HUMM GROUP LIMITED

INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

humm Group Limited

ABN 75 122 574 583

This report is based on the condensed consolidated financial statements for the half-year ended 31 December 2023 which have been reviewed by Ernst & Young.

ABOUT THIS REPORT

This Interim Financial Report ("Half-year Report") of humm Group Limited ABN 75 122 574 583 (referred to hereafter as the "Group" or "**humm**group") has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and does not include all the notes of the type normally included in an annual financial report. **humm**group's most recent annual financial report is available at https://investors.humm-group.com/Investor-Centre/ as part of its 2023 Annual Report.

hummgroup has released information to the Australian Securities Exchange ("ASX") in compliance with the ASX Listing Rules. Announcements made by **humm**group under such rules are available at www.asx.com.au (**humm**group's ASX code is ASX:HUM).

The material in this Half-year Report has been prepared by **humm**group and is current at the date of this report. It is general background information about **humm**group and its subsidiaries' activities given in summary form in terms of the requirements of AASB 134 Interim Financial Reporting and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate.

This Half-year Report was authorised for issue by **humm**group's Directors on **20 February 2024**. The Board of Directors has the power to amend and reissue the Half-year Report.

hummgroup is a company limited by shares and incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1
121 Harrington Street
The Rocks
Sydney NSW 2000
ABN 75 122 574 583

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INTERIM REPORT

The Directors present their Interim Operating and Financial Review on the consolidated entity consisting of humm Group Limited ABN 75 122 574 583 and the entities it controlled at the end of, or during, the half-year ended 31 December 2023 ("1H24"), which is designed to provide shareholders with a clear and concise overview of **humm**group's operations and financial position of the Group.

DIRECTORS

The following persons were Directors of humm Group Limited ABN 75 122 574 583 during the half-year and up to the date of this report unless otherwise stated:

Andrew Abercrombie
Teresa Fleming
Stuart Grimshaw
Robert Hines
Anthony Thomson

COMPANY SECRETARIES

Christina Seppelt
Lisa-Anne Carey

PRINCIPAL ACTIVITIES

hummgroup is a diversified financial services group providing lending, directly and through a network of retailers and brokers. These products include asset finance, credit cards, Point of sale Payment Plans ("PosPP") and other finance solutions. **humm**group operates in Australia ("AU"), New Zealand ("NZ"), Ireland, United Kingdom ("UK") and Canada.

Our principal activities are:

- Commercial Lending in Australia and New Zealand;
- Australia Cards (**humm**®90, Lombard and Once);
- New Zealand Cards (including Farmers Finance Card, Farmers Mastercard®, Q Card, Q Mastercard® and Flight Centre Mastercard®); and
- PosPP (a consolidation of **humm**® Australia, New Zealand, UK, Ireland, **bundll**®, **humm**®pro and FlexiRent® Ireland).

REVIEW OF OPERATIONS

1. HEADLINE RESULTS

For the half-year ended 31 December 2023, the Group reported a Normalised Cash Profit (after tax) of $28.1m.

Normalised Cash Profit (after tax) is calculated as Statutory Profit after tax adjusted for non-cash items (including amortisation and impairment of intangibles, movements in AASB 9 accounting provisions and depreciation) and other non-recurring material or infrequent items (such as restructure costs and suspended product and related costs). Whilst AASB 9 accounting provision movements are excluded from Normalised Cash Profit (after tax), actual credit losses incurred remain in the normalised result.

The Directors believe that Normalised Cash Profit (after tax) is the most appropriate measure of maintainable earnings of the Group and therefore best reflects the core drivers and ongoing influences upon those earnings.

The Group continues to deliver strong receivables growth with initiatives to lift gross yield across businesses. Credit losses are at historical lows and cost savings initiatives are continuing to deliver improved efficiency. Despite this, the Group has been impacted by increased interest rate rises, unhedged credit spreads and the continued wind down of suspended products. **humm**'s Commercial business continued to deliver strong receivables and return on equity growth over the period. A refocus on the customer and financial performance of New Zealand Cards is beginning to return the business to growth. The PosPP and Australia Cards business are being rebuilt with a focus on exiting suspended products, unprofitable merchants, unit economics and reduced infrastructure costs.

2. KEY PERFORMANCE METRICS

Transaction Volume ($m)

	1H24	1H23	Change %
Continuing products	1,909	1,761	8%
Suspended products	51	236	(78%)
Total volumes	1,960	1,997	(2%)

New business volumes for Continuing products of $1.9b increased 8% on prior comparative period ("pcp"), leading to higher receivables at the end of the period.

Commercial volumes increased by 2%, continuing the growth from the pcp, further demonstrating our competitive service offering and strong market position with small and medium enterprises, leading to a 39% increase in receivables.

Growth across active PosPP products, Cards, Ireland and **humm** AU has been offset by lower volumes from business written in suspended products.

Volumes in **humm** AU 'Big things' grew 19% compared to the pcp across the key verticals of Solar, Home Improvement and Health, being offset by 78% lower volumes from suspended products, including BPAY within 'Little things' following its closure in May 2023 and the repositioning of 'Little things' as a companion product to our core 'Big things' product.

Global businesses which comprise Ireland and Canada increased volumes by 49%.

Volumes in our Australian Cards business decreased by 5% while volumes for New Zealand Cards businesses increased 13% over pcp.

Gross Loans and Advances[1] ($m)

	1H24	1H23	Change %
Gross loans and advances	4,651	3,787	23%

1. Excludes other debtors, provision for impairment losses, contract liabilities and unamortised direct transaction costs.

Gross loans and advances increased 23%, with 39% growth in Commercial, 11% growth in PosPP and 2% growth in Cards. This growth was impacted by the run-down of loans and advances balances for suspended products in the Consumer business in the current year.

Commercial Australia grew 41% over pcp demonstrating its strength and continued growth in the small and medium enterprise market. Commercial NZ grew 17% versus pcp.

Increased customer loan growth for PosPP came from the **humm** AU and Ireland businesses. **humm** AU delivered gross loans and advances growth of 11% across the portfolio. Gross loans and advances for Ireland grew 36%.

Gross Income ($m)

	1H24	1H23	Change %
Gross income	298.7	240.4	24%

Gross income grew 24% on pcp due to an $864m increase in receivables and various pricing initiatives undertaken. Commercial delivered 56% growth (or $47.5m) from the increase in gross loans and advances. AU Cards and NZ Cards gross income grew by 10% and 7% respectively, primarily as the result of increases to card interest rates and higher revolve rates in these books. Gross income for PosPP grew by 5%, following the closure of BPAY, exit of suspended products in the pcp and repositioning of 'Little things' product.

Net Interest Income ($m)

	1H24	1H23	Change %
Interest income	254.8	193.0	32%
Interest expense	(132.1)	(70.4)	88%
Net interest income	**122.7**	**122.6**	**-**

Average net receivables ("ANR")	4,413.3	3,494.4	26%
Gross yield (annualised)	11.5%	11.0%	50bps
Net yield (annualised)	5.6%	7.0%	(140bps)

Net interest income was flat on pcp. This was the result of a 32% increase in interest income from a combination of volume and price increases, offset by an 88% increase in funding costs due to increased receivables, base interest rates, credit spreads and leverage from additional mezzanine funding. Approximately 58% of the funding costs increase was attributed to higher base interest rates and credit spread with the remaining 42% driven by the growth in loans and advances.

Gross yield increased by 50bps to 11.5% due to pricing initiatives implemented in the prior and current period. Net yield reduced by 140bps due to higher funding costs. Front book net interest margin in our Commercial business is ahead of margins written in the pcp and management continues the repricing of merchants (and exiting unprofitable relationships) across the consumer business.

Higher funding costs were also the result of strategic initiatives to optimise the usage of capital by introducing additional mezzanine funding into the warehouse facilities, thereby releasing capital to fund the growth in loans and advances. The result of this optimisation is higher funding costs through an increase in debt funding, coupled with cash balance increases to fund growth and improvement in return on equity. This additional debt funding has increased our cash balances to $159m to support growth in the business. The combined effect has increased ROE in the Commercial business from 18.9% to 25.2%.

Credit Impairment Charge ($m)

	1H24	1H23	Change %
Net credit losses	37.2	34.4	8%
Macro provision	0.9	1.1	(18%)
AASB 9 Provision	9.9	4.0	148%
Credit impairment charge	**48.0**	**39.5**	**22%**
Net credit loss to Average Net Receivables ("ANR")	**1.68%**	**1.95%**	**(27bps)**

Credit impairment charge increased 22% to $48.0m driven primarily by increased AASB 9 provisions from growth in the Commercial portfolio. Net credit losses (debts written off less loss recoveries) were 8% higher than pcp with the net credit loss to ANR ratio reducing to 1.68%, or 27bps on pcp.

Net credit losses as a percentage of ANR were flat to pcp for Commercial. PosPP improved by 80bps following the run-down of suspended products. NZ Cards net credit losses to ANR improved by 10bps with Australia Cards increasing by 150bps and returning to more normal historic levels. The Groups credit performance demonstrates the strong credit quality, credit control processes and settings, and portfolio diversification of the underlying business.

30+ Days Arrears (%)

	1H24	1H23	Change %
30+ days arrears	1.9	1.9	–

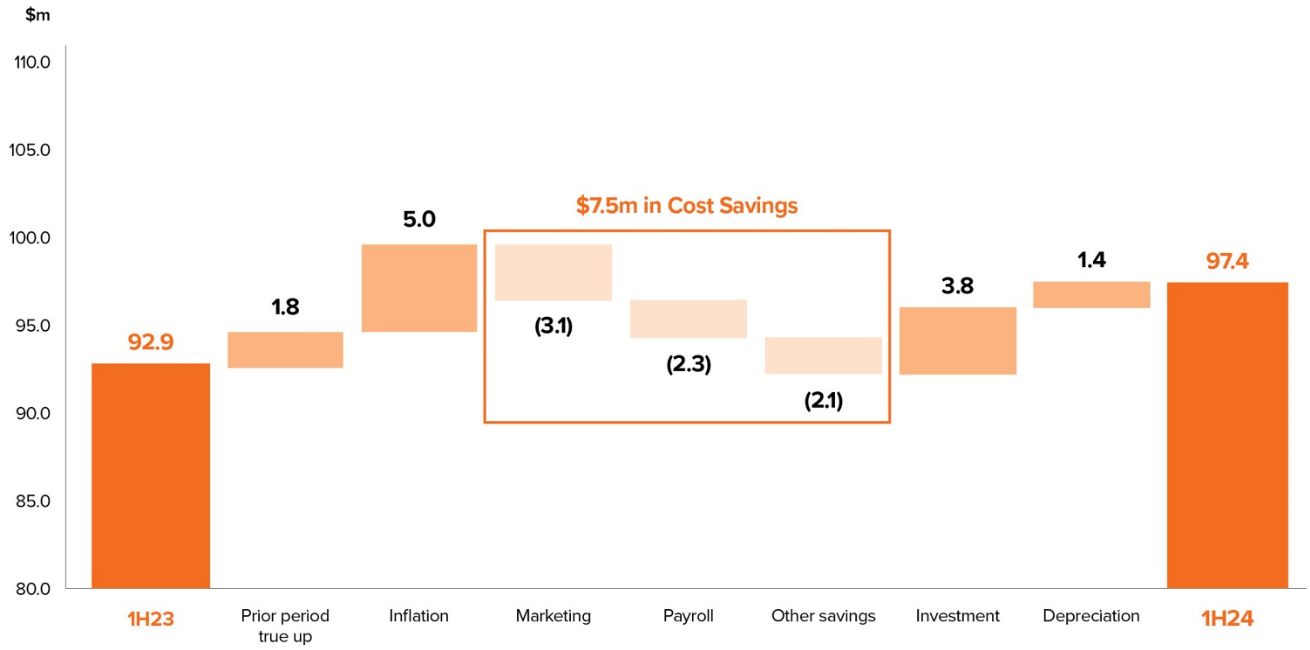
30+ days arrears remained flat at 1.9% demonstrating the strength and credit quality across the portfolio. Improvements to credit controls and credit settings, along with operational improvements support arrears performance to improve over time. Management consider 30+ days arrears to be a lead indicator of losses.

Operating Expenses ($m)[1]

	1H24	1H23	Change %
Normalised operating expenses	97.4	92.9	5%
Material one-off expenses	10.8	9.5	14%
Statutory operating expenses	**108.2**	**102.4**	**6%**

1. Operating expenses include marketing expenses, employment expenses, operating and other expenses, and depreciation and amortisation expenses.

Normalised Operating Expenses ($m)



Normalised operating expenses increased by $4.5m to $97.4m for the current period. The key drivers of this increase were:

- Normalised staff costs increased by $2.0m from $42.4m to $44.4m. The increase relates to CPI on existing salaries base of $1.7m, investment in capability and customer facing team members' of $1.1m, increased equity remuneration amortisation, all of which have been offset by cost savings of $2.2m.
- Cost savings across marketing, payroll and other operating expenses totalling $7.5m for the period (and delivering $26.1m in total cost savings from our cost out program which commenced in the 2023 financial year) were offset by higher insurance costs, higher regulatory and compliance costs. Increased investment relating to the global businesses, as well as attracting additional leadership and customer facing capability.
- Depreciation costs were up $0.4m on pcp, the result of enhancements and improvements that were capitalised in prior periods.

Cost to Income Ratio (CTI)

	1H24	1H23	Change %
Cost to income ratio	64%	60%	400bps

Cost to income is calculated using normalised costs of $97.4m. Cost comprises marketing and operating expenses with "income" calculated on a net basis using gross income, less interest expense and direct cost of sales. This ratio, which has increased by 400bps on pcp, has been impacted by higher interest expenses and a 5% increase in costs, rising at the same rate as inflation, and remains a focus of management.

3. GROUP PERFORMANCE

The Group has delivered Normalised Cash Profit (after tax) of $28.1m for the half-year ended 31 December 2023.

Group Summary Financial Results

A$m	1H24	1H23	Change $m	Change %
Gross income	**298.7**	**240.4**	**58.3**	**24%**
Cost of origination	(14.0)	(15.7)	1.7	(11%)
Interest expense	**(132.1)**	**(70.4)**	**(61.7)**	**88%**
Net operating income	**152.6**	**154.3**	**(1.7)**	**(1%)**
Credit impairment charge	(48.0)	(39.5)	(8.5)	22%
Operating expenses (incl. one-off items)	(97.4)	(92.0)	(5.4)	6%
Depreciation and amortisation expenses	(10.8)	(10.4)	(0.4)	4%
Impairment of other intangibles	(5.2)	(2.8)	(2.4)	86%
Statutory (loss)/profit before income tax	**(8.8)**	**9.6**	**(18.4)**	**LRG**
Income tax benefit/(expense)	2.8	(2.1)	4.9	LRG
Statutory (loss)/profit for the period	**(6.0)**	**7.5**	**(13.5)**	**LRG**
Non-cash items	**19.6**	**11.2**	**8.4**	**75%**
Amortisation and impairment of intangibles	5.2	4.3	0.9	21%
Movement in AASB 9 provision	8.4	3.4	5.0	147%
Depreciation	6.0	3.5	2.5	71%
Other material items	**14.5**	**19.8**	**(5.3)**	**(27%)**
Restructure costs	0.8	1.6	(0.8)	(50%)
Suspended products and related costs[1]	8.2	13.4	(5.2)	(39%)
Other one-off material items	5.5	4.8	0.7	15%
Normalised Cash Profit (after tax)	**28.1**	**38.5**	**(10.4)**	**(27%)**
Volumes	**1,960**	**1,997**	**(37)**	**(2%)**
Loans and advances	**4,651**	**3,787**	**864**	**23%**

1. Suspended products include the Cash NPAT of products previously announced as being wound down, including **bundll**, **humm** NZ, **humm** UK and **humm**pro and BPAY (within **humm** Australia).

The business continues to deliver receivables growth with a number of initiatives improving gross yield and unit economics of products. **humm** has also achieved a historically low net loss to ANR ratio of 1.68% while navigating complex economic conditions with management also delivering on a series of initiatives to drive efficiency and lower costs.

Despite this position, our results have been impacted by a range of external and internal factors, including:

- unprecedented base interest rate and credit spread rises;
- increased balance sheet leverage through the use of mezzanine funding and our corporate debt facility to grow receivables, with higher funding costs;
- higher inflation rates across our cost base;
- run-down and exit of suspended products in the PosPP business; and
- on-going investment, including improving customer facing capability of the Australian and New Zealand teams and growing the Canada and Ireland businesses.

The combination of these factors resulted in higher interest expense, increased operating costs and lower fee income following the run-off of suspended products.

Gross income rose by 24% in line with growth in customer loan balances; with interest expense rising 88% over the same period. This resulted in a 1% reduction in net operating income from $154.3m to $152.6m during the period.

Interest expense rose from $70.4m in 1H23 to $132.1m for 1H24. The key driver for this was volume growth and increases in base interest rates which moved from 2.66% at the start of 1H23 to 4.41% at the end of 1H24. This movement impacted the unhedged portion of the floating rate Cards books and new volumes in fixed rate books. Our hedging provided a benefit of $20.4m over the period through lower interest costs.

CPI increases to base salaries and higher inflation rates increased employment and other operating costs by $5.0m. These increases were offset by cost out initiatives which delivered $7.5m in cost savings during the period and brings total costs savings to $26.1m over the past 18 months.

Suspended products continued to negatively impact the cost base in the current period, although this impact reduced by 39% from $13.4m in 1H23 to $8.2m in 1H24 as we continued to service the loan books and run down platforms and technology.

We have also recognised a further $4.0m in onerous contract costs relating to products that have been paused or suspended.

4. SEGMENT PERFORMANCE

The Directors consider the business based upon four reportable segments:

- Commercial (consisting of Australia and New Zealand Commercial);
- New Zealand Cards (including Farmers Finance Card, Farmers Mastercard, Q Card, Q Mastercard and Flight Centre Mastercard);
- Australia Cards (**humm**90, Lombard and Once); and
- PosPP (a consolidation of **humm** Australia, Canada and Ireland). Strategic decisions were taken last period to discontinue **bundll**, **humm** NZ, **humm** UK, **humm**pro and BPAY (within **humm** 'Little things') in prior financial year.

hummgroup's Normalised Cash Profit (after tax) performance for its four operating segments is summarised in the table below.

Segment Summary

A$m	1H24	1H23	Change %
Commercial	21.6	19.3	12%
PosPP	(5.0)	4.0	LRG
NZ Cards	7.8	12.5	(38%)
AU Cards	3.7	2.7	37%
Normalised Cash Profit (after tax)	**28.1**	**38.5**	**(27%)**

SEGMENT ANALYSIS

Commercial

A$m	1H24	1H23	Change $	Change %
Gross income	**132.8**	**85.3**	**47.5**	**56%**
Interest income	123.5	73.8	49.7	67%
Other income	9.3	11.5	(2.2)	(19%)
Interest expense	(78.3)	(37.1)	(41.2)	111%
Net operating income	**54.5**	**48.2**	**6.3**	**13%**
Credit impairment charges	**(14.8)**	**(8.6)**	**(6.2)**	**72%**
Net credit losses	(6.5)	(4.7)	(1.8)	38%
AASB 9 provision	(8.3)	(3.9)	(4.4)	113%
Operating expenses (incl.one-off items)	(20.7)	(18.2)	(2.5)	14%
Depreciation and amortisation expenses	(1.7)	(1.4)	(0.3)	21%
Statutory profit before income tax	**17.3**	**20.0**	**(2.7)**	**(13%)**
Income tax expenses	(4.8)	(5.7)	0.9	(16%)
Statutory profit for the period	**12.5**	**14.3**	**(1.8)**	**(13%)**
Non-cash items	**7.2**	**3.8**	**3.4**	**89%**
Movement in AASB 9 provision	6.0	2.8	3.2	114%
Depreciation	1.2	1.0	0.2	20%
Other material items	**1.9**	**1.2**	**0.7**	**58%**
Restructure costs	0.2	0.1	0.1	100%
Suspended products and related costs	-	0.9	(0.9)	(100%)
Other one-off material items	1.7	0.2	1.5	LRG
Normalised Cash Profit (after tax)	**21.6**	**19.3**	**2.3**	**12%**
Volume	**761.5**	**744.8**	**16.7**	**2%**
Closing loans and advances	**2,702.2**	**1,945.8**	**756.4**	**39%**

Normalised Cash Profit (after tax) in Commercial of $21.6m in 1H24 represents a 12% increase on pcp. The key movements are:

- Gross income, which comprises interest and other income increased 56% on pcp as a result of the 39% growth in loans and advances. Interest income grew 67% as a result of receivable growth and higher interest rates that were passed on to customers. Other income, which comprises revenue from early customer repayments, was 19% lower than pcp as fewer customers pre-paid their fixed rate loans in the higher interest rate environment.
- Net operating income grew 13% with higher interest expense reflecting increased loans and advances, higher base rates and credit spreads and increased costs from the higher percentage of mezzanine funding used during the period.

  These higher funding costs are also the result of a strategic initiative to optimise the usage of capital to grow the loan book without having to raise external equity through the increased usage of mezzanine funding warehouse facilities. The result of this optimisation is higher funding costs (through an increase in debt funding) with a boost to return on cash equity from 18.9% to 25.2% for the business.
- The majority of the increase in credit impairment charges relates to movements in AASB 9 provisions which are required to be recognised at the time of writing the loan. Net credit losses increased at a lower rate than growth in customer loans resulting in Net credit loss as a percentage of ANR remaining at 0.5% in the current period.
- Operating expenses, after adjusting for the impact of restructure costs and other one-off material items, were broadly in line with the prior period. Income growth (on a gross and net basis) is more than 10 times normalised cost growth demonstrating the operating leverage of the business.

- Depreciation and amortisation expenses increased by $0.3m as a result of ongoing investments in technology platforms, particularly in the Commercial New Zealand business, to deliver improvements to speed to decisioning and settlement.
- New business volumes were up 2% on the pcp with the business maintaining growth from the prior period and delivering an increase in loans and advances of 39%.

PosPP

A$m	1H24	1H23	Change $	Change %
Gross income	**62.4**	**59.6**	**2.8**	**5%**
Interest income	48.0	42.4	5.6	13%
Fee and other income	14.4	17.2	(2.8)	(16%)
Cost of origination	(5.2)	(6.6)	1.4	(21%)
Interest expense	(24.5)	(11.7)	(12.8)	109%
Net operating income	**32.7**	**41.3**	**(8.6)**	**(21%)**
Credit impairment charge	**(12.7)**	**(13.8)**	**1.1**	**(8%)**
Net credit losses	(13.4)	(15.4)	2.0	(13%)
AASB 9 provision	0.7	1.6	(0.9)	(56%)
Operating expenses (incl. one-off items)	(43.3)	(41.7)	(1.6)	4%
Depreciation and amortisation expenses	(1.7)	(1.8)	0.1	(6%)
Impairment of other intangibles	(4.3)	(0.6)	(3.7)	LRG
Statutory loss before income tax	**(29.3)**	**(16.6)**	**(12.7)**	**77%**
Income tax benefit	8.5	4.7	3.8	81%
Statutory loss for the period	**(20.8)**	**(11.9)**	**(8.9)**	**75%**
Non-cash items	**4.3**	**-**	**4.3**	**LRG**
Amortisation and impairment of intangibles	2.8	0.4	2.4	LRG
Movement in AASB 9 provision	0.2	(0.5)	0.7	(140%)
Depreciation	1.3	0.1	1.2	LRG
Other material items	**11.5**	**15.9**	**(4.4)**	**(28%)**
Restructure costs	0.3	1.2	(0.9)	(75%)
Suspended products and related costs	8.2	12.5	(4.3)	(34%)
Other one-off material items	3.0	2.2	0.8	36%
Normalised Cash (Loss)/Profit (after tax)	**(5.0)**	**4.0**	**(9.0)**	**LRG**
Volume	**512.4**	**604.6**	**(92.2)**	**(15%)**
Closing loans and advances	**885.0**	**797.1**	**87.9**	**11%**

Normalised Cash Loss (after tax) in PosPP was $5.0m as we continue to reshape this business and focus on larger transactions and exit non-profitable merchants. This period's performance is attributable to:

- PosPP gross income was up 5% on pcp, primarily due to higher interest income from growth in **humm** AU loan and receivables balances and higher interest income from international businesses. 13% growth in interest income was partially offset by lower fee and other income, from the run-down of **humm** AU 'Little things' (including BPAY) and other suspended products which had proportionally higher fees.
- Net operating income was down 21% due to higher cost of funds in **humm** AU and the lower interest and fee and other income from suspended products. Further we have seen a change in mix of volume in our large transaction business to lower margin Solar, Health and Home Improvement verticals which also has lower credit losses over time. Cost of fund increases are associated with base rate and credit spread increases experienced since 2022 along with the increased use of mezzanine funding in this book to improve capital efficiency and return on equity.
- Management continues to actively review and reprice existing merchant service fees and where necessary exit unprofitable relationships to deliver improved profitability.
- Credit impairment charges, which comprise net credit losses and movements in AASB 9 provisions, reduced 8% to $12.7m during the period. 1H24 net credit losses reduced $2.0m on pcp resulting in a 80bps reduction in net losses to ANR of 3.1%.

- Operating expenses, after adjusting for the impact of restructure costs, other one-off material items and operating costs associated with suspended products and related costs in the current and prior period, increased 7%, primarily the result of higher technology operating costs associated with configuration, deployment and licensing of cloud-based technology systems. Further we have incurred $10.1m in operating expenses in further establishing the operations of Canada and Ireland (an increase of $1.1m over pcp).
- Depreciation and amortisation expenses were in line with the prior period. One off charges to impair software and other intangible assets totalling $4.0m, relating to technology no longer used for ongoing products, following the run-down of suspended products, were included in the current period.
- Net volumes decreased by 15% on pcp. Core **humm** AU volumes grew 19% on pcp and were offset by lower volumes from 'Little things' following the closure of BPAY and the repositioning of 'Little things' as a companion product to our core 'Big things' product. International businesses, comprising Ireland and Canada, increased volumes at 49%, albeit off a low base.
- Loans and advances increased 11% due to the growth in longer tenor **humm** AU 'Big things' volumes offset by the planned run-down of lower tenor **humm** AU 'Little things' volumes (including the termination of BPAY) and other suspended products.

New Zealand Cards

A$m	1H24	1H23	Change $	Change %
Gross income	**61.6**	**57.4**	**4.2**	**7%**
Interest income	52.2	48.2	4.0	8%
Fees and other income	9.4	9.2	0.2	2%
Cost of origination	(5.9)	(3.6)	(2.3)	64%
Interest expense	(18.4)	(12.7)	(5.7)	45%
Net operating income	**37.3**	**41.1**	**(3.8)**	**(9%)**
Credit impairment charge	**(10.4)**	**(10.9)**	**0.5**	**(5%)**
Net credit losses	(8.6)	(8.6)	-	-
AASB 9 Provision	(1.8)	(2.3)	0.5	(22%)
Operating expenses (incl. one-off items)	(18.4)	(17.0)	(1.4)	8%
Depreciation and amortisation expenses	(5.7)	(5.7)	-	(0%)
Impairment of other intangibles	(0.9)	(2.2)	1.3	(59%)
Statutory profit before income tax	**1.9**	**5.3**	**(3.4)**	**(64%)**
Income tax expenses	(0.4)	(1.1)	0.7	(64%)
Statutory profit for the period	**1.5**	**4.2**	**(2.7)**	**(64%)**
Non-cash items	**6.0**	**5.9**	**0.1**	**2%**
Amortisation and impairment of intangibles	2.4	3.9	(1.5)	(38%)
Movement in AASB 9 provision	1.3	0.4	0.9	LRG
Depreciation	2.3	1.6	0.7	44%
Other material items	**0.3**	**2.4**	**(2.1)**	**(88%)**
Restructure costs	0.1	0.1	-	-
Other one-off material items	0.2	2.3	(2.1)	(91%)
Normalised Cash Profit (after tax)	**7.8**	**12.5**	**(4.7)**	**(38%)**
Volume	**432.0**	**381.1**	**50.9**	**13%**
Closing loans and advances	**634.5**	**606.6**	**27.9**	**5%**

Normalised Cash Profit (after tax) in NZ Cards of $7.8m, a decrease of 38% on pcp. This performance is attributable to:

- 7% growth in gross income as a result of improved pricing initiatives, and higher volumes which resulted in higher interest-bearing balances.
- Interest expense increased 45% due to the pace and quantum of increases to base interest rates and credit spreads since 2022 which have worked their way through the portfolio and the 5% growth in closing customer loan balances. The portfolio benefited from being substantially hedged over the period of rising interest rates. These hedges have been progressively maturing in the current period and will continue to mature in the second half of the year.
- Origination costs increased 64% on pcp due to increases in card scheme fees and dealer promotions, the result of higher volumes in the core Q-Card product. Higher interest expense and origination costs resulted in a 9% reduction in Net operating income compared to pcp.
- Credit impairment charges comprise net credit losses and movements in AASB9 provisions. 1H24 net credit losses were in line with pcp, a strong result following the increased volumes and higher customer loan balances. Net credit losses as a percentage of average net receivables reduced by 10bps to 2.9%.
- Operating expenses, after adjusting for the impact of restructure costs increased 9%, primarily the result of investment required to improve capability and re-establish the New Zealand consumer business as a stand-alone customer focused business.

- Depreciation and amortisation expenses were in line with the prior period. In the prior period a one-off charge to impair software and other intangible assets which related to technology following the decision to no longer proceed with a strategic partnership announced in 2022.
- Volume was up 13% on pcp with spend volumes and long-term interest free ("LTIF") balances growing consistently over the period. Management continues to review and reprice existing merchants providing LTIF products and where necessary exit unprofitable relationships to deliver improved profitability.
- Closing loans and advances were 5% higher on pcp with higher revolve rates resulting in higher interest-bearing balances.

Australia Cards

A$m	1H24	1H23	Change $	Change %
Gross income	**41.9**	**38.1**	**3.8**	**10%**
Interest income	31.1	28.6	2.5	9%
Fees and other income	10.8	9.5	1.3	14%
Cost of origination	(2.9)	(5.5)	2.6	(47%)
Interest expense	(10.9)	(8.9)	(2.0)	22%
Net operating income	**28.1**	**23.7**	**4.4**	**19%**
Credit impairment charge	**(10.1)**	**(6.2)**	**(3.9)**	**63%**
Net credit losses	(8.7)	(5.6)	(3.1)	55%
AASB 9 Provision	(1.4)	(0.6)	(0.8)	133%
Operating expenses (incl. one-off items)	(15.0)	(15.1)	0.1	(1%)
Depreciation and amortisation expenses	(1.7)	(1.5)	(0.2)	13%
Statutory profit before income tax	**1.3**	**0.9**	**0.4**	**44%**
Income tax expenses	(0.5)	–	(0.5)	LRG
Statutory profit for the period	**0.8**	**0.9**	**(0.1)**	**(11%)**
Non-cash items	**2.1**	**1.5**	**0.6**	**40%**
Movement in AASB 9 provision	0.9	0.7	0.2	29%
Depreciation	1.2	0.8	0.4	50%
Other material items	**0.8**	**0.3**	**0.5**	**LRG**
Restructure costs	0.2	0.2	–	–
Other one-off material items	0.6	0.1	0.5	LRG
Normalised Cash Profit (after tax)	**3.7**	**2.7**	**1.0**	**37%**
Volume	**254.0**	**266.0**	**(12.0)**	**(5%)**
Closing loans and advances	**429.1**	**437.8**	**(8.7)**	**(2%)**

Normalised Cash Profit (after tax) in AU Cards of $3.7m increased 37% on the prior period. This performance is attributable to:

- Gross income up 10% due to the cumulative impact of a 9% increase to interest income and 14% increase to fee and other income from higher interest rates and fee increases that were passed to customers.
- Interest expense increased 22% due to increases in base interest rates and credit spread. This increase was offset by the 2% reduction in customer loan balances with the portfolio benefiting from being substantially hedged over the period.
- Origination costs reduced 47%, the result of lower card scheme fees and lower sales incentives as a result of the 5% reduction in volumes and the renegotiation of incentives provided to merchants and sales agencies. Management continues to review and reprice existing merchants providing Long Term Interest Free products and where necessary exit unprofitable relationships to deliver improved profitability.
- Net operating income was up 19% pcp mainly due to higher gross income being partially offset by higher funding costs during the year.
- Credit impairment charge grew 63% on pcp. Credit impairment charges comprise net credit losses and movements in AASB 9 provisions. AASB 9 provisions of $1.4m recognised in the current period were $0.8m higher than the prior comparative period. Net credit losses of $8.7m for the current period were $3.1m higher than pcp.
- Operating expenses, after adjusting for the impact of restructure costs and other one-off material items, decreased 3%, primarily the result of lower marketing costs in the current period.
- Depreciation and amortisation expenses increased by 13% as a result of ongoing investments in technology platforms to deliver improved credit assessment and decisioning.
- Volume decreased 5% on pcp, the result of increased credit settings that resulted in a 2% reduction in closing loans and advances, lower spend volume and paydowns in legacy products which are in run-off and closed to new transactions.

5. FUNDING AND CAPITAL

hummgroup maintains a well-established, mature funding platform with a funding plan designed to support the Company's growth and capital strategy. **humm**group's funding strategy is focused on retaining committed, capital efficient and cost-effective funding facilities to support products across all regions and further strengthening **humm**group's debt capital markets presence through regular issuance.

The Group has funding with large local and international banks and wholesale fund managers providing both senior and mezzanine funding. **humm**group is also supported by a large number of domestic and offshore institutional investors through its well-established asset-backed securities ("ABS") programs in Australia and New Zealand. **humm**group issued over $1.8b of ABS during 1H24, in both public and private placement format, with further diversification introduced across its institutional investor base.

At balance sheet date, the Group had $5,587m of wholesale debt facilities. The wholesale debt facilities include both public and private debt facilities which are secured against underlying pools of loans and advances including Finance lease receivables, Chattel loans and Customer loans. All facilities provide for the ultimate repayment of outstanding debt through collections received in respect of the relevant loans and advances including Finance lease receivables, Chattel loans and Customer loans. In some cases, the Group's wholesale debt facilities are structured to include a revolving period during which time committed limits can be continually drawn and collections can be used to fund originations of new loans and advances including Finance lease receivables, Chattel loans and Customer loans, ahead of repayment of outstanding borrowings. The balance of facilities provide for repayment of outstanding borrowings in line with repayment of the underlying loans and advances including Finance lease receivables, Chattel loans and Customer loans. The Group continues to optimise its capital structure to maximise shareholder value and prudently manage liquidity by accessing capital markets more frequently and in greater volume and by increasing funding capacity across its wholesale debt facilities.

In December 2022, the Group retired its $110.0m syndicated revolving loan facility and replaced it with a new corporate debt facility. The facility provides funding of up to $150.0m with an initial commitment of $75.0m activated. The new corporate debt facility can be applied to manage liquidity and cash flow needs and towards higher growth capital requirements in connection with the Group's growing book of loans and advances including Finance lease receivables, Chattel loans and Customer loans.

Wholesale Debt and Corporate Borrowings ($m)

	Dec 23	Jun 23	Change %
Secured loans	4,444.8	3,940.5	13%
Corporate debt facilities	61.1	75.7	(19%)
Total	**4,505.9**	**4,016.2**	**12%**

Secured debt facilities increased 13% reflecting an increase in loans and advances including Finance lease receivables, Chattel loans and Customer loans and the introduction of new funding to improve capital efficiency across the portfolios.

Normalised Return on Cash Equity ("ROCE")[1] and Earnings per Share ("EPS")[2]

	Dec 23	Jun 23	Change
Normalised return on cash equity	10.0%	13.0%	(300bps)
Normalised Earnings per share (cents)	11.2	15.0	(380bps)

1. ROCE is calculated as annualised Normalised Cash Profit (after tax) divided by average total cash equity (Total Equity excl Reserves).
2. Normalised EPS is calculated as annualised Normalised Cash Profit (after tax) for the period divided by average number of shares on issue.

Annualised ROCE for 1H24 of 10% decreased 300bps compared to the full year result for FY23. The lower ROCE in the current year highlights the impact of higher funding costs and that were only partially recovered via pricing initiatives and volume increases in the current period. This impact was suppressed via the more efficient use of direct capital in the customer loan portfolios which reduced from 11.1% at 30 June 2023 to 9.3% at 31 December 2023.

DIRECTORS' REPORT

Dividends and Earnings on Ordinary Shares

	31 December 2023		31 December 2022	
A$m	**Cents per share**	**$m**	**Cents per share**	**$m**
2022 final dividend paid on 7 October 2022	-	-	1.4	6.9
2023 final dividend paid on 9 October 2023	1.0	5.0	-	-
Total dividends paid during the half-year	**1.0**	**5.0**	**1.4**	**6.9**

Subsequent to the half-year, on 20 February 2024, the Group determined an interim dividend of 0.75 cent per ordinary share totaling $3.8m, which will be paid on 3 April 2024.

REVIEW OF OPERATIONS

We have provided on pages 2-16 above, Review of Operations, an update on the key performance measures and financial position of the Group for the period ended 31 December 2023.

MATTERS SUBSEQUENT TO END OF THE HALF-YEAR

Dividends are determined after period-end and contained within the announcement of the results for the period. Interim dividends are determined in February and paid in April. Final dividends are determined in August and paid in September. Dividends determined are not recorded as a liability at the end of the period to which they relate. Subsequent to the half-year, on 20 February 2024, the Group determined an interim ordinary dividend of 0.75 cent per share totalling $3.8m, which will be paid on 3 April 2024.

Apart from the matters above as at the date of this report the directors are not aware of any other matter or circumstance that has arisen since 31 December 2023 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years, or
b) the results of those operations in future financial years, or
c) the Group's state of affairs in future financial years.

ENVIRONMENTAL REGULATION

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the "rounding off" of amounts in the Directors' Report and the Interim Financial Report. Amounts in the Directors' Report and the Interim Financial Report have been rounded in accordance with that Instrument to the nearest hundred thousand dollars.

This report is made in accordance with a resolution of Directors.

Andrew Abercrombie
Chairperson
20 February 2024

AUDITOR'S INDEPENDENCE DECLARATION

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Auditor's Independence Declaration to the directors of humm group limited

As lead auditor for the review of the half-year financial report of humm group limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b) No contraventions of any applicable code of professional conduct in relation to the review; and

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of humm group limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

R.Balfour

Richard Balfour
Partner
20 February 2024

GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2023

A$m	Notes	31 Dec 23	31 Dec 22
Interest income		254.8	193.0
Fee and other income*	3	43.9	47.4
Gross income		**298.7**	**240.4**
Cost of origination		(14.0)	(15.7)
Interest expense*		(132.1)	(70.4)
Net operating income		**152.6**	**154.3**
Credit impairment charge		(48.0)	(39.5)
Marketing expenses		(6.8)	(9.9)
Employment expenses		(45.7)	(44.3)
Operating and other expenses	4	(44.9)	(37.8)
Depreciation and amortisation expenses		(10.8)	(10.4)
Impairment of intangibles and right-of-use assets	7	(5.2)	(2.8)
(Loss)/profit before income tax		**(8.8)**	**9.6**
Income tax benefit/(expense)		2.8	(2.1)
(Loss)/profit for the half-year attributable to shareholders of humm Group Limited		**(6.0)**	**7.5**
Other comprehensive (loss)/income			
Items that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		0.9	7.2
Changes in the fair value of cash flow hedges, net of tax		(35.3)	2.6
Items that will not be reclassified to profit and loss:			
Changes in fair value of equity investments at fair value through other comprehensive income		–	(0.1)
Other comprehensive (loss)/income for the half-year, net of tax		**(34.4)**	**9.7**
Total comprehensive (loss)/income for the half-year attributable to shareholders of humm Group Limited		**(40.4)**	**17.2**

Earnings per share		**Cents**	**Cents**
Basic earnings per share		(1.7)	1.1
Diluted earnings per share		(1.7)	1.1

** Comparative information has been reclassified to align the presentation with the current period in respect of fee and other income and interest expense.*

The above Consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the half-year ended 31 December 2023

A$m	Notes	31 Dec 23	30 Jun 23
Assets			
Cash and cash equivalents	5	390.6	336.1
Loans and advances	6	4,567.6	4,153.6
Other assets		28.7	23.6
Current tax receivable		9.3	0.8
Plant and equipment		2.7	3.2
Right-of-use assets		7.7	10.3
Goodwill and other intangible assets	7	129.1	133.6
Derivative financial instruments		27.3	68.5
Deferred tax assets		52.8	39.1
Total assets		**5,215.8**	**4,768.8**
Liabilities			
Trade and other payables		56.5	59.1
Current tax liabilities		2.6	3.4
Contract liabilities		10.6	11.8
Lease liabilities		12.2	13.6
Borrowings	11	4,505.9	4,016.2
Provisions		44.4	38.6
Derivative financial instruments		9.0	-
Total liabilities		**4,641.2**	**4,142.7**
Net assets		**574.6**	**626.1**
Equity			
Contributed equity	9	508.1	511.8
Reserves		22.4	55.4
Retained earnings		44.1	58.9
Total equity		**574.6**	**626.1**

The above Consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2023

2024

A$m	Contributed equity	Reserves	Retained earnings	Total
Balance at the beginning of the year	**511.8**	**55.4**	**58.9**	**626.1**
Loss for the half-year	–	–	(6.0)	(6.0)
Other comprehensive loss	–	(34.4)	–	(34.4)
Total comprehensive loss for the half-year	**-**	**(34.4)**	**(6.0)**	**(40.4)**
Transfer to share capital from share-based payment reserve	0.2	(0.2)	–	–
Share based payment expense (net of tax)	–	1.6	–	1.6
Dividend reinvestment plan	1.8	–	(1.8)	–
Dividends provided for or paid	–	–	(7.0)	(7.0)
Share buy back	(3.0)	–	–	(3.0)
Purchase of treasury shares	(2.7)	–	–	(2.7)
Balance at the end of the half-year	**508.1**	**22.4**	**44.1**	**574.6**

2023

A$m	Contributed equity	Reserves	Retained earnings	Total
Balance at the beginning of the half-year	**507.6**	**45.6**	**74.5**	**627.7**
Profit for the half-year	–	–	7.5	7.5
Other comprehensive income	–	9.7	–	9.7
Total comprehensive income for the half-year	**-**	**9.7**	**7.5**	**17.2**
Transfer to share capital from share-based payment reserve	0.1	(0.1)	–	–
Dividend reinvestment plan	2.5	–	(2.5)	–
Dividends provided for or paid	–	–	(7.6)	(7.6)
Balance at the end of the half-year	**510.2**	**55.2**	**71.9**	**637.3**

The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2023

A$m	31 Dec 23	31 Dec 22
Cash flows from operating activities		
Interest income received from customers	253.6	197.1
Fee and other income received from customers less cost of origination	30.3	35.7
Payment to suppliers and employees	(104.2)	(109.1)
Borrowing costs	(125.7)	(70.0)
Income taxes paid	(4.7)	(2.2)
Cash inflow from operating activities before movement in Loans and advances	**49.3**	**51.5**
Net credit loss	(37.2)	(34.4)
Net movement in Loans and advances	(418.6)	(503.6)
Cash outflow from movement in Loans and advances	**(455.8)**	**(538.0)**
Net cash outflow from operating activities	**(406.5)**	**(486.5)**
Cash flows from investing activities		
Payment for purchase of plant and equipment and software	(7.5)	(8.6)
Net cash outflow from investing activities	**(7.5)**	**(8.6)**
Cash flows from financing activities		
Dividends paid	(7.0)	(7.6)
Purchase of treasury shares	(2.7)	-
Share buy back	(3.0)	-
Cash payments relating to lease liabilities	(1.8)	(1.4)
(Repayment)/drawdown of corporate borrowings	(15.2)	50.0
Net movement in secured borrowings	498.0	418.0
Net cash inflow from financing activities	**468.3**	**459.0**
Net increase/(decrease) in cash and cash equivalents	**54.3**	**(36.1)**
Cash and cash equivalents at the beginning of the period	336.1	281.0
Effects of exchange rate changes on cash and cash equivalents	0.2	3.7
Cash and cash equivalents at the end of the period	**390.6**	**248.6**

The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The condensed interim consolidated financial statements for the half-year ended 31 December 2023 have been prepared in accordance with AASB 134 *Interim Financial Reporting and the Corporations Act 2001*.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. As a result, they should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2023 and any public announcements made in the period by humm Group Limited ("the Group") in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

Comparative information has been reclassified for any changes to presentation made in the current year.

(i) Standards and Interpretations issued by AASB effective in half-year:

There are no standards, amendments to standards or interpretations that are effective for the period beginning 1 July 2023 that have a material effect on the financial statements of the Group.

(ii) Standards and Interpretations issued by AASB but not yet adopted:

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 July 2023, have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Group.

These amendments had no impact on the interim financial statements of the Group.

(iii) Use of judgement, estimates and assumptions:

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 30 June 2023.

NOTE 2. SEGMENT INFORMATION

Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of the Directors ("Board") that are used to make strategic decisions. In addition to statutory profit after tax, the Board assesses the business on a Normalised Cash Profit (after tax) basis. Normalised Cash Profit (after tax) is calculated as statutory profit after tax adjusted for material infrequent items, operating losses of suspended products, depreciation, amortisation of acquired intangible assets, and AASB 9 provision movement with actual credit losses remaining in the result. The Board considers that this measure better reflects the underlying performance of the business.

The Directors consider the business from a product perspective and have identified four reportable segments:

- Commercial (consisting of Australia and New Zealand Commercial Lending);
- Australia Cards (**humm**90, legacy Lombard and Once);
- New Zealand Cards (including Farmers, Q Card and Flight Centre Mastercard); and
- PosPP (a consolidation of **humm** Australia, **humm** Canada, Ireland FlexiFi, legacy FlexiRent Ireland, **humm** UK, legacy **humm** NZ, legacy **bundll** and legacy **humm**pro).

The Group operates in Australia, New Zealand, Ireland, UK and Canada. The operating segments are identified according to the nature of the products and services provided, with New Zealand Cards disclosed separately (based on its product offering) and Ireland included within PosPP.

For the half-year ended 31 December 2023

A$m	Commercial	AU Cards	NZ Cards	PosPP	Total
Interest income	123.5	31.1	52.2	48.0	254.8
Fee and other income	9.3	10.8	9.4	14.4	43.9
Gross income	**132.8**	**41.9**	**61.6**	**62.4**	**298.7**
Cost of origination	-	(2.9)	(5.9)	(5.2)	(14.0)
Interest expense	(78.3)	(10.9)	(18.4)	(24.5)	(132.1)
Net operating income	**54.5**	**28.1**	**37.3**	**32.7**	**152.6**
Credit impairment charge	(14.8)	(10.1)	(10.4)	(12.7)	(48.0)
Marketing expenses	(0.3)	(0.3)	(4.5)	(1.7)	(6.8)
Employment expenses	(12.0)	(6.6)	(6.3)	(20.8)	(45.7)
Operating and other expenses	(8.4)	(8.1)	(7.6)	(20.8)	(44.9)
Depreciation and amortisation expenses	(1.7)	(1.7)	(5.7)	(1.7)	(10.8)
Impairment of right-of-use assets and other intangibles	-	-	(0.9)	(4.3)	(5.2)
Statutory profit/(loss) before income tax	**17.3**	**1.3**	**1.9**	**(29.3)**	**(8.8)**
Income tax (expense)/benefit	(4.8)	(0.5)	(0.4)	8.5	2.8
Statutory profit/(loss) for the half-year	**12.5**	**0.8**	**1.5**	**(20.8)**	**(6.0)**
Total loans and advances at 31 December 2023	2,702.2	429.1	634.5	885.0	4,650.8
AASB9 provision, unamortised direct transaction costs, contract liabilities and other debtors					(83.2)
Net loans and advances per the Statement of financial position					**4,567.6**

For the half-year ended 31 December 2022

A$m	Commercial	AU Cards	NZ Cards	PosPP	Total
Interest income	73.8	28.6	48.2	42.4	193.0
Fee and other income	11.5	9.5	9.2	17.2	47.4
Gross income	**85.3**	**38.1**	**57.4**	**59.6**	**240.4**
Cost of origination	–	(5.5)	(3.6)	(6.6)	(15.7)
Interest expense	(37.1)	(8.9)	(12.7)	(11.7)	(70.4)
Net operating income	**48.2**	**23.7**	**41.1**	**41.3**	**154.3**
Credit impairment charge	(8.6)	(6.2)	(10.9)	(13.8)	(39.5)
Marketing expenses	(0.3)	(1.9)	(4.4)	(3.3)	(9.9)
Employment expenses	(10.3)	(6.4)	(6.5)	(21.2)	(44.3)
Operating and other expenses	(7.6)	(6.8)	(6.1)	(17.3)	(37.8)
Depreciation and amortisation expenses	(1.4)	(1.5)	(5.7)	(1.8)	(10.4)
Impairment of goodwill and other intangibles	–	–	(2.2)	(0.6)	(2.8)
Statutory profit/(loss) before income tax	**20.0**	**0.9**	**5.3**	**(16.6)**	**9.6**
Income tax (expense)/benefit	(5.7)	–	(1.1)	4.7	(2.1)
Statutory profit/(loss) for the half-year	**14.3**	**0.9**	**4.2**	**(11.9)**	**7.5**
Total loans and advances at 31 December 2022	**1,945.8**	**437.8**	**606.6**	**797.1**	**3,787.3**
AASB9 provision, unamortised direct transaction costs, contract liabilities and other debtors					(56.5)
Net loans and advances per the Statement of financial position					**3,730.8**

NOTE 3. FEE AND OTHER INCOME

For the half-year ended 31 December 2023

A$m	Half-year ended 31 Dec 23	Half-year ended 31 Dec 22
Account service fees	22.6	25.3
Transaction processing fees	11.9	11.8
Leasing related income	8.6	8.4
Other income*	0.8	1.9
Total fee and other income	**43.9**	**47.4**

** Comparative information has been reclassified to align the presentation with the current period.*

NOTE 4. EXPENSES

Operating and other expenses

A$m	Half-year ended 31 Dec 23	Half-year ended 31 Dec 22
Information technology and communication	16.3	16.2
Professional and consulting	8.0	6.4
Office, insurance and travel	8.3	6.5
Onerous contracts	4.0	–
Legal provision[1]	1.1	0.3
Customer remediation programme	0.8	0.8
Other	6.4	7.6
Total operating and other expenses	**44.9**	**37.8**

1. Litigation for the statement of claim made by Sumitomo Mitsui Banking Corporation ("SMBC") in relation to Forum Finance is continuing to progress with negotiations still being undertaken. An amended statement of claim was filed by SMBC in July 2023 relating to a 2020 agreement between SMBC and Forum Finance, to which **humm**group (and its related entities) was not a party. **humm**group continues to defend its position. During the period ended 31 December 2023 the Group set aside an additional $1.1m in interest relating to this matter.

NOTE 5. CASH AND CASH EQUIVALENTS

A$m	31 Dec 23	30 Jun 23
Unrestricted	159.4	112.3
Restricted[1]	231.2	223.8
Total cash at bank and on hand	**390.6**	**336.1**

1. Represents amounts held as part of the Group's wholesale debt facilities. The restricted cash balances are distributed to various parties (including members of the Group) at a future date and are not available to the Group for any other purpose.

NOTE 6. LOANS AND ADVANCES

The table below presents the gross exposure of Loans and advances and related Expected Credit Loss ("ECL") allowance:

	As at 31 December 2023			As at 30 June 2023		
A$m	**Gross**	**ECL Allowance**	**Net**	**Gross**	**ECL Allowance**	**Net**
Finance lease receivables	84.9	(1.7)	83.2	94.9	(1.4)	93.5
Customer loans	1,962.6	(64.2)	1,898.4	1,861.8	(62.2)	1,799.6
Chattel loans	2,638.7	(52.7)	2,586.0	2,305.0	(44.5)	2,260.5
Loans and advances	**4,686.2**	**(118.6)**	**4,567.6**	**4,261.7**	**(108.1)**	**4,153.6**
Undrawn exposure on customer loans	–	(9.7)	(9.7)	–	(9.4)	(9.4)
Loans and advances less ECL allowance on undrawn exposure	**4,686.2**	**(128.3)**	**4,557.9**	**4,261.7**	**(117.5)**	**4,144.2**

During the period, ECL provision increased by $10.8m driven by volume growth. Macro-economic and product overlays are held to account for losses which may arise in the high interest, high inflation and slowing growth environment.

NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

The table below represents the movement in goodwill and other intangible assets:

A$m	Goodwill	IT development & software	Merchant & customer relationships	Brand name	Total
Balance as at 30 June 2023	**86.4**	**36.7**	**6.5**	**4.0**	**133.6**
Additions	–	7.5	–	–	7.5
Impairment[1]	–	(4.0)	–	–	(4.0)
Amortisation	–	(6.9)	(2.1)	–	(9.0)
Effect of movements in exchange rates	0.9	0.1	–	–	1.0
Balance as at 31 December 2023	**87.3**	**33.4**	**4.4**	**4.0**	**129.1**

1. For the six months ended 31 December 2023, $4.0m of software costs were impaired due to termination of a major partnership and the change in business focus.

NOTE 8. DIVIDENDS

A$m	Half-year ended 31 Dec 23	Half-year ended 31 Dec 22
Ordinary shares		
Dividends provided for or paid during the half-year		
Cash	3.3	4.4
Dividend reinvestment	1.8	2.5
Total dividends	**5.1**	**6.9**
Preference shares		
Dividends provided for or paid during the half-year	3.7	3.2

On 20 February 2024, the Group declared an interim dividend of 0.75 cent per ordinary share for the half-year ended 31 December 2023.

NOTE 9. CONTRIBUTED EQUITY

a) Movement in ordinary share capital

	Number of shares	$m
1 July 2023	504,036,346	458.2
Purchase of treasury shares	(6,100,872)	(2.7)
Share buy back	(6,842,820)	(3.0)
Transfer from share-based payment reserve	75,149	0.2
Dividend reinvestment plan	3,984,847	1.8
31 December 2023	**495,152,650**	**454.5**

b) Movement in subordinate perpetual notes

	Number of shares	$m
1 July 2023	49,129,075	53.6
31 December 2023	**49,129,075**	**53.6**

NOTE 10. CONTINGENCIES

Forum Finance

Litigation for the statement of claim made by SMBC in relation to Forum Finance is continuing to progress with negotiations still being undertaken. An amended statement of claim was filed by SMBC in July 2023 relating to a 2020 agreement between SMBC and Forum Finance, to which **humm**group (and its related entities) was not a party. **humm**group continues to defend its position.

As at 31 December 2023, a provision of $17.6m (June 2023: $16.5m) has been set aside for this matter.

Remediation and regulatory enforcement

The Group is exposed to contingent risks and liabilities arising from investigations carried out internally or by regulatory authorities into past conduct. Whilst the Group has provided for exposures related to known matters arising from investigations carried out internally or by regulatory authorities into past conduct due to the inherent complexity, uncertainty and ongoing nature of its business, outcomes and potential liability to the Group from these emerging matters remain uncertain.

Other than the matters outlined above, the Group does not have any further material contingent liabilities.

NOTE 11. BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. In October 2023, the Group repaid $15.2m of corporate debt.

During the period, the Group raised $1.3b of new borrowings to support the continued growth of the Commercial business in Australia through the execution of two asset-backed securities transactions, in private placement format, under its Australian **flexicommercial** ABS programme.

In the Consumer businesses, the Group executed a $301.0m public asset-backed securities transaction under its Australian **humm** ABS programme and publicly issued NZ $152.0m of bullet notes under the New Zealand Cards master trust program.

Interest on borrowings is charged at wholesale funding costs being a benchmark interest rate (BBSW or equivalent) plus a margin.

A$m	Dec 23	Jun 23
Secured loans	4,444.8	3,940.5
Corporate debt	61.1	75.7
Total borrowings	**4,505.9**	**4,016.2**

NOTE 12. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value reflects the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date. There were no transfers between levels for recurring fair value measurements during the period.

Fair value hierarchy

Financial instruments measured at fair value are categorised under a three-level hierarchy as outlined below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has assessed its financial instruments recorded at fair value and are categorised as per below under fair value hierarchy.

The table below summarises the carrying amount and fair value of financial assets and financial liabilities held at amortised cost.

A$m	Carrying amount 31 Dec 23	Fair value 31 Dec 23	Carrying amount 30 Jun 23	Fair value 30 Jun 23	Level of Fair Value Hierarchy
Financial assets					
Loans and advances	4,567.6	4,483.1	4,153.6	4,044.7	3
Derivative financial instruments	27.3	27.3	68.5	68.5	2
Financial liabilities					
Borrowings (Floating interest rate)	4,505.9	4,506.1	4,016.2	3,990.6	3
Derivative financial instruments	9.0	9.0	–	–	2

Valuation technique

The following table shows the valuation techniques used in measuring fair values for financial instruments.

	Valuation technique
Loans and advances	The fair values are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the customers.
Borrowings	The fair value is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group.
Interest rate swaps	The fair value is estimated as the present value of the future cash flows. Cash flows are discounted using yield curves reflecting benchmark interbank rate used by market participants. The fair value is subject to a credit risk adjustment to reflect the credit risk of **humm** and that of the counterparty.

NOTE 13. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Dividends

Dividends are determined after period-end and contained within the announcement of the results for the period. Interim dividends are determined in February and paid in April. Dividends determined are not recorded as a liability at the end of the period to which they relate. On 20 February 2024, the Group determined an interim ordinary dividend of 0.75 cent per share totalling $3.8m, which will be paid on 3 April 2024.

Other Matters

As at the date of this report the Directors are not aware of any matter or circumstances that has arisen since 31 December 2023 that has significantly affected, or may significantly affect:

- the Group's operation in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of Directors of humm Group Limited ABN 75 122 574 583, we state that:

In the opinion of the Directors:

a. the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standard AASB *134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
   (ii) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

b. there are reasonable grounds to believe that humm Group Limited ABN 75 122 574 583 will be able to pay its debts as and when they become due and payable.

On behalf of the Board of humm Group Limited ABN 75 122 574 583.

Andrew Abercrombie
Chairperson
20 February 2024

AUDITOR'S REVIEW REPORT

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Independent auditor's review report to the members of humm group limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of humm group limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

R. Balfour

Richard Balfour
Partner
Sydney

20 February 2024

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