1.95%	2.63%	(68)bps
- Lending	2.50%	2.97%	(47)bps	2.10%	2.89%	(80)bps
Other	n.m	n.m	n.m	n.m	n.m	n.m

Net charge off rates have continued to perform strongly, reducing to 233bps at FY21, down 94bps on FY20 and 42bps on 1H21. The result is driven by sustained low delinquency and gross charge off rates, including lower rates of bankruptcy, improved quality of originations and higher customer repayment rates with a more significant impact observed in the Australian Instalments portfolio. While government support has ceased for most individuals and businesses, access to cash and associated savings due to COVID-19 government support and access to superannuation had a favourable impact on post charge-off recovery rates. The Australian portfolio has observed a more significant change in net charge offs than New Zealand primarily due to higher customer repayment behaviour, improved credit quality mix and deleveraging.

Net charge offs in absolute terms have reduced due to the combined effects of the reduction in AGR across the FY21 period (discussed previously) and the impact of the reduction in Net charge off rates discussed above.

The following table shows the Net charge off decomposition prepared on a sequential basis to assist the understanding of the drivers of the Net charge off movement on a period on period basis.

Table 8: Net charge offs

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Net charge offs						
Prior period total Net charge offs expense	(227.6)	(251.7)	(9.6)%	(81.9)	(87.2)	(6.0)%
Impact of change in AGR	18.0	20.5	(12.2)%	2.1	0.4	369.9%
Impact of change in Net charge off rate	60.1	3.7	1546.0%	12.2	4.8	153.7%
Total Net charge offs	**(149.5)**	**(227.6)**	**(34.3)%**	**(67.6)**	**(81.9)**	**(17.5)%**
Selected metrics						
Gross loan receivables	6,352.1	6,521.6	(2.6)%	6,352.1	6,474.4	(1.9)%
AGR	6,405.1	6,955.0	(7.9)%	6,327.2	6,492.9	(2.6)%
Net charge offs/AGR	2.33%	3.27%	(94)bps	2.12%	2.54%	(42)bps

The primary factors impacting the FY21 Net charge offs compared to FY20 are summarised below:

- **Impact of change in AGR**: AGR decreased by $549.9 million or 7.9%, from $6,955.0 million in FY20 to $6,405.1 million in FY21, resulting in a Net charge off reduction of $18.0 million in FY21 which is a decrease in Net charge off expense of $2.5 million relative to the sequential period excluding the change in the annualised Net charge off rate set out below); and
- **Impact of change in Net charge off rate:** The annualised Net charge off rate decreased by 94bps from 3.27% in FY20 compared to 2.33% in FY21, resulting in a $60.1 million reduction in Net charge offs expense in FY21. Previous commentary discusses the key drivers of the improved Net charge off rates including the elevated customer repayment rates and the impacts of pricing changes impacting the overall credit quality of the receivables with the net result of these impacts being a reduced loan book of higher credit quality and reduced overall levels of delinquency and Net charge offs (excluding the change in AGR).

08 | Risk Adjusted Income

Risk Adjusted Income has reduced in absolute terms in FY21 whilst associated yields have benefited from lower net charge offs due to a higher quality book of receivables.

Table 9: Risk adjusted income ($) and Risk adjusted income yield (%)

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Group	**677.1**	**706.7**	**(4.2)%**	**333.0**	**344.1**	**(3.2)%**
Australia	**506.4**	**518.7**	**(2.4)%**	**249.0**	**257.4**	**(3.3)%**
- Instalments	311.8	313.9	(0.7)%	148.8	163.0	(8.7)%
- Lending	194.6	204.8	(5.0)%	100.2	94.4	6.1%
New Zealand	**148.1**	**161.6**	**(8.4)%**	**74.9**	**73.2**	**2.3%**
- Instalments	95.7	99.2	(3.5)%	48.8	46.9	4.1%
- Lending	52.4	62.5	(16.3)%	26.1	26.3	(0.8)%
Other	**22.7**	**26.3**	**(13.7)%**	**9.1**	**13.6**	**(32.9)%**
(%)						
Group	**10.6%**	**10.2%**	**41bps**	**10.4%**	**10.7%**	**(25)bps**
Australia	**10.1%**	**9.5%**	**60bps**	**10.0%**	**10.2%**	**(22)bps**
- Instalments	11.5%	10.1%	136bps	11.3%	11.6%	(34)bps
- Lending	8.4%	8.7%	(22)bps	8.5%	8.4%	10bps
New Zealand	**10.7%**	**10.8%**	**(15)bps**	**10.8%**	**10.5%**	**29bps**
- Instalments	11.0%	11.1%	(13)bps	11.2%	10.8%	46bps
- Lending	10.1%	10.3%	(26)bps	10.1%	10.1%	1bps
Other	n.m	n.m	n.m	n.m	n.m	n.m

Note – Table above excludes the Amortisation of Legacy Transaction costs (Refer Table B.1) which is included in Interest Expense and sub-lease revenue from discontinued facilities (Refer Table B.4) which is included in Other Operating Income for Statutory reporting purposes.

RAI is calculated as Operating Income less Net charge offs – excluding operating expenses & provisions. This is a management metric used to measure and ensure an appropriate risk adjusted return is generated. At the group level it decreased by $29.6 million or 4.2% with RAI yield increasing by 41bps in FY21 compared to FY20, comprising:

- A decrease in the Australian RAI of $12.3 million or 2.4% with the RAI yield increasing by 60bps. The Australian RAI decrease was a result of the reduction in Operating income (as referenced in Table 6 commentary) offset by a significant reduction in Net charge offs as delinquency levels improved due to a higher quality book, prudent credit risk management and the impacts of higher payments witnessed through the Covid period described above. A 111bps reduction in the Net charge off rate contributed to the improving RAI yield.
- A decrease in the New Zealand RAI of $13.5 million or 8.4% with the RAI yield decreasing by 15bps. The New Zealand RAI decrease was a result of lower Operating Income yield (as referenced in Table 6 commentary) partially offset by a 42bps decline in Net charge offs as delinquency levels improved post the onset of COVID-19 . The reduction in Net Charge offs in New Zealand has not been as significant as seen in Australian (refer Table 7 commentary).
- A decrease in the Other segment of $3.6 million or 13.7% primarily as a result of lower inter-segment operating income, partially offset by the higher Total Operating Income (as referenced in Table 6 commentary).

RAI at the group level decreased by $11.2 million or 3.2% with RAI yield decreasing by 25bps in 2H21 compared to 1H21, comprising:

- A decrease in the Australian RAI of $8.4 million or 3.3% with the RAI yield decreasing by 22bps. The Australian RAI decrease was a result of the reduction in Operating income (as referenced in Table 6 commentary) partially offset by a decline in Net charge offs as delinquency levels remain below historic levels post the onset of COVID-19. The 35bps reduction in the Net charge off rate was not enough to offset the 61bps reduction in Operating income yield which has contributed to the decline in the RAI yield.
- An increase in the New Zealand RAI of $1.7 million or 2.3% with the RAI yield increasing by 29bps. The New Zealand RAI increase was due to the lower Operating income (as referenced in Table 6 commentary) being more than offset by a decrease in the Net Charge off rate as referenced in Table 7.
- A decrease in the Other segment RAI of $4.5 million or 32.9% primarily as a result of lower Net Insurance income (as referenced in Table 6 commentary) and lower inter-segment operating income.

09 | Operating Expenses

Latitude's expense base has continued to benefit from its productivity agenda and investment in simplification, with operating expenses reducing by 3.9% despite a reversion to higher levels of marketing expense and 2H21 investment to support growth initiatives and post listing costs

Table 10: Operating Expenses

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Operating Expenses						
Employee expenses	172.9	184.8	(6.4)%	89.1	83.9	6.2%
Marketing expenses	38.0	20.1	89.4%	20.9	17.1	22.2%
Depreciation & Amortisation expense*	44.5	44.6	(0.1)%	23.0	21.6	6.5%
Other Operating Expenses	131.6	153.4	(14.2)%	68.5	63.2	8.4%
Total Operating Expenses	**387.1**	**402.9**	**(3.9)%**	**201.4**	**185.7**	**8.5%**
Cost to income ratio	46.8%	43.1%	371bps	50.3%	43.6%	669bps

** Refer Table B.4 in Supplementary information for reconciliation to Statutory disclosures in Section B*

Operating Expenses decreased by $15.8 million to $387.1 million from $402.9 million or 3.9% in FY21 compared to FY20, comprising the following movements:

- Employee expenses decreased $11.9 million, driven by the FY21 benefits of operating model changes, productivity initiatives and the ongoing delivery of the simplification program, partially offset by investment in resources as a result of growth initiatives.
- Marketing expenses increased $17.9 million in FY21 compared to FY20 as marketing spend to support volume growth was reinitiated after a pause in FY20 during the significant lockdown periods due to COVID-19.
- Other Operating Expenses decreased $21.8 million or 14.2%, which included other efficiency initiatives, reduced premise occupancy costs as well as continued improvement in fraud losses.
- Cost to income ratio increased 371bps from 43.1% to 46.8% due to the 11.5% decrease in Total Operating Income more than offsetting the 3.9% reduction in operating expenses.

Operating Expenses increased by $15.7 million or 8.5% in 2H21 compared to 1H21:

- Employee expense increased by $5.2 million, driven by investment in resource as a result of growth initiatives and post listing requirements.
- Marketing expenses increased $3.8 million, reflecting a seasonal increase in marketing spend as well as an increase in spend to pre-COVID levels to support volume growth.
- Other Operating Expenses increased by $5.3 million or 8.4%, driven by post listing costs, costs associated with growth initiatives and software maintenance.
- Cost to Income ratio increased 669bps from 43.6% to 50.3%, due to the combination of an increase in operating expenses and decrease in Total operating Income during the period.

10 | Provision movement & Coverage rates

IFRS 9 provision coverage ratios have eased and substantially returned to pre-COVID levels.

Table 11: Provision balance ($m) and Coverage rates (%)

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Group	(271.6)	(301.3)	(9.8)%	(271.6)	(288.7)	(5.9)%
Australia	(234.1)	(247.5)	(5.4)%	(234.1)	(247.5)	(5.4)%
New Zealand	(36.8)	(53.7)	(31.5)%	(36.8)	(41.3)	(10.8)%
Other	(0.7)	-	(100.0)%	(0.7)	0.0	(100.0)%
%						
Group	4.28%	4.62%	(34)bps	4.28%	4.46%	(18)bps
Australia	4.69%	4.85%	(16)bps	4.69%	4.86%	(17)bps
New Zealand	2.71%	3.78%	(107)bps	2.71%	2.99%	(28)bps
Other	17.02%	0%	1,702bps	17.02%	0%	1,702bps

The Group Coverage ratio for FY21 of 4.28% is down 34bps from FY20 and 18bps from 1H21 to 2H21, however continues to be marginally above pre-COVID-19 levels of 4.21% at FY19. The reduction in Coverage ratio during FY21 was driven by:

- the decreasing core provision model, influenced by the strong portfolio delinquency profile as set out in Table 13, low Gross charge offs (including bankruptcy) with improved recovery levels as evidenced by the Net charge off rates included in Table 7;
- Declining levels of hardship in the portfolio (refer Table 14);
- Improving economic outlook, leading to lower probability of default; offset by
- a COVID-19 normalisation overlay, given the significant shift in portfolio performance over the last 12 months. Refer to note 3.2 (f) of the Consolidated Financial Report for further information on Latitude's IFRS 9 model risk overlays.
- The Other segment coverage rate relates to provisions recognised on the Asian and Canadian business at year end. Both businesses are relatively small and benchmark rates have been applied reflecting comparable Latitude product performance at similar stages of the product lifecycle development.

The following table shows the IFRS 9 Provisions movement decomposition prepared on a sequential basis to assist the understanding of the drivers of the Provision movement on a period on period basis.

Table 12: Provision movement analysis

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Provision movement						
Impact of change in Gross loan receivables	7.8	46.9	(83.3)%	8.8	2.2	301.4%
Impact of change in Coverage ratio	21.8	(26.9)	(181.0)%	11.6	10.4	12.2%
Provision on Symple Gross loan receivables at acquisition	3.4	-	n/a	3.4	-	n/a
Movement in provisions (A)	**33.1**	**20.0**	**65.5%**	**20.5**	**12.5**	**63.5%**
FX rate impact (B)	**0.2**	**(1.2)**	**(114.1)%**	**0.5**	**(0.2)**	**(301.3)%**
Total provision movement (A+B)	**33.3**	**18.8**	**77.4%**	**21.0**	**12.3**	**70.6%**
Selected metrics						
Gross loan receivables	6,352.1	6,521.6	(2.6)%	6,352.1	6,474.4	(1.9)%
Coverage ratio	4.28%	4.62%	(34)bps	4.28%	4.46%	(18)bps

- **Impact of change in Gross loan receivables**: Gross loan receivables decreased by $169.5 million from $6,521.6 million in FY20 to $6,352.1 million in FY21 and resulted in a decrease in Loan impairment expense of $7.8 million (excluding the change in Coverage ratio set out below and the impact of the Symple acquisition);
- **Impact of change in the Coverage ratio**: The Coverage ratio decreased from 4.62% in FY20 to 4.28% in FY21 and resulted in a decrease in loan impairment expense of $21.8 million (excluding the change in Gross loan receivables);
- **Provision on Symple Gross loan receivables at acquisition** represents the $3.4m provision on balance sheet at acquisition date; and
- **Foreign exchange difference**: Resulted in an increase in loan impairment expense of $3.6 million.

The following tables provide additional asset quality metrics that impact the coverage rate determination.

Table 13: 90+ days past due

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Group	**0.69%**	**0.67%**	**2bps**	**0.69%**	**0.82%**	**(13)bps**
Australia	0.66%	0.65%	1bps	0.66%	0.81%	(16)bps
New Zealand	0.73%	0.76%	(4)bps	0.73%	0.85%	(13)bps

Portfolio delinquency rates remain extremely strong, with 90+ days past due rates up slightly by 2bps in FY21 compared to FY20, and down 13bps in 2H21 compared to 1H21 (in line with seasonal trends) at a Group level. The delinquency results were influenced by improved credit quality mix, alongside higher household savings rates, which allowed customers to maintain strong repayment rates, resulting in delinquency levels remaining well below pre-COVID-19 levels.

Table 14: Hardship inventory

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 v 1H21
Group	**2.50%**	**3.30%**	**(80)bps**	**2.50%**	**2.80%**	**(30)bps**
Australia	3.00%	3.90%	(90)bps	3.00%	3.30%	(30)bps
New Zealand	0.70%	1.20%	(50)bps	0.70%	0.90%	(20)bps

Portfolio hardship rates (at a group level have reduced 80bps to 250bps in FY21 compared to 330bps in FY20 and are back in line with pre COVID-19 levels of 250bps at FY19. The Australian portfolio is 10bps above pre COVID-19 levels of 2.90% in FY19, down 90bps to 300bps at FY21 compared to FY20, while the New Zealand portfolio has returned to pre-COVID levels. The drivers of the improvement in hardship inventory levels, were similar to the Net charge off rates performance improvements discussed above, with hardship applications remaining stable in FY21 after the elevated levels in 1H20. It is important to note that there has traditionally been a lower level of hardship inventory in New Zealand compared to Australia as a result of differences in the regulation and customer reporting requirements.

11 | Significant Items & Investment Spend

Latitude continued to invest in its simplification agenda, LatitudePay plus (Big ticket) and its expansion into Asia in FY21. Total investment of $94.6m in these programs of which $34.5m was expensed during the year.

Latitude excludes from Cash NPAT certain items that are included in the statutory profit after tax that Latitude believes should be separately identified due to their significant nature. 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 investment will not evolve during the reporting period and where the costs have not been capitalised.

Table 15: Summary of Significant items and Capex

($m)	FY21 Opex	FY21 Capex [(a)]	FY21 Total
Investment-related expense			
Technology Investment and Simplification	19.4	51.2	70.6
BNPL – Big Ticket	3.1	8.9	12.0
Corporate Development (Acquisition & Integration)	9.5	-	9.5
International	2.5	-	2.5
Total Investment-related Significant items	**34.5**	**60.1**	**94.6**
Other Significant items			
Restructuring [(b)]	2.1		
Asset/work in progress impairment	2.5		
Discontinued Facilities (net of sub-lease revenue)	3.8		
Total other Significant items	**8.4**		
Total Significant items	**43.0**		

(a) Excludes Business as usual opex and capex: Latitude invests in capex required to support ongoing operations of the business (the opex related to this investment is included in the core operating expenses and is not identified separately).
(b) Restructuring includes Management Equity Plan (contains final trust distributions) and IPO transaction cost reversal of $7.5 million in 1H21

Significant items incurred in FY21 include:

- the continuation of investment in the Simplification program (automation and digitisation of operational processes and streamlining of the technology cost base);
- the continuation of investment in developing the Latitude Pay plus product (the extension of the Latitude Pay proposition to larger ticket transactions - BNPL Big Ticket);
- Corporate development costs associated with the acquisition and integration of Symple and Octifi plus other potential acquisitions;
- the continuation of investment in Latitude's international expansion strategy, focussing specifically on Singapore, Malaysia and Canada;
- streamlining of the Latitude property and facilities footprint as preparations to exit certain locations given workforce virtualisation in those locations;
- minor asset / work in progress impairments; and
- restructuring costs (including costs associated with the IPO as well as associated corporate restructure costs, excluding IPO costs paid by KVD Singapore Pte Ltd).

12 | Capital and Shareholder Returns metrics

Latitude's ROE of 16.6% remains strong. Tangible equity increased (+30%) during FY21. These metrics in combination demonstrate the strength and resilience of the Group and its ability to support a dividend payout ratio of 60-70% of Cash NPAT.
A final dividend of 7.85 cents per share has been declared for 2H21.

Table 16: Shareholder return and capital

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Total Equity	1,565.5	1,229.6	27.3%	1,565.5	1,319.8	18.6%
Tangible Equity	517.6	394.8	31.1%	517.6	494.8	4.6%
Return on Equity (ROE)	16.6%	18.2%	(159)bps	15.3%	19.1%	(381)bps
Return on Tangible Equity (ROTE)	50.9%	56.7%	(581)bps	44.0%	54.4%	(1,041)bps
Tangible Equity to Net Receivables (TER)	8.7%	6.5%	217bps	8.7%	8.2%	49bps

Notes:
(a) *FY20 metrics are based on the ending equity position, whereas FY21 periods are based on the average equity position between the respective balance dates.*

During FY21, Total Equity rose 27.3% from $1,229.6 million to $1,565.50 million via the issuance of capital for Symple, the capital note issuance and the continued delivery of statutory profits after allowing for the interim dividend distribution. Tangible Equity to Net receivables (TER) rose by 217bps to 8.7% from 6.5% as at FY20 which is above the target TER range of 6 to 7% as the Tangible Equity has continued to grow due to the reasons noted above whilst Net Receivables have decreased as discussed in section 3.

The FY21 ROE of 16.6% has decreased from the FY20 Proforma of 18.2% due to the impacts of the increase in the capital base from the Symple transaction and the issuance of the capital notes without the full run rate effects of the revenue and cost synergies that are expected to be delivered over the next 18 to 24 months.

The increase in Latitude's capital ratio since FY20 demonstrates the high capital generative nature of the Latitude business, and its ability to support the dividend as well as the growth trajectory of the business.

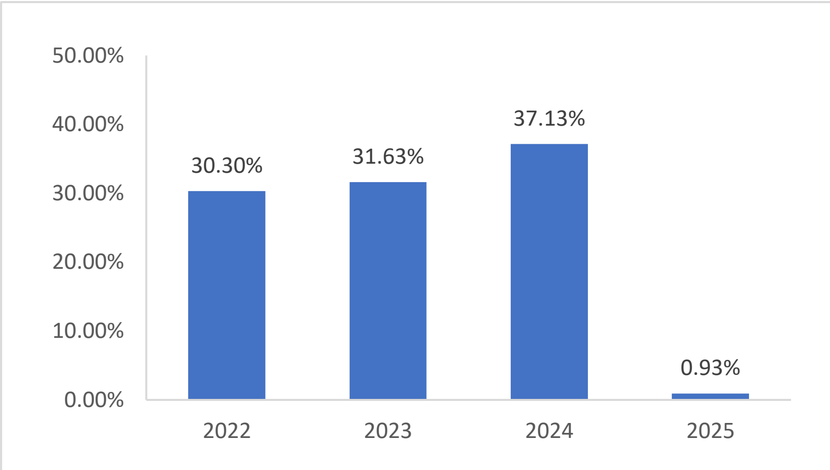
Section A | Results

13 | Funding and Liquidity metrics

Latitude continued to be active in the funding markets in FY21 by refinancing and managing limits of key facilities to maintain our cost effective and diverse funding program.

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 2021.

Chart 1: Latitude debt maturity profile at 31 December 2021



Summary of Warehouse Funding Facilities

During FY21 Latitude settled the refinancing of its Australian Personal Loans Warehouse Facility and established a new Australia Sales Finance and Credit Cards Warehouse No.3 to replace an existing cards warehouse facility (Australia Sales Finance and Credit Cards Warehouse No.2) that had a revolving period due to end in March 2022.

In October 2021, Latitude completed the acquisition of Symple and added the Symple Warehouse Trust 2019-1 to its funding portfolio.

The New Zealand Sales Finance and Credit Card Trust refinance was documented in December 2021 with the refinance occurring on 24 January 2022. From the close of the refinance, the facility maintains current commitments and extends the scheduled amortisation date to 22 January 2025.

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The following table sets out the position of each of Latitude's warehouses as at 31 December 2021.

Table 17: Warehouse facilities as at 31 December 2021

($m)	Australia Sales Finance & Credit Cards Trust	Australia Sales Finance and Credit Cards Trust No. 3	Australia Personal Loans Trust	Australia Auto Loans Trust	Symple Warehouse Trust 2019-1	New Zealand Sales Finance & Credit Cards Trust	New Zealand Personal Loans Trust
Limit[(a)]	A$930.0	A$1055.6	A$1037.6	A$926.3	A$90.0	NZ$864.1	NZ$610
Drawn	A$416.9	A$475.3	A$517.9	A$709.6	A$59.7	NZ$622.0	NZ$443.1
Headroom	A$513.2	A$580.3	A$519.7	A$216.6	A$30.3	NZ$242.1	NZ$166.9
Revolving period end date	22-Dec-22	22-Apr-24	17-Jan-24	19-Sep-23	31-Mar-22	23-Sep-22	17-Sep-23

Notes:

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

(b) *Total headroom of $2.3bn includes $0.1bn Variable Funding Note ('VFN') capacity for Australia and New Zealand as outlined in the note attached to table 18*

Section A | Results

Summary of ABS Funding

Latitude was active in ABS markets in 2H21. A new Series 2021-1 within the New Zealand Sales Finance and Credit Card Master Trust was issued in the New Zealand market in August 2021. In November 2021 $500 million was issued into the Australian market by the Australian Personal Loans Series 2021-1 Trust, backed by a portfolio of personal loans. The outstanding notes of the New Zealand Sales Finance and Credit Card Master Trust Series 2018-1 were fully redeemed on their expected redemption date of 22 November 2021. The Series 2018- VFN in the New Zealand Sales Finance and Credit Card Master Trust was also replaced by the 2021-VFN, with an increase in committed limit from NZD $20 million to NZD $30 million.

The outstanding note balances on the Latitude Australia Personal Loan Series 2017-1, Series 2020-1, and Series 2021-1 Trusts, which are closed pools, continued to reduce as borrowers paid down their loans during the year.

Table 18: ABS issuance as at 31 December 2021

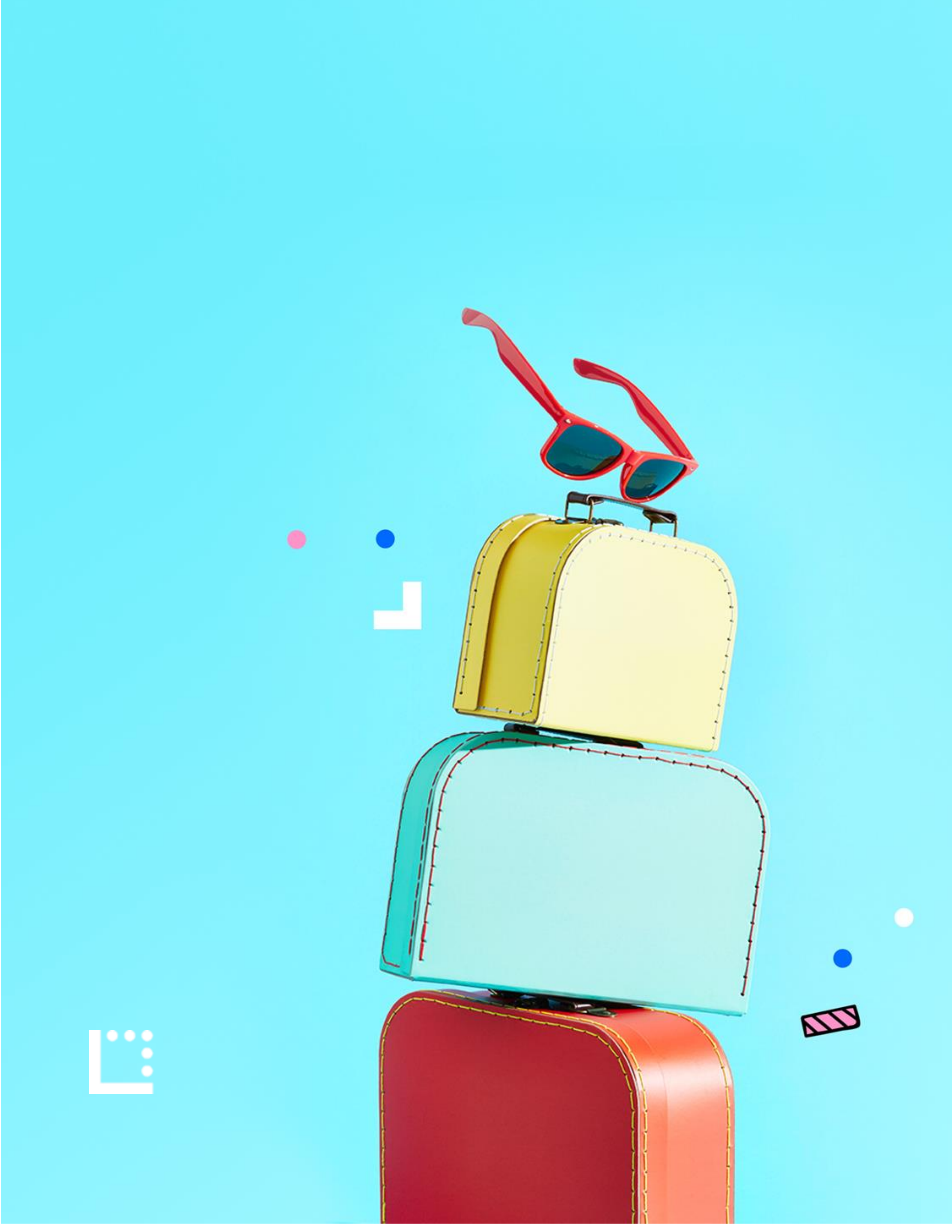
($m)	Latitude Australia Credit Card Loan Note Trust – Series 2017-2	Latitude Australia Personal Loan Series 2017-1 Trust	Latitude Australia Credit Card Loan Note Trust – Series 2018-1	Latitude Australia Credit Card Loan Note Trust – Series 2019-1	Latitude Australia Personal Loan Series 2020-1 Trust	Latitude New Zealand Credit Card Loan Note Trust – Series 2021-1	Latitude Australia Personal Loan Series 2021-1 Trust
Underlying segment receivables	Sales finance & credit card receivables	Personal loans	Sales finance & credit card receivables	Sales finance & credit card receivables	Personal loans	Sales finance & credit card receivables	Personal loans
Notes issued	A$500	A$600	A$500	A$750	A$500	NZ$250	A$500
Issue date	7-Sep-17	29-Nov-17	27-Mar-18	13-Sep-19	26-Feb-20	17-Aug-21	24-Nov-21
Revolving period end date	22-Aug-22	17-Jan-19	22-Mar-23	22-Sep-24	n.a.	22-Aug-24	n.a.
Expected call date(b)	22-Aug-22	19-Mar-22	22-Mar-23	22-Sep-24	19-Aug-23	22-Aug-24	17-Aug-25
Outstanding Notes at 31 December 2021	A$500	A$57.3	A$500	A$750	A$152.2	NZ$250	A$471.5

Notes:

(a) *The above table excludes Variable Funding Notes (VFN). The VFN is a revolving facility available to the trust to provide the ability to fund fluctuations in the underlying cards balances and can move from month to month. At 31 December 2021 the VFN for the Latitude Australia Credit Card Loan Note Trust – Series 2018-VFN was $16.4 million ($100.0 million at 31 December 2020) and VFN for the Latitude New Zealand Credit Card Loan Note Trust – Series 2021-VFN was NZ$9.4 million (NZ$20.0 million at 31 December 2020).*

(b) *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 2017-1, 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 readers of this results document.

B.1 Restructure of the Latitude Group and impact on the Statutory financial statements in the prior comparative period

The Group undertook a restructure in March 2021 in preparation for the ASX Listing. On 25 March 2021, the Company acquired control of Latitude Financial Services Limited (and its controlled entities), the top operating entity of the Latitude New Zealand operations, an entity under the control of the Company's ultimate parent entity KVD Singapore Pte Ltd. Additionally, the Group entered into agreements to acquire the legal and beneficial interests in the Australian warehouse trusts from the original shareholders (or related entities of those parties), together with an assignment right to the income (and associated distribution entitlements) attaching to those interests from and after 1 January 2021. Completion of this sale was conditional on FIRB approval as 30 June 2021. This approval was obtained on 21 July 2021 and the restructure steps were completed on 1 August 2021.

The transactions occurred between entities under common control and all assets and liabilities were transferred at their book values in the accounts of the transferor, as allowable under the common control requirements contained in AASB 3 *Business Combinations*.

The results and cashflows for the year ended 31 December 2021 and the prior year comparatives reflect trading results for the Company and all its controlled entities as if they were a consolidated group in both reporting periods, as allowable by the Australian Accounting Standards Board (AASB). In addition, some transactions required to enact the internal common control restructure have been presented as if they occurred prior to the date of common control restructure, and are summarised in Note 1.1 Basis of Preparation of the Consolidated Financial Report and include:

- The acquisition of 79,593,376 ordinary shares of Latitude Financial Services Limited by the Company;
- The removal of the historical consulting and monitoring fees paid or payable to the original investors; and
- The removal of distributions from the Group's trusts to trust beneficiaries of residual income units historically owned by the existing investors.

Whilst the Consolidated Financial Report has been prepared under the common control requirements contained in AASB 3 *Business Combinations* there are certain transactions and arrangements with the original shareholders that exist within the statutory results of 2020 that have ceased to exist following the restructure, eg Shareholder Loan facilities and their associated interest expense.

In addition to the restructure steps, the Pro forma NPAT excludes the impact of the IPO / Listed company adjustments (eg Discontinued Operations, new Listed company LTI costs, historical Management Equity Plan related expenses, and new listed company costs) included in the determination of the Pro forma information included in Section 4 of the IPO Prospectus.

Section B | Supplementary Information

B.2 Information about Cash NPAT and other Non-IFRS Metrics

Cash NPAT

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

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

Latitude uses Cash NPAT for its internal management reporting as Latitude believes it reflects what it considers to be the underlying performance of Latitude.

Some of the limitations of Cash NPAT include:

- It excludes Amortisation of acquisition intangibles, Amortisation of legacy transaction costs and Significant 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 Section B 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 calculation of Significant items and 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 allocation of expenses associated with the movement in provisions for losses as well as operating expenses. For insurance products, RAI is calculated as net premium income plus investment income less claims costs and external commissions.

RAI is considered useful by Latitude as it measures the risk adjusted contribution from portfolios and insurance products.

It allows Latitude to have a consistent measure of performance and risk adjusted 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

Pre-provision PBT

Pre-provision PBT (Profit before tax) is calculated as Total operating income less Net Charge offs and operating expenses. For the avoidance of doubt this excludes IFRS 9 provision movements, Significant items and Amortisation of acquisition intangibles and Amortisation of legacy transaction costs.

Latitude believes that Pre-provision PBT is useful to investors as it helps explain the underlying risk-adjusted profitability of the business before movements in coverage ratio (IFRS 9) provisions and Significant items.

Some of the limitations of Pre-provision 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 Significant items, Amortisation of acquisition intangibles and Amortisation of legacy transaction costs or tax expense.

Section B | Supplementary Information

B.3 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.4 Additional Amortisation of Intangibles metrics including associated commentary

Table B.1: Amortisation of Acquisition Intangibles & Legacy Transaction Costs

($m)	FY21	Pro forma FY20	Change % FY21 vs FY20	2H21	1H21	Change % 2H21 vs 1H21
Amortisation of Acquisition Intangibles	48.3	48.3	(0.0)%	24.2	24.1	0.3%
Amortisation of Legacy Transaction Costs	9.4	24.8	(62.2)%	3.8	5.6	(32.8)%
Total Amortisation of Acquisition Intangibles & Legacy transaction costs	**57.7**	**73.1**	**(21.1)%**	**28.0**	**29.7**	**(5.9)%**

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 3 years in Australia and 1 year in New Zealand at 31 December 2021.

The Amortisation of Legacy Transaction costs has decreased by $15.4 million or 62.2% 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 reduce. The funding establishment costs are amortised over the life of the respective funding vehicles 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. The reduction in these costs is in line with the expected amortisation profile of the balances which have materially amortised by the end of FY21, with a small residual amount during FY22.

Section B | Supplementary Information

B.5 Reconciliations of comparative financial information

Table B.2 Combined to Comparative Statutory income statement reconciliation (1H20, 2H20 and FY20)

($m)	Combined 1H20	Combined 2H20	Combined FY20	Distributions to trust beneficiaries	Consortium	Tax effect of adjustments	Common control adjustment	Comparative Statutory 1H20	Comparative Statutory 2H20	Comparative Statutory FY20
Interest income	569.7	488.4	1,058.1	-	-	-	-	569.7	488.4	1,058.1
Interest expense	(150.8)	(127.8)	(278.6)	-	-	-	-	(150.8)	(127.8)	(278.6)
Net interest income	418.9	360.6	779.5	-	-	-	-	418.9	360.6	779.5
Other operating income	12.4	9.0	21.4	-	-	-	-	12.4	9.0	21.4
Net insurance income	4.3	18.2	22.5	-	-	-	-	4.3	18.2	22.5
Total other operating income	16.7	27.2	43.9	-	-	-	-	16.7	27.2	43.9
Total Operating Income	**435.6**	**387.8**	**823.4**	-	-	-	-	**435.6**	**387.8**	**823.4**
Loan impairment expense	(198.3)	(10.5)	(208.8)	-	-	-	-	(198.3)	(10.5)	(208.8)
Employee benefit expense	(96.2)	(105.8)	(202.0)	-	-	-	-	(96.2)	(105.8)	(202.0)
Other expenses	(117.4)	(117.2)	(234.6)	-	6.1	-	-	(114.2)	(114.4)	(228.5)
Depreciation and amortisation expense	(45.0)	(47.9)	(92.9)	-	-	-	-	(45.0)	(47.9)	(92.9)
Total operating expenses	(258.6)	(270.9)	(529.5)	-	6.1	-	-	(255.4)	(268.1)	(523.5)
Distribution of trust beneficiaries	(43.1)	(61.2)	(104.3)	102.1	-	-	(2.3)	(1.5)	(3.0)	(4.5)
PBT (before significant items)	**(64.4)**	**45.1**	**(19.3)**	**102.1**	**6.1**	**-**	**(2.3)**	**(19.6)**	**106.2**	**86.6**
Profit before income tax	**(64.4)**	**45.1**	**(19.3)**	**102.1**	**6.1**	**-**	(2.3)	**(19.6)**	**106.2**	**86.6**
Income tax (expense)/benefit	13.7	(23.2)	(9.5)	-	-	(30.5)	-	0.6	(40.6)	(40.0)
NPAT from continuing operation	**(50.7)**	**21.9**	**(28.8)**	**102.1**	**6.1**	(30.5)	**(2.3)**	**(19.0)**	**65.6**	**46.6**
NPAT from discontinued operation	(4.4)	0.7	(3.7)	-	-	-	2.3	(2.1)	0.7	(1.4)
NPAT	**(55.1)**	**22.6**	**(32.6)**	**102.1**	**6.1**	**(30.5)**	**-**	**(21.1)**	**66.3**	**45.2**

Section B | Supplementary Information

Table B.3 Comparative Statutory to pro forma income statement reconciliation (1H20, 2H20 and FY20)

($m)	Comparative Statutory 1H20	Comparative Statutory 2H20	Comparative Statutory FY20	Changes in capital structure	Transaction & historical IPO costs	Employee Rem plans	Historical Mgmt Equity Plan & related expenses	Discontinued operations (post-tax)	Incremental public company costs	Tax effect of adjustments	Total pro forma adjustments	Significant items	Amortisation of acquisition intangibles & legacy transaction costs	Pro forma 1H20	Pro forma 2H20	Pro forma FY20
Interest income	569.7	488.4	1,058.1	-	-	-	-	-	-	-	-	-	-	569.7	488.4	1,058.1
Interest expense	(150.8)	(127.8)	(278.6)	75.8	-	-	-	-	-	-	75.8	-	24.8	(97.7)	(80.2)	(178.0)
Net interest income	418.9	360.6	779.5	75.8	-	-	-	-	-	-	75.8	-	24.8	471.9	408.2	880.1
Other operating income	12.4	9.0	21.4	-	-	-	-	-	-	-	-	-	-	12.5	8.9	21.4
Net insurance income	4.3	18.2	22.5	-	-	-	-	-	-	-	-	10.3	-	16.3	16.4	32.7
Total other operating income	16.7	27.2	43.9	-	-	-	-	-	-	-	-	10.3	-	28.8	25.3	54.1
Total Operating Income	**435.6**	**387.8**	**823.4**	**75.8**	**-**	**-**	**-**	**-**	**-**	**-**	**75.8**	**10.3**	**24.8**	**500.7**	**433.5**	**934.2**
Loan impairment expense	(198.3)	(10.5)	(208.8)	-	-	-	-	-	-	-	-	-	-	(198.3)	(10.5)	(208.8)
Employee benefit expense	(96.2)	(105.8)	(202.0)	-	-	(7.9)	27.4	-	(2.3)	-	17.3	-	-	(101.1)	(83.7)	(184.8)
Other expenses	(114.2)	(114.4)	(228.5)	-	10.1	-	-	-	(7.7)	-	2.5	52.4	-	(85.7)	(87.8)	(173.5)
Depreciation and amortisation expense	(45.0)	(47.9)	(92.9)	-	-	-	-	-	-	-	-	-	48.3	(20.8)	(23.8)	(44.6)
Total operating expenses	(255.4)	(268.1)	(523.5)	-	10.1	(7.9)	27.4	-	(10.1)	-	19.9	52.4	48.3	(207.5)	(195.3)	(402.9)
Distribution of trust beneficiaries	(1.5)	(3.0)	(4.5)	4.5	-	-	-	-	-	-	4.5	-	-	-	-	-
PBT (before significant items)	**(19.6)**	**106.2**	**86.6**	**80.3**	**10.1**	**(7.9)**	**27.4**	**-**	**(10.1)**	**-**	**100.2**	**62.7**	**73.1**	**94.8**	**227.7**	**322.6**
Significant items	-	-	-	-	-	-	-	-	-	-	-	(62.7)	-	(44.5)	(18.2)	(62.7)
Amortisation of acquisition intangibles and structural changes	-	-	-	-	-	-	-	-	-	-	-	-	(73.1)	(38.4)	(34.7)	(73.1)
Profit before income tax	**(19.6)**	**106.2**	**86.6**	**80.3**	**10.1**	**(7.9)**	**27.4**	**-**	**(10.1)**	**-**	**100.2**	**-**	**-**	**11.9**	**174.7**	**186.7**
Income tax (expense)/benefit	0.6	(40.6)	(40.0)	-	-	-	-	-	-	(18.6)	(18.6)	-	-	(3.7)	(55.0)	(58.6)
NPAT from continuing operation	**(19.0)**	**65.6**	**46.6**	**80.3**	**10.1**	**(7.9)**	**27.4**	**-**	**(10.1)**	**(18.6)**	**81.6**	**-**	**-**	**8.2**	**119.8**	**128.1**
NPAT from discontinued operation	(2.1)	0.7	(1.4)	-	-	-	-	1.5	-	-	1.5	-	-	-	-	-
NPAT	**(21.1)**	**66.3**	**45.2**	**80.3**	**10.1**	**(7.9)**	**27.4**	**1.5**	**(10.1)**	**(18.6)**	**83.0**	**-**	**-**	**8.2**	**119.8**	**128.1**
Amortisation of acquisition intangibles														24.2	24.1	48.3
Amortisation of legacy transaction costs														14.2	10.6	24.8
Significant items														44.5	18.2	62.7
Income tax expense attributable to significant items and intangibles														(24.4)	(15.6)	(40.1)
Cash NPAT														**66.7**	**157.2**	**223.9**

Table B.4 Operating expenses reconciliation FY21

	Statutory	Amortisation of Acquisition Intangibles (Table B.1)	Significant Items (Table 15)	Operating expenses (Table 10)
Employee expense	175.0		(2.1)	172.9
Depreciation and amortisation expense	92.9	(48.3)		44.5
Marketing expenses	38.0			38.0
Other expenses	170.2		(38.6)	131.6
Total Operating Expenses	**476.1**	**(48.3)**	**(40.7)**	**387.1**
Non statutory operating expenses			(3.2)	
Discontinued facilities (sub-lease revenue)			0.9	
Total significant items			**(43.0)**	

Section B | Supplementary Information

B.6 Glossary of 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
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
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
Cost to income ratio	Represents the ratio of 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 and amortisation expense	Depreciation and Amortisation expense within Operating Expenses includes amortisation of right-of-use assets such as property leases and depreciation of property, plant and equipment, capitalised software costs Depreciation and Amortisation expense within the statutory accounts also includes Amortisation of acquisition intangibles
EPS Statutory from continuing operations - Basic	Represents the Earnings per share calculated as Profit / (Loss) from continuing operations for the period attributed to owners of the company divided by the weighted average number of ordinary shares on issue for the period. Refer Note 2.5 of the Consolidated Financial Report for weighted average number of shares
Employee expense	Relates to employee salary, incentives and related on-costs. Employee expenses exclude costs associated with Latitude's Transformation, restructuring and simplification programmes which have been presented separately in Significant items
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
Instalments	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 to transact either with small purchases and weekly instalments (buy now, pay later ('BNPL')) or bigger purchases and monthly or flexible payments (interest free plans with/without Scheme features and LatitudePay+ Bigger Buys)

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Term	Definition
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 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/AGR	Interest income divided by AGR for the relevant period
Lending	Where customers are directly considering their payments and financing needs for personal loans, motor loans or travel credit cards
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/AGR	Net charge offs divided by AGR for the relevant period
Net insurance income	Represents gross written premium (GWP), movement in unearned premium (UEP) and investment income, offset by claims expenses, refunds (relating to the refund of premiums to customers due to loan refinancing or cancellation), external commissions and acquisition costs
Net receivables	Represents Gross loan receivables less loan provisions for impairments, deferred income and customer acquisition costs
Operating Income	Operating Income is calculated as Net interest income plus Other operating income
Operating income yield	Operating Income divided by AGR for the relevant period
Operating profit	Operating profit is calculated as Operating income less operating expenses excluding Significant items
Other operating expenses	Primarily relates to IT costs, outside services costs, facilities expenses for offices and other general operating costs. Other expenses associated with Latitude's Transformation, restructuring and simplification programmes have been excluded and presented separately in Significant items
Other operating income	Includes interchange income, statement fees and other fees and 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)

Section B | Supplementary Information

Term	Definition
Pre-Provision profit	Pre-provision profit is calculated as Total operating income less Net Charge offs and operating expenses. For the avoidance of doubt this excludes IFRS 9 provision movements, Significant items and Amortisation of acquisition intangibles and Amortisation of legacy transaction costs
Provision movement	Represents 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
Pro forma EPS Cash - Basic	Represents the Pro forma Earnings per share calculated as Cash NPAT for the period divided by the weighted average shares on issue for the period, with the number of shares on issue on IPO date applied for the pre-IPO period
Pro forma EPS Statutory - Basic	Represents the Pro forma Earnings per share calculated as the Statutory NPAT (Pro forma NPAT for FY20) for the period divided by the weighted average shares on issue for the period, with the number of shares on issue on IPO date applied for the pre-IPO 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)	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 allocation of expenses associated with the movement in provisions for losses as well as operating expenses. For insurance products, RAI is calculated as net earned premium less claims, less external commissions add investment income
Risk adjusted income yield	Risk adjusted income divided by AGR for the relevant period
Significant 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 investment will not evolve during the reporting period and where the costs have not been capitalised.
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