

# Latitude FY22 Results

17 February 2023

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**Ahmed Fahour**  
Managing Director & CEO



# Our Senior Leaders



**Ahmed Fahour**  
Managing Director and  
CEO



**Paul Varro**  
CFO & EGM, Finance & Risk



**Andrew Walduck**  
EGM Group COO



**Bob Belan**  
EGM Money



**David Gelbak**  
EGM Pay



**Eva Zileli**  
Group Treasurer



**Stefano Tognon**  
GM, Strategy & Corporate  
Development



**Bec Supierz**  
GM, People &  
Communications



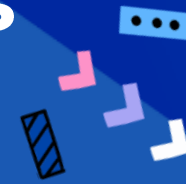
**Vicki Letcher**  
Company Secretary



**Mark Brudenell**  
Chief Risk Officer



# 2H22/ FY22 Result Highlights



# FY22 / 2H22 highlights



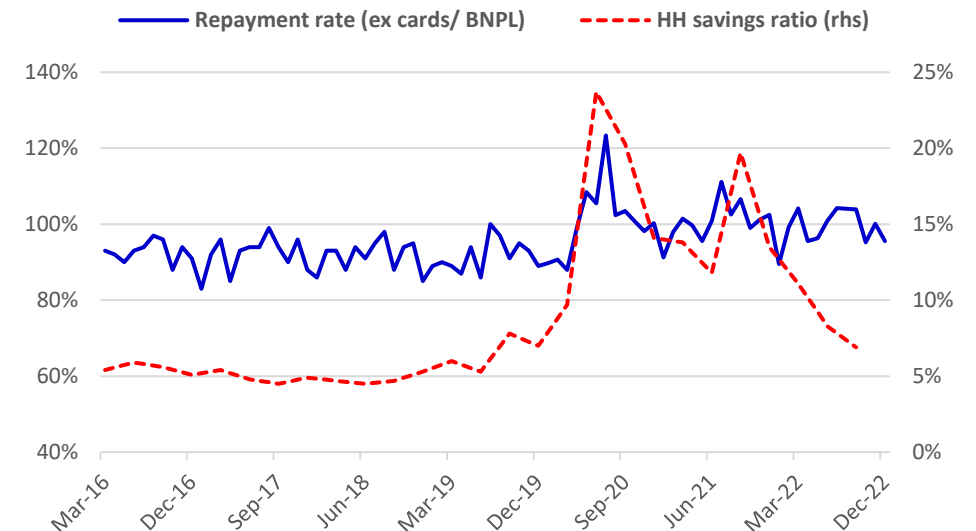
## Strengths:

- ✓ **Cash NPAT<sup>1</sup> FY22 \$153.5m/ 2H22 \$60.5m**
- ✓ **Distinctive competitive position/ improving value proposition**
  - Volume – FY22 \$8.0bn +8% YoY/ 2H22 \$4.2bn +14% HoH
  - Receivables – \$6.5bn +3% HoH is the first growth in 5 halves
- ✓ **High margin business/ funding mitigation actions well progressed**
- ✓ **Robust balance sheet navigating economic transition**
  - **Surplus TER:** 8.5% (vs. 6-7% target range)
  - **Prudent provisioning:** 1.6x NCO (vs. 1.3x pre-covid)
  - **Conservative funding:** \$1.3bn headroom/ 12-months capacity
    - 6 warehouse extensions in FY22/ International funding
- ✓ **Symple platform (PL/ auto) integration complete by mid-23**
  - Volume +12% HoH, +15% YoY/ Rec'bles +6% HoH, +7% YoY
- ✓ **Strong Travel & credit card scheme rebound persists**
  - 28° Global volume +31% HoH, +45% YoY to \$1.8bn annual
- ✓ **Dividend adjusted for a growth posture**
- ✓ **Uniquely placed for opportunistic growth options**

## Challenges:

- ❖ **Unprecedented (size & speed) policy rate moves (AU:+300bps/ NZ: +400bps) drives funding costs higher before asset yields**
- ❖ **Interest-free slower on the rebound**
- ❖ **Elevated repayment rates slow to normalise**

... but encouraging signs now emerging



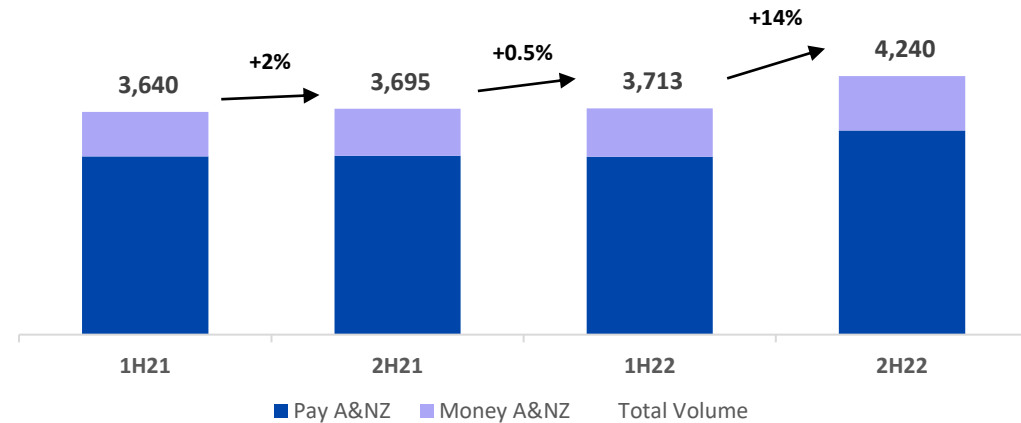
Source: Company Data, ABS (5206)

# Strong volume accelerated in the half with continued cost discipline & sound risk management



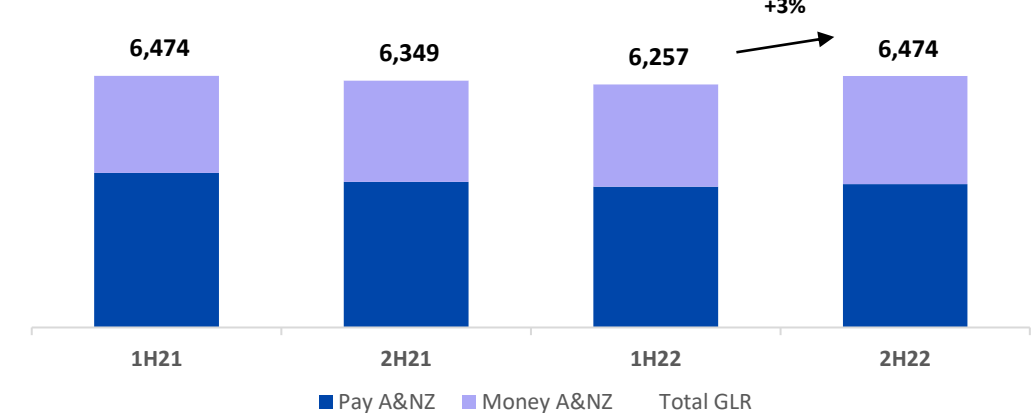
~\$4.2bn of volume for the half

Volume (\$m)

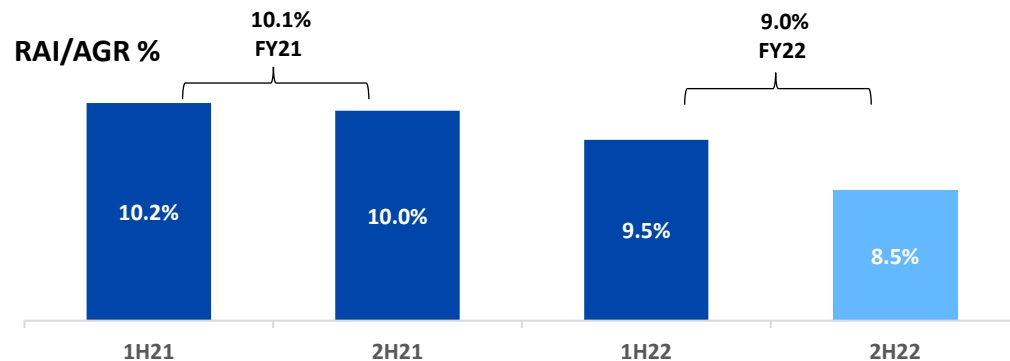


Receivables growing again, up +3% HoH

Gross loan receivables (\$m)

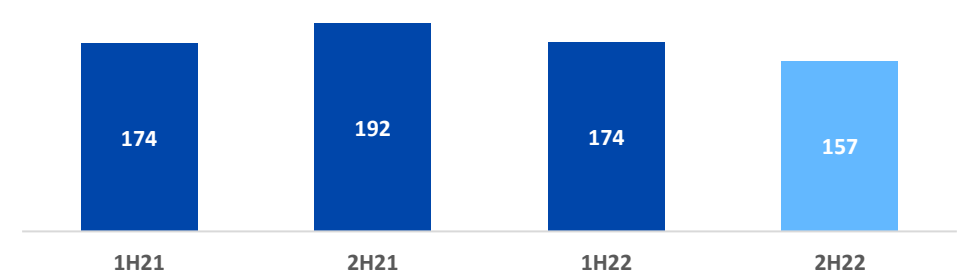


RAI down 96bps HoH due to higher funding. Product repricing underway



Cash expenses down 10% HoH

Cash Opex (\$m)



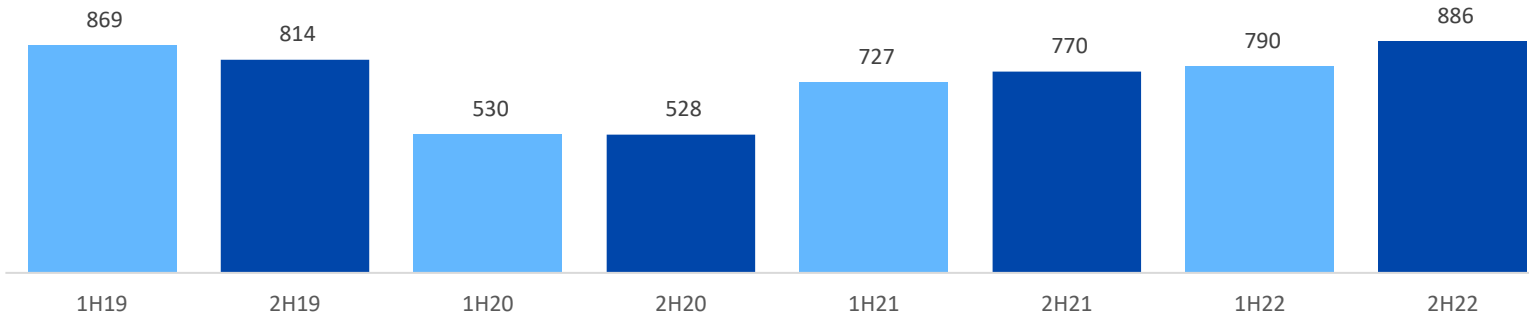


# Money & Pay volume growth



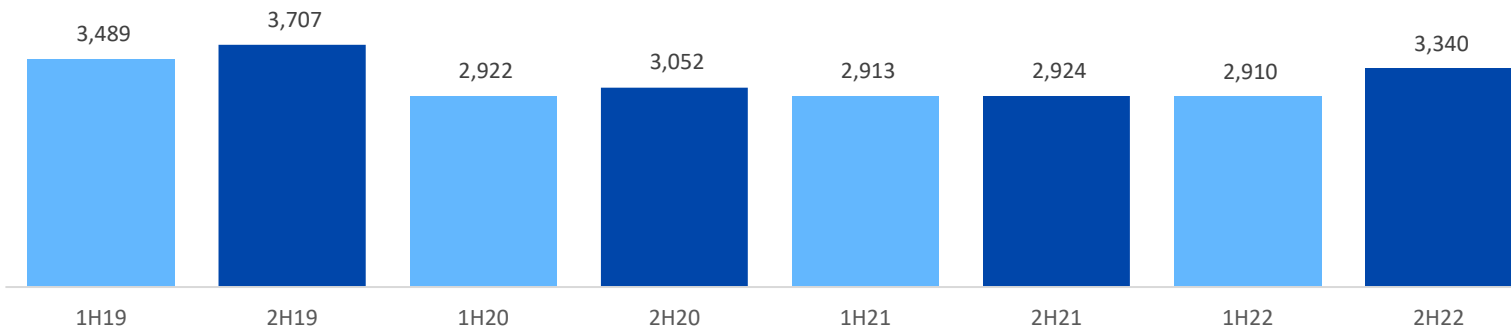
## Money volume driven by strong AU personal loans up 14% HoH, 31% YoY

Volume (\$m) Money A&NZ



## Pay volume bounces with the recovery in cards (28° Global + scheme)

Volume (\$m) Pay A&NZ



### Money:

- Money volume up 12% HoH, up 15% YoY
- Money receivables up 6% HoH, up 7% YoY

### Pay:

- Pay volume up 15% HoH, up 14% YoY
- 28° Global up 31% HoH, up 61% YoY
- Pay receivables up 2% HoH, first growth in five halves as COVID related support tapers off

# Pay: encouraging signs emerging...



## Interest Free slower due to...

- ❖ **Retail sales activity remained buoyant** throughout FY22 and supply chain constraints reduced the need for large sales promo's
- ❖ **Excess savings/ liquidity** only now starting to fade
- ❖ **Regulatory uncertainty** due to new DDO<sup>1</sup> implementation impact on partners
- ❖ FY22 was a relatively **quiet year for 'big bang' new product/ tech/ gadget launches**

*...largely exogenous factors expected to moderate in the future*

## Meanwhile, cards are flying...



- ✓ **Scheme volume: \$4.4bn +15% YoY/ 2H22 \$2.4bn +18% HoH, +22% YoY**
  - 28° Global volume: \$1.8bn +45% YoY/ 2H22 \$1.0bn +31% HoH, +61% YoY
  - Go, GEM & Other: \$2.6bn +1% YoY/ 2H22 \$1.4bn +9% HoH, +4% YoY
- ✓ **Interchange yield: 69bps +17bps YoY/ 2H22 70bps +4bps HoH, +14bps YoY**

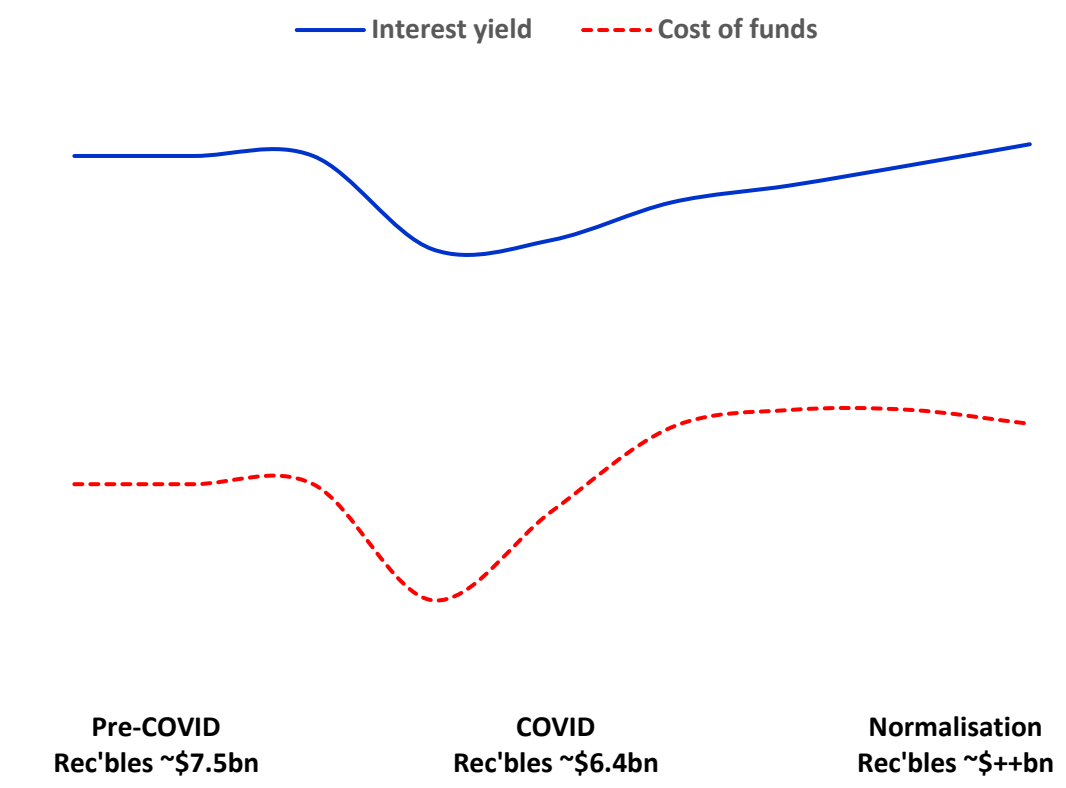


# Net interest margin dynamics... 2H22 trough NIM



- **Unprecedented (size & speed)** policy rate moves (AU:+300bps/ NZ: +400bps) have driven funding costs immediately higher (+153bps YoY)
- PAY pegged to cash-rate/ MONEY pegged to 3-yr swap
- Sensitivity unchanged: +100bps rates = -ve \$40m net interest income (or ~60bps) excluding any management action
- Pricing changes actioned: Pay +400bps/ Money +350bps. Note ~50% of PAY is in 'interest free'. Capacity for more action
- NIM reflects full impact of funding but delayed impact on asset yield
- As asset yields assume full run rate, NIM expands
- Repayment rate normalisation a positive swing factor

NIM dynamics: past, present & future... *cash rate at a decade high*



Source: Company Data, Iress



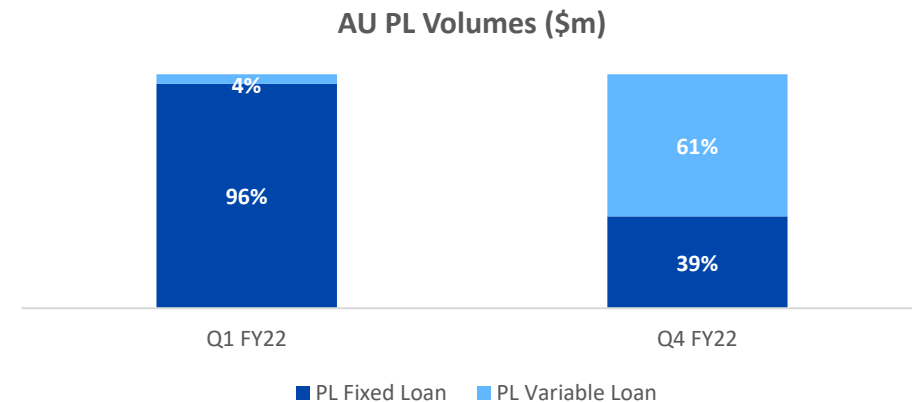
## *New Symple technology platform (Q2) delivering results in Australia*

### **Up next: New Zealand, Auto Loans & back book migration work to be completed by mid-23**

- Synergy realisation **on track**
- **Core capabilities for the new Money Platform (AU)** have been delivered since the Symple acquisition including *variable rate product launch with strong customer demand*.
- The Symple platform has been enhanced and extended with **new capabilities for scale & business performance optimisation**
- Delivery focus now pivots to new platform launch in **New Zealand, Auto Loans** and **back-book customer migration**
- Ongoing continuous delivery model **of the new Latitude lending platform** remains key to further accelerating our profitable growth agenda.

#### **Currently seeing the benefits of the Symple integration within the Money Division:**

- AU Personal Loan 2H22 **volumes are up 14% HoH and up 32% YoY**
- AU Personal Loans 2H22 **interest earning receivables are up 7% HOH and up 9% YOY**
- These benefits will naturally **manifest in our Auto Loans, NZ Gem & Kiwi Bank** portfolios supported further by the migration existing customers off of legacy systems in 1H23



## Asia market entry highlights

- Live in 2 countries: Singapore & Malaysia
- Big and small ticket offerings launched
- Over ~50,000 customers
- Over ~500 merchants
- Deep partnership with Harvey Norman is a key platform for growth

### Marquee merchants:













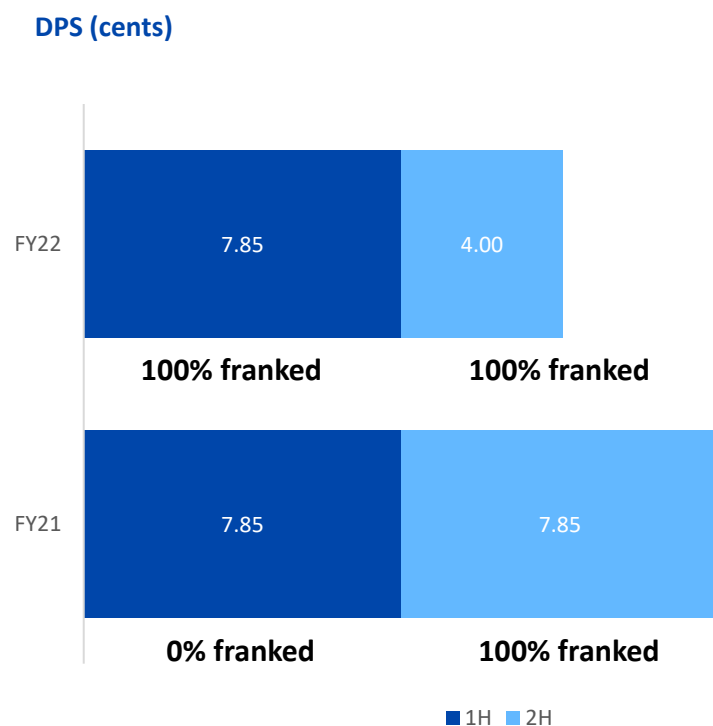




### Strategic objectives:

- Scale platform in Singapore & Malaysia
- Introduce interest-bearing customer solution
- Fast track roadmap to cash profit

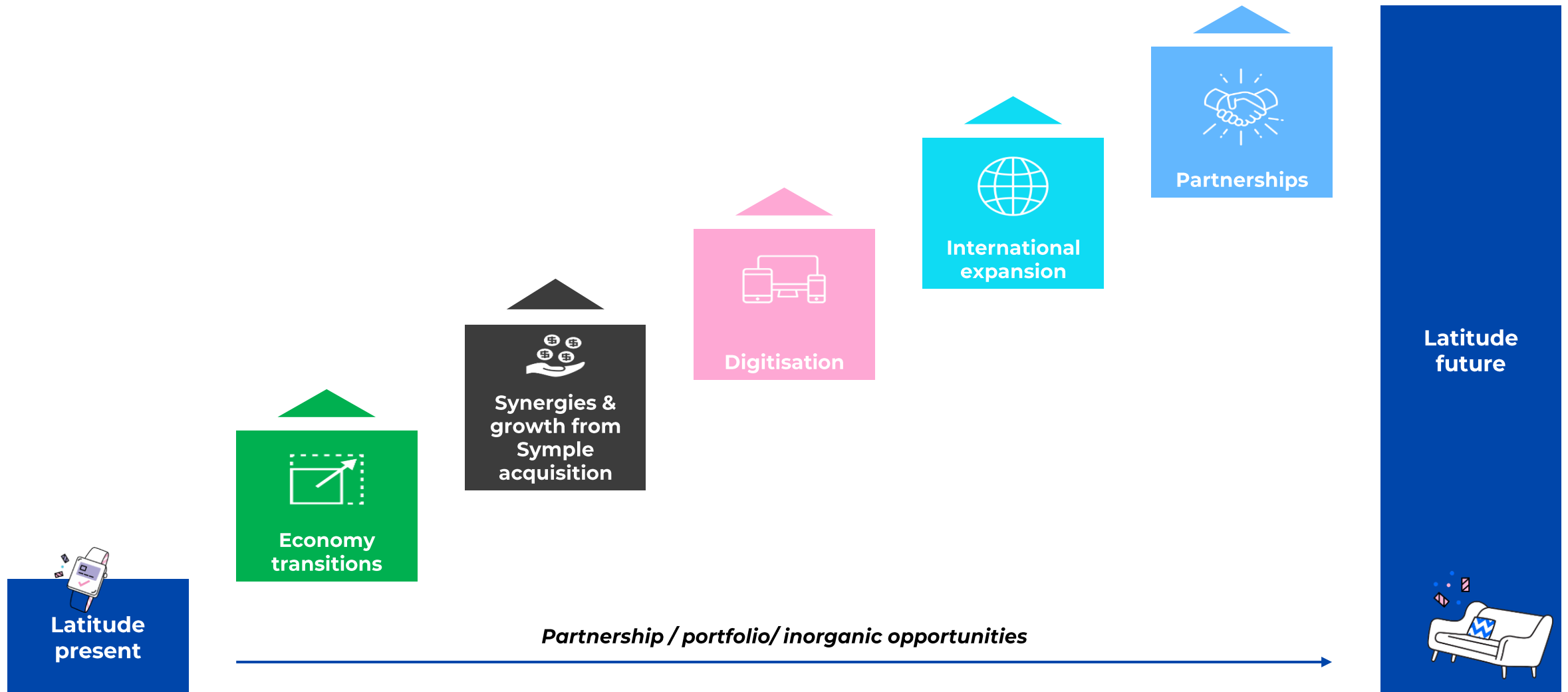
# Dividend adjusted to a growth stance



## Dividend information:

- Ex dividend date: 21/03/2023
- Record date: 22/03/2023
- Dividend payment date: 24/04/2023

# Drivers of growth to ambition





- With unemployment at multi decade lows (*AU: 3.5%/ NZ 3.4%*), COVID related support normalising and the '*Interest Free*' value proposition increasing as interest rates rise, Latitude is well positioned for growth with high quality customers and receivables.
- Latitude's interest yield shows the benefits from its early moves on significant repricing actions to manage sharply higher funding costs (*policy rates - AU:+300bps/ NZ: +400bps*). Volume has already responded with gross receivables up 3% HoH.
- Latitude is ready and primed with the appetite, the products, the distribution and the capital to grow rapidly and capitalise on developing conditions.



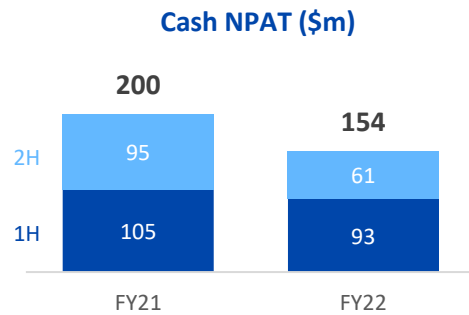
**Paul Varro**  
**Chief Financial Officer**



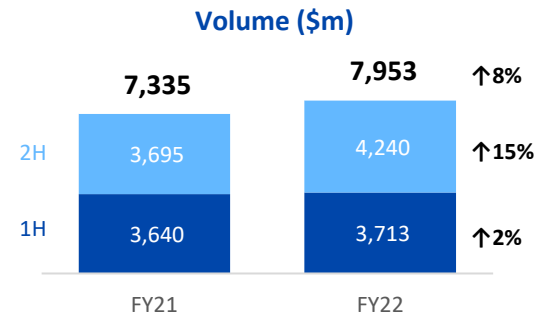
# FY22 financial update



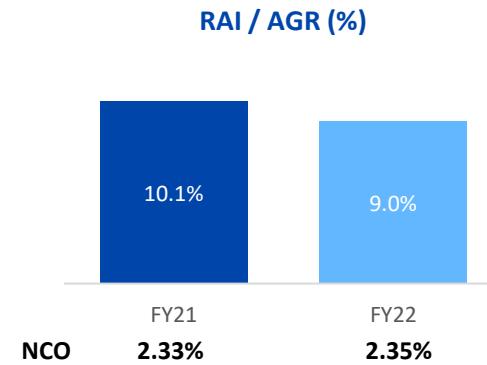
## Solid Cash NPAT <sup>1</sup>



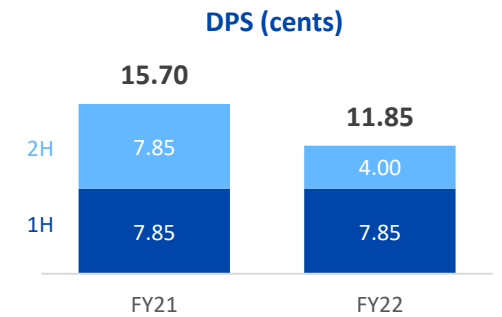
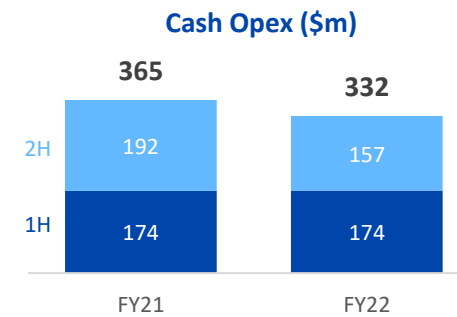
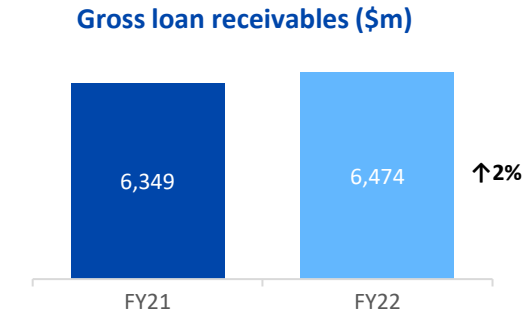
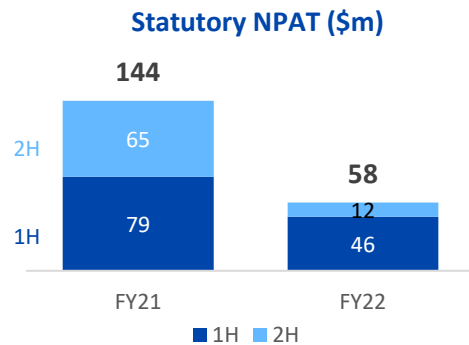
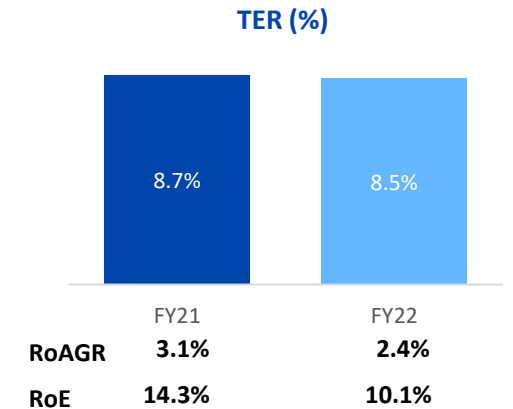
## Positive lead indicators



## Excellent credit & opex discipline



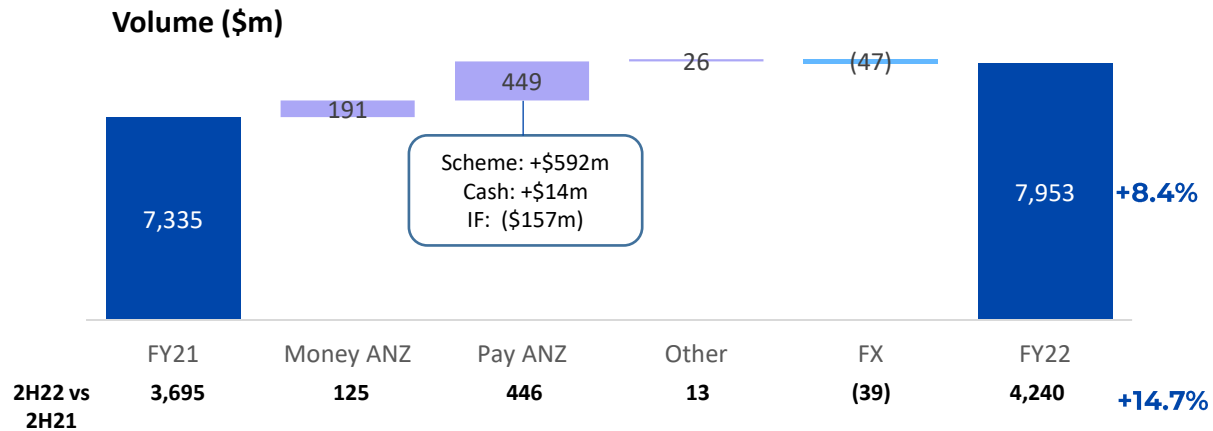
## Strong balance sheet



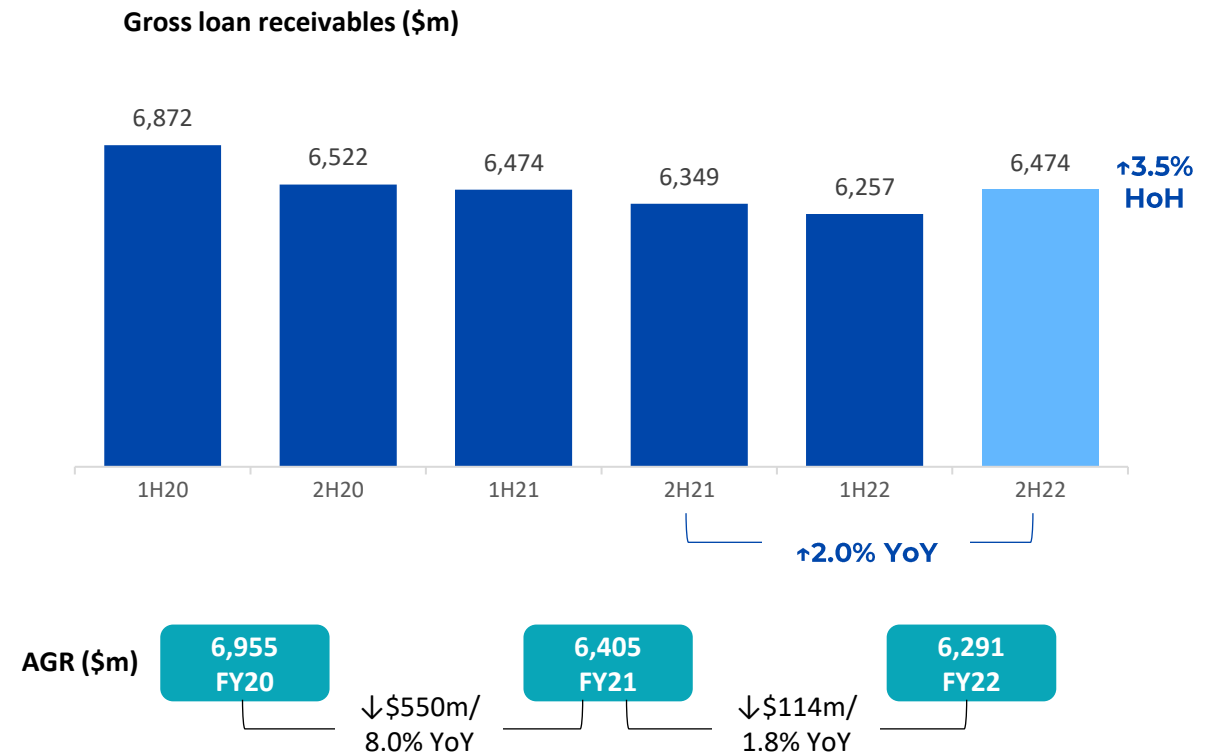
# Volume growth & repayments supporting receivables



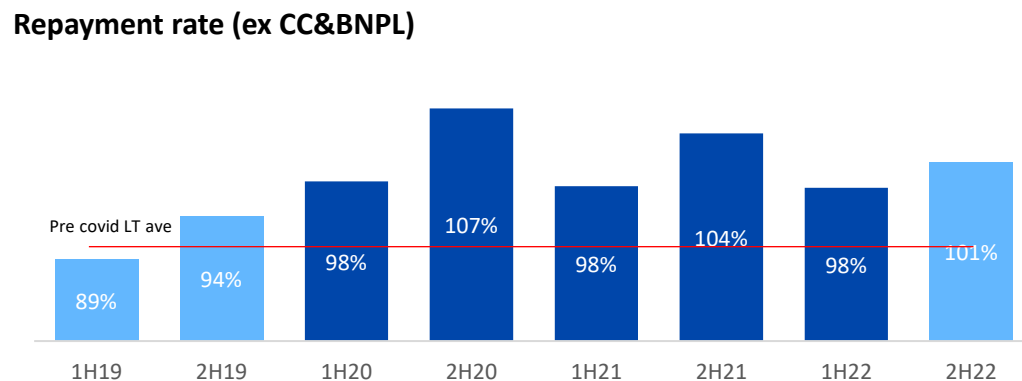
## Strong volume momentum



## Delivering receivables growth



## Repayment rate<sup>1</sup> slowly reverting

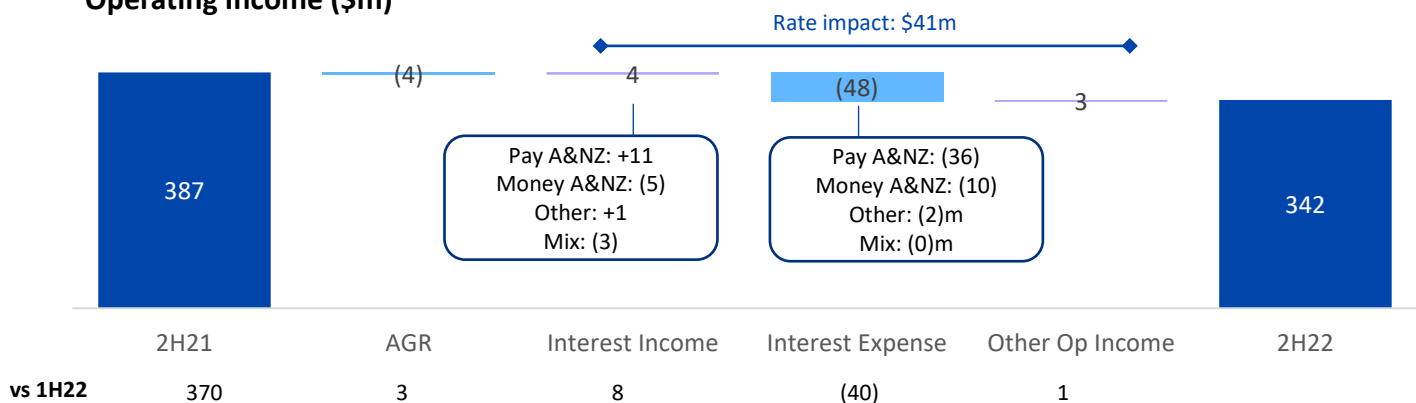


# Increased funding costs driving margin compression. Product repricing underway



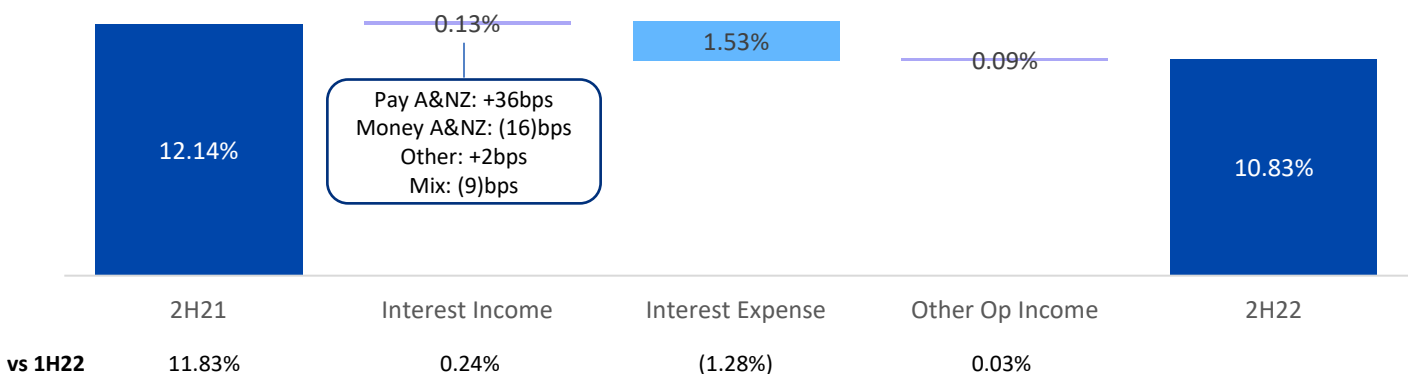
## Operating Income down \$45m YoY, down \$29m HoH

### Operating Income (\$m)



## Operating Income yield down 131bps YoY, down 101bps HoH

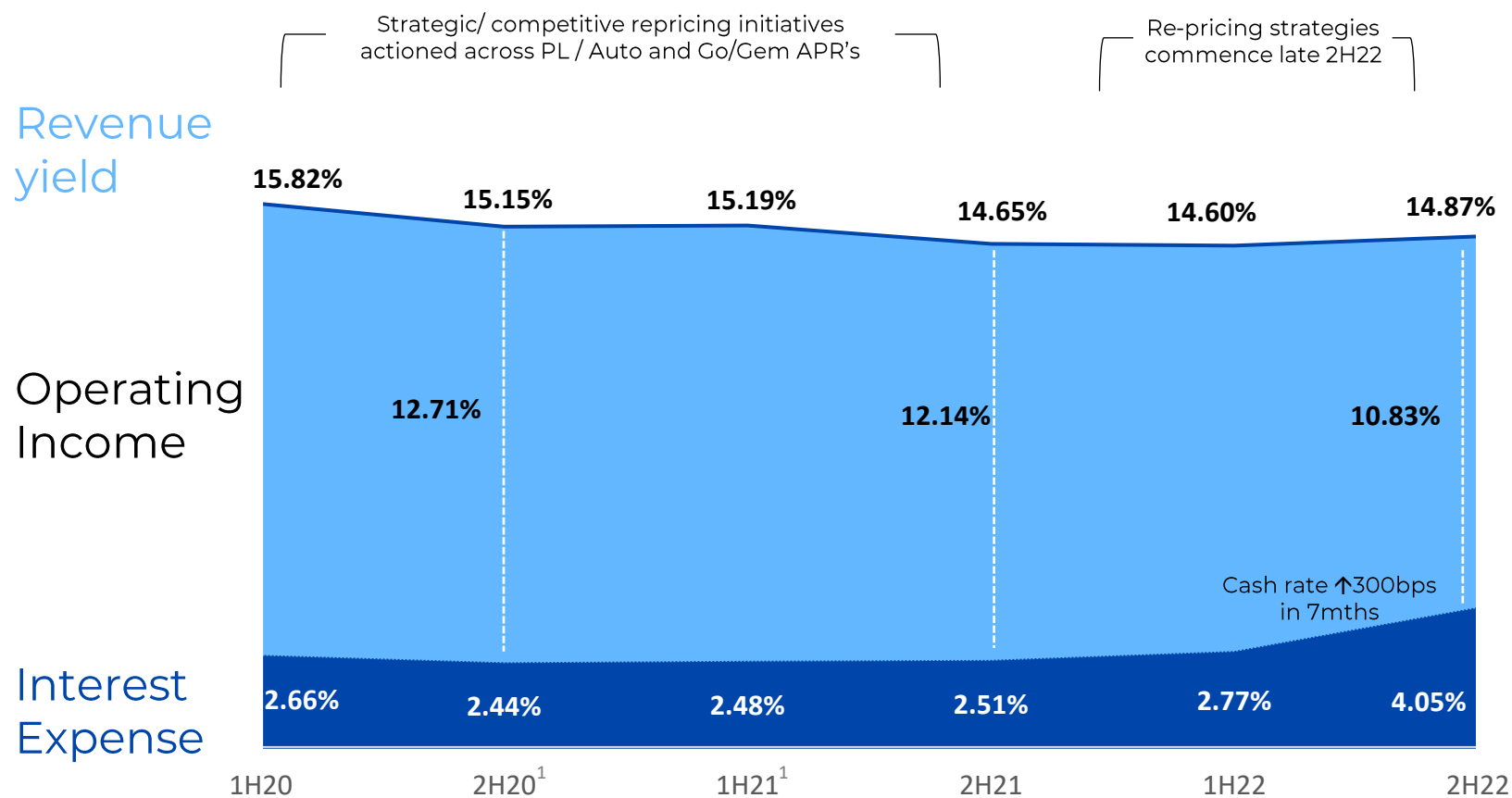
### Operating Income (%)



## 2H22 YoY Key drivers:

- AGR ↓ 1.0% driving \$4m Op income reduction
- Rate: (131)bps of operating income compression:
  - 13bps interest income from re-pricing (impact of 2H22, offsetting 1H21 strategies), partially offset by mix
  - Other income up 9bps higher interchange & bank interest
  - higher funding (153)bps ahead of pricing actions
  - Pricing actions taken to date delivering 24bps v 1H22, +ve momentum plus more pricing planned

# Operating income yield: repricing impacts lagging CoF increases



**Key actions:**

**FY20/21: Competitive actions**

Reduced APR across Pay & Money – low rates/ high competition

**FY22 Pricing actions**

- APR's ↑ on cards & sales finance (+400 bps on GO/GEM)
- Money PL & Auto rates increase (+350bps)

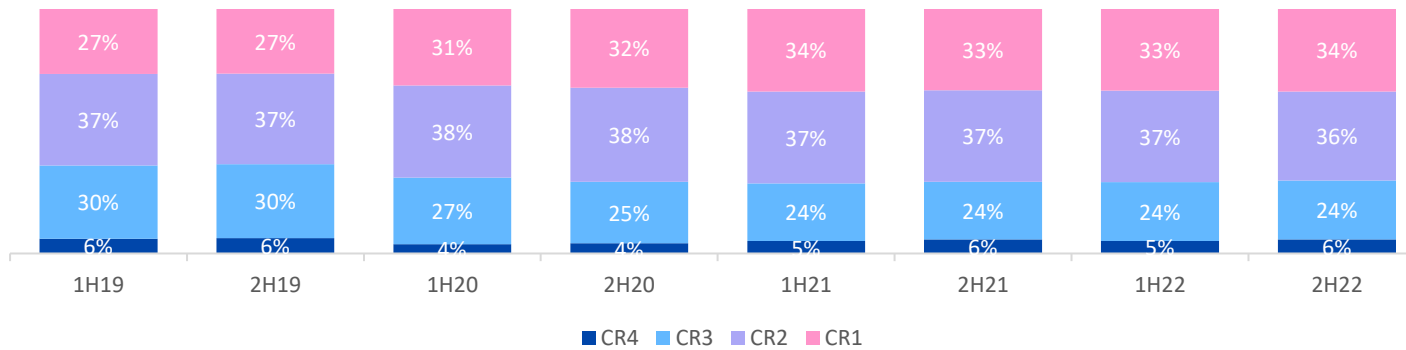
**Pricing Momentum**

- Changes made through FY22 stabilised revenue yields, reversing previous 20/21 decline
- 2H22 run rate & FY23 planned changes expected to ↑FY23 yields

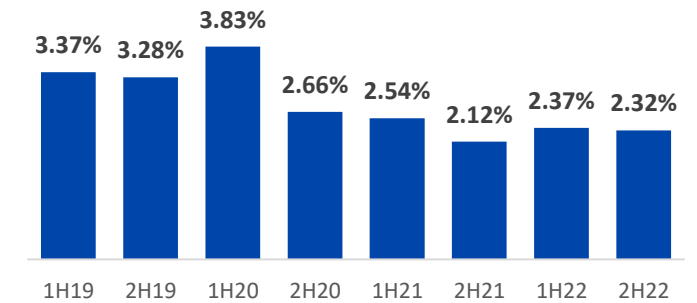
# Credit quality...strong performance continues



## Quality of new customer originations improved vs 2019 (CR1/2 from 64% to 70%)

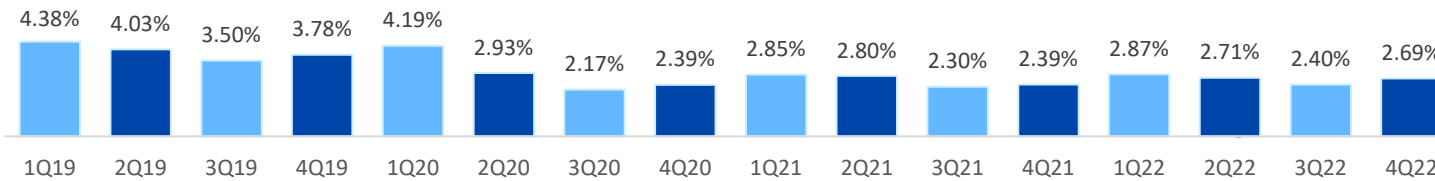


## Net charge off rates remain historically low...

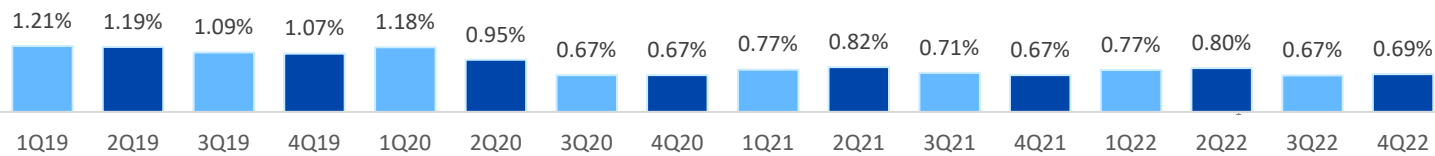


## Delinquency rates low & stable

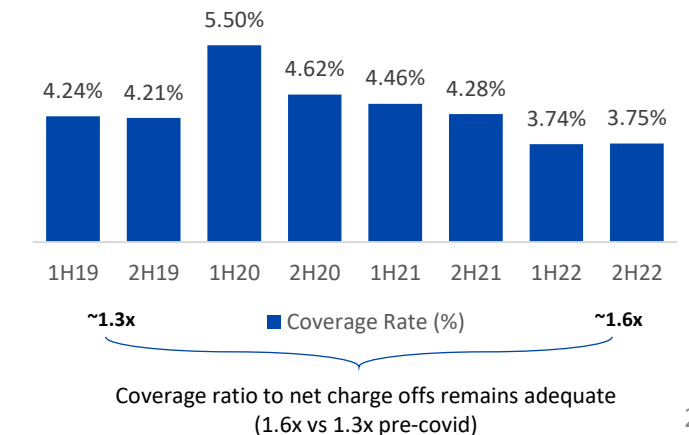
### 30+ DPD (%)



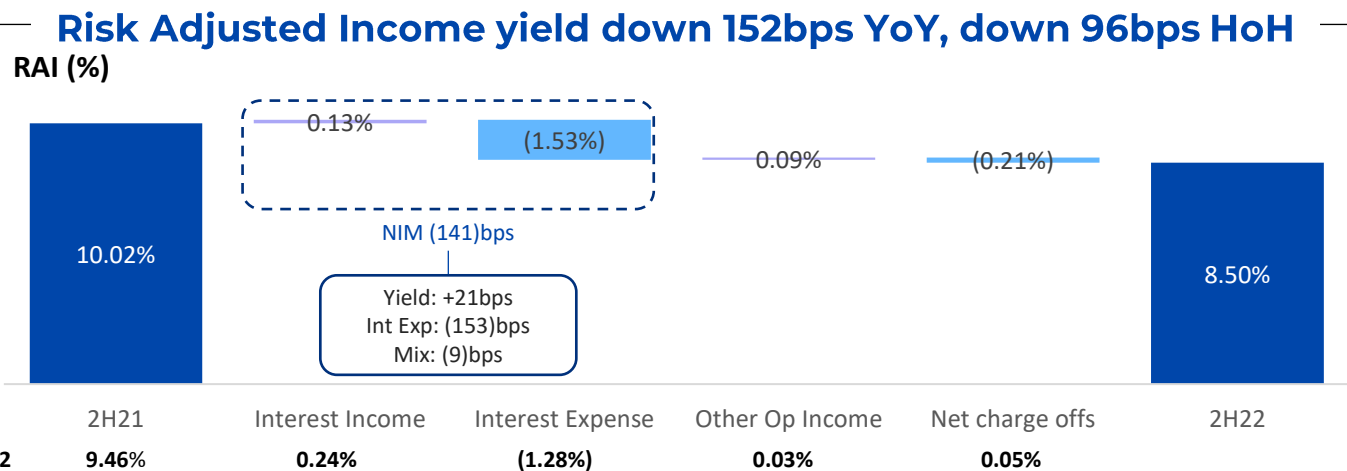
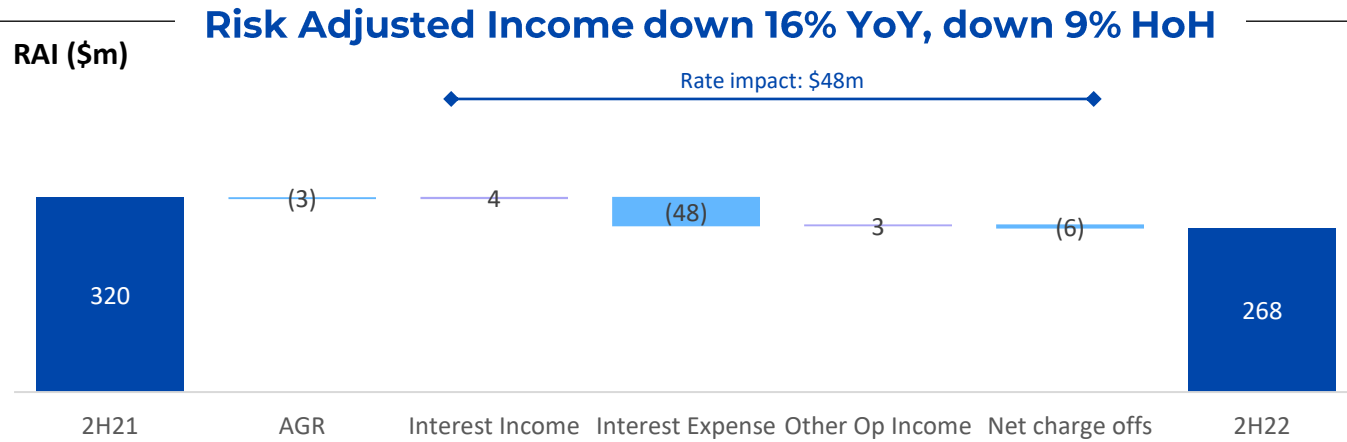
### 90+ DPD (%)



## ...with prudent provisioning levels



# Strong asset quality supporting Risk Adjusted Income...pricing outcomes in progress



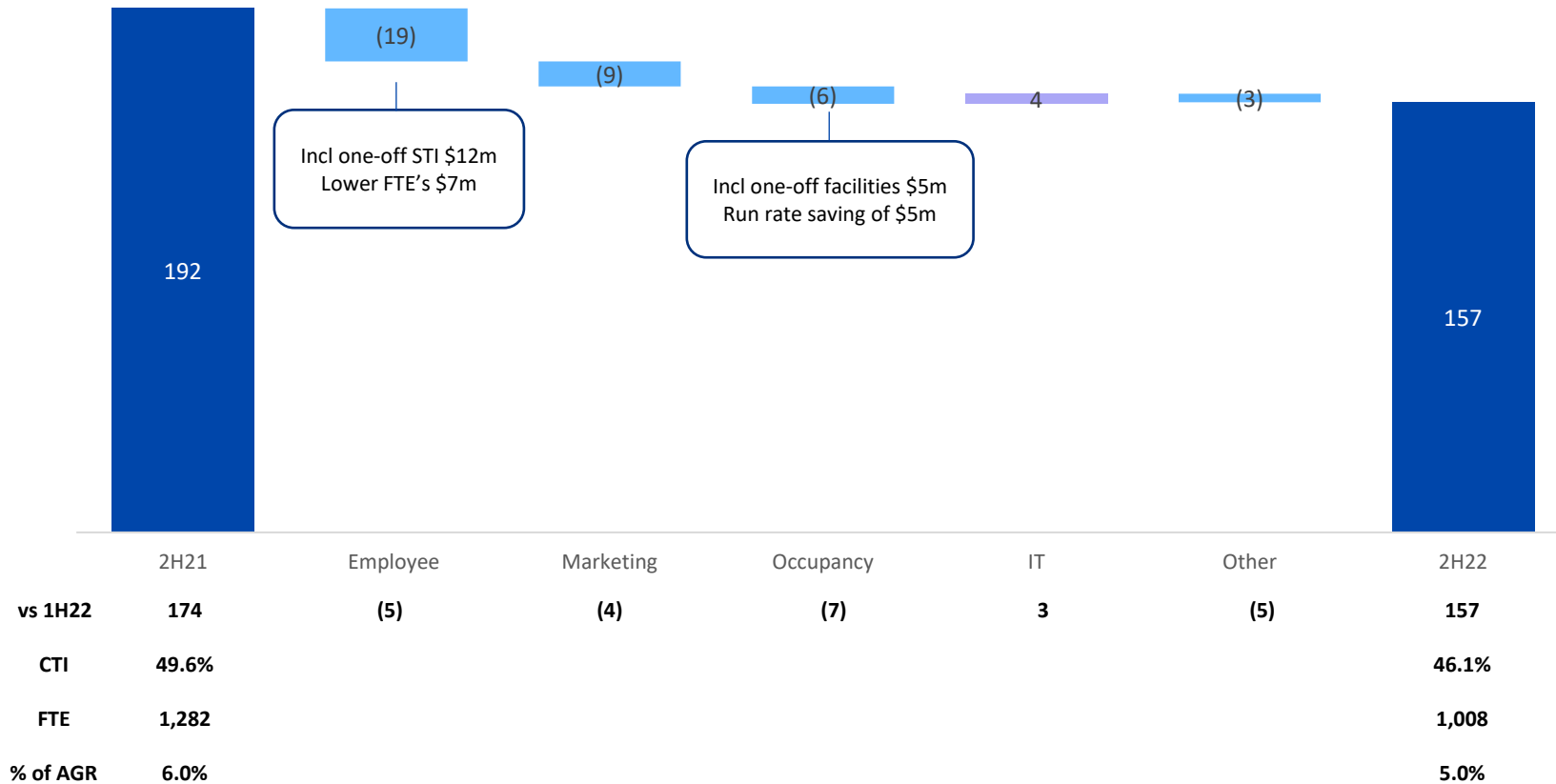
## Key drivers:

- High quality portfolio providing a solid foundation for future returns
- NCO 21bps higher YoY (underlying GCO ↑8bps YoY ex recoveries & ones offs), 5bps lower HoH and below pre-COVID levels
- RAI impacted by Op income:
  - Rapidly increasing funding costs
  - Better risk mix
  - Timing impact for strategic pricing to yield
  - Lower average receivables
- Risk based pricing delivering appropriate returns

# Disciplined cost control... reductions in employee costs & rent



## Cash opex down 18% YoY, down 10% HoH



### Key drivers:

- Disciplined cost control and simplified operating structure reducing FTE by 21% YoY
- Marketing ↓ from lower BNPL spend and Money spend efficiency
- Occupancy costs ↓ Melbourne office move and footprint reduction
- IT ↑ YoY from continued investment and contract inflation
- Other: Reduced external services, lower fraud losses and less capitalisation



# Diverse, cost-effective funding underpinned by prudent capital management



## Diverse Funding Platform

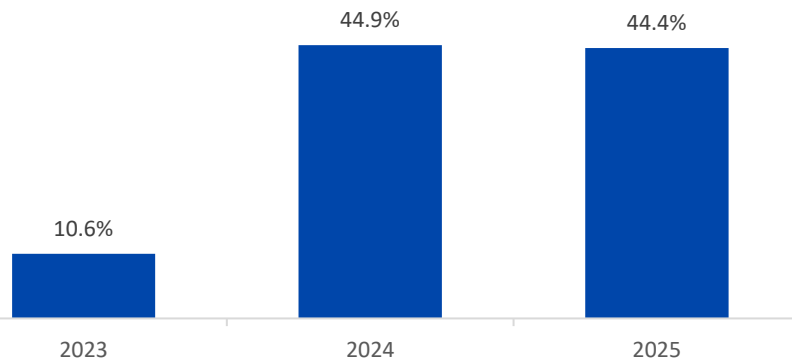
Cost Effective

50+ Investors

46% Investors Offshore to A&NZ

- Programmatic issuance and robust maturity concentration settings
- 6 warehouse transactions - managing maturity profile and headroom
- USD \$20m bilateral facility agreement
- Active IRRM with 38% of receivables hedged

### Securitised Debt Maturity Profile



## Warehouse Financing

A\$5.4bn  
Total Limits

7 Active  
Facilities

Australia and New Zealand, 31 Dec 2022



## ABS Issuance

A\$4.8bn  
Total Issued

5 Active  
Issuances

Australia and New Zealand, 31 Dec 2022

## Prudent capital management approach

- Capital strength protects against adverse scenarios
- 8.5% TER at 31 Dec 2022.

A\$ million	31 Dec 2022
Total equity	1,474
Intangible assets	949
<b>TE</b>	<b>525</b>
Net receivables <sup>1</sup>	6,151
<b>TER</b>	<b>8.5%</b>

Who we are



# Leading consumer finance & personal lending business



2.8 million customer accounts\*



Retail & Online Distribution Platform



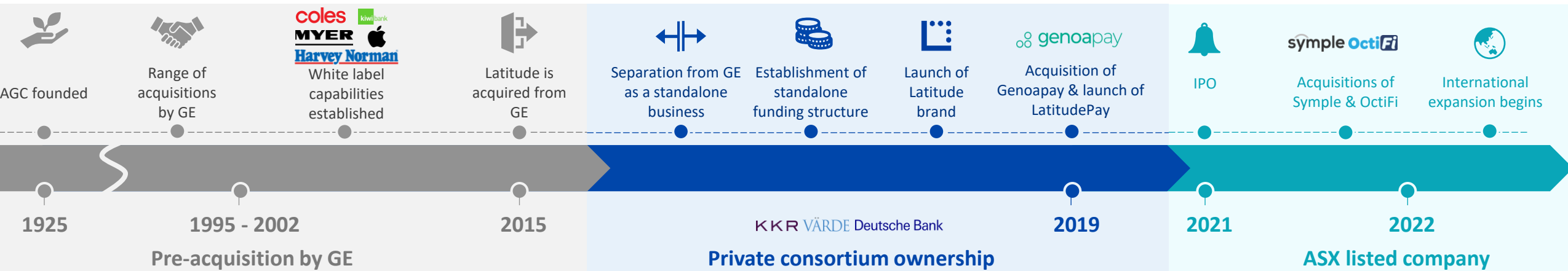
Leading AU & NZ Consumer Finance Business



A\$6.5b total gross receivables\*



Focused Digital Product Offering



## OUR MISSION

Enhance financial access & inclusion as a responsible partner in money

## OUR AMBITION

Grow our value & global addressable market, transform our organisation's capability to adapt & earn respect from all stakeholders renowned for our innovative support of financial inclusion, diversity and the environment

## OUR STRATEGY

Lead in sales finance, lead in personal lending, scale in Asia, optimise operations, protect & deploy balance sheet strength, energise our growth-oriented corporate culture

## OUR VALUES

Act Right, Show Care, Be Curious

# Our Strengths



## History

*Profitable heritage business with ~100-yrs of pedigree in consumer finance*

## Talent

*Significant depth & breadth of expertise & experience across the enterprise*

## Credit & Risk Competence

*Through the cycle credit track record. Prudent risk mgmt. process underpinned by risk based pricing*

## Merchant Partnership Relationship/ Capability

*Longstanding deep relationships with merchant partners including Harvey Norman, JB Hi-Fi, The Good Guys, Apple & Samsung*

## Funding

*7+ yrs in global debt markets offering scarce ABS. Diverse sources (50+), programmatic, at size with excess capacity*

## Product Features

*Range of instalment & lending products providing payment options for consumers & merchant partners*

## Customer Experience

*Constantly developing & enhancing the customer & partner digital experience*

## Graduation

*B2B2C business model is a competitive advantage providing well established graduation*



## OUR 6 STRATEGIC PILLARS

### Lead in Pay



- Drive sustainable growth across Sales Finance portfolio
- ... with a thriving customer-partner ecosystem
- Fully contemporise our digital product experience
- Be the instalments provider easiest to do business with

### Lead in Money



- Drive sustainable receivables growth in PL & Auto
- Fully realise Symple integration & synergies
- Diversify channels: broker/ B2C complements x-sell
- Accelerate verticals expansion via tailored partnerships

### Scale in Asia



- Fast-track volume growth in Singapore & Malaysia
- Deepen our partnership with select strategic merchants
- Introduce interest-bearing products to enhance x-sell
- Accelerate scaling of the business to achieve profitability

### Optimise Technology & Operations for Growth

- Continue important simplification of our platform
- Enhance 3<sup>rd</sup> party receivables onboarding
- Fortify data security, maximise analytics & insights
- Enable scale with cloud/ shared capabilities

### Protect & Deploy Balance Sheet Strength

- Position for growth while maintaining disciplined credit underwriting and a resilient funding program
- Protect 12-month liquidity runway
- 6-7% TER target and double-digit RoE

### Energise Growth-Oriented Culture

- Empower each other to cultivate a growth-oriented corporate culture
- Customer-first mindset to foster responsible growth
- ESG embedded in the way we think, work & grow

# Our Strategic Ambition



- ❖ The unfolding economic and financial markets' transition as well as the evolving competitive landscape will present unique opportunities (*both organic & inorganic*) and challenges to **deliver long-term value** to our stakeholders:

## Profitable

*Growth is desirable if it meets our medium-term target of delivering double-digit RoE*

## Sustainable

*Growth is underpinned by competitive advantages rather than near-term actions*

## Responsible

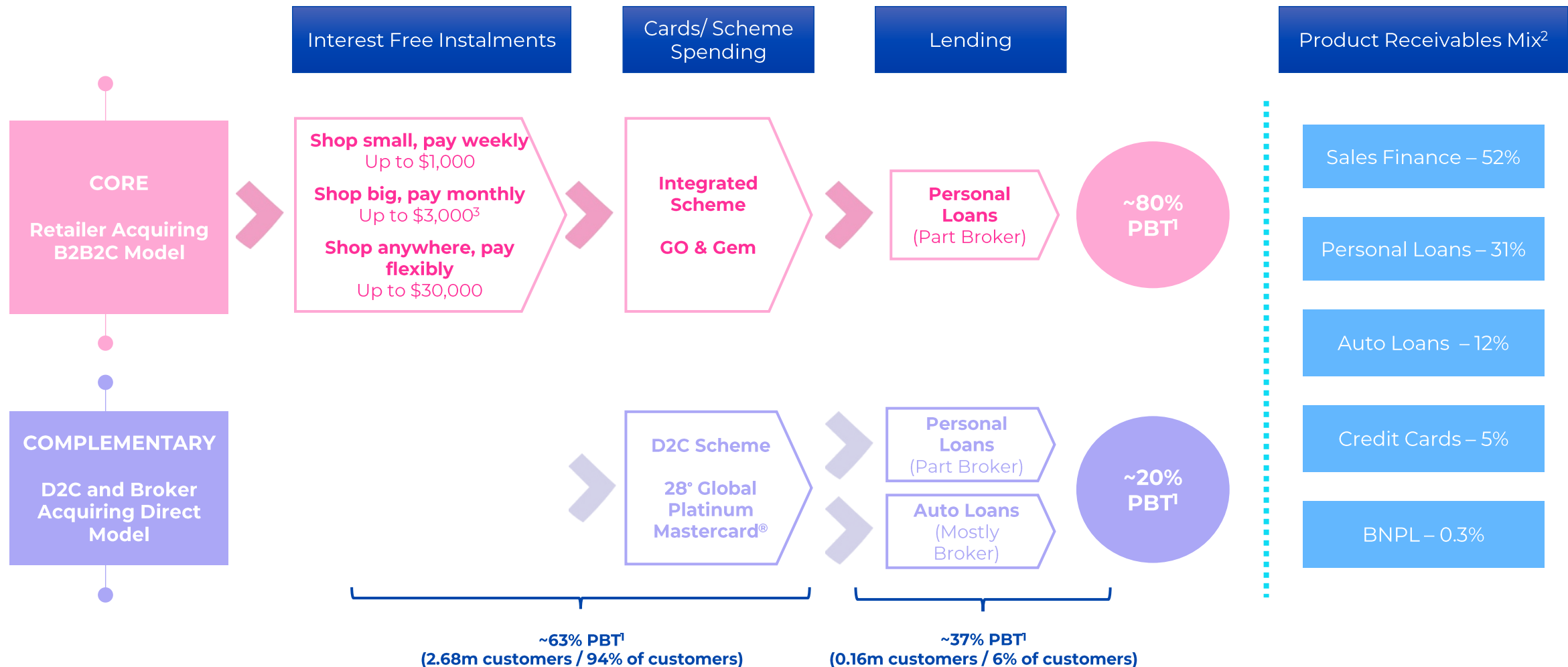
*Growth should never compromise our risk tolerance, but augment our values, reputation & ESG objectives*

## Tactical

*In current environment, strategic clarity and tactical flexibility is required to deliver attractive returns*

- ❖ **Grow receivables** in our core markets of Australia & NZ, across our core products of Pay (*Sales Finance*) & Money (*PL/Auto*)
- ❖ **Twin engines** that perform both collaboratively & individually
- ❖ **Looking astutely for assets, portfolios, & partnerships** to fast-track achieving our objectives

# Our B2B2C business model



Internal Latitude company information.

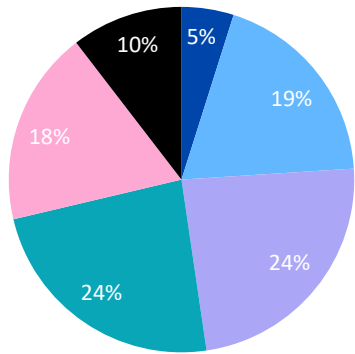
- (1) FY22 profit before tax and notable items
- (2) Proportion of group gross loan receivables as at 31 December 2022
- (3) Up to \$10,000 for new growth segments

# Our Customers



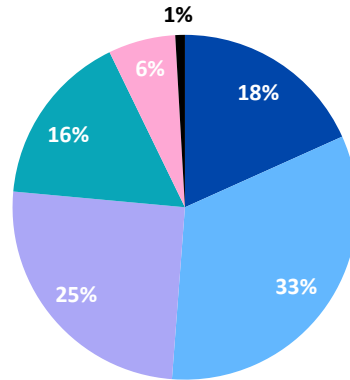
## Diverse range of customers across generations<sup>1</sup>

Latitude Customer Base

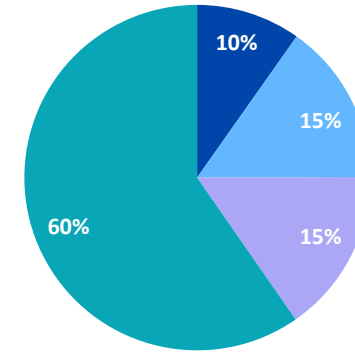


■ 18-27 ■ 28-37 ■ 38-47 ■ 48-57 ■ 58-67 ■ 68+

New Originations FY22

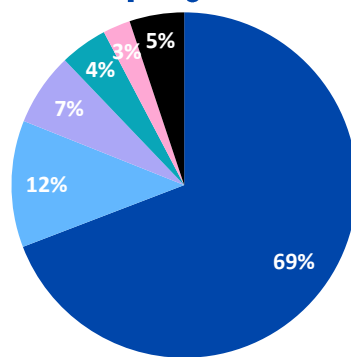


## 60% of customer relationships are 5+ years<sup>1</sup>



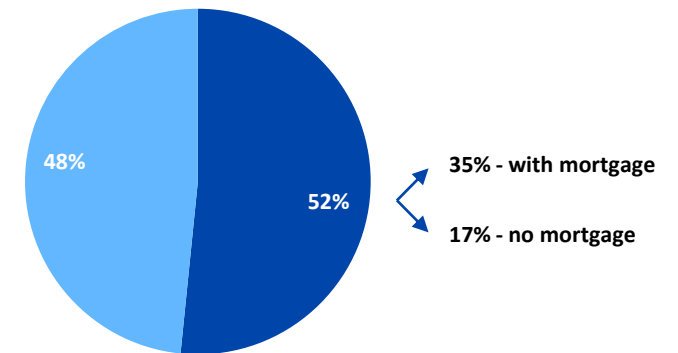
■ <=1 year ■ 1-3 years ■ 3-5 years ■ 5+ years

## 82% of customers are full-time & part-time employees<sup>2</sup>



■ Full-time ■ Part-time ■ Self-employed ■ Casual ■ Contractors ■ Other

## 52% of customers are homeowners<sup>3</sup>



■ Non-Homeowner ■ Homeowner



# Appendix



# Results summary



	2H21	1H22	2H22	HoH	YoY	FY21	FY22	FY22 v FY21
<b>Volume (\$m)</b>	<b>3,695</b>	<b>3,713</b>	<b>4,240</b>	<b>14%</b>	<b>15%</b>	<b>7,335</b>	<b>7,953</b>	<b>8%</b>
AGR (\$m)	6,326	6,313	6,264	(1%)	(1%)	6,405	6,291	(2%)
Gross receivables (\$m)	6,349	6,257	6,474	3%	2%	6,349	6,474	2%
Statutory NPAT continuing ops (\$m)	65	46	12	(74%)	(81%)	144	58	(60%)
<b>Cash NPAT (\$m)</b>	<b>95</b>	<b>93</b>	<b>61</b>	<b>(35%)</b>	<b>(37%)</b>	<b>200</b>	<b>154</b>	<b>(23%)</b>
Cash EPS (cents)	9.47	8.95	5.83	(35%)	(39%)	19.95	14.78	(26%)
<b>Dividend per share (cents)</b>	<b>7.85</b>	<b>7.85</b>	<b>4.00</b>	<b>(49%)</b>	<b>(49%)</b>	<b>15.70</b>	<b>11.85</b>	<b>(25%)</b>
RAI (%)	10.0	9.5	8.5	(96)bps	(152)bps	10.1	9.0	(112)bps
RoAGR (%)	3.0	3.0	1.9	(105)bps	(112)bps	3.1	2.4	(68)bps
RoE (%)	13.1	12.1	8.0	(411)bps	(514)bps	14.3	10.1	(422)bps
<b>Tangible Equity Ratio (%)</b>	<b>8.7</b>	<b>9.2</b>	<b>8.5</b>	<b>(66)bps</b>	<b>(12)bps</b>	<b>8.7</b>	<b>8.5</b>	<b>(12)bps</b>

# Summary profit & loss statement (cont. ops)



(\$m)	31-Dec-22	30-June-22	31-Dec-21	Change %	Change %	31-Dec-22	31-Dec-21	Change %
	2H22	1H22	2H21	HoH	YoY	FY22	FY21	YoY
Interest income	450.8	439.4	451.3	3%	0%	890.2	932.4	(5%)
Interest expense	(127.8)	(86.6)	(80.1)	48%	60%	(214.4)	(160.1)	34%
<b>Net interest income</b>	<b>323.0</b>	<b>352.7</b>	<b>371.2</b>	<b>(8%)</b>	<b>(13%)</b>	<b>675.8</b>	<b>772.3</b>	<b>(12%)</b>
Other income	18.8	17.7	16.0	6%	18%	36.4	23.9	52%
<b>Total operating income</b>	<b>341.8</b>	<b>370.4</b>	<b>387.2</b>	<b>(8%)</b>	<b>(12%)</b>	<b>712.2</b>	<b>796.2</b>	<b>(11%)</b>
Net charge offs	(73.4)	(74.2)	(67.6)	(1%)	9%	(147.6)	(149.5)	(1%)
<b>Risk adjusted income</b>	<b>268.4</b>	<b>296.2</b>	<b>319.6</b>	<b>(9%)</b>	<b>(16%)</b>	<b>564.6</b>	<b>646.7</b>	<b>(13%)</b>
Cash operating expenses	(157.5)	(174.3)	(191.9)	(10%)	(18%)	(331.8)	(365.4)	(9%)
<b>Cash PBT</b>	<b>110.9</b>	<b>121.9</b>	<b>127.7</b>	<b>(9%)</b>	<b>(13%)</b>	<b>232.8</b>	<b>281.3</b>	<b>(17%)</b>
Movement in provisions	(7.2)	35.3	21.3	(120%)	(134%)	28.1	33.5	(16%)
Depreciation & amortisation (ex leases)	(23.2)	(22.1)	(18.4)	5%	26%	(45.3)	(35.3)	28%
<b>Profit before tax &amp; notable items</b>	<b>80.6</b>	<b>135.1</b>	<b>130.6</b>	<b>(40%)</b>	<b>(38%)</b>	<b>215.6</b>	<b>279.5</b>	<b>(23%)</b>
Income tax expense	(20.1)	(42.1)	(35.3)	(52%)	(43%)	(62.1)	(79.4)	(22%)
<b>Cash NPAT from continuing operations</b>	<b>60.5</b>	<b>93.0</b>	<b>95.3</b>	<b>(35%)</b>	<b>(37%)</b>	<b>153.5</b>	<b>200.1</b>	<b>(23%)</b>
<i>Notable items after tax</i>								
Amortisation of acquisition intangibles	(16.6)	(17.0)	(17.1)	(2%)	(3%)	(33.6)	(34.1)	(1%)
Amortisation of legacy transaction costs	(1.1)	(1.7)	(2.7)	(35%)	(59%)	(2.8)	(6.6)	(58%)
Other notable items	(30.8)	(28.4)	(11.0)	8%	180%	(59.2)	(15.4)	284%
	(48.5)	(47.1)	(30.8)	3%	57%	(95.6)	(56.1)	70%
<b>Statutory profit after tax (continuing ops)</b>	<b>12.0</b>	<b>45.9</b>	<b>64.6</b>	<b>(74%)</b>	<b>(81%)</b>	<b>57.9</b>	<b>144.0</b>	<b>(60%)</b>

# Cash NPAT to Statutory NPAT 2H22 (cont. ops)...



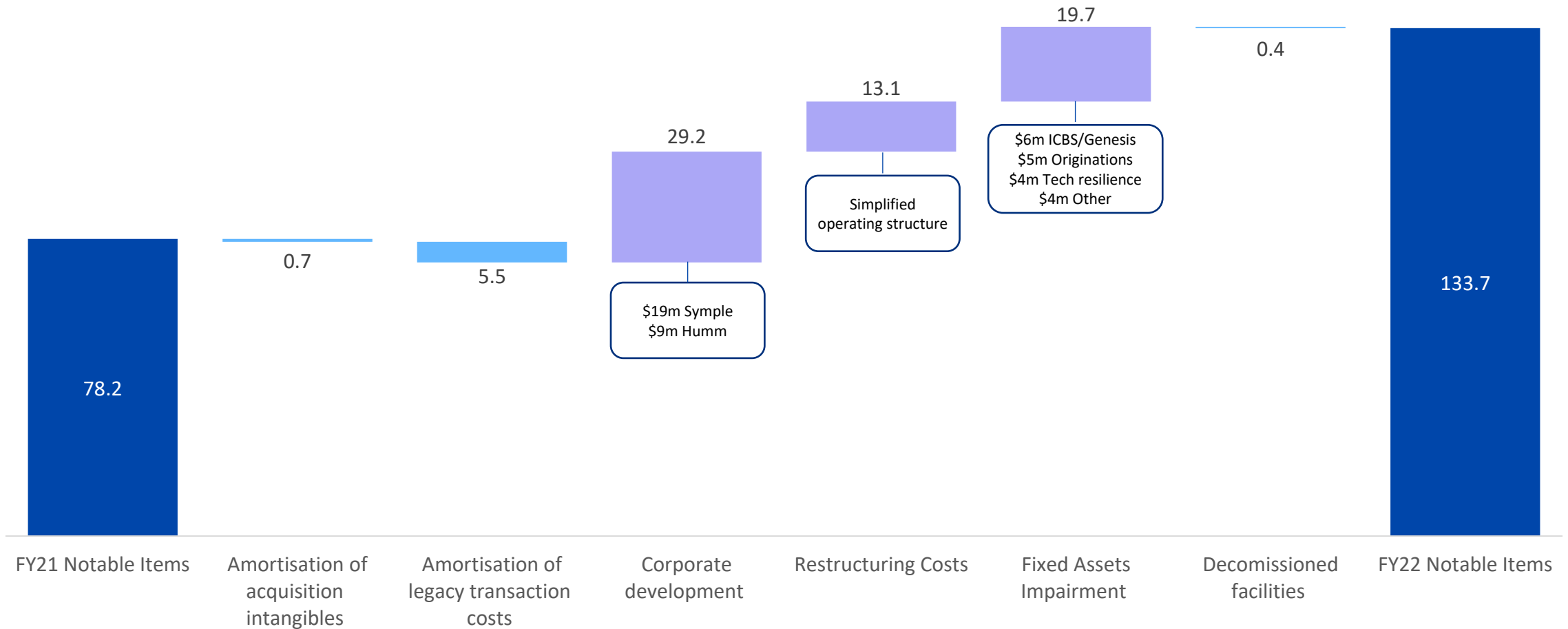
2H22 (\$m)	Cash NPAT	Amortisation of acquisition intangibles	Amortisation of legacy transaction costs	Corporate Development	Restructuring Costs	Fixed Assets Impairment	Decommissio ned Facilities	Stat NPAT
Net interest income	323.0		(1.5)				(0.2)	321.4
Other income	18.8						0.5	19.3
<b>Total operating income</b>	<b>341.8</b>	-	<b>(1.5)</b>	-	-	-	<b>0.4</b>	<b>340.7</b>
Net charge offs	(73.4)							(73.4)
<b>Risk adjusted income</b>	<b>268.4</b>	-	<b>(1.5)</b>	-	-	-	<b>0.4</b>	<b>267.3</b>
Cash opex	(157.5)			(23.9)	(9.5)	(6.9)	1.4	(196.5)
<b>Cash PBT</b>	<b>110.9</b>	-	<b>(1.5)</b>	<b>(23.9)</b>	<b>(9.5)</b>	<b>(6.9)</b>	<b>1.7</b>	<b>70.8</b>
Movement in provision D&A (excluding leases)	(7.2) (23.2)							(7.2) (50.1)
<b>Profit before tax and notable tems</b>	<b>80.6</b>	<b>(23.5)</b>	<b>(1.5)</b>	<b>(23.9)</b>	<b>(9.5)</b>	<b>(6.9)</b>	<b>(1.8)</b>	<b>13.5</b>
Income tax expense	(20.1)	6.9	0.4	5.9	2.8	2.1	0.5	(1.5)
<b>NPAT (continuing operations)</b>	<b>60.5</b>	<b>(16.6)</b>	<b>(1.1)</b>	<b>(18.0)</b>	<b>(6.7)</b>	<b>(4.8)</b>	<b>(1.3)</b>	<b>12.0</b>

# Cash NPAT to Statutory NPAT FY22 (cont. ops)...



FY22 (\$m)	Cash NPAT	Amortisation of acquisition intangibles	Amortisation of legacy transaction costs	Corporate Development	Restructuring Costs	Fixed Assets Impairment	Decommissioned Facilities	Stat NPAT
Net interest income	675.8		(3.9)				(0.3)	671.6
Other income	36.4						1.1	37.5
<b>Total operating income</b>	<b>712.2</b>	-	<b>(3.9)</b>	-	-	-	<b>0.7</b>	<b>709.1</b>
Net charge offs	(147.6)							(147.6)
<b>Risk adjusted income</b>	<b>564.6</b>	-	<b>(3.9)</b>	-	-	-	<b>0.7</b>	<b>561.5</b>
Cash opex	(331.8)			(41.3)	(15.2)	(22.2)	(0.2)	(410.7)
<b>Cash PBT</b>	<b>232.8</b>	-	<b>(3.9)</b>	<b>(41.3)</b>	<b>(15.2)</b>	<b>(22.2)</b>	<b>0.6</b>	<b>150.8</b>
Movement in provision D&A (excluding leases)	28.1							28.1
	(45.3)	(47.6)					(4.0)	(96.9)
<b>Profit before tax and notable items</b>	<b>215.6</b>	<b>(47.6)</b>	<b>(3.9)</b>	<b>(41.3)</b>	<b>(15.2)</b>	<b>(22.2)</b>	<b>(3.4)</b>	<b>82.0</b>
Income tax expense	(62.1)	14.0	1.1	10.9	4.5	6.5	1.0	(24.1)
<b>NPAT( continuing operations)</b>	<b>153.5</b>	<b>(33.6)</b>	<b>(2.8)</b>	<b>(30.4)</b>	<b>(10.7)</b>	<b>(15.7)</b>	<b>(2.4)</b>	<b>57.9</b>

# Notable Items – FY22 v FY21

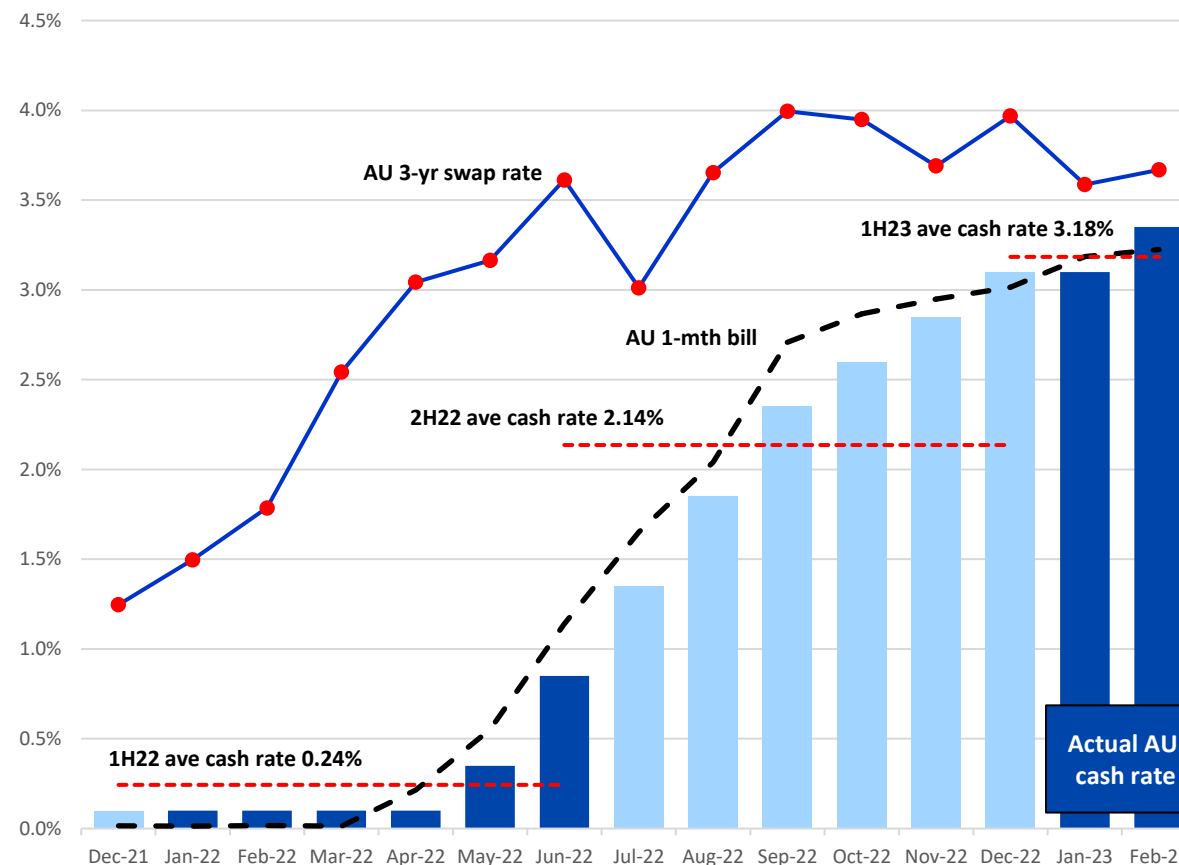


# Funding: higher cash rate scenario sensitivity



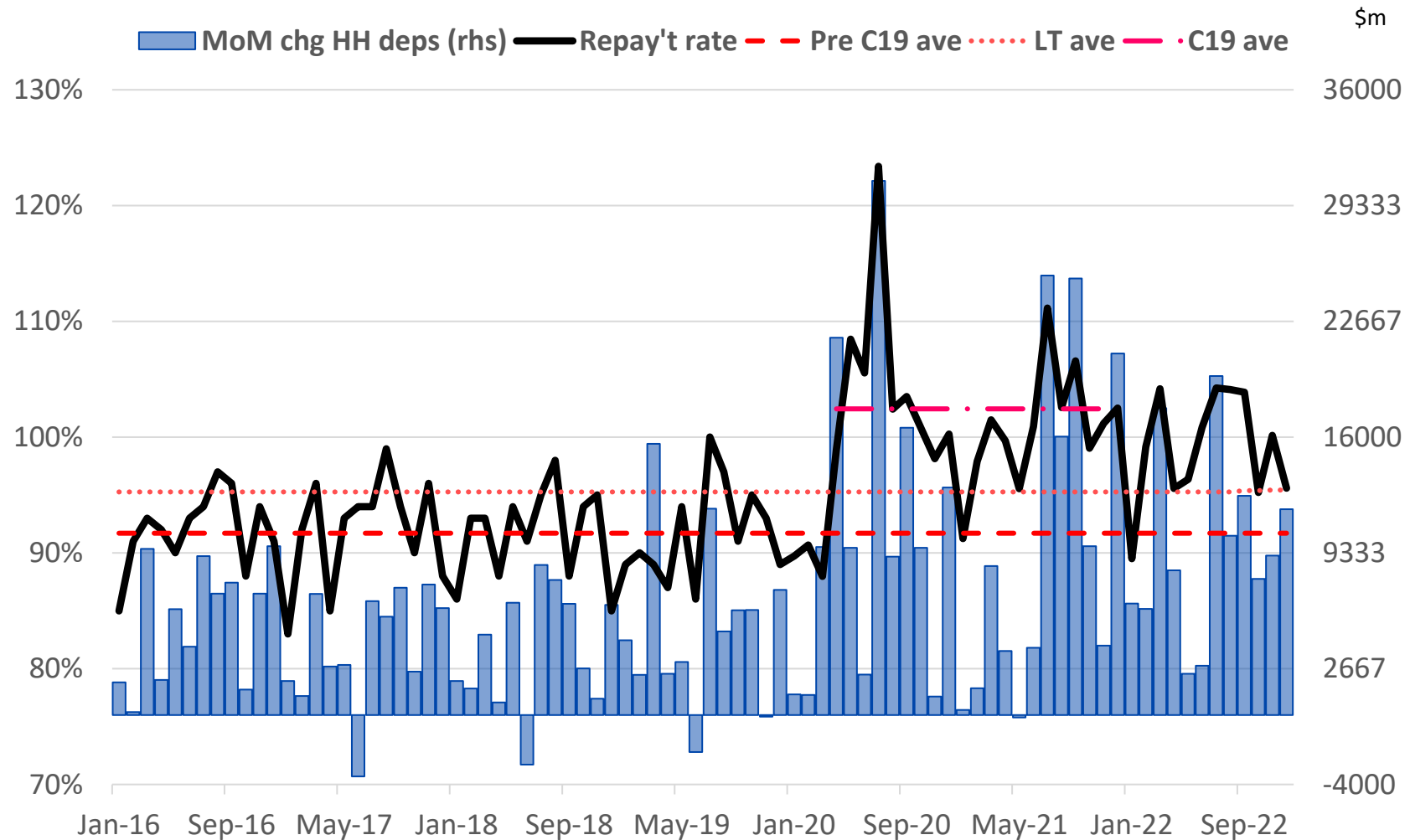
## Group cash rate sensitivity analysis

- +100bps rates = -ve \$40m interest expense (*pre-tax, annualised*)
- 2H22 ave cash rate = 214bps/ 1H23 to date ave = 318bps
- Ave HoH rate delta was 189bps (*cash*)/ 128bps (*3-yr swap*)
- This analysis shows the impact of shifts in interest rates on the Group's profit over a year assuming all other things remain equal at the end of the reporting period
- The above impacts excludes any management action



Source: Company data, RBA

# Repayment rate and excess household liquidity...



Source: Company data, APRA



# Well established stress testing programme...

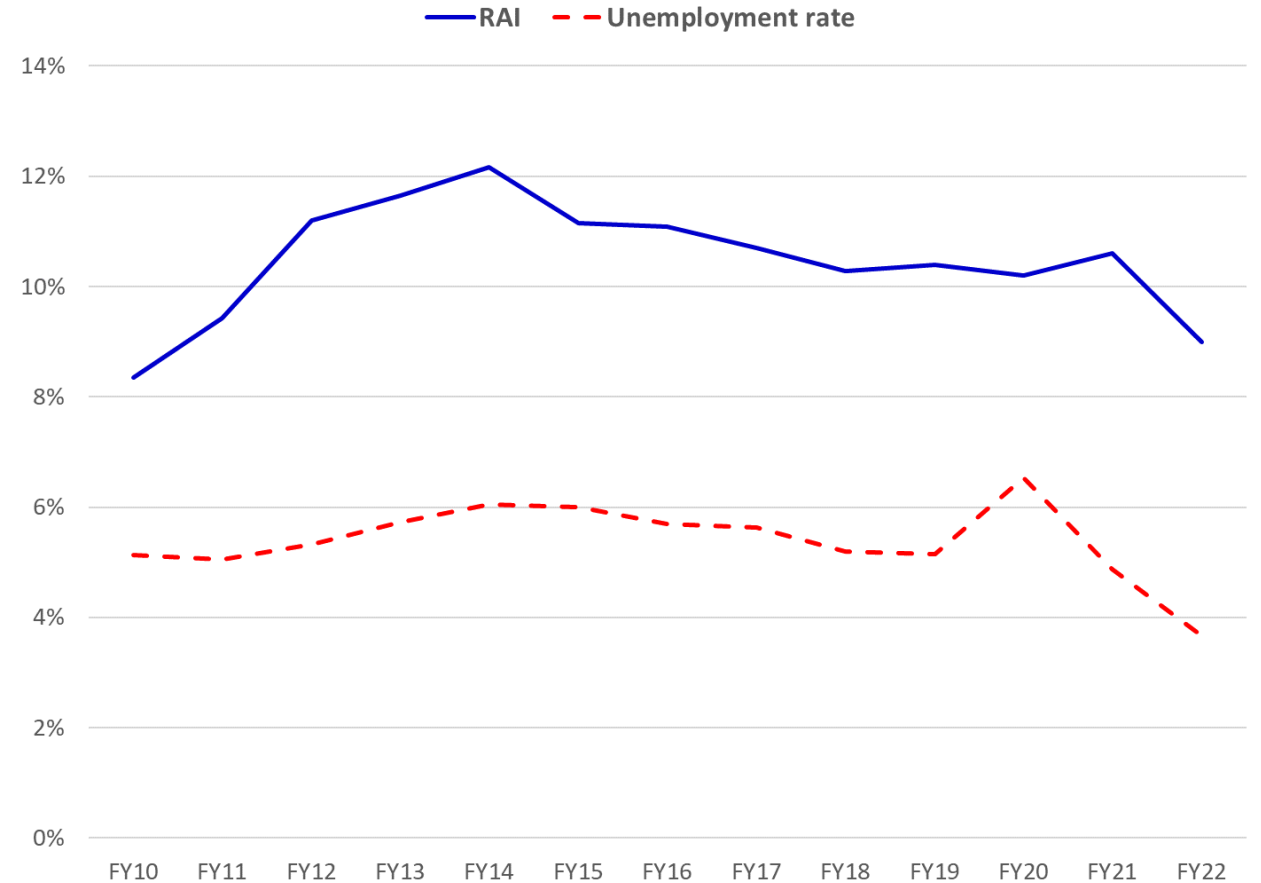
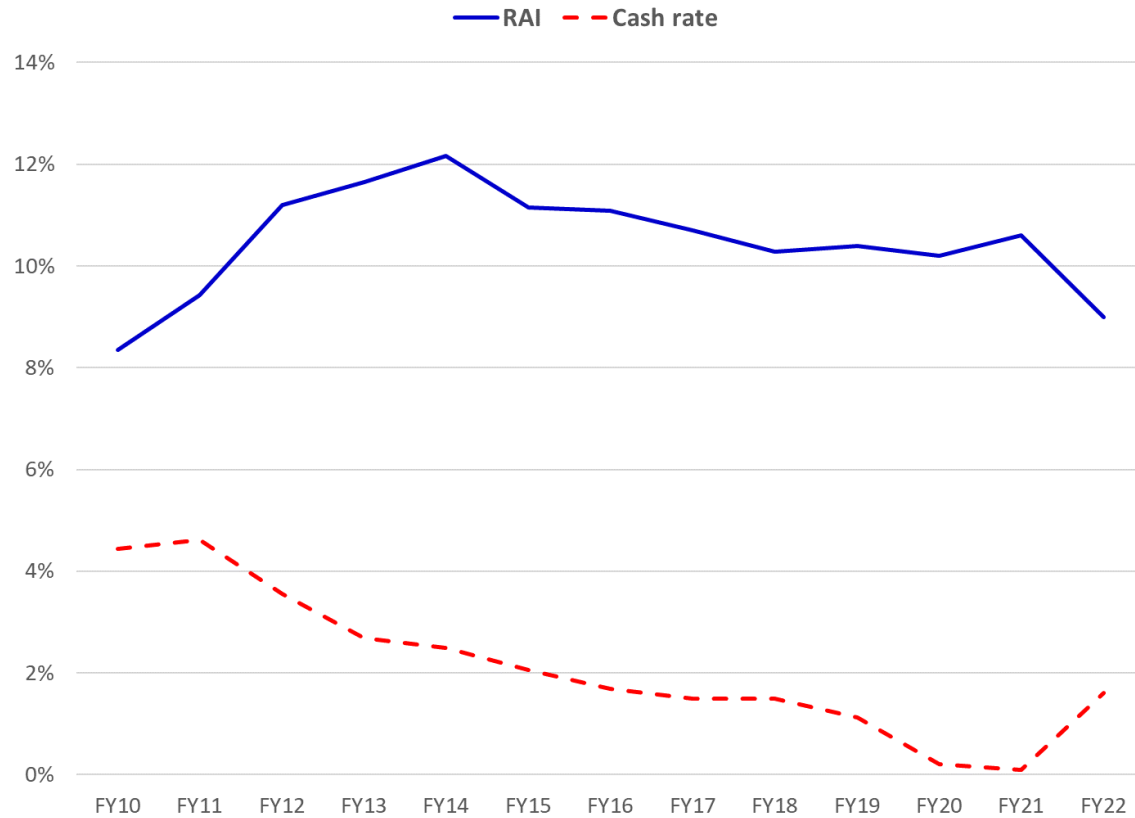


- Several scenarios run as part of a well established annual scenario (*formerly Fed requirement*)
- Severe scenario using unemployment at 10/10/8pc over 3 yrs
- Under stress scenarios:
  - No breaches of rapid amortisation triggers
  - No breach of debt covenants for the corporate facility
  - RoAGR remains positive and close to break even at peak stress
- Assumes management action is undertaken to preserve capital (*manage growth/ modify dividend payout*), tighten underwriting standards and exercise cost discipline (*marketing, projects, resources*)
- Unemployment outlook remains strong

	Base	Severe downside		
	0	1	2	3
GDP growth %	3.4%	(11.0%)	(2.0%)	7.5%
Unemployment %	3.5%	10.0%	10.0%	8.0%
Real cash interest rate %	(3.4%)	(0.2%)	(0.4%)	(1.0%)
House price change YoY %	24%	(6.5%)	(9.0%)	(1.0%)
<b>Rapid amortisation trigger breaches (securitisation trusts):</b>				
- net yield		No	No	No
- net charge offs		No	No	No
<b>Debt covenant breaches (lease &amp; scheme guarantees):</b>				
- net leverage ratio		No	No	No
- interest coverage ratio		No	No	No

Source: Company modelling, ABS, RBA

# Longer term LFS experience: RAI range of 8-12%...



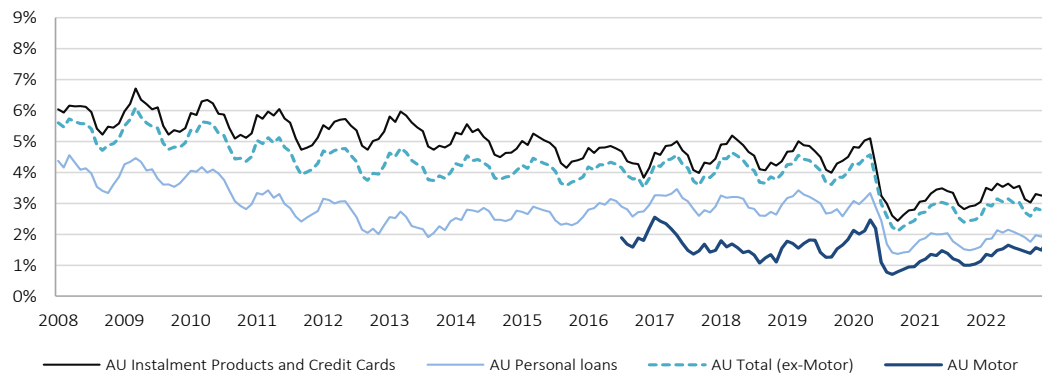
Source: Company data, RBA, ABS

# Delinquency performance over time



## Delinquencies (30+ days past due) by product, Australia

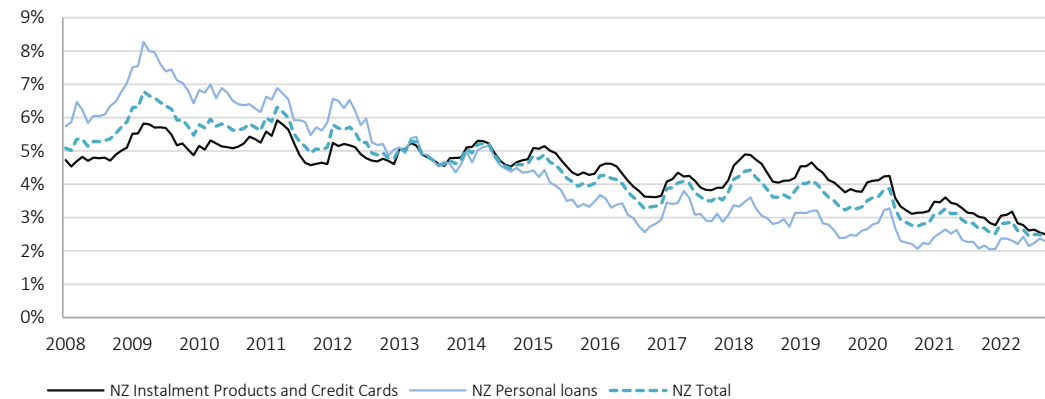
% Accounts 30+ days past due



Notes: Time series data from January 2008 to 31 December 2022. Motor loans delinquency history captured from July 2016 which was when Latitude relaunched its motor loan product.

## Delinquencies (30+ days past due) by product, New Zealand

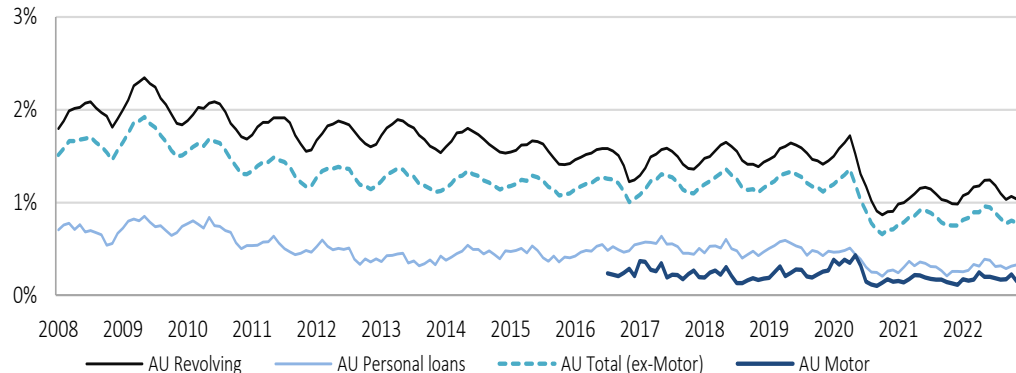
% Accounts 30+ days past due



Notes: Time series data from January 2008 to 31 December 2022.

## Delinquencies (90+ days past due) by product, Australia

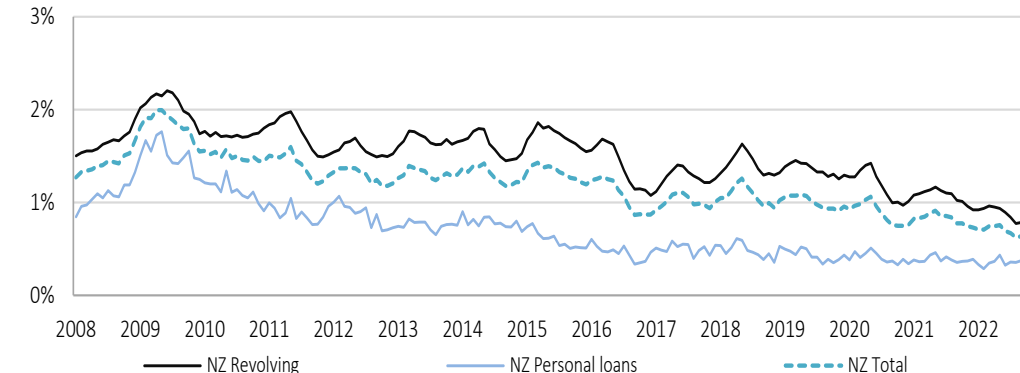
% Accounts 90+ days past due



Notes: Time series data from January 2008 to 31 December 2022. Motor loans delinquency history captured from July 2016 which was when Latitude relaunched its motor loan product.

## Delinquencies (90+ days past due) by product, New Zealand

% Accounts 90+ days past due



Notes: Time series data from January 2008 to 31 December 2022.

# ESG FY22 highlights



## BETTER GIVING

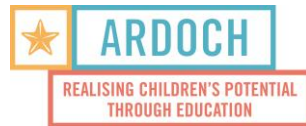
Since Aug 2017 we have collectively donated

**\$908,070**

 to our charity partners via workplace giving.

Jumped to #15 on Australia's Best Workplace to Give Back list

## COMMUNITY PARTNERSHIPS



**Ardoch (AU)**

**Duffy Books in Home (NZ)**

Celebrated 20 years of partnership with Ardoch to improve educational outcomes for children

## FINANCIAL CAPABILITY

**255 employees** using map my plan to focus on their financial future



**155 employees** attended seminars and workshops on financial capability

## GOVERNANCE

- Board approved **measurable diversity objectives**
- Established **ESG working group** to develop ESG strategy for Latitude, reporting to the CEO and Board



## Supporting Vulnerable Customers

- Our Vulnerable Customer Policy sets out our approach to managing interactions with customers experiencing vulnerability
- A dedicated Hardship Care team
- Improved customer experience for Collections and Hardship Care



## ENVIRONMENT



- Launched solar and battery loans
- Reduced leased office space moving to Wesley Place (targeting Platinum Well Building Institute rating, 6-star NABERS energy rating if green energy used)
- Establishing emissions baseline metrics

# Thank you

## Investor Relations

Matthew Wilson

+61 401 454 621

## Media

Mark Gardy

+61 412 376 817