LATITUDE

Signed for the purposes of section 351 of the Corporations Act 2001 (Cth)

Signed: ....

Name: Michael Tilley

Capacity: Director of Latitude Group Holdings Limited (ACN 604 747 391) and Director of Latitude SaleCo Limited (ACN 625 845 874)

Date: 30 March 2021

PROSPECTUS

Joint Lead Managers

BofA SECURITIES CREDIT SUISSE Jefferies

LATITUDE GROUP HOLDINGS LIMITED
ACN 604 747 391

Important Notice

Offer

This Prospectus is issued by Latitude Group Holdings Limited (ABN 83 604 747 391) ('**Company**') and Latitude SaleCo Limited (ABN 74 625 845 874) ('**SaleCo**') for the purposes of Part 6D of the *Corporations Act 2001* (Cth) ('**Corporations Act**'). The offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares ('**Shares**') in the capital of the Company ('**Offer**').

Lodgement and Listing

This Prospectus is dated 30 March 2021 ('**Prospectus Date**') and was lodged with the Australian Securities and Investments Commission ('**ASIC**') on that date. The Company will apply to ASX Limited (ABN 98 008 624 691) ('**ASX**') within seven days of the Prospectus Date for admission of the Company to the Official List and quotation of the Shares on the ASX. None of ASIC, the ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date

This Prospectus expires on the date that is 13 months after the Prospectus Date. No Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Note to Applicants

The information contained in this Prospectus is not personal financial product advice and does not take into account the investment objectives, financial situation and particular needs (including financial and taxation issues) of any prospective Investor. This Prospectus should not be construed as financial, taxation, legal or other advice. Neither the Company nor SaleCo is licensed to provide financial product advice in respect of the Shares or any other financial products.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company.

In considering the prospects of the Company, you should consider the risk factors that could affect the financial performance of the Company. You should carefully consider these factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your stockbroker, solicitor, accountant, financial adviser, tax adviser or other independent professional adviser before deciding whether to invest in Shares. Some of the risk factors that should be considered by prospective Investors are set out in Section 5.

There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

Exposure Period

The Corporations Act prohibits the Company from processing applications to subscribe for Shares under this Prospectus ('**Applications**') in the seven-day period after the date of lodgement of this Prospectus with ASIC ('**Exposure Period**').

The Exposure Period may be extended by ASIC by up to a further seven days. The Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of that period. No interest will be paid on any Application Monies received or refunded. No preference will be conferred on Applications received during the Exposure Period.

Obtaining a copy of this Prospectus

The Company proposes to make this Prospectus available in electronic form on its IPO website www.latitudeipo.com.au.

The Offer constituted by this Prospectus in electronic form is available only to persons downloading it within Australia. It is not available to persons in other jurisdictions (including the United States) in which it would not be lawful to make such an offer or invitation.

Persons having received a copy of this Prospectus in its electronic form may, before the Closing Date, obtain a paper copy of this Prospectus (free of charge) by telephoning the Latitude IPO Offer Information Line on 1300 218 194 (within Australia) or +61 3 9415 4055 (outside Australia) from 8:30am to 5:00pm Australian Eastern Time ('**AET**'), Monday to Friday during the Offer Period (excluding public holidays).

Applications

Applications for Shares may only be made during the Offer Period by completing an application form attached to or accompanying this Prospectus, or in its paper copy form which may be downloaded in its entirety from www.latitudeipo.com.au.

The website and its content do not form part of this Prospectus and are not to be interpreted as part of, nor incorporated into, this Prospectus, which should form the sole basis of your investment decision. By making an Application, you represent and warrant that you were given access to this Prospectus.

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

Financial Information presentation

Section 4 sets out in detail the financial information referred to in this Prospectus. You should consider the basis of preparation and assumptions underlying the Financial Information as set out in Section 4. The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of IFRS, as issued by the IASB, as outlined in Section 4.2.2.

All amounts disclosed in the tables are presented in Australian dollars ('**A$**' or '**$**') and, unless otherwise noted, are rounded to the nearest A$0.1 million. Calculations within tables, charts and graphs have been calculated from underlying source information and hence may not reconcile with rounded calculations.

The historical financial information in this Prospectus should be read in conjunction with, and qualified by reference to, the information contained in Sections 4 and 5.

Investors should be aware that certain financial data included in this Prospectus is 'non-IFRS financial information' under Regulatory Guide 230: *Disclosing non-IFRS financial information*, published by ASIC.

The Company believes this non-IFRS Financial Information provides useful information to users in measuring the financial performance and financial condition of Latitude.

The non-IFRS measures do not have standardised meanings prescribed by AAS and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with AAS.

Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios included in this Prospectus.

Unless otherwise stated or implied, all pro forma data in this Prospectus includes the impacts of pro forma adjustments referred to in Section 4.

Market and Industry Data based primarily on Management Estimates

This Prospectus (and in particular, Section 2) contains data and other information relating to the industries, segments and end-markets in which Latitude operates ('**Market and Industry Data**'). Such information includes, but is not limited to, statements and data relating to market share, estimated historical and forecast market growth, market trends and Latitude's position. Unless otherwise stated, the information has been prepared by Latitude using both publicly available data and its own internally generated data. Latitude's internally generated data is based on estimates and assumptions that both the Directors and Management believe to be reasonable, as at the Prospectus Date.

The Market and Industry Data has not been independently prepared or verified and neither Latitude nor Credit Suisse (Australia) Limited ('**Credit Suisse**'), Jefferies (Australia) Pty Ltd ('**Jefferies**') and Merrill Lynch Equities (Australia) Limited ('**Merrill Lynch**') (together, the '**Joint Lead Managers**') can assure Investors as to its accuracy or the accuracy of the underlying assumptions used to estimate such Market and Industry Data. Latitude's estimates involve risk and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in Section 5.

In addition to the Market and Industry Data, this Prospectus uses third-party market data, estimates and projections. Latitude has not independently verified this information. There is no assurance that any of the third-party projections contained in this information will be achieved.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Forward-looking statements

This Prospectus includes forward-looking statements. These statements are based on present economic and operating conditions, and on a number of best estimate assumptions of the Directors regarding future events and actions that, as at the Prospectus Date, are expected to take place (including the assumptions set out in Section 4).

This Prospectus contains forward-looking statements which are identified by words such as 'believes', 'considers', 'could', 'estimates', 'expects', 'intends', 'may', and other similar words that involve risks and uncertainties.

Any forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors (including the risks set out in Section 5), many of which are beyond the control of the Company, the Directors and Management. Forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, risk factors as set out in Section 5, the sensitivity analysis as set out in Section 4.8, and other information in this Prospectus.

Nothing in this Prospectus is a promise or representation as to the future. None of the Company, SaleCo or any other person warrants or gives any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and Investors are cautioned not to place undue reliance on these forward-looking statements. The Company has no intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information, contained in this Prospectus, except where required by law.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued or transferred under this Prospectus. This means that, except as required by law, you cannot withdraw your Application.

Photographs, diagrams and data

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Defined terms and time

Some of the terms and abbreviations used in this Prospectus have defined meanings. These are capitalised and defined in the Glossary of Financial Table Notes in Section 4.13 and the Glossary in Section 12. Unless otherwise stated or implied, references to times in this Prospectus are to AET.

Disclaimers

Except as required by law, and only to the extent so required, none of the Company, SaleCo, the Directors, the Existing Investors, the Joint Lead Managers or any other person in connection with the Offer warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, the Directors, the Existing Investors, the Joint Lead Managers or any other person in connection with the Offer. Investors should rely only on information in this Prospectus.

Credit Suisse, Jefferies and Merrill Lynch have acted as joint lead managers and bookrunners. As set out in Section 7, it is expected that the Shares will be quoted on the ASX initially on a conditional and deferred settlement basis. The Company, SaleCo, the Directors, the Joint Lead Managers, the Selling Shareholder, the Existing Investors and the Company's service provider Computershare Investor Services Pty Ltd ('**Share Registry**') disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements. The Share Registry has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus. The Joint Lead Managers have not authorised, permitted or caused the issue or lodgement, submission, despatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by them or by any of their affiliates, officers or employees. To the maximum extent permitted by law, the Joint Lead Managers and each of their respective affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

The Joint Lead Managers, the Co-Lead Managers, the Brokers and their respective related bodies corporate and affiliates, and any of their respective officers, directors, employees, partners, advisers or agents ('**Lead Manager Parties**') are involved in, or in the provision of, a wide range of financial services and businesses including (without limitation) securities trading and brokerage activities and

Important Notice

providing retail, private banking, commercial and investment banking, investment management, corporate finance, securities issuing, credit and derivative, trading and research products and services, including (without limitation) to, or in connection with, persons directly or indirectly involved with the Offer (such as the Selling Shareholder, Existing Investors and members of the Board) or interests associated with such persons, out of which conflicting interests or duties may arise. In the ordinary course of these activities, each of the Lead Manager Parties may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, including (without limitation) in debt or equity securities, loans, financing arrangements, or other financial accommodation, financial products or services, in connection with, or which rely on the performance of obligations by, interests associated with the Existing Investors, members of the Board or other persons that may be involved in the Offer.

To the extent the Joint Lead Managers, their respective related bodies corporate or affiliates, or any of their respective officers, directors, employees, partners, advisers or agents provide any information contained in this Prospectus to any person (whether by distributing this Prospectus, or in verbal communications or otherwise), they do so as a mere conduit of the Company and in reliance on this Prospectus.

Selling restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, the Shares have not been and will not be, registered under the *US Securities Act of 1933* or the laws of any state or other jurisdiction of the United States. Accordingly, the Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable US state securities laws.

The Offer is not being extended to any investor outside Australia, other than to certain Institutional Investors as part of the Institutional Offer.

Refer to Section 9.16 for more detail on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

Privacy

By filling out the Application Form to apply for Shares, you are providing personal information to the Company through the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry may collect, hold, use and disclose that personal information to process and assess your Application, service your needs as a Shareholder, provide facilities and services that you need or request, and carry out appropriate administration.

By completing an Application Form or authorising a broker to do so on your behalf, you agree to this information being collected, held, used and disclosed as set out in this Prospectus and the Company's privacy policy (as described below).

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application. Your personal information (e.g. your email) may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.

Your personal information may also be provided to the Company's agents and service providers and to SaleCo, Latitude Financial Services Limited (New Zealand company number 562 4865) and their respective subsidiaries on the basis that they deal with such information in accordance with the Company's privacy policy (if you are based in Australia) and as authorised under the *Privacy Act 1988* (Cth) and the *Privacy Act 2020* (NZ).

The agents and service providers of the Company may be located outside Australia and New Zealand where your personal information may not receive the same level of protection as that afforded under Australian law or New Zealand law (as applicable). The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of Shareholders;
- the Joint Lead Managers in order to assess your Application;
- printers and other companies for the purposes of preparation and distribution of statements and for handling mail;
- market research companies for the purposes of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purposes of administering, and advising on, the Shares and for associated actions.

You may request access to and correction of your personal information held by (or on behalf of) the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of Shares held) in its public register of members. The information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company, SaleCo, Latitude Financial Services Limited and their respective subsidiaries with legal and regulatory requirements. An Applicant has the right to access and correct the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law.

You can request access to and correction of your personal information by writing to or by telephoning the Share Registry as follows:

- 1300 218 194 (within Australia); or
- +61 3 9415 4055 (outside Australia),

from 8:30am to 5:00pm (AET), Monday to Friday during the Offer Period (excluding public holidays).

If any of your information is not correct or has changed, please contact the Share Registry or the Company to update your information. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible to certain members of the public.

You can obtain a copy of the Company's privacy policy for Australia by visiting the Company's website (https://www.latitudefinancial.com.au/privacy/). The privacy policy contains further details regarding access, correction and complaint rights and procedures.

It is recommended that you obtain a copy of this privacy policy and read it carefully before making any investment decision.

Offer management

The Offer is being arranged and managed by Credit Suisse, Jefferies and Merrill Lynch.

Report on Directors' forecasts and financial services guide

The provider of the Investigating Accountant's Report is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act.

The Investigating Accountant's Report and accompanying financial services guide are provided in Section 8.

Company website

Any references to documents included on the Latitude website, https://www.latitudefinancial.com.au or the Offer website, www.latitudeipo.com.au are for convenience only, and none of the documents or other information available on such websites is incorporated herein by reference.

Questions

If you have any questions about how to apply for Shares, please call the Latitude IPO Offer Information Line on 1300 218 194 (within Australia) or +61 3 9415 4055 (outside Australia) from 8:30am to 5:00pm (AET), Monday to Friday during the Offer Period (excluding public holidays) or contact your Broker.

Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your stockbroker, solicitor, accountant, financial adviser, tax adviser or other independent professional adviser before deciding whether to invest in the Company.

References to the Company and the Restructure

As at the Prospectus Date, the Selling Shareholder, a Singapore company owned jointly by the Existing Investors, is the ultimate holding company of Latitude.

The Company, the Selling Shareholder and the Existing Investors have entered into and undertaken a series of arrangements to implement a Restructure. Prior to the Prospectus Date, the Restructure steps included the transfer of the New Zealand operating entity Latitude Financial Services Limited and the beneficial interest in the New Zealand warehouse trusts to the Company and the termination of shareholder loan and services arrangements between Latitude and the Existing Investors.

There will also be a number of Restructure steps undertaken following the Prospectus Date. These are described in Section 9.4.1.

****This document is important and should be read in its entirety.****

Contents

Key Dates

Prospectus lodgement date	Tuesday, 30 March 2021
Broker Firm Offer and Employee Offer Opening Date	Monday, 12 April 2021
Broker Firm Offer and Employee Offer Closing Date	Friday, 16 April 2021
Expected commencement of trading of Shares on the ASX (on a conditional and deferred settlement basis)	Tuesday, 20 April 2021
Settlement	Wednesday, 21 April 2021
Completion (transfer of Shares)	Thursday, 22 April 2021
Expected commencement of trading of Shares on the ASX (on a normal settlement basis)	Thursday, 22 April 2021
Expected despatch of holding statements	Monday, 26 April 2021

Dates may change.

The dates above are indicative only and may be subject to change without notice.

The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary any or all of these times and dates (subject to the ASX Listing Rules and the Corporations Act), including to close the Offer early, extend the Offer, defer the Closing Date, accept late Applications either generally or in particular cases, transfer Shares at different times to investors, or withdraw the Offer, without prior notification. The quotation and commencement of trading of the Shares are subject to confirmation from the ASX. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are encouraged to submit their Application Forms as early as possible after the Offer opens. Times stated throughout this Prospectus refer to the time in AET.

Letter from the Chairman

Dear Investor,

On behalf of the Board of Directors, I am pleased to offer you the opportunity to become a shareholder in Latitude Group Holdings Limited ('**Company**').

Since its acquisition in November 2015, Latitude has established itself as a disruptor in payment and lending, combining the risk management processes and long-standing customer relationships fostered under its GE heritage with substantial investment to create a unified brand and experience for its partners and customers, with upgraded technology, an established funding platform and ongoing customer innovation.

Today, Latitude is a leading Instalments and Lending business, with 2.77 million customer accounts and more than 3,400 merchant partners (with over 10,600 outlets) in Australia and New Zealand. Latitude's merchant base covers major retailers across a wide range of living and lifestyle goods, including Apple, Harvey Norman, The Good Guys, JB Hi-Fi, Samsung and Luxury Escapes, and provides Latitude with significant scale and distribution for its Instalments and Lending products. Latitude's Lending products are also distributed by a network of over 5,800 accredited brokers in Australia and the Kiwibank's branch network in New Zealand.

Latitude's strength in leveraging lifecycle marketing and driving product graduation, has enabled Latitude to deliver a strong growth and return profile, achieving a Return on Equity ('**ROE**')[1] of ~18% for the 12 months ended 31 December 2020.

Latitude has made substantial investments in technology with the successful execution of the 'Latitude 2.0' strategy that concluded in 2020. Ongoing investments in Latitude's digital platform will continue, which is core to empowering customers and supporting both its existing merchants and other commercial partners and attracting new partner relationships. Technology is one source of competitive advantage that will enable Latitude to further innovate its products and platform to better service emerging customer and partner needs.

Latitude's growth is supported by its diverse funding profile, which provides significant funding capacity in a cost efficient manner. As at 31 December 2020, Latitude had committed facilities of A$8.2 billion with unutilised limits of A$2.3 billion to support future receivables growth. Between 2017 and February 2020, Latitude has established itself as a programmatic issuer, successfully completing seven public asset-backed securities ('**ABS**') issuances as part of its funding programme.

On 10th March 2021, Shinsei Bank Limited ('**Shinsei**') agreed to acquire a 10% interest in Latitude from the Existing Investors. It is anticipated that Shinsei will acquire a 9.95% interest prior to Completion and (subject to FIRB Approval) a further 0.05% following Completion. Once Shinsei has a holding of 10%, the Board will invite Shinsei to nominate a director to join the Board. The Board looks forward to working closely with Shinsei and the Existing Investors as we enter an exciting new phase for the Latitude business.

Latitude's listing on the ASX will provide an opportunity for others to invest in Latitude and Latitude with access to the public equity capital markets, which will improve its financial flexibility to pursue further growth opportunities. Following Completion, KVD Singapore Pte Ltd ('**KVDS**'), which is owned by KKR, Värde Partners and Deutsche Bank ('**Existing Investors**'), is expected to hold approximately 66.4% of the issued Shares.

This Prospectus contains detailed information about the Offer and the financial and operating performance of Latitude. As with all companies, Latitude is subject to a range of company-specific and general risks. These include the evolving regulatory landscape for financial services companies in Australia and New Zealand, further impacts of COVID-19 risks, risks associated with information technology and cybersecurity, adverse changes in consumer preferences and competitive threats, execution risks on initiatives and strategies, unfavourable macroeconomic conditions, and access to and cost of its funding. The material risks associated with investing in Latitude are detailed in Section 5. I encourage you to read this Prospectus carefully in its entirety before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a shareholder.

Yours sincerely,

Michael Tilley
Chairman of the Board

1 Refer to the Glossary of Financial Table Notes in Section 4.13 for further details.

1 Investment Overview

1 Investment Overview

1.1 Overview of Latitude

Topic	Summary	For more information
Who is Latitude?	Latitude is an Instalments and Lending business. Latitude provides innovative products and services that support the needs of customers and merchants and other commercial partners, leveraging its technology and database of customer information. Latitude's Business-to-Business-to-Consumer ('**B2B2C**') model focuses on supporting its partners to acquire customers combined with direct customer engagement aimed at increasing product utilisation and graduation to other products. Latitude offers its customers in Australia and New Zealand Instalments ('**L-Pay**') products and Lending ('**L-Money**') products. Insurance products were also offered until 2020 and are in the process of being relaunched as of early 2021. Headquartered in Melbourne, Australia, Latitude employs approximately 1,500 full-time equivalent ('**FTE**') staff as at 31 December 2020.	Section 2.1
What is Latitude's history?	Latitude traces its corporate history back to a range of acquisitions made by GE in Australia and New Zealand. In 2015, a consortium of investors consisting of KKR, Värde Partners, and Deutsche Bank ('**Existing Investors**') acquired the business from GE and the business was subsequently renamed Latitude Financial Services. Since the acquisition by the Existing Investors in 2015, Latitude has established itself as a standalone business, combining the risk management processes and long-standing customer relationships fostered under its GE heritage with substantial investment to create a unified brand and experience for its partners and customers. Over this period, Latitude has substantially upgraded its technology infrastructure, established a resilient funding platform and has a continuing focus on innovation that delivers for customers, partners and its shareholders.	Section 2.1.1
What is Latitude's strategy?	In late 2018, after the commencement of a new Chief Executive Officer ('**CEO**') (Ahmed Fahour), Latitude developed a revised business strategy focused on capturing growth opportunities in Instalments and Lending. Latitude's competitive advantage is its B2B2C business model that drives acquisition with partners and builds ongoing value with lifecycle marketing and product graduation. There are four priorities driving Latitude's strategy for long-term growth: 1. **Build momentum with partners** Ongoing focus on partner development and consumer acquisition and lifecycle marketing with opportunities in the "home economy". 2. **Grow Instalments** Continuing product development to provide a range of buy now, pay later ('**BNPL**') and interest free Instalment products for consumers and partners, enabling sales in-store and online.	Section 2.1.3

Topic	Summary	For more information
What is Latitude's strategy? continued	**3. Grow Lending** Utilising consumer finance specialist scale, risk and funding capabilities, and digital development to deliver a great experience for Latitude's brokers and customers. **4. Develop a low-cost digital platform organisation** Evolution of operating model and culture to foster a simpler, customer-centric and innovative technology organisation.	Section 2.1.3
What products does Latitude offer its customers?	Latitude offers customers in Australia and New Zealand the following products: • **Instalments (L-Pay):** provides access to convenient payment options for customers at customer check-out. Instalments enable the customer to obtain the good or service needed and the merchant to facilitate the sale. These payment options include: – **LatitudePay** and **Genoapay**, the BNPL product platform, which allow customers to purchase goods and services on an instalments (no-interest) basis with 10 equal weekly repayments. Latitude is planning to launch an extension of LatitudePay to Big Ticket BNPL in 2021; and – **Latitude GO**, **Latitude Gem** and **CreditLine**[2], which allow customers to purchase goods with long-term (up to 60 months) interest free credit, and use the card as a general purpose credit card, if enabled with Scheme functionality[3]; and • **Lending (L-Money):** provides customers with convenient access to an array of personal finance products, allowing the customer to choose a finance option best suited to their circumstances and needs at the time. Lending options are offered through a wide array of channels, including direct (online and by phone), third parties and Latitude's white-label partner. These products currently include: – **Credit cards (28° Global)**[4], which allow customers to make purchases on credit at the customer checkout, up to a pre-determined credit limit and typically provide for a monthly or per statement interest free period, with balances unpaid or accruing after this time subject to interest; – **Personal loans** provide finance to individuals for personal purposes (other than secured housing purposes), such as consolidating or refinancing debts and major purchases including car repairs, travelling, purchasing goods for around the home and undertaking small home renovations; and	Section 2.3

2 These are the Instalments products currently being originated by Latitude; however, Latitude has other Instalments products which have historically been issued and which existing customers may still use at all participating merchants (e.g. Buyer's Edge). Latitude GO and CreditLine are only available in Australia.

3 Scheme-enabled refers to Latitude's Instalments products that can be used anywhere Mastercard and Visa are accepted. Latitude currently has a suite of Scheme-enabled cards including: Latitude GO (in Australia only) and Latitude Gem Visa (in Australia and New Zealand) for L-Pay, and 28° Global (in Australia only) and Gem Essentials (in New Zealand only) for L-Money.

4 Latitude's credit card legacy portfolio includes Infinity Rewards (Australia), Latitude Eco Mastercard (Australia), Latitude Mastercard (Australia), Low Rate (Australia) and Onecard (New Zealand). 28° Global is only available in Australia.

Topic	Summary	For more information
What products does Latitude offer its customers? continued	– **Motor loans** comprises loans to individuals or businesses for the purposes of acquiring a new or used vehicle, such as a car or motorcycle, where that vehicle is used as security for the loan. Latitude will also extend motor loan lending to finance the acquisition of other recreational vehicles (such as caravans, boats and off-road vehicles). In addition, Hallmark Insurance historically provided insurance in connection with Latitude's Instalments and Lending products, covering price protection, merchandise protection, stolen cards and adverse life events. Issuing of these products ceased for personal loans from April 2020 in Australia and December 2020 in New Zealand, but are in the process of being relaunched as of early 2021. As of March 2021, Latitude has recommenced the sale of consumer credit insurance ('**CCI**') on personal loans in Australia only.	Section 2.3
How does Latitude generate its revenue and what are its key expenses?	Latitude's key revenue sources are: • **Net interest income:** interest charged to customers on Instalments products, credit cards, personal loans and motor loan balances; merchant service and transaction fees paid by merchant and commercial partners to Latitude; and establishment, annual, account keeping and late fees charged to customers; less interest expense and other associated costs of establishing and maintaining its various funding sources, third-party commissions and origination costs; • **Other operating income:** includes interchange income, statement fees and other fees and charges. Other operating income is offset by direct costs including credit card Scheme and related fees, partner loyalty fees, customer loyalty fees. For certain fee categories where fees are a pass-through of external costs due to customer channel selection, these costs are netted against the associated fees (e.g. paper statement fees, payment handling fees); and • **Net insurance income:** represents gross written premium ('**GWP**'), movement in unearned premium ('**UEP**') and investment income, offset by claims expenses, refunds (relating to the refund of premiums to customers due to loan refinancing or cancellation), external commissions and acquisition costs. Latitude's key expenses are: • **Loan impairment expense:** including both receivables written off and movement in provisions for impairment losses, net of recoveries of amounts previously written off; • **Employee benefit expense:** including employee salaries, incentives and related on-costs; and • **Other operating expense:** including occupancy, technology, brand and marketing activities, and depreciation and amortisation expense. Further detail on the components of Latitude's key sources of revenue and expenses are set out in Section 4.6.1 and in the Glossary of Financial Table Notes contained in Section 4.13.	Section 4

1 Investment Overview

Topic	Summary	For more information
How does Latitude acquire customers?	Latitude's B2B2C model focuses on supporting its partners to acquire customers combined with direct customer engagement aimed at increasing product utilisation and graduation to other products. Critical elements of this model are: • **Merchant partnerships:** Latitude offers its Instalments products through an established network of over 3,400 merchant partners, operating more than 10,600 outlets alongside their eCommerce channels across Australia and New Zealand[5]; • **Broker and bank (white-label) partnerships:** Latitude has a network of over 5,800 accredited brokers in Australia (of whom over 1,200 transact regularly with Latitude[6]) to distribute personal and motor loans in Australia. In New Zealand, Latitude has a white-label arrangement with Kiwibank to distribute Latitude lending products; and • **Direct channels and marketing:** Latitude has digital and call centre channels supported by data-driven acquisition and lifecycle marketing. Data-driven campaigns enable Latitude to meet new needs of customers as their circumstances change. Across all distribution channels, Latitude is committed to acting responsibly in all its interactions with customers, including engaging in responsible lending practices for its National Credit Code and *Credit Contracts and Consumer Finance Act 2003* (NZ) regulated products in Australia and New Zealand respectively.	Sections 2.1.4.1 and 2.2.2
What is Latitude's value proposition?	Latitude designs its products to deliver to customer needs and support long-standing, mutually beneficial relationships with its partners. Latitude believes these relationships drive customer acquisition by enabling both new and repeat customers to purchase goods and services with instalment plans. Features of Latitude's merchant proposition include: • Integrated, multi-channel offering; • Access to a large, established customer base; • Sales and programme support; and • Data-driven marketing. Latitude enables its customers to make purchases at the time of their choosing. Latitude aims to be available to the customer when needed and to make the process of payment and choice of finance simple and convenient. Features of Latitude's customer proposition include: • Diverse range of Instalments products and Lending options; • Convenient applications and automated decisioning; • Instant provisioning and use of funds; • Online self-servicing; and • Digital wallet payments.	Sections 2.2.1 and 2.2.2

5 As at 31 December 2020.
6 As at 31 December 2020, an active broker is one who submits at least one application to Latitude in the last three months.

Topic	Summary	For more information
Who are Latitude's customers?	Today, Latitude has 2.77 million customer accounts (as at 31 December 2020) and a transactional Net Promoter Score ('**NPS**') of +40[7]. Latitude possesses a high quality customer base with 52% of customers being homeowners[8], 70% of customers being full-time employed[9] and 94% being above 25 years old[10]. Latitude does not target or approve credit to individuals under the age of 18 or to subprime[11] borrowers.	Section 2.2.1
Who are Latitude's merchants and other commercial partners?	As at 31 December 2020, Latitude offers its Instalments products through an established network of 3,400+ merchant partners, consisting of 480+ merchant partners offering Latitude GO, Latitude Gem and CreditLine products in-store and online, and a further 2,970+ partners offering BNPL products in-store and online through LatitudePay and Genoapay. Additionally, there are 40+ merchant partners who offer both products. These partners operate more than 10,600 outlets across Australia and New Zealand. Latitude's merchant base covers major retailers providing a wide range of living and lifestyle goods, including Apple, Harvey Norman, The Good Guys, JB Hi-Fi[12], Samsung and Luxury Escapes. Latitude's personal and motor loans (in Australia only) are distributed via a network of over 5,800 accredited brokers in Australia (of whom over 1,200 transact regularly[13] with Latitude). Latitude does not currently have a broker network in New Zealand but is piloting the offer of personal loans and motor loans with a small number of brokers. Latitude also has an agreement with Kiwibank to distribute personal Lending products through Kiwibank's branch network and website in New Zealand.	Sections 2.1.4.1 and 2.2.2

7 Transactional NPS refers to NPS that is recorded immediately after a specific customer interaction. Period of measurement: 1 January 2020-31 December 2020.

8 Homeowners: data as at origination for Australian Instalments products, credit card and personal loan customers and New Zealand Instalments products and personal loan customers with open accounts as at 31 December 2020.

9 Employment: Australian and New Zealand credit cards and Instalments open accounts as at 31 December 2020.

10 Age: all products, excluding LatitudePay and Genoapay, data as at 31 December 2020.

11 While there is no Australian standard for subprime, Latitude considers subprime to be default rates in excess of 20%, which is outside Latitude's risk appetite. Refer to Section 3.7.3 for further discussion.

12 In respect of JB Hi-Fi stores in Australia only.

13 As at 31 December 2020, an active broker is one who submits at least one application to Latitude in the last three months.

Topic	Summary	For more information
How does Latitude's technology enable its business?	Latitude has the operating scale to compete and grow against large incumbents, while its growing digital and data capability enables it to compete with new FinTech companies. Latitude has made substantial investments, and plans to continue to make ongoing investments, in its digital platform. This is core to optimising customer experience and response times, including enabling a quick credit assessment and approval process for eligible customers. The ongoing innovation and development of new customer-centric products are designed to empower customers and attract new commercial partners. Latitude's technology enables: • **Customer experience:** new, digital product developments and online self-servicing leading to an enhanced user experience; • **Merchant and commercial partner integration:** integration with merchant and commercial partners', brokers' and other intermediaries' systems and processes, as well as the provision of customer insights to drive marketing initiatives and improve partner profitability; • **Risk management:** timely decision-making and customer risk assessment capabilities with Latitude's credit decision engine supported by a dedicated specialist team; and • **Operational efficiency:** online customer management underpins Latitude's scalable operating platform.	Sections 2.1.4.2 and 2.1.6
How does Latitude manage credit risk?	Latitude manages credit risk according to customer segments and product types across the customer lifecycle. Latitude's credit risk management function is responsible for developing and monitoring strategies to assess customer creditworthiness, allocating customer risk profiles (according to Latitude's proprietary risk scorecards) and determining risk-aligned collections activity. The credit risk management function works closely with Latitude's originations, fraud operations, servicing, and collections teams. Latitude's processes incorporate risk-based loan pricing and lending limits for its customers, allowing Latitude to approve credit to customers while also seeking to ensure adequate compensation for risk and maintain its net charge offs and delinquencies in accordance with Latitude's target risk appetite. Credit risk management is a core feature of Latitude's capability. Latitude has developed and refined its credit risk management capabilities, inclusive of proprietary scorecards that support credit decision strategies and insights, to foster prudent underwriting, portfolio management and effective controls.	Sections 2.1.4.4 and 3.5

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>How does Latitude fund its operations?</td><td>
Latitude's funding strategy aims to provide the business with funding diversity across multiple financiers, markets and facilities, and provides the business with scalability and stability with a balanced maturity profile. The funding programme has established Latitude's brand in the public securitisation markets, with over 50 financiers across its funding programmes, providing flexibility to scale the business and support future receivables growth.
Latitude's funding platform currently comprises:

Revolving Warehouse Facilities for Latitude's Instalments products and credit card receivables (in Australian and New Zealand dollars), personal loans receivables (in Australian and New Zealand dollars) and motor loans receivables (in Australian dollars);
Australian and New Zealand dollar ABS programmes for credit card receivables and Australian dollar ABS for personal loans receivables;
Cash reserves and operating cash flow;
Corporate debt facilities; and
An overdraft facility.

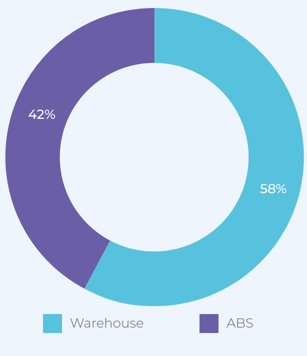
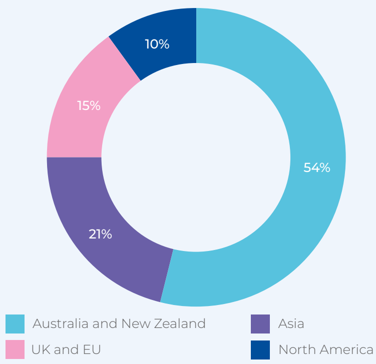
Latitude's funding programme has continued to provide scaled and cost-effective funding to support the growth in the business. Latitude was able to utilise its well-developed capabilities to rapidly respond and adapt to the changing environment created by COVID-19.
As at 31 December 2020, Latitude had committed facilities of A$8.2 billion with unutilised limits of A$2.3 billion to support future receivables growth. Between 2017 and February 2020, Latitude has established itself as a programmatic issuer, successfully completing seven public ABS issuances as part of its funding programme.
Figure 1: Principal funding sources as at 31 December 2020


Figure 2: Diversified debt investor base geographically as at 31 December 2020


</td><td>Section 3.8</td></tr>
</table>

1.2 Key financial metrics

Topic	Summary	For more information
What is Latitude's historical financial performance?	The Historical Financial Information contained in Section 4 relates to the entities comprising the Latitude Group of companies being: • The Company previously known as KVD Australia HoldCo Pty Ltd ('**KVDAH**') and its controlled entities, which collectively comprise the Australian operations of Latitude's consumer finance business, and Hallmark Insurance; and • Latitude Financial Services Limited ('**LFSL**') and its controlled entities, which collectively comprise the New Zealand operations of Latitude's consumer finance business. Following the Restructure, LFSL will be a wholly-owned subsidiary of the Company (together on a consolidated basis, '**Latitude**' or '**Group**'). The information in Section 4 should also be read in conjunction with the risk factors in Section 5 and other information contained in this Prospectus. Further information on Latitude's financing facilities is provided in Section 3.8. Investors should note that past results are not a guarantee of future performance. Prior to the Restructure, KVDAH and LFSL were separate and distinct for accounting purposes. The Group was not required to, and did not, prepare a single set of statutory financial statements on a consolidated basis. The Combined Historical Financial Statements have been prepared for the purposes of the Listing and for the disclosure of Historical Financial Information in this Prospectus and historical IPO processes. Details on the basis of preparation of the Combined Historical Financial Statements are set out in Section 4.2.2. The Pro Forma Historical Financial Information has been prepared solely for the purposes of inclusion in this Prospectus. The Pro Forma Historical Financial Information does not reflect the actual or prospective financial performance, financial position or cash flows of Latitude for the periods indicated. The Directors believe that the Pro Forma Historical Financial Information illustrates the historical performance of the business on a basis that is consistent with its ongoing operations following the Listing and without the one-off impact of the Restructure and the Listing.	Section 4

Topic	Summary	For more information
What is Latitude's historical financial performance? continued	**Table 1: Selected Pro Forma Historical Financial Information**	Section 4

A$ million	Note	FY18	FY19	FY20
		Pro forma historical		
Interest income	1	1,151.3	1,205.6	1,058.1
Interest expense	2	(271.8)	(258.2)	(178.0)
Net interest income		879.5	947.3	880.1
Other operating income	3	44.4	36.6	21.4
Net insurance income	4	60.2	51.0	32.7
Total other operating income		104.6	87.7	54.1
Total operating income		**984.1**	**1,035.0**	**934.2**
Loan impairment expense	5	(253.0)	(248.9)	(208.8)
Employee benefit expense	6	(183.8)	(190.8)	(184.8)
Other expenses	7	(178.3)	(181.2)	(173.5)
Depreciation and amortisation expense	8	(32.4)	(34.4)	(44.6)
Total operating expenses		(394.5)	(406.3)	(402.9)
Profit/(loss) before income tax and Significant items		**336.7**	**379.8**	**322.6**
Significant items	9	(24.4)	(91.2)	(62.7)
Amortisation of acquisition intangibles and structural changes	10	(80.0)	(73.1)	(73.1)
Profit/(loss) before income tax		**232.2**	**215.6**	**186.7**
Income tax (expense)/ benefit	11	(62.1)	(57.2)	(58.6)
Pro forma NPAT		**170.1**	**158.4**	**128.1**
Cash NPAT		**243.7**	**274.2**	**223.9**
Operating income (PcP)		n.a.	5.2%	(9.7)%
Cash NPAT growth (PcP)		n.a.	12.5%	(18.4)%
Cost to income ratio	34	40.1%	39.3%	43.1%
ROE	38	n.a.	n.a.	18.2%

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

Topic	Summary	For more information
What is Latitude's historical financial performance? continued	**Table 2: Selected key operating performance indicators** (see below); For more details on the pro forma adjustments to the Combined Historical Financial Statements, refer to Section 4.3.4. A summary of Combined Historical Financial Information is set out below; **Table 3: Selected Combined Historical Financial Information** (see below)	Section 4

Table 2: Selected key operating performance indicators

		Pro forma historical		
	Note	FY18	FY19	FY20
Operating				
Volume	22	8,859.4	8,886.0	7,032.0
Gross loan receivables	23	7,533.2	7,636.7	6,521.6
Average gross receivables ('**AGR**')	24	7,206.1	7,568.6	6,955.0

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

For more details on the pro forma adjustments to the Combined Historical Financial Statements, refer to Section 4.3.4. A summary of Combined Historical Financial Information is set out below:

Table 3: Selected Combined Historical Financial Information

		Combined historical		
	Note	FY18	FY19	FY20
Interest income	15	1,135.7	1,205.6	1,058.1
Interest expense	16	(363.2)	(362.0)	(278.6)
Net interest income		772.5	843.6	779.5
Other operating income	3	56.8	36.6	21.4
Net insurance income	4	60.2	51.0	22.5
Total other operating income		117.0	87.7	43.9
Total operating income		**889.5**	**931.2**	**823.4**
Loan impairment expense	17	(253.4)	(248.9)	(208.8)
Employee benefit expense	18	(173.0)	(190.6)	(202.0)
Other expenses	19	(262.3)	(283.0)	(234.6)
Depreciation and amortisation expense	20	(68.8)	(82.8)	(92.9)
Total operating expenses		(504.2)	(556.3)	(529.5)
Distribution to trust beneficiaries		(74.5)	(103.5)	(104.3)
Profit/(loss) before income tax		**57.5**	**22.6**	**(19.3)**
Income tax (expense)/benefit	21	(13.2)	(5.0)	(9.5)
Combined NPAT from continuing operations		**44.3**	**17.6**	**(28.8)**
NPAT from discontinued operations		–	1.8	(3.7)
Combined NPAT		**44.3**	**19.4**	**(32.6)**

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

Topic	Summary	For more information
What is Latitude's dividend policy?	Subject to future business conditions, available profits and franking credits and the financial position of Latitude, it is the current intention of Latitude to pay a progressive dividend. The Directors anticipate that the first interim dividend to Shareholders will be determined in respect of the six-month period to 30 June 2021 with reference to available profits within this period and the financial position of Latitude and will be unfranked. The planned future dividend payout ratio range is 60% to 70% of Cash NPAT. Assuming a FY21 result consistent with the FY20 Pro forma Financial Information, the Directors anticipate the first interim dividend will be approximately 65% to 70% of forecast Cash NPAT, equivalent to approximately A$79 million (7.85 cents per share) payable in October 2021, representing the six-month period to 30 June 2021. Further information on the current prospects of the Group are provided in Section 4.7. In assessing the dividend payment in future periods, the Directors at their discretion may consider a number of factors, including the general business environment, the operating results and financial condition of Latitude, future funding requirements, capital management initiatives, tax considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Latitude, and any other factors the Directors may consider relevant. Latitude may contemplate the inclusion of a dividend reinvestment programme.	Sections 4.7 and 4.9

1.3 Key strengths

Topic	Summary	For more information
B2B2C model with long-standing partners	Latitude's history and operating model are focused on supporting partners in a B2B2C model. Latitude has built a large and long-standing partnership network with over 3,400 merchant partners and over 10,600 outlets across its Instalments and Lending portfolios as at 31 December 2020. Ongoing innovation and new product development are designed to support Latitude's partnerships and also attract new partners. With the anticipated launch of LatitudePay Big Ticket in 2021, Latitude has significant opportunity to acquire new partners in home and health segments. Latitude utilises a number of third-party intermediated origination channels, including a network of brokers in Australia for personal or motor loans and its white-label partner, Kiwibank, who originate Lending products under their own brand in New Zealand.	Sections 2.1.4.1 and 2.1.6
A scaled Instalments and Lending product provider	Latitude has a scaled customer, merchant and commercial partner base, with 2.77 million customer accounts, which aggregated to A$7.0 billion in lending volume for the 12 months ended 31 December 2020.	Section 2.1.6

1 Investment Overview

Topic	Summary	For more information
Well-positioned for compelling growth opportunities	The Australian and New Zealand consumer payments and loans sectors are large with significant scope for Latitude to grow as a disruptor in both Instalments and Lending. Unwinding of management actions in response to COVID-19 will support future growth in the "home economy" and in other sectors, such as travel, as they recover. These management actions included tightened underwriting settings, reduction in outbound sales activity in personal loans, and reduction in some marketing activity. Ongoing developments of Latitude's Instalments platform with BNPL growth (LatitudePay and Genoapay), anticipated extension in Big Ticket BNPL and the refresh of Latitude GO and Latitude Gem Instalments experiences (and launch of interest free instalment plans for everyday spend above A$250 on Latitude GO) are creating new opportunities to grow with Latitude's partners and win new partners in sectors such as health. Increasing activation and penetration of Latitude's large broker network with service improvements alongside customer experience improvements such as online quoting, will support growth as the economy recovers. Some of Latitude's major partners operate internationally, particularly in Asia, and Latitude has opportunities to develop the Instalments business with partners in Asian markets.	Section 2.1.6
Focused on technology investments in partner and customer experience	Latitude has the operating scale to compete and grow against large incumbents, while its growing digital and data capability enables it to compete with new FinTech companies. Latitude has made substantial investments, and plans to continue to make ongoing investments, in its digital platform. This is core to optimising customer experience and response times, including enabling a quick credit assessment and approval process for eligible customers. Under the successful execution of the 'Latitude 2.0' strategy, Latitude launched new products including LatitudePay, enabling BNPL instalments capability to be brought to its merchant and consumer customers, and innovative features that differentiate the customer experience including instant card provisioning through the Latitude mobile app. The ongoing innovation and development of new customer-centric products are designed to empower customers and attract new commercial partners.	Sections 2.1.4.2 and 2.1.6

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Topic	Summary	For more information
Contemporary consumer brand and lifecycle marketing driving product graduation and customer engagement	Latitude has recognised brands in Australia (the Latitude brand) and New Zealand (the Gem brand). Since launch, Latitude brand awareness has grown to 37% prompted awareness in Australia and the Gem brand in New Zealand remains at 69% prompted brand awareness. Latitude also launched the LatitudePay brand in 2019. In its first year, the LatitudePay brand has achieved a prompted awareness of 35%, being the 3rd most recognisable among a selection of other BNPL players[14]. Latitude has an established lifecycle marketing capability that enhances product utilisation and graduation to new products. These data-driven campaigns enable Latitude to meet new needs of customers as their circumstances change, having regard to a customer's product stage and financial situation. Its lifecycle marketing and graduation outcomes include: • 84% of interest free Instalments product volume was generated from repeat purchases[15]; • 43% of Instalments products customers made at least one repeat instalments purchase[16]; • 50% of Instalments products customers reused their card as a general purpose credit card[17]; and • 38% of personal loan volume came from Instalments and credit card customers over 2020[18].	Sections 2.1.4 and 2.1.6

14 Latitude commissioned research "Brand awareness tracker – Nov Wave V4" (with sample sizes as follows: Latitude Brand, n=800, Gem brand, n= 800, LatitudePay, n=200).

15 Based on Australian Latitude GO MasterCard, Latitude Gem Visa, CreditLine and Buyer's Edge interest free volume for the 12 months to 31 December 2020.

16 Repeat interest free, Scheme credit card purchases, cash withdrawals are based on Latitude GO MasterCard and Latitude Gem Visa instalments products originated in each month of 2018 and whose customers within 24 months acquired another Latitude product or undertook repeat engagement with Latitude.

17 Repeat interest free, Scheme credit card purchases, cash withdrawals are based on Latitude GO MasterCard and Latitude Gem Visa instalments products originated in each month of 2018 and whose customers within 24 months acquired another Latitude product or undertook repeat engagement with Latitude.

18 Refers to the proportion of personal loan volume that comes from Instalments products customers that have migrated to Latitude personal loan products in Australia for the 12 months to 31 December 2020.

1 Investment Overview

Topic	Summary	For more information
Sophisticated risk management capability with proprietary customer data and risk scorecards	Latitude utilises proprietary customer data and data analytics from its Internal Bureau to assist with its underwriting decisions and help predict customer behaviour. For each individual customer, Latitude can collect up to 1,000 unique data points to drive smarter credit decisions, better understand customer preferences, increase acceptance rates and generate targeted marketing. Leveraging its rich, proprietary, through-the-cycle data and analytics expertise over the last 20+ years, Latitude has created proprietary models to enable risk-based pricing and sizing of its loan products over a broad pricing range. It has an established credit risk management infrastructure and process which are informed by its years of experience over many credit cycles in Australia and New Zealand. Latitude continues to update and improve its credit risk management capability and resultant credit decisions based on regular testing. The credit capabilities described above have built over time a high quality book in which 68.22% of the portfolio had a Credit Risk scale of either 1 or 2 as at 31 December 2020. Since January 2008, delinquencies (90+ days past due) on Latitude's Australian portfolio have trended between a band of 0.9% and 2.3% for revolving products, and 0.2% and 0.9% for personal loans. Annualised net charge offs have trended between a band of 2.9% and 5.9% for revolving products, and 2.6% and 6.3% for personal loans for the same period. Since January 2008, delinquencies in Latitude's New Zealand portfolio have trended between a band of 1.0% and 2.2% for revolving products, and 0.3% and 1.8% for personal loans. Annualised net charge offs have trended between a band of 2.0% and 4.3% for revolving products, and 1.4% and 9.4% for personal loans for the same period. Latitude's enterprise risk management framework and risk appetite statement aim to ensure that relevant risks in its business activities are appropriately identified, measured, monitored and controlled. It proactively seeks to comply with the evolving regulatory environment and address any changes with potential adverse impacts to the business. Latitude has invested in its technological platforms, which have been designed to both introduce new business and technology capabilities, while also taking steps to mitigate important operational and cybersecurity risks.	Sections 2.1.6, 3.5 and 3.7
An experienced management team and Board delivering on Latitude's business strategy	Latitude's experienced management team and Board has a demonstrated track record of executing successful business transformation and launching digital businesses. The management team has fostered a strong culture, driving employee satisfaction and engagement. Key to success has been an operating model and a culture that is customer-centric and innovative, adopting new technologies to support its objectives.	Sections 2.1.6 and 6.1

Topic	Summary	For more information
An established treasury funding platform	Latitude has: • an experienced Treasury team with an established funding platform including a diverse group of global and domestic institutional financiers; • a funding platform that comprises committed facilities of A$8.2 billion with unutilised limits of A$2.3 billion through a mix of Warehouse Facilities, and six outstanding public ABS issuances with typical revolving tenors of three to five years; • effective foreign exchange risk management by raising of funds in the same currency as its loans to customers (in Australian dollars and New Zealand dollars); • a low cost and effective funding structure, and no material maturities during FY21 with A$2.3 billion of headroom in its existing funding facilities to support growth over at least the next 12 months on a forecast basis; and • other funding and liquidity capacity via its corporate facility, overdraft limits and cash balances. Execution of Latitude's current funding strategy resulted in an interest expense/AGR of 3.41%[19] in FY19 and 2.56% for FY20 on a pro forma basis.	Sections 2.1.6 and 3.8

1.4 Key risks

Topic	Summary	For more information
Evolving regulatory requirements	**Current regulatory environment** Latitude is currently subject to a range of laws and regulations across Australia and New Zealand and is required to be licensed by, and/or registered with, various government regulators to offer a number of its products in those jurisdictions. There has also been significant regulatory reform and other activity in both Australia and New Zealand during recent years, which may impact Latitude's Instalments and Lending product offerings, as well as the insurance element of Latitude's business. There is a risk that Latitude could face legal or regulatory sanctions (including fines, bans or remediation orders), loss or restriction of its licences, damage to its reputation, or increased compliance cost as a result of any failure to comply with (or comply with developing interpretations of) applicable laws, regulations, licence conditions, codes of conduct and standards of good practice, including in relation to responsible lending and CCI, all of which could adversely impact Latitude's business, earnings and balance sheet. Refer to Section 5.2.1 for a specific discussion of key evolving regulatory requirements and their potential impact on Latitude, including compliance with responsible lending obligations (including in relation to the recent and ongoing ASIC and Australian Financial Complaints Authority ('**AFCA**') investigations and interactions) and obligations associated with the provision of insurance (including CCI and life insurance) and BNPL products.	Section 5.2.1

19 External debt only.

Topic	Summary	For more information
Evolving regulatory requirements continued	**Regulatory changes** The legislative and regulatory environment in which Latitude operates is subject to change, which may impact Latitude's business model. There have been a number of recent regulatory changes or public announcements on regulator expectations which have been made which may impact Latitude's business, where the consequences of these changes for Latitude's business may not yet be fully known or realised. There are also a number of legislative initiatives and regulatory reviews which have recently been completed or are underway in Australia and New Zealand which may lead to legislative changes impacting Latitude's business. These include: • Changes to responsible lending obligations in both Australia and New Zealand; • The potential implementation of the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry ('**Banking Royal Commission**'), in particular the abolition of the point of sale exemption and the development of a Financial Accountability Regime, and the potential for follow-on changes in New Zealand; • The introduction of product design and distribution obligations which apply to a number of Latitude's products; • ASIC's new product intervention power which permits it to introduce new regulations for certain credit and insurance products; • Increased breach reporting obligations; • The Amendments to the *Credit Contracts and Consumer Finance Act 2003* (NZ); and • Changes or potential changes to privacy laws in both Australia and New Zealand. Each of the above initiatives has, either in itself or through its potential consequences or effects, the potential to adversely affect Latitude's business in Australia and New Zealand. Further, Latitude cannot predict what legislative or regulatory changes may be made in the future or the impact on its business. Additional and increasingly complex new regulation may increase the cost of compliance (and the risk of non-compliance) for Latitude or compel Latitude to prioritise the implementation of systems or processes for compliance reasons, thereby delaying or impeding the implementation of other customer oriented or revenue generating initiatives. Pricing changes could also be necessary due to regulatory changes.	Section 5.2.1

Topic	Summary	For more information
Impacts of COVID-19	Events related to COVID-19 resulted in economic and financial disruption in the principal markets in which Latitude operates which, in turn, impacted aspects of Latitude's operations during FY20 and may continue to impact Latitude's business in the future. There is also an ongoing risk that the economic consequences of COVID-19 may become more severe across the economy, leading to a more widespread downturn in economic and business activity. Even after COVID-19 subsides, the Australian and New Zealand economies, as well as most other major economies, may continue to experience a recession and unemployment may rise further. A prolonged recession may potentially negatively impact lending volume and balances, debt servicing levels and consumer spending levels, may increase customer defaults and may adversely impact Latitude's financial performance and position. The extent to which stimulus packages, welfare and economic support may mitigate and/or defer the economic impact, including any credit losses Latitude may incur, is uncertain. There is also a risk that these packages (or any reforms and measures introduced as the packages are unwound) will create longer-term risks to the economy. This may also negatively impact consumer sentiment and may reduce demand for Latitude's products and services. The Federal and state governments in Australia, and the New Zealand Government, have imposed various measures to control the spread of COVID-19, such as social-distancing, public gathering restrictions, lockdowns, business closures and travel and trade restrictions (including border restrictions). These measures have had and may continue to have a significant impact on economic and business activity. There is a risk that Latitude's business may be impacted by the measures imposed by the Australian and New Zealand governments; however, it is not possible to predict the impact (or the magnitude of such impact) of these trends on Latitude's business.	Sections 4.4.4, 5.2.2 and 5.2.3

Topic	Summary	For more information
Information technology and cybersecurity	The financial services industry as a whole relies heavily on information technology. Latitude's ability to provide reliable services, pricing and accurate and timely reporting for its customers is dependent upon the ongoing performance of its information systems, software and telecommunications equipment which include specialised and proprietary software systems, third-party suppliers (including of software), IT infrastructure and back-end data processing systems. Latitude currently has legacy platforms which carry a risk of sub-optimal function or system failure. This, in turn, places a high degree of importance on Latitude's disaster recovery capability which at this stage is still developing. Latitude expects that new technologies and business processes applicable to the financial services industry will continue to emerge. Latitude's future success will depend, in part, on the effective use of technology to increase efficiency and to enable Latitude to better serve customers and reduce costs. To manage this risk, a key focus of Latitude's strategy is substantial investment in enhancing its technology and digital platforms and tools to improve its products and customer experience, and lower its costs. Oversight of the execution of this strategy is and will receive significant focus of Latitude's resources. Latitude devotes significant resources and management focus to ensuring the integrity of its systems through information security and business continuity programmes. Notwithstanding this, Latitude's systems are subject to the risk of external or internal security breaches, cyber-attacks, or other similar events. It is possible that the measures taken by Latitude will not be sufficient to detect or prevent unauthorised access to, or disclosure of, personal or confidential information, whether malicious or inadvertent. While Latitude maintains insurance policies in respect of such risks, cyber-attacks and other security breach events could interrupt Latitude's business or operations, and have an adverse impact on Latitude's reputation.	Section 5.2.4

Topic	Summary	For more information
Changing consumer preferences and competitive threats	The industry in which Latitude operates is subject to changing consumer trends, demands and preferences. Responding to new market trends can require significant investment. A failure by Latitude to anticipate, identify and react to these changes in a timely manner could lead to reduced demand and price reductions for Latitude's products. In this respect, there has been an increased preference of customers for debit over credit products and a decline in demand for unsecured personal lending and a growing preference for online vs in-store transactions. It is therefore key that Latitude focuses on developing new, and enhancing existing, products to provide an attractive payments offering to its existing and new merchants, as well as customers. However, there is no certainty that these initiatives will be successful in achieving their goals. A key part of Latitude's continuing financial success will depend on its ability to develop and commercialise new products and services or enhancements to existing products and services. Latitude's ability to develop, acquire or commercialise competitive technologies, products or services on acceptable terms or at all may also be limited by intellectual property rights that third parties, including competitors and potential competitors, may assert. In addition, success is dependent on factors such as partner and customer acceptance, adoption and usage, competition, effectiveness of marketing programmes, availability of appropriate technologies and business processes and regulatory approvals, none of which can be guaranteed.	Section 5.2.5
Execution risk on initiatives and strategies	There is no guarantee that any of Latitude's growth initiatives will be successfully implemented or that Latitude will deliver the expected returns arising from those initiatives. Latitude has implemented a number of significant initiatives designed to improve Latitude's risk management systems, enhance its services and new products provided to customers, and improve the efficiency of its business. There is a risk that the benefits of any initiatives currently being pursued may be subject to unexpected delays, that costs may overrun or that the initiatives, such as new product launches or potential acquisitions, may not generate the financial returns that are intended or that the failure to adequately execute these changes, particularly in an environment of intense change across Latitude's business, may increase operational and compliance risks or adversely impact customers. Latitude will also continue to consider, and may pursue, options with respect to inorganic growth, including by way of potential acquisitions by Latitude of other businesses. However, there is no certainty that any future acquisitions will be successful or will not expose Latitude's business to additional risk.	Section 5.2.6

Topic	Summary	For more information
Macroeconomic conditions	Macroeconomic factors affect the business and economic environment and, ultimately, the volume and profitability of Latitude's business. Global factors such as the impacts of COVID-19, slowing global growth and recessionary concerns, and capital market volatility, all have the potential to lead to extended periods of economic uncertainty and volatility in financial markets. Given the concentration of Latitude's business in Australia and New Zealand, it is particularly exposed to changes in macroeconomic conditions in those countries. Further, while interest rates are expected to stay low in the short to medium term, in the event of higher interest rates or inflation, or deterioration in Australian and New Zealand economic conditions, this may increase the likelihood that borrowers will become unemployed or have insufficient income to pay their debts. It may also decrease underlying customer spending that drives demand for Latitude's products. Further, consumer confidence and spending may not necessarily correspond with levels of unemployment or inflation, as consumer confidence and spending have waned even in the absence of such conditions against the backdrop of COVID-19 and the associated global uncertainty and slowdown.	Section 5.2.7
Access to, and cost of, funding	Latitude's funding platform currently comprises a mix of Warehouse Facilities, Term Securitisations, corporate debt facilities and cash deposits. Latitude depends on these sources to fund originations and for the funding of receivables and therefore may face funding risks. A loss of, or adverse impact on or in relation to, one or more of Latitude's funding sources, without access to alternative funding sources on comparable terms, could limit Latitude's ability to write new business or to write business on favourable terms, or to refinance expiring Warehouse Facilities and other facilities or meet additional requirements of capital to grow its business and invest in new product lines. Latitude, other than for personal and motor loans, does not generally enter into interest rate hedges to protect itself against increases in interest rates. If wholesale market interest rates rise, then Latitude's cost of borrowing will similarly rise. Any material increases in market funding costs and an inability to pass these increased costs on to customers and merchants may have a material impact on Latitude's future funding costs, adversely affecting Latitude's financial performance, net earnings and/or new sales volumes.	Section 5.2.8

Topic	Summary	For more information
Risk management	Latitude's risk management processes and procedures seek to appropriately balance risk and return and mitigate risks. If Latitude's risk management framework does not effectively identify and control these risks, Latitude could suffer unexpected losses or be adversely affected. There may also be risks that exist, or that develop in the future, that Latitude has not appropriately anticipated, identified or mitigated including when processes are changed, or new products and services are introduced. Some of the key risks to which Latitude is subject are: • **Operations and conduct:** operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events which affect Latitude's business. Latitude is exposed to operational risks including process error, internal and external fraud, system failure, failure of communications technology and failure of security and physical protection systems. Latitude also faces conduct risk – being the risk to the delivery of fair customer outcomes, or to market integrity. Loss from operational risk events could adversely affect Latitude's financial results, as well as divert staff away from their core roles to remediation activity; • **Credit:** Latitude is exposed to its customers' ability and willingness to meet their payment obligations during the term of their contracts. Latitude's business model recognises that a certain proportion of its customers will default on their payments, and Latitude has systems in place to monitor credit risk and likelihood of default, as well as collections processes. If Latitude's exposure to credit loss as a result of Latitude's customers failing to repay their obligations to Latitude is higher than expected, it will have a material adverse effect on Latitude's profitability; • **Fraud:** Latitude is exposed to the risk that customers, employees, partners, individual borrowers and other third parties may seek to commit fraud against Latitude or in connection with the products and services that Latitude provides. Latitude relies on its systems and processes, as well as certain external providers and processes, to identify fraud and minimise its impact should it occur. Failure of these controls and the subsequent underwriting of fraudulent loans could result in damage to Latitude's reputation or standing with funding providers; and • **Reliance on models:** Latitude relies extensively on models in managing many aspects of its business, including stress testing, forecasting, cash flow, customer selection, credit and other risk management, pricing and collections management. Models may prove in practice to be less predictive than Latitude expects for a variety of reasons. The errors or inaccuracies in Latitude's models may be material, and could lead Latitude to make wrong or suboptimal decisions in managing Latitude's business.	Section 5.2.9

Topic	Summary	For more information
Reliance on commercial partnerships	Latitude distributes its products through a number of channels and intermediaries, including merchant partners for its payments and Instalments products and brokers and white-label arrangements for its personal loan products. As a result, Latitude's future financial performance, prospects and financial condition depend in part on its ability to retain existing commercial partners, and attract new commercial partners, on acceptable terms. The terms of the distribution agreements with each of its merchants and other commercial partners vary, and there is no guarantee that Latitude will be able to negotiate new distribution agreements with any of its current merchants or other commercial partners on terms acceptable to Latitude upon expiry of the current arrangements. If one or more merchants or other commercial partners were to terminate their agreements for any reason, if their agreements were renewed on terms less favourable to Latitude, or if one or more merchants or other commercial partners were to default on their agreement, become insolvent, lose market share or cease to sell or broker products financed by Latitude (reducing the Latitude distribution network), Latitude's financial performance, prospects and financial condition could be adversely impacted. If Latitude fails to retain a number of its existing merchants or other commercial partner relationships, this could have a material adverse effect on Latitude's results of operations. Latitude's ability to retain existing and attract new merchants and other commercial partners ultimately depends on Latitude's ability to offer attractive products which merchants, brokers and white-label partners consider appropriate to the needs and preferences of their own customers.	Section 5.2.10
Brands and reputation	Latitude's business relies, to a large extent, on relationships and its reputation to attract and retain customers and merchants and other commercial partners. Maintaining the Latitude brand is important to attracting and expanding Latitude's customer base, solidifying Latitude's business relationships and reputation and implementing Latitude's business strategy. Any adverse perception of Latitude's reputation or image (or of others engaged in a similar business or activities) on the part of customers, partners, funding providers, rating agencies, regulators, investors and other counterparties, whether or not accurate, could adversely affect Latitude's business, operating and financial performance, and financial condition.	Section 5.2.11

Topic	Summary	For more information
Recruitment and retention of key employees	Latitude's successful operation relies on its ability to attract and retain experienced and high-performing employees with specialist skills (including, in particular, a highly experienced team of senior managers and executives). There is a risk that a failure to retain certain senior management and executives or other employees could lead to the loss of, or a change in the conditions attached to, Latitude's Australian financial services licence ('**AFSL**'). Failure to appropriately recruit and retain senior management and executives may adversely affect Latitude's ability to develop and implement its business strategies and result in a material increase in the costs of obtaining experienced senior management and executives and the potential irreplaceable loss of important subject matter expertise and knowledge unique to Latitude. Latitude is also reliant on attracting and retaining its workforce of skilled information technology and digital specialists. If Latitude does not attract and retain personnel with such skills, this may impact on its ability to achieve its strategic goals.	Section 5.2.12
Reliance on supplier contracts and other agreements	There are a number of risks associated with Latitude's existing contracts and agreements (outside the distribution agreements with its merchants and other commercial partners described above), including those related to key information technology contracts with third-party suppliers. There is a risk that Latitude's existing contracts may be terminated, lost or impaired or renewed on less favourable terms. Some of Latitude's contracts can be terminated without cause or on short notice periods, and although the relevant parties may continue to operate on existing commercial terms, a number of Latitude's existing contracts have expired or will shortly expire. A number of Latitude's contracts contain change of control provisions which may be triggered by the Listing. In the event that a consent requirement is triggered and a change of control consent is not obtained from the relevant counterparty, there is a risk that the contract could be terminated. Further, Latitude is exposed to the risk that one or more of its third-party suppliers may have failures in or interruptions to their operational processes and controls, default on their agreement with Latitude, become insolvent, lose market share or otherwise cease to be able to provide products or services to Latitude at its previous standards or in accordance with Latitude's performance requirements. Additionally, Latitude is subject to a number of ongoing contractual obligations to counterparties, including obligations to make certain payments and to comply with certain regulatory (including industry) requirements, which the failure to comply with may lead, in certain circumstances, to termination of the relevant agreement. Latitude is also subject to various levels of potential liability under indemnity provisions in a number of its contracts and agreements.	Section 5.2.13

Topic	Summary	For more information
Other risks	A number of other risks relating specifically to an investment in Latitude and generally to an investment in the Shares are included in Section 5, including risks associated with the impairment of intangible assets, changes in foreign exchange rates, protection of intellectual property, interchange fees, litigation, continuing interest of the Selling Shareholder and Minority Investors, price and liquidity of shares, exposure to changes in tax rules or their interpretation, inability to make dividend distributions, acquisitions and dilutions, force majeure events and uncertainty of forward-looking information.	Sections 5.2 and 5.3

1.5 Key Offer statistics

Topic	Summary		For more information
What are the key Offer statistics?			Section 7.1
	Offer Price	A$2.60	
	Total number of Shares on issue at Completion	1,000.0	
	Market capitalisation at the Offer Price (A$ million)	$2,600.0	
	Total number of Shares available under the Offer	76.9 million[20]	
	Total proceeds under the Offer (A$ million)	$200.0	
	% of total Shares on issue at Completion that are subject to escrow arrangements	67.0%[21]	
What are the key investment metrics?			Section 7
	Offer Price/pro forma FY20 Cash NPAT per Share	11.6x	
	Implied annualised 1H21 dividend yield at the Offer Price	6.0%	

20 It is anticipated that the total number of Shares offered under the Institutional Offer and the Broker Offer will be, in aggregate, approximately 76.9 million, corresponding to total proceeds of A$200.0 million. The total number of Shares offered and proceeds received under the Offer will increase commensurate to the number of Shares finally allocated to Eligible Employees under the Employee Offer after the Prospectus Date. The Employee Offer will not impact the total number of Shares on issue at Completion or market capitalisation at the Offer Price.

21 This assumes that the shareholding of the Selling Shareholder on Completion will be approximately 663.7 million Shares (66.4% of issued Shares) – refer to Section 9.8.

1.6 Latitude's directors and senior executives

Topic	Summary	For more information
Who are the directors of Latitude?	• Michael Tilley – Independent Non-Executive Chairman • Ahmed Fahour – Managing Director and CEO • Mark Joiner – Independent Non-Executive Director • Alison Ledger – Independent Non-Executive Director • Scott Bookmyer – Non-Executive Director (Shareholder Representative Director – KKR) • James Corcoran – Non-Executive Director (Shareholder Representative Director – Värde Partners) • Beaux Pontak – Non-Executive Director (Shareholder Representative Director – Deutsche Bank)	Section 6.1.1
Who are the senior executives of Latitude?	• Ahmed Fahour – Managing Director and CEO • Adrienne Duarte – Chief Financial Officer ('**CFO**') • Jo Mikleus – Chief Risk Officer • Andrew Walduck – Chief Operating Officer ('**COO**') • Chris Blake – Executive General Manager, Corporate Services • Paul Varro – Chief Commercial Officer • David Gelbak – Chief Customer Officer, New Zealand	Section 6.1.2

1.7 Significant interests of key people and related party transactions

Topic	Summary	For more information
Who are the Existing Investors, Minority Investors and the Selling Shareholder and what will their interest in the Company be before and after Completion?	The Existing Investors are KKR, Värde Partners and Deutsche Bank. KVDS ('**Selling Shareholder**') owns 100% of Latitude and is owned jointly by the Existing Investors as at the Prospectus Date. The Selling Shareholder will continue to be jointly owned, 41.2% by KKR, 32.9% by Värde Partners and 25.9% by Deutsche Bank, immediately after Completion. As at the Prospectus Date, certain Minority Investors also have an economic interest in Latitude via the Existing Investors or the Selling Shareholder. These Minority Investors are anticipated to realise this economic interest through receipt of Shares pursuant to the Restructure. The Selling Shareholder has entered into a sale and purchase agreement with Shinsei ('**Shinsei SPA**'), pursuant to which Shinsei has agreed to acquire a 10% share interest in the Company from the Selling Shareholder. It is currently anticipated that the sale and purchase of a 9.95% share interest will occur prior to Completion, with the sale and purchase of the remaining 0.05% share interest occurring after Completion subject to receipt of FIRB Approval. The shareholdings of the Selling Shareholder, the Minority Investors and Shinsei on Completion are expected to be as follows:	Sections 7.2 and 9.6

Shareholders	% of Shares held at Prospectus Date	Shares expected to be held on Completion (million)	% of Shares expected to be held on Completion
Selling Shareholder	100%[22,23]	663.7	66.4%[24]
Minority Investors	–	143.4	14.3%
Shinsei	–	99.5	9.95%
Total	**100.0%**	**906.6**	**90.7%**

22 Some of the shares held by Värde Partners in the Selling Shareholder at the Prospectus Date are subject to risk participation arrangements that have the effect of transferring the economic exposure to those shares to certain wealth management and institutional investors, and some of the shares held by Värde Partners in the Selling Shareholder at the Prospectus Date are held indirectly by certain institutional investors via a commingled co-investment vehicle that has the effect of transferring the economic exposure to those shares to such institutional investors. Prior to Completion, it is anticipated that some of these arrangements will be wound up and those parties with economic exposure to the Selling Shareholder under these arrangements will become Minority Investors.

23 Some of the shares originally held by Deutsche Bank in the Selling Shareholder were subject to risk participation arrangements that had the effect of transferring the economic exposure to those shares to certain wealth management and institutional investors. Prior to Completion it is anticipated that these arrangements will be wound up and those parties with economic exposure under these arrangements will become Minority Investors. The details of the Shares to be held by the Selling Shareholder on Completion do not include any Shares Deutsche Bank or an affiliate may acquire on an arm's length basis in the course of its asset management or equities business activities.

24 This represents the anticipated shareholding of the Selling Shareholder on Completion, taking into account the impact of the Institutional Offer and the Broker Firm Offer only. The Selling Shareholder's final shareholding is likely to be lower based on the number of Shares finally allocated to Eligible Employees under the Employee Offer subsequent to the Prospectus Date (refer to Section 7.6).

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr>
<td>What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?</td>
<td>
Pursuant to the Pre-Completion Equity Plans, the entitlements of certain Management Shareholders and certain Minority Investors connected with KKR will vest and be settled in Shares and cash on or about Completion.
On Completion, the Directors and other Management Shareholders will hold Shares as follows:
<table>
<tr><th>Shareholders</th><th>Shares expected to be held on Completion (millions)</th><th>% of Shares expected to be held on Completion</th></tr>
<tr><td>Non-Executive Directors</td><td>4.4</td><td>0.4%</td></tr>
<tr><td>Ahmed Fahour</td><td>2.7</td><td>0.3%</td></tr>
<tr><td>Other Management Shareholders</td><td>9.4</td><td>0.9%</td></tr>
</table>
Shares issued pursuant to the Pre-Completion Equity Plans will be issued under this Prospectus.
Participants in the Pre-Completion Equity Plans were provided with limited recourse loans in connection with their subscription for equity under the plan. On unwind of the Pre-Completion Equity Plans (to occur prior to Completion), the net balance of the associated loans will be repaid. There will be no outstanding loans from the Company (or any other member of the Latitude Group) in relation to the Pre-Completion Equity Plans at Completion.
The Company has established the Latitude Equity Plan (‘LEP’) to align participants’ interests with the interests of Shareholders by providing participants the opportunity to receive Shares through the granting of Restricted Shares and Rights in respect of the deferred short-term incentive (‘STI’) and long-term incentive (‘LTI’) components of remuneration.
In addition to the Managing Director and CEO, and the CFO, five other key management personnel will be offered Rights in respect of the 2021 LTI award. The number of 2021 LTI awards granted will be determined as soon as possible after Listing based on the reference price (VWAP of a Share over the five Trading Days prior to the grant date). The number of Restricted Shares in respect of the deferred component of the 2021 STI will be determined in early 2022, based on the STI awards earned for FY21. Details of these potential discretionary grants are discussed in Section 6.3.1.
Directors and Management Shareholders are otherwise entitled to remuneration and fees on commercial terms, including in respect of grants under the LEP, as disclosed in Sections 6.2.4, 6.2.5 and 6.2.6.
In addition, Ahmed Fahour and the Selling Shareholder have entered into a call option arrangement (‘Call Option’) pursuant to which Mr Fahour has purchased (either directly or indirectly via an investment vehicle), in total, 16.5 million options with the features described in Section 6.2.2.5B, in three tranches, from the Selling Shareholder. Mr Fahour may exercise one or more tranches of the Call Option between 1 March 2023 and 31 March 2023. Mr Fahour may also exercise the Call Option on the occurrence of certain change of control events with respect to the Company. The Call Option has been entered into on an arm’s length basis and is described in Section 6.2.2.5B.
Advisers and service providers are entitled to fees for services in connection with the Offer as disclosed in Section 6.2.1.
</td>
<td>Sections 6.2, 6.3 and 7.2</td>
</tr>
</table>

Topic	Summary	For more information
Will any Shares be subject to restrictions on disposal following Completion?	Yes. The Escrowed Shareholders, being the Selling Shareholder and the Executive Shareholders, have agreed to enter into voluntary escrow arrangements in relation to Shares held by them on Completion as set out below. **Selling Shareholder** Approximately 66.4% of the Shares on issue at Completion will be held by the Selling Shareholder and will be subject to escrow arrangements. The Selling Shareholder has entered into an Escrow Deed with the Company which, subject to customary exceptions set out in Section 9.8.3, and subject to exceptions to facilitate completion of the acquisition by Shinsei of a further 0.05% share interest under the Shinsei SPA and to enable a transfer of a Share interest to a strategic investor in the circumstances described in Section 9.8.1, prevents the Selling Shareholder from dealing with its Escrowed Shares until: • (**first release**) in respect of such number of Escrowed Shares (up to a maximum of 10% of total Shares on issue) held by the Selling Shareholder as are required to be released from escrow in order to facilitate eligibility for inclusion of the Company in the S&P/ASX 300 index, on or after 4:15pm on the Trading Day following the day on which the Company releases its financial results for the half year ending 30 June 2021 to the ASX; • (**further release**) in respect of 50% of the Escrowed Shares held by the Selling Shareholder following the first release, on or after 4:15pm on the Trading Day following the day on which the Company releases its annual financial results for the year ending 31 December 2021 to the ASX; and • (**final release**) in respect of the remaining Escrowed Shares held by the Selling Shareholder, the start of trading on the second Trading Day after the date on which the Company releases its financial results for the half year ending 30 June 2022 to the ASX. **Executive Shareholders** Approximately 0.6% of the Shares on issue at Completion will be held by the Executive Shareholders and will be subject to escrow arrangements. Ahmed Fahour has agreed to enter into an Escrow Deed with the Company which, subject to the customary exceptions set out in Section 9.8.3, prevents him from dealing with his Escrowed Shares until the start of trading on 1 November 2022.	Section 9.8

Topic	Summary	For more information
Will any Shares be subject to restrictions on disposal following Completion? continued	Each of the other Executive Shareholders have agreed to enter into an Escrow Deed with the Company which, subject to the customary exceptions set out in Section 9.8.3, prevents the Executive Shareholders from dealing with their Escrowed Shares until: • (**initial release**) in respect of 50% of the Escrowed Shares held by each of the Executive Shareholders at Completion, on or after 4:15pm on the Trading Day falling 30 days after the day on which the Company releases its annual financial results for the year ending 31 December 2021 to the ASX; and • (**final release**) in respect of the remaining Escrowed Shares held by the Executive Shareholders, the start of trading on the second Trading Day after the date that falls 30 days after the date on which the Company releases its financial results for the half year ending 30 June 2022 to the ASX.	Section 9.8

1.8 Overview of the Offer[25]

Topic	Summary	For more information
What is the Offer?	The Offer is a sale of approximately 76.9 million Shares by SaleCo. The Shares received by Successful Applicants will represent approximately 7.7% of the total Shares on issue upon Completion. The Offer is expected to raise gross proceeds of approximately A$200.0 million.	Section 7.1
What is the price of Shares under the Offer?	The Offer Price is A$2.60 per Share.	Section 7.1
Why is the Offer and Listing being conducted?	The Offer and Listing are being conducted to: • Allow the Existing Investors to realise a portion of their investment in Latitude; • Provide a market for the Shares and increase the liquidity of the Shares; • Provide an opportunity for others to invest in Latitude; and • Provide Latitude with access to the public equity capital markets, which will improve its financial flexibility to pursue further growth opportunities.	Section 7.1
What is the proposed use of the funds raised under the Offer?	All Shares to be sold under the Offer will be sold by and transferred from SaleCo. The Offer is expected to raise gross proceeds of approximately A$200.0 million, which will, after the deduction of certain fees and expenses, be paid to SaleCo and ultimately distributed to the Existing Investors. The Selling Shareholder will be responsible for the payment of all transaction costs associated with the Offer. No proceeds of the Offer will be received by the Company.	Section 7.1.3

25 Figures in this Prospectus relating to the size of the Offer, the amount of proceeds of the Offer and final shareholdings (unless otherwise stated) are approximate figures taking into account the impact of the Institutional Offer and the Broker Firm Offer only. The size of the Offer and the final Offer Proceeds are likely to be higher, and certain final shareholdings adjusted, based on the number of Shares finally allocated to Eligible Employees under the Employee Offer subsequent to the Prospectus Date. The total number of Shares on issue in the Company will not change.

1 Investment Overview

Topic	Summary	For more information
What is the Restructure?	As at the Prospectus Date, the Selling Shareholder, a Singapore company owned jointly by the Existing Investors, is the ultimate holding company of Latitude. The Company, the Selling Shareholder and the Existing Investors have entered into and undertaken a series of arrangements to implement a Restructure, in order to achieve the corporate structure as set out in Section 9.3. Prior to the Prospectus Date, the Restructure steps included the transfer of the New Zealand operating entity Latitude Financial Services Limited and the beneficial interest in the New Zealand warehouse trusts to the Company and the termination of shareholder loan and services arrangements between Latitude and the Existing Investors. Between the Prospectus Date and Completion: • The Management Shareholders will receive Shares as part of the unwind of the Pre-Completion Equity Plans; and • Certain Minority Investors will realise their economic interest in Latitude through receipt of Shares. The transfer of Shares to Minority Investors is expected to occur during the period of conditional and deferred settlement trading of Shares. As at Completion, the following material elements of the Restructure are expected to remain pending, subject only to the receipt of FIRB Approval: • The Company has entered into an agreement to acquire Latitude Financial Group Limited (ACN 625 845 883), an entity incorporated as part of the Company's terminated IPO process in 2019 which has remained dormant and which as at the Prospectus Date is wholly owned by Michael Tilley. Completion of this sale is conditional on FIRB Approval. As at the Prospectus Date, this entity holds a 100% interest in KVD Australia Insurance HoldCo Pty Ltd and KVD Treasury Pty Ltd, both dormant entities which hold no assets, as well as a 100% interest in KVCF Pty Ltd ('**KVCF**'). KVCF is a non-operating entity which holds as its sole asset the Group's trademark registrations. The consideration under the sale agreement is nominal and only title and capacity warranties are provided by the vendor. In order to ensure that the Company has the full benefit of Latitude's trademarks following Completion, KVCF and Latitude Financial Services Australia Holdings Pty Ltd have entered into a trademark licence agreement under which KVCF has granted Latitude Financial Services Australia Holdings Pty Ltd a perpetual, exclusive, sub-licensable, worldwide, assignable licence to use the Group's trademarks; and	Section 9.4.1

Topic	Summary	For more information
What is the Restructure? continued	• KVD Australia Pty Ltd ('**KVD Australia**') has entered into an agreement to acquire the legal and beneficial interests in the Australian warehouse trusts from the Existing Investors (or related entities of those parties). The consideration under the sale agreement is nominal and only title and capacity warranties are provided by the vendors. Completion of this sale is conditional on FIRB Approval. In order to ensure that the Company obtains the full economic benefit of the Australian warehouse trusts following Completion, the current holders of the legal and beneficial interests of the warehouse trusts have unconditionally and irrevocably assigned to the Company the present and future rights to the income (and associated distribution entitlements) attaching to those interests from and after 1 January 2021. Latitude will seek FIRB Approval for the Restructure steps described above as soon as practicable following Completion. If FIRB Approval is obtained, Latitude Financial Group Limited will be transferred to the Company and the legal and beneficial interests in the Australian warehouse trusts will be transferred to the Company as soon as reasonably practicable upon receipt of the approval. If FIRB does not provide approval for these transfers, the contractual arrangements described above will remain in place to ensure that the Company retains both the right to use the Group's trademarks held by KVCF and the economic benefit of the Australian warehouse trusts which form part of the business at all times following Completion. There is therefore not expected to be any negative impact on the Group if FIRB Approval is not obtained. As noted in Section 4.4.1, as part of the Restructure, Latitude has settled existing shareholder loans using cash and equity, and acquired amounts owed to the Selling Shareholder relating to unpaid distributions on Residual Income Units using cash, securitised notes and the establishment of an A$84.5 million Deferred Settlement arrangement with the Selling Shareholder. In connection with and for the duration of that Deferred Settlement arrangement, Latitude has agreed to continue to provide certain information relating to its financial position, corporate structure, ownership and risk compliance systems to the Selling Shareholder and the Selling Shareholder has agreed to provide certain information about it and the Existing Investors to Latitude to assist the parties in meeting Australian and foreign regulatory requirements. There may also be further Restructure steps undertaken following Completion that will involve the liquidation of certain dormant entities or intra-group transfer of other entities. Following these steps, it is anticipated that the final Group structure will be represented by the structure chart in Section 9.3.	Section 9.4.1
Who is the issuer of the Prospectus?	Latitude Group Holdings Limited (ACN 604 747 391) and Latitude SaleCo Limited (ACN 625 845 874) are joint issuers of this Prospectus.	Section 7.1

1 Investment Overview

Topic	Summary	For more information
Will the Shares be quoted on the ASX?	The Company will apply to the ASX for admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code "LFS"). Completion is conditional on the ASX approving the application. If approval is not given within three months after the Prospectus Date (or any longer period permitted by law), the Offer may be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.10
When can I sell my Shares on the ASX?	It is expected that trading of Shares on the ASX will commence on or about 20 April 2021 on a conditional and deferred settlement basis. It is expected that Shares will commence trading on the ASX on a normal settlement basis on 22 April 2021 and despatch of holding statements will occur on or about 26 April 2021. It is the responsibility of each Applicant to confirm their holding before trading their Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.	Section 7.3
How is the Offer structured?	The Offer comprises: • The **Institutional Offer** which is an offer to Institutional Investors in Australia, and certain other jurisdictions, made under this Prospectus; • The **Broker Firm Offer** which is open to Australian resident retail and sophisticated non-institutional investors who have received an allocation of Shares from a participating Broker; and • The **Employee Offer** which is open to Eligible Employees in Australia only.	Section 7.1
Is the Offer underwritten?	The Joint Lead Managers have underwritten the Offer (other than the Employee Offer) pursuant to the Underwriting Agreement.	Section 7.11
Who are the Joint Lead Managers and Co-Lead Managers of the Offer?	The Joint Lead Managers are Credit Suisse, Jefferies and Merrill Lynch. The Co-Lead Managers are Bell Potter, Commonwealth Securities, Deutsche Bank, Escala Partners and Ord Minnett.	Section 9.7

Topic	Summary	For more information
What is SaleCo and what role does it play in the Offer?	SaleCo is a special purpose vehicle that has been established to enable the Selling Shareholder to sell Shares. The Selling Shareholder has executed a deed in favour of SaleCo under which it will irrevocably offer to sell Shares to SaleCo free from encumbrances and third-party rights, conditional upon the commencement of conditional and deferred settlement trading of Shares on the ASX. The Shares that SaleCo obtains from the Selling Shareholder will be transferred to Successful Applicants. The price payable by SaleCo to the Selling Shareholder for these Shares is the Offer Price. SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the deeds described above. The sole shareholder of SaleCo is Michael Tilley. The directors of SaleCo are Michael Tilley, Mark Joiner and Alison Ledger. The Company has indemnified SaleCo and the directors and shareholder of SaleCo for any loss which SaleCo or the directors or shareholder of SaleCo may incur as a consequence of the Offer. Following Completion, SaleCo will be acquired by Latitude and subsequently deregistered.	Section 9.5
What is the allocation policy?	The allocation of Shares between the Institutional Offer and the Broker Firm Offer was determined by the Company and SaleCo, following engagement with the Existing Investors, after having consulted with the Joint Lead Managers. In respect of the Broker Firm Offer, each Broker will decide how it allocates Shares among its Australian resident retail and sophisticated non-institutional clients, and it (and not the Company, SaleCo or the Joint Lead Managers) will be responsible for ensuring that clients who have received an allocation from it receive the relevant Shares. In respect of the Employee Offer, Eligible Employees who validly apply for Shares are guaranteed to receive a minimum allocation of A$2,000 of Shares (rounded down to the nearest whole Share), subject to Completion. The allocation of any additional Shares to Eligible Employees is at the absolute discretion of the Company and SaleCo. The allocation of Shares under the Institutional Offer (including to broker sponsored bids) was determined by the Company and SaleCo, following engagement with the Existing Investors, after having consulted with the Joint Lead Managers.	Sections 7.4.2, 7.5.5 and 7.6.5
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty should be payable by Applicants on the acquisition of Shares under the Offer.	Section 7.3
What are the tax implications of investing in Shares?	The tax consequences for an Investor of any investment in the Shares will depend upon an Investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Sections 7.3 and 9.14

Topic	Summary	For more information
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched to Successful Applicants by standard post on or about 26 April 2021.	Section 7.3
What is the minimum Application size under the Offer?	The minimum Application size under the Broker Firm Offer is A$2,000 of Shares in aggregate. The minimum Application under the Employee Offer is A$2,000 of Shares in aggregate.	Sections 7.5.3 and 7.6.3
How can I apply?	If you are an eligible Investor, you may apply by completing a valid Application Form and/or following the instructions provided to you by your Broker. Eligible Employees will receive a personalised invitation to apply for Shares under the Employee Offer. Eligible Employees must comply with the instructions on their personalised invitation. To the extent permitted by law, an Application is irrevocable. Applications must be received on or before the Closing Date.	Sections 7.5.2 and 7.6.2
What are the restrictions applicable to foreign Investors?	Certain selling restrictions apply in relation to the Offer as set out in Section 9.16 and it is the responsibility of any Investor to ensure compliance with the laws of any country outside Australia relevant to their Application.	Section 9.16
Where can I find out more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to the Latitude IPO Offer Information Line on 1300 218 194 (within Australia) or +61 3 9415 4055 (outside Australia) from 8:30am to 5:00pm (AET), Monday to Friday during the Offer Period (excluding public holidays). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you require assistance to complete the Application Form, require additional copies of this Prospectus, are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser, tax adviser or other independent professional adviser before deciding whether to invest.	Section 7.3
Can the Offer be withdrawn?	The Company and SaleCo reserve the right not to proceed with the Offer at any time before transfers of Shares to Successful Applicants under the Offer have occurred. If the Offer does not proceed, Application Monies will be refunded to Applicants. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 7.9

2 | Company Overview

2 Company Overview

This Section 2 provides an overview of Latitude in the following areas:

- Business strategy, financial highlights and key strengths (Section 2.1);
- Customers, merchants and commercial partners (Section 2.2);
- Products and distribution (Section 2.3);
- Organisation (Section 2.4); and
- The regulatory environment in which Latitude operates (Section 2.5).

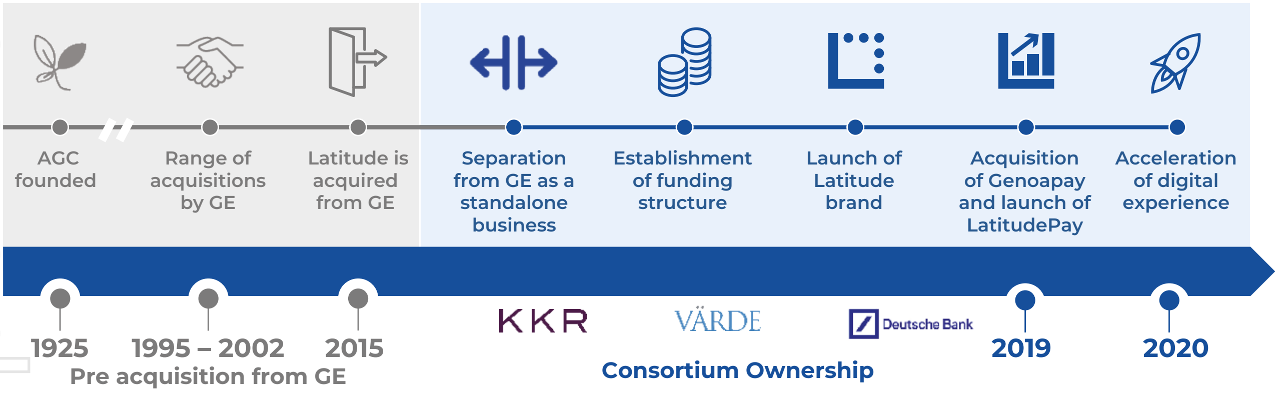
2.1 Introduction to Latitude

2.1.1 Business overview

Latitude is an Instalments and Lending business. Latitude has a long history of over 100 years dating back to the 1920s when Australian Guarantee Corporation ('**AGC**'), one of Latitude's predecessor businesses, was founded to provide finance for the purchasing of household items. Latitude's corporate history traces back to a range of acquisitions made by GE in Australia and New Zealand, including Nissan Finance, AVCO Financial (including Hallmark Insurance) and AGC.

In 2015, a consortium of investors led by KKR, Värde Partners and Deutsche Bank (together, the '**Existing Investors**') acquired the business from GE and the business was subsequently renamed Latitude Financial Services. The business today provides a range of Instalments products, Lending products and insurance products in Australia and New Zealand. Headquartered in Melbourne, Australia, Latitude employs approximately 1,500 FTE staff as at 31 December 2020. Latitude's corporate history is summarised in Figure 3.

Figure 3: Latitude's corporate history



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Key acquisitions	• 1998: Nissan Finance • 1999: AVCO Financial (including Hallmark Insurance) • 2002: AGC	• 2015: Acquisition of GE's consumer finance business in Australia and New Zealand • 2018: Acquisition of Genoapay to bolster payments capabilities
Business highlights	• 2005: Launch of Latitude GO • 2009: Establishment of personal loans and relationship with Kiwibank (NZ) • 2011: Launch of Latitude Gem, 28° Global • 2012: Launch of online capabilities • 2012: Launch of CreditLine	• 2015: Initial warehouse funding transactions • 2016: Launch of the Latitude brand • 2016: System separation from GE • 2016: Closure of personal loan branch network • 2016: Movement to centralised collections and servicing • 2018: Digital wallet payment capability • 2018: Launch of Latitude's mobile app • 2019: Successful integration of Genoapay • 2019: Launch of LatitudePay • 2020: New eCommerce application programming interface ('**API**') • 2020: Launch of FOMOPROMO campaign

Since the acquisition by the Existing Investors in 2015, Latitude has established itself as a standalone business, combining the risk management processes and long-standing customer relationships fostered under its GE heritage with substantial investment to create a unified brand and experience for its partners and customers. Over this period, Latitude has substantially upgraded its technology infrastructure, established a resilient funding platform and has a continuing focus on innovation that delivers for both customers, partners and its shareholders.

Today, Latitude has 2.77 million customer accounts (as at 31 December 2020) and a transactional NPS of +40[26].

Latitude offers customers in Australia and New Zealand the following products:

- **Instalments (L-Pay):** where the customer's need is to purchase goods or services and where Latitude provides a payment and finance solution for the merchant and customer to transact either with small purchases and weekly instalments (buy now, pay later ('**BNPL**')) or bigger purchases and monthly or flexible payments (interest free plans with/without Scheme[27] features) (refer to Section 2.3.2); and
- **Lending (L-Money):** where customers are directly considering their payments and financing needs for personal loans, motor loans or travel credit cards (refer to Section 2.3.3).

In addition, Hallmark Insurance provides insurance in connection with Latitude's Instalments and Lending products, covering price protection, merchandise protection, stolen cards and adverse life events (including death, disability, unemployment) (refer to Section 2.3.4).

Figure 4 summarises the key metrics of Latitude's Instalments and Lending products.

26 Transactional NPS refers to NPS that is recorded immediately after a specific customer interaction. Period of measurement: 1 January 2020-31 December 2020.

27 Refer to Section 2.3.2.3 and Glossary for further details.

Figure 4: Key metrics

Instalments[a]

BNPL

Big Ticket[b]

Latitude GO

Latitude Gem

CreditLine

31 December 2020 (A$m for AU and NZ$m for NZ)	AU	NZ	TOTAL (A$M)
Total open accounts[c] ('000)	1,745	464	2,210
FY20 Volume	3,290	1,077	4,305
Gross receivables	2,857	940	3,737
FY20 risk adjusted income ('RAI')[d] (pro forma)	337	106	437

Lending[a]

Personal loans

Motor loans

28° Global

31 December 2020 (A$m for AU and NZ$m for NZ)	AU	NZ	TOTAL (A$M)
Total open accounts[c] ('000)	516	46	562
FY20 Volume	2,426	319	2,727
Gross receivables	2,244	578	2,785
FY20 RAI[d] (pro forma)	208	68	273

Notes:

(a) Instalments and Lending metrics includes direct credit cards not originated anymore including Infinity Rewards and Low Rate.

(b) Big Ticket is an extension of the LatitudePay product that is expected to be launched in 2021. It is not included in the metrics shown. Refer to Section 2.3.2.2 for further details.

(c) Total open accounts is defined as active or dormant accounts, excluding bankruptcy, charge offs, deceased, fraud, litigations, customer requested to close, transferred accounts and accounts with LatitudePay and Genoapay.

(d) RAI is calculated as total operating income less net charge offs and is measured by Latitude to evaluate the risk adjusted margin on receivables after funding costs and net charge offs on Latitude's receivables before the allocation of expenses associated with the movement in provisions for losses as well as operating expenses. For insurance products, RAI is calculated as net premium income plus investment income less external commission costs and claims costs. See Note 25 in Section 4.13.

2.1.2 Latitude's opportunity

Changing customer preferences and digital transformation continue to disrupt the consumer payments and loans markets traditionally served by banks. These changes underpin the large market opportunities available to Latitude in Instalments and Lending and are discussed further in Section 2.1.6.

Figure 5: Overview of trends in segments Latitude operates in

	Large industries being disrupted	Latitude well positioned
Consumer payments CONSUMER SPENDING AU **$1.1tn**[a] NZ **$159bn**[b] RETAIL SPENDING AU **$351bn**[a] NZ **$99bn**[b]	• Consumers are embracing new payment options outside the domain of traditional banks • Payments and traditional credit cards are being disrupted by BNPL and interest free instalments • This is further fueled by the growth in eCommerce	**Instalments** LATITUDE'S BNPL AND INTEREST FREE PLATFORM IS WELL POSITIONED TO GAIN SHARE OF CONSUMER PAYMENTS • Largest provider of interest free instalment finance in Australia and New Zealand[e] • Fast growing BNPL and 3rd most recognised BNPL product in Australia[d] • Opportunities to grow with long-standing relationships with leading retailers and enter new segments
Consumer loans PERSONAL LOAN BALANCES AU **$11bn**[c] NZ **$2.5bn**[c]	• Consumers are considering alternatives away from traditional banks • Challengers with specialist consumer finance capabilities are disrupting traditional banks • Digital lending and open banking developments are providing significant opportunities	**Lending** LATITUDE'S SPECIALIST FOCUS PROVIDES OPPORTUNITY TO GAIN SHARE OF CONSUMER LOANS • Latitude is the 3rd largest unsecured personal loan lender by new volume in Australia, with share growth since 2016[c] • Scale, specialisation (credit risk, funding, data sets and focused investment) and graduation underpin Latitude's ability to disrupt this segment and increase its share • Ongoing digital lending development enhancing experience

Notes:

(a) Australian Bureau of Statistics.

(b) Reserve Bank of New Zealand.

(c) Latitude internal analysis.

(d) Latitude commissioned research by Kantar – "Brand awareness tracker – Nov Wave V4" with sample sizes (Latitude Brand, n=800, Gem brand, n= 800, LatitudePay, n=200).

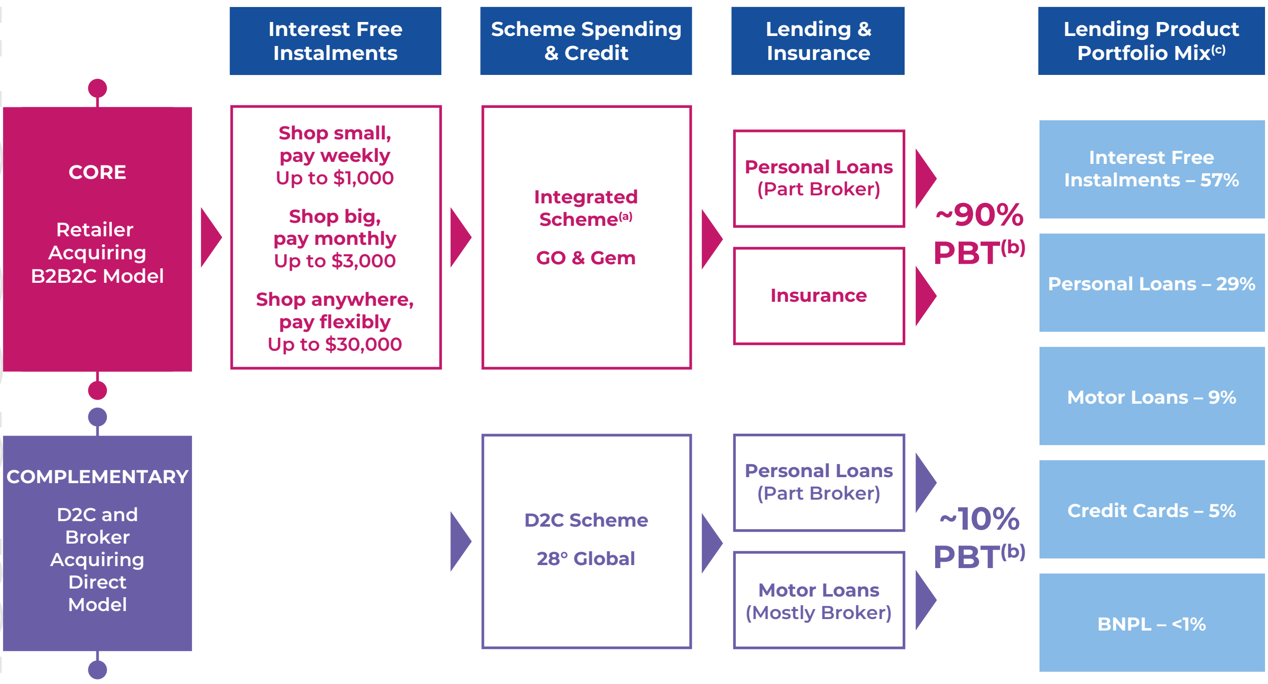
(e) Based on gross receivables.

2.1.3 Latitude's strategy

In late 2018, after the commencement of a new CEO (Ahmed Fahour), Latitude developed a revised business strategy to take advantage of the trends described in Section 2.1.2. Latitude embarked on a significant investment programme to reset its business and make foundational investments in technology, strategy execution and brand unification ('**Latitude 2.0**' – refer to Section 4.3.2), which are now complete.

Latitude's competitive advantage is its B2B2C business model outlined in Figure 6 that drives acquisition with partners and builds ongoing value with lifecycle marketing and product graduation.

Figure 6: Latitude's B2B2C business model



Notes:

(a) Refer to Section 2.3.2.3 and Glossary for further details.

(b) FY20 profit before tax.

(c) Proportion of group gross loan receivables as at 31 December 2020.

To drive the B2B2C model, Latitude has an established mission to be the preferred partner helping businesses grow and people shop and finance their lives. Integral to Latitude's strategy is to embed a culture conscious of responsibility with credit and that values actions and conduct in accordance with Latitude's values of Act right, Be curious, and Show care.

There are four priorities driving Latitude's strategy for long-term growth:

1. Build momentum with partners
2. Grow Instalments
3. Grow Lending
4. Develop a low-cost digital platform organisation

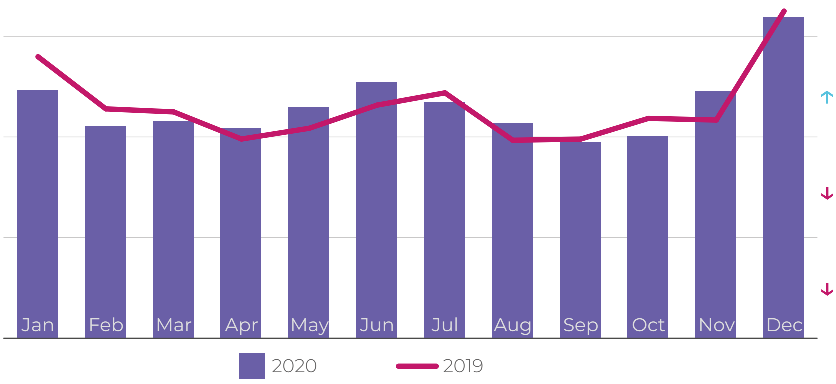
Build momentum with partners

The first pillar of Latitude's strategy builds on Latitude's established and profitable B2B2C business model by maintaining an organisational focus on current and new partner development. Latitude has continued to support its partners during COVID-19.

In Instalments, some of Latitude's partners have performed well (in terms of volume), for example in categories that relate to the "home economy" such as computers, electrical goods, furniture, bedding, BBQ and home interiors (refer to Figure 7).

Figure 7: Latitude Australian Instalments product relative volume, 2020 vs 2019, "home economy" categories

Instalment products volume – Australia 'Home economy' categories



- ↑ Strong sales in "home economy" categories (computers, electrical goods, furniture, bedding and general merchandise)
- ↓ Weaker sales in segments more exposed to COVID-19 impact: travel -73%, jewellery -37% home services -18% year-on-year ('YoY')
- ↓ Alongside Latitude tightening credit underwriting and reducing marketing

Latitude will continue to support its partners and benefit with them from the growth opportunities in the "home economy" as working from home trends continue, and from recovery in other sectors of the economy, such as travel. Key to Latitude's support is the marketing, data and customer acquisition capabilities that continue to be developed to support Latitude's partners. An example of this is Latitude's FOMOPROMO marketing campaign, which was developed in late 2020 and is described further in Section 2.1.4.1.

In Lending, Latitude is working with a broker network of over 5,800 accredited brokers, enhancing their experience and ensuring that the brokers can best serve their customers with Latitude's Lending products. Recent service level initiatives have improved time to yes and time to cash and contributed to a broker relationship NPS of +89 as at 31 December 2020[28] and the re-activation of 374 non-transacting brokers over the 3 months to 31 December 2020. Latitude also continues to work with its white-label partner Kiwibank.

Grow Instalments

There is significant opportunity for Latitude's Instalments platform as consumers shift away from traditional payment methods and credit cards. Latitude is continuing product development to provide a range of instalments options for consumers and merchants enabling:

- **Shop small, pay weekly** with BNPL product LatitudePay (up to A$1,000, 10 weeks);
- **Shop big, pay monthly** with the Big Ticket extension of LatitudePay (up to A$3,000-10,000, 24-36 months) to be launched in 2021; and
- **Shop anywhere, pay flexibly** with new digital developments and enhanced propositions for Latitude GO/Latitude Gem, including extending interest free shopping to everyday purchases above A$250 on the Latitude GO (up to A$30,000, 60 months) to be launched in 2021.

The acquisition of Genoapay in December 2018 and launch of LatitudePay in August 2019 have seen Latitude grow in "small ticket" BNPL to become the 3rd most recognised BNPL brand[29]. LatitudePay and Genoapay have been a customer acquisition engine for Latitude and part of this newly acquired customer cohort is expected to then graduate to Latitude's other products (refer to Section 2.3.2.1 for further details).

With the anticipated launch of LatitudePay Big Ticket in 2021, Latitude has significant opportunity to acquire new partners in home and health segments.

28 Broker – BDM Relationship NPS survey, December 2020, n=235 (survey sent via email and SMS).

29 Latitude commissioned research "Brand awareness tracker – Nov Wave V4" (with sample sizes as follows: Latitude Brand, n=800, Gem brand, n= 800, LatitudePay, n=200).

2 Company Overview

Grow Lending

Latitude has a significant opportunity to grow Lending as a specialist consumer finance business with scale, specialised risk and funding capabilities, ongoing digital Lending development and the ability to use lifecycle marketing to win Lending customers from the Instalments products customer base. This has been evidenced in the last three years with Latitude's market share in personal loans increasing by half, from 8% in 2017 to 12% in 2020[30].

In personal and motor loans, Latitude is focused on delivering a great end-to-end experience with fast decisioning and disbursement of funds for customers and brokers, with recent initiatives such as risk-based soft quoting online and new service level enhancements for brokers.

The evaluation of new digital Lending capabilities will continue as part of Latitude's future product roadmap (building on Latitude's existing digital Lending experience NPS of +41 and broker NPS of +68[31]). Latitude is also testing artificial intelligence ('**AI**') tools to drive graduation opportunities for Lending products from the growing Instalments products customer base.

There is also future opportunity to white-label or co-brand Lending products with partners, in a manner similar to the Kiwibank partnership in New Zealand.

Latitude has a uniquely positioned travel card for international spending – Latitude 28° Global. There is significant recovery potential when borders reopen and opportunities to further develop the customer experience in international shopping.

Develop a low-cost digital platform organisation

Latitude's operating model and culture are being adapted to foster a customer-centric and innovative technology organisation. Investment in leadership, ways of working, simplification, digitisation and technology continues alongside Latitude's product development roadmap. To enable this strategy, Latitude has implemented a senior leadership development programme – the Platform Leadership Experience. This programme is expected to provide a critical foundation to further enhance Latitude's culture and partner and customer outcomes.

COVID-19 accelerated Latitude's adoption of modern work practices, with the utilisation of technology enabling employees to work from home. This infrastructure and experience enable Latitude to examine a future hybrid working model, underpinned by an ongoing focus on the Latitude shared Values of Act right, Be curious, and Show care.

Latitude's technology continues to progress to an end state two-speed architecture, which includes the continual enhancement of Latitude's core systems alongside the integration of new digital systems to facilitate rapid development cycles for improving user experiences.

An ongoing major programme is to simplify products and processes as Latitude continues to invest in digitisation of the end-to-end experience for partners and customers.

2.1.4 Key capabilities

2.1.4.1 Partners, distribution and marketing

Latitude's B2B2C model focuses on supporting its partners to acquire customers combined with direct customer engagement aimed at increasing product utilisation and graduation to other products. Critical elements of this model are:

- **Merchant partnerships** – Latitude has a network of leading merchants. These merchants offer Latitude's Instalments products to complete sales in-store and online;
- **Broker and bank (white-label) partnerships** – Latitude has a network of third-party commissioned agents (in Australia) and a white-label arrangement with a bank (in New Zealand) to distribute Latitude's Lending products; and
- **Direct channels and marketing** – Latitude has digital and call centre channels supported by data-driven acquisition and lifecycle marketing. Latitude's lifecycle marketing capability enhances product utilisation and graduation to new products. Data-driven campaigns enable Latitude to meet new needs of customers as their circumstances change.

30 Latitude internal analysis.

31 Digital personal loan end-to-end application experience NPS, December 2020, n=1,258 (survey sent via email, must have submitted an application to qualify).

Across all distribution channels, Latitude is committed to acting responsibly in all its interactions with customers, including engaging in responsible lending practices for its National Credit Code and *Credit Contracts and Consumer Finance Act 2003* (NZ) regulated products in Australia and New Zealand respectively.

The channels are aligned to the product type and intended end customer, as set out in Table 4.

Table 4: Distribution channels across products

	Merchant partnerships	Direct	Accredited broker network	White-label
L-Pay				
BNPL	✓	✓		
Instalments	✓	✓		
L-Money				
Credit cards		✓		
Personal loans		✓	✓	✓
Motor loans		✓	✓	✓[(a)]

Notes: As at 31 December 2020.

(a) White-label motor loans for Kiwibank in New Zealand only.

Merchant partnerships – in-store and online

As at 31 December 2020, Latitude offers its Instalments products through an established network of over 3,400 merchant partners. These merchant partners operate more than 10,600 outlets alongside their eCommerce channels across Australia and New Zealand.

The B2B2C model joins Latitude and its merchant partners with their customers to create beneficial outcomes for each party. This model, and the quality of its merchant partners, is one of Latitude's strengths.

Figure 8 outlines the range of Latitude's merchant partners. For additional details on Latitude's merchant partners, refer to Section 2.2.2.

Figure 8: Selected Latitude's merchant partner base extends across various customer sectors

HARVEY NORMAN · **JB HI-FI** · **APPLE** · **SAMSUNG** · **THE GOOD GUYS**

99 BIKES · ADRIATIC · ALPINE · AMART FURNITURE · ANACONDA · ANDERSEN · ANGUS & COOTE · CATCH · APPLIANCE CONNEXION · COTTON:ON · MICHAEL HILL · LASERCLINICS

AT HOME · AUSTRALIAN CAREERS · AUTOBARN · BAY AUDIO · BAY LEATHER REPUBLIC · BBQ · BARBEQUES GALORE · BCF · PROUDS · PROUD FURNITURE · OZDESIGN FURNITURE

BEAUREPAIRES/GOODYEAR · BEDSHED · BEDS FOR BACKS · BEDS n DREAMS · BED R US · FURNITURE BEST · BETTA · BEVILLES · BIG PICTURE PEOPLE · BIKE CONNECT · NATIONAL TILES · NATIONAL HEARING CENTRE · SNOOZE · POOLWERX

FORCE · BILLIARD SHOP · BING LEE · BOB JANE T-MARTS · BRIDGESTONE · CAMERA HOUSE · CARECREDIT · SCOOPON · MITRE 10 · SPA WORLD · SALERA'S

CARPETCALL/SOLOMONS FLOORING · CARPET COURT · CARPET ONE · CHANDLERS FLOORING · CHOICES FLOORING · CITY HOLDEN · CLARK RUBBER · IGNITE TRAVEL GROUP · COMFORT STYLE · COMPLETE · PROVINCIAL HOME LIVING · KOGAN · RT EDWARDS

DELL · DENTALCORP · DENTAL PARTNERS · LASERSIGHT · DOLLAR CURTAINS · DREAMLAND · DRUMMOND GOLF · EARLY SETTLER · ENERGY AUSTRALIA · EUREKA STREET · ONE STOP · SONY · STIHL

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Notes: Selected merchant partners in Australia and New Zealand shown. Not all merchant partners operate in both markets.

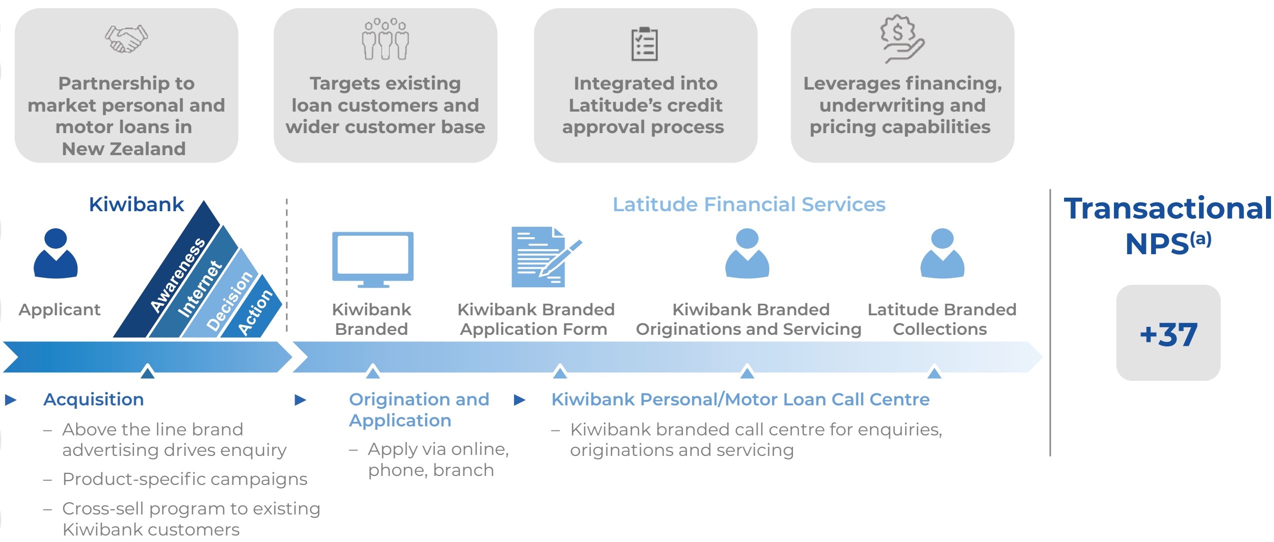
Broker and bank (white-label) partnerships

Latitude's personal and motor loans (Australia only) are distributed via a network of over 5,800 accredited brokers in Australia (of whom over 1,200 transact regularly[32] with Latitude). Latitude does not currently have a broker network in New Zealand but is piloting the offer of personal loans and motor loans with a small number of brokers.

In addition, Latitude also has an agreement with Kiwibank to distribute personal Lending products through Kiwibank's branch network and website in New Zealand (refer to Case study 1).

Case study 1: Latitude's relationship with Kiwibank

- In 2009, Latitude (then GE) entered into an agreement with Kiwibank to market personal and motor loans in New Zealand that were underwritten by GE.
- Customers are able to apply for loans through Kiwibank's website, over the phone and through referrals from Kiwibank's national network of branches, with applications integrated into Latitude's credit approval systems and processes.
- Kiwibank markets its loan offering through targeted campaigns, ongoing brand advertising and offers to existing Kiwibank personal and motor loan customers as well as Kiwibank's wider customer base.
- The relationship leverages Latitude's existing financing capacity, established underwriting.



Source: Company analysis.

Note:

(a) Transactional NPS refers to NPS that is recorded immediately after a specific customer interaction. Period of measurement: 1 January 2020-31 December 2020.

32 As at 31 December 2020, an active broker is one who submits at least one application to Latitude in the last three months.

Direct channels and marketing

Latitude has recognised consumer brands in Australia (the Latitude brand) and New Zealand (the Gem brand). Latitude continues to unify its products in Australia under a refreshed Latitude brand to enable greater marketing scale and build higher awareness. In New Zealand, Latitude continues to invest in the Gem brand.

Customers can apply online and be supported with call centre services. Latitude also has an established lifecycle marketing capability that enhances product utilisation and graduation to new products. These data-driven campaigns enable Latitude to meet new needs of customers as their circumstances change having regard to a customer's product stage and financial situation. Figure 9 illustrates the percentage of Instalments product customers who generate repeat or additional product sales.

Figure 9: Latitude's lifecycle marketing and graduation outcomes

Interest Free Instalments

84% of interest free Instalments products volume was generated from repeat purchases[(a)]

43% of Instalments products customers made at least one repeat instalment purchase[(b)]

Scheme Spending & Credit

50% of Instalments products customers reused their card as a general purpose credit card[(b)]

Lending

38% of personal loan volume comes from Instalments and credit card customers[(c)]

100% of insurance from existing customers[(d)]

Notes:

(a) Based on Australian Latitude GO, Latitude Gem, CreditLine and Buyer's Edge interest free volume for the 12 months to 31 December 2020.

(b) Repeat interest free, Scheme credit card purchases, cash withdrawals are based on Latitude GO and Latitude Gem Instalments products originated in each month of 2018 and whose customers within 24 months acquired another Latitude product or undertook repeat engagement with Latitude.

(c) Refers to the proportion of personal loan volume that comes from Instalments products customers that have migrated to Latitude personal loan products in Australia for the 12 months to 31 December 2020.

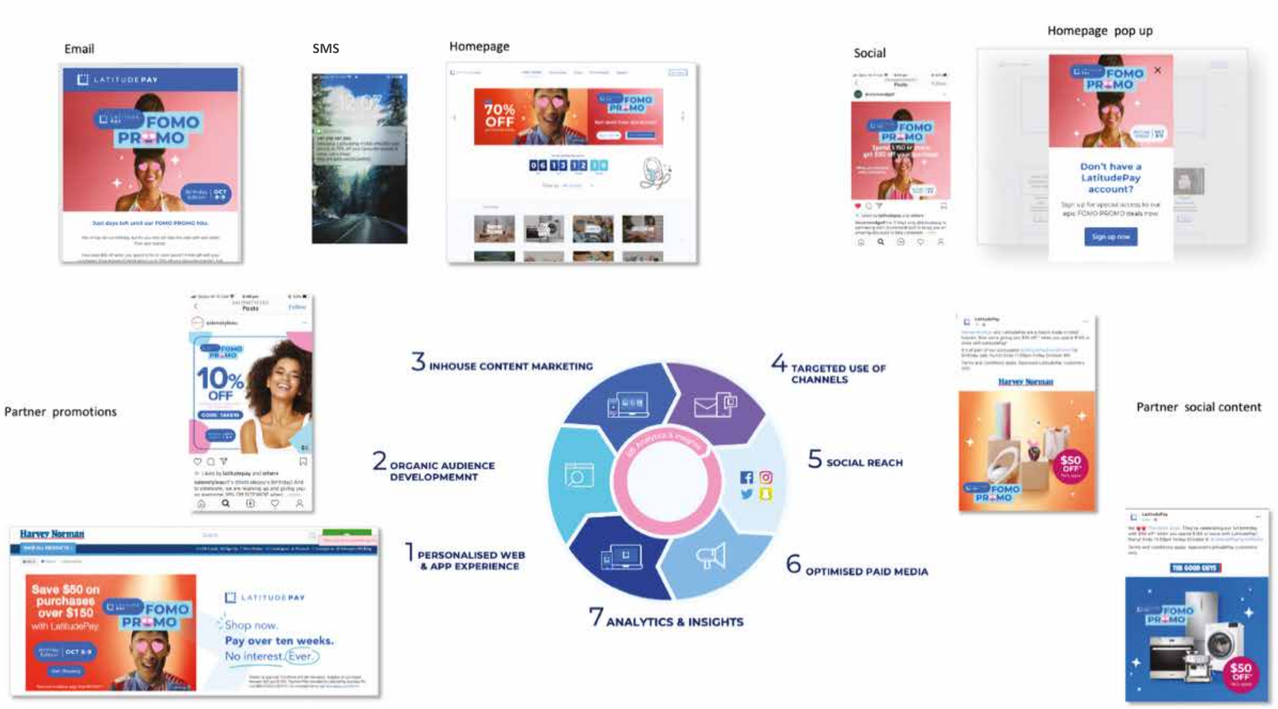
(d) Latitude's insurance business is still servicing a small number of run-off insurance policies not tied to current Latitude credit card customers.

Latitude also continues to invest in digital marketing capabilities and campaigns to drive partner sales highlighted by the recent LatitudePay FOMOPROMO campaign shown in Figure 10. This campaign resulted in a ~300% increase in volume at selected merchants[33] and ~200% increase in LatitudePay customer applications[34] during the few days of the campaign.

33 301% average increase at top 4 retailers week on week.

34 197% increase in customer applications week on week.

Figure 10: Latitude marketing capabilities applied to recent FOMOPROMO campaigns in Australia and New Zealand



2.1.4.2 Technology and innovation

Latitude has invested significantly in its technology and systems since its acquisition from GE in 2015.

Initial investments enabled complete separation from GE, followed by investments in upgrading, extending and adding new platforms for Latitude's Instalments business. This included implementing new digital and mobile engagement platforms, completing a complex upgrade of the core receivables platforms and building new originations and decisioning platforms to improve the speed and quality of credit decisions for customers and the business. Further, under the successful execution of the 'Latitude 2.0' strategy (refer to Section 4.3.2), Latitude launched new products including LatitudePay, enabling BNPL instalments capability to be brought to its merchant and consumer customers, and innovative features that differentiate the customer experience including instant card provisioning through the Latitude mobile app. Those investments focused on improving Latitude's specialist consumer finance capabilities are expected to increase as a proportion of Latitude's investment portfolio in the medium-term as COVID-19 recovery continues.

Latitude's technology team has a workforce of approximately 230 FTE staff as at 31 December 2020, and is supported by outsourcing arrangements, to maintain and support its technology infrastructure, databases and software. Latitude's technology platform enables critical capabilities central to its strategy, as indicated in Figure 11.

Figure 11: Technology supports Latitude's business operations

Customer Experience

- New digital product development such as LatitudePay and digital wallet capabilities.
- Online self-servicing for customers.
- Enhanced web and mobile user experience.

Merchant and Commercial Partner Integration

- Integration with systems and processes of Latitude's merchants and other commercial partners, brokers and intermediaries including new eCommerce plugins.
- Customer insights to drive marketing initiatives and improve profitability.

Risk Management

- Timely decision-making and customer risk assessment capabilities.
- Credit decision engine supported by a dedicated specialist team that enable scorecards, policy rules and decision parameters.

Operational Efficiencies

- Online customer management supports Latitude's scalable operating platform whereby customers can be serviced efficiently.

Latitude's technology strategy is focused on developing:

- **An active customer engagement platform** – AI powered customer acquisition and servicing platform which enables personalised customer experiences;
- **An intelligent decisioning engine** – first time, instant and accurate identity, fraud, credit and serviceability decisioning;
- **A partner API** – drive scale by powering digital ecosystems with eCommerce merchants and retailers; and
- **A real-time, feature core** – always-on, secure receivables and transaction platform with products enabled as features.

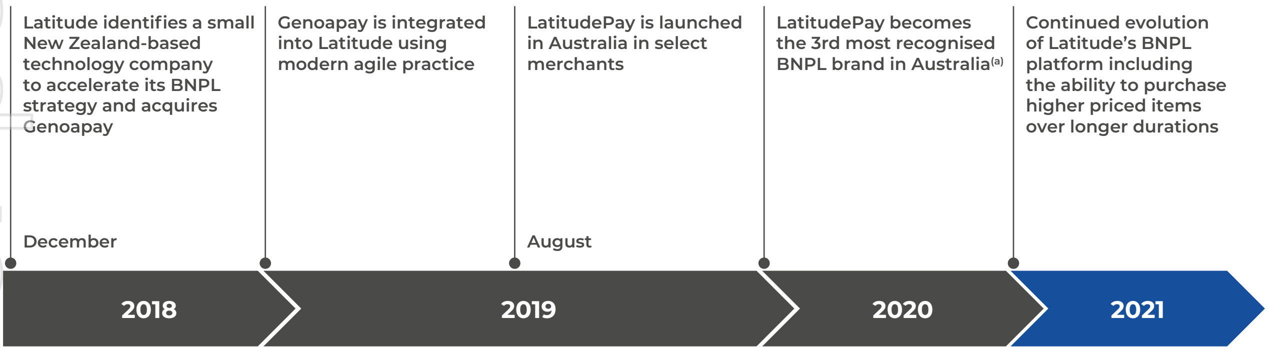
Latitude's investment programme has been maturing and developing each area of its enterprise architecture with the ongoing release of new features and enhancements as shown in Figure 12, which directly improves Latitude's commercial performance, customer experience, digitisation, treasury, risk and fraud management activities.

Figure 12: Latitude's enterprise architecture

Capability expansion in Latitude is through in-house development, third-party partnerships such as Verifier, and acquisitions.

Latitude's acquisition of Auckland-based financial technology company Genoapay in December 2018 has enabled its payments product offering, which Latitude launched as LatitudePay in Australia in August 2019 (refer to Section 2.3.2.1 for further details). Additional details on Latitude's acquisition of Genoapay and its subsequent growth in Australia and New Zealand are provided in Figure 13.

Figure 13: Genoapay acquisition, integration and LatitudePay growth story



Note:

(a) Source: Latitude commissioned research "Brand awareness tracker – Nov Wave V4" (with sample sizes as follows: Latitude Brand, n=800, Gem brand, n= 800, LatitudePay, n=200).

Latitude will continue to partner with, and potentially invest in, third parties including RegTech[35] and FinTech companies to enhance Latitude's risk management processes, and to support an enhanced customer experience.

35 RegTech refers to companies focusing on solving risk and compliance challenges through technology.

2.1.4.3 Operational efficiencies

In addition to delivering income growth, Latitude has improved its operational effectiveness and overall operating costs since its acquisition from GE in November 2015.

The main drivers of these improvements included:

- Completing important process and technology separation activity that enabled the streamlining of systems and processes post acquisition (e.g. exiting certain legacy technology systems);
- Closing its branch network and transitioning to digital customer origination and servicing platforms; and
- Investing in upgrading core receivables and transactional processing capabilities that support future business scale.

In 1Q20, Latitude commenced a 'Simplification' programme to further enhance productivity, optimise costs and enhance digital customer experience (refer to Section 4.3.2.1). This programme is focused on:

- Digitisation initiatives that provide digital experience and productivity enhancements for the originations, servicing and collections functions. As at 31 December 2020, around 743,000 active users on Latitude's mobile app;
- Restructuring and exiting of products and workforces across the organisation leading to leaner customer operations;
- Rationalisation of technology, including renegotiation of existing services contracts that reduced technology operating costs;
- The digital enablement and productivity of Latitude's workforce – this was accelerated due to COVID-19. All staff can now work remotely, and Latitude has achieved improved and/or equivalent productivity gains from its workforce working in a distributed manner; and
- Rationalisation of Latitude's corporate real estate footprint, including closing offices in two states and reducing real estate requirements in the two remaining locations and achieving associated cost savings.

In 2020, Latitude's 'Simplification' programme resulted in sustainable annual cost run-rate benefits of ~A$42 million and a headcount reduction of ~300[36]. The programme will continue in 2021 with expected spend of ~A$39 million, (of which A$28.3 million is capital expenditure) and aim to deliver further improvements to its operating costs through targeted initiatives including continuing to deliver automated improvements in its originations, servicing and collections capabilities in FY21 and beyond. This includes increasing the integration of identity and digital income verification services throughout the origination process thereby increasing straight-through processing rates.

The immediate goal is to deliver a Cost to income ratio in FY22 equivalent to FY19. Once Latitude achieves that goal, a programme will be commenced with a long-term ambition for the operating costs to achieve a ~35% Cost to income ratio if the circumstances permit (refer to Note 34 in Section 4.13 for definition).

2.1.4.4 Credit risk management

Latitude manages credit risk according to customer segments and product types across the customer lifecycle. Latitude's credit risk management function is responsible for developing and monitoring strategies to assess customer creditworthiness, allocating customer risk profiles (according to Latitude's proprietary risk scorecards) and determining risk-aligned collections activity, which is then the responsibility of the collections function to implement. The credit risk management function works closely with Latitude's originations, fraud operations, servicing, and collections teams.

Latitude's processes incorporate risk-based loan pricing and lending limits for its customers, allowing Latitude to approve credit to customers while also seeking to ensure adequate compensation for risk and maintain its net charge offs and delinquencies in accordance with Latitude's target risk appetite.

For additional details on Latitude's approach to credit risk management, refer to Section 3.

36 Includes ~200 permanent employees and ~100 contract workers.

2.1.5 Latitude's financial highlights

Summaries of Latitude's key financial metrics for the last three Financial Years are presented below (refer to Figure 14 to Figure 19). This summary data should be read in conjunction with the more detailed discussion of the historical (FY18-FY20) financial information set out in Section 4 (including the assumptions set out in Section 4) as well as the key risks set out in Section 5.

Figure 14: Total volume (A$ million)

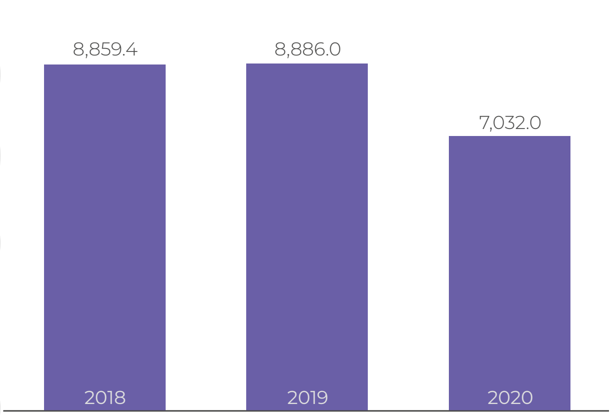


Figure 15: Average gross loan receivables (A$ million)

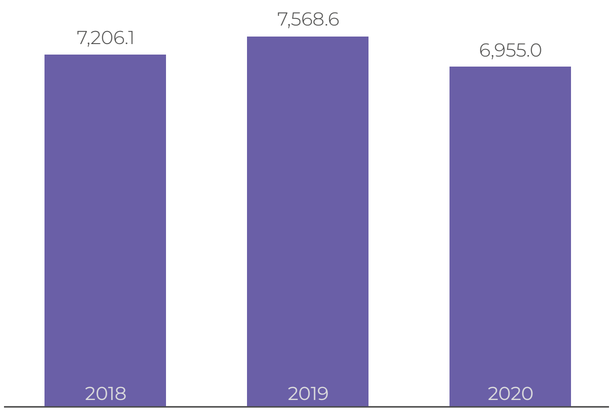


Figure 16: Risk adjusted income (A$ million)

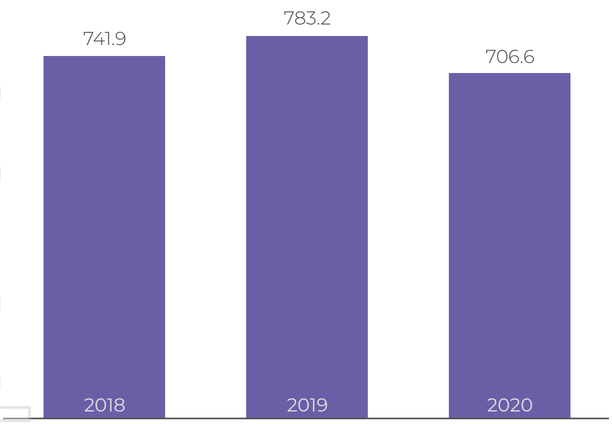


Figure 17: Cash NPAT (A$ million)

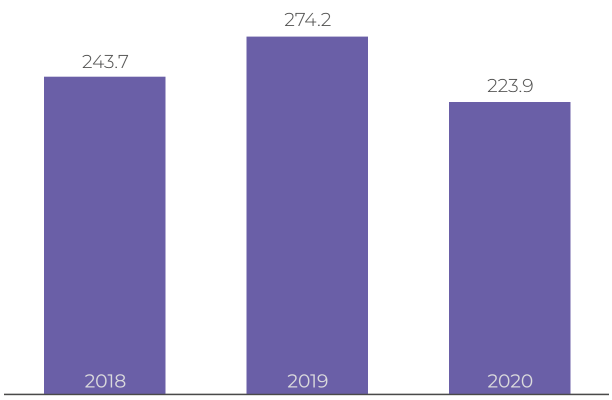


Figure 18: Total operating expense (A$ million)

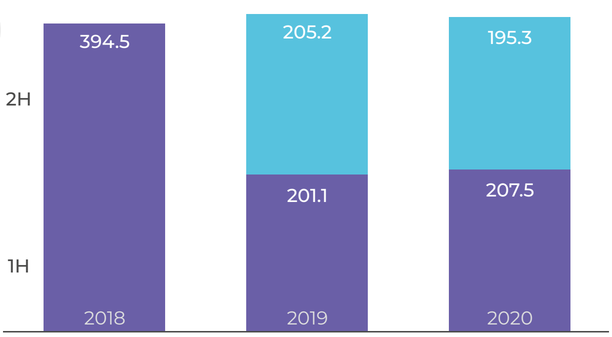
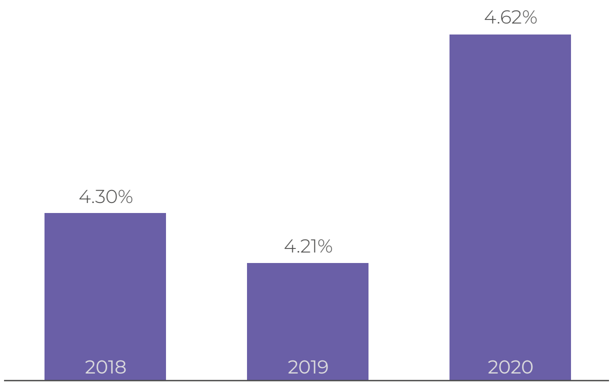


Figure 19: Coverage ratio[37] (%)



Notes: Data shown as years to 31 December. Historical financial information in this Prospectus should be read in conjunction with, and qualified by, reference to the information contained in Sections 4 and 5.

37 Represents the ratio of provisions for expected losses to gross loan receivables in accordance with IFRS 9 Financial Instruments.

Latitude's performance in FY20 has been impacted by COVID-19; however, economic recovery coming out of COVID-19 across FY21 and FY22 is expected to lead to a restoration of earnings. Refer to Sections 4.6 and 4.7 for further details.

2.1.6 Latitude's key strengths

B2B2C model with long-standing partners

- Latitude's history and operating model are focused on supporting partners in a B2B2C model.
- Latitude has built a large and long-standing partnership network with over 3,400 merchant partners and over 10,600 outlets across its Instalments and Lending portfolios as at 31 December 2020.
- Ongoing innovation and new product development (e.g. LatitudePay) are designed to support Latitude's partnerships and also attract new partners.
- Latitude utilises a number of third-party intermediated origination channels, including a network of brokers in Australia for personal or motor loans and commercial partners who originate personal loans (currently Kiwibank in New Zealand) under their own brands.

A scaled Instalments and Lending product provider

- Latitude has a scaled customer, merchant and commercial partner base, with 2.77 million customer accounts, which aggregated to A$7.0 billion in lending volume for the 12 months ended 31 December 2020.
- Latitude is the largest provider of interest free instalment finance in Australia and New Zealand, with 2.21 million customer accounts and a balance of A$3.7 billion[38] as of 31 December 2020.
- Existing scale in Latitude's Lending portfolio, driven by rapid market share growth since 2016, underpinned by an innovative product development roadmap and an attractive Cost to income ratio, positions Latitude's Lending portfolio for continued growth.

Well-positioned for compelling growth opportunities

- The Australian and New Zealand consumer payments and loans sectors are large with significant scope for Latitude to grow with Instalments and Lending.
- Unwinding of Latitude's management actions in response to COVID-19 will support future growth in the "home economy" and in other sectors, such as travel, as they recover. These management actions included tightened underwriting strategies, reduction in outbound sales activity in personal loans, and reduction in some marketing activity.
- Ongoing developments of Latitude's Instalments platform with BNPL growth (LatitudePay and Genoapay), anticipated extension into Big Ticket BNPL, the refresh of Latitude GO and Latitude Gem Instalments experiences, and launch of interest free instalment plans for everyday spend above A$250 on Latitude GO are creating new opportunities for Latitude to grow with partners and win new partners in sectors such as health.
- Increasing activation and penetration of Latitude's large broker network with service improvements alongside customer experience improvements such as online quoting supporting growth as the economy recovers.
- Some of Latitude's major partners operate internationally, particularly in Asia, and Latitude has opportunities to develop the Instalments business with partners in Asian markets.

Focused on technology investments in partner and customer experiences

- Latitude has the operating scale to compete and grow against large incumbents, while its growing digital and data capability enables it to compete with new FinTech companies.
- Latitude has made substantial investments, and plans to continue to make ongoing investments, in its digital platform. This is core to optimising customer experience and response times, including enabling a quick credit assessment and approval process for eligible customers.
- The ongoing innovation and development of new customer-centric products are designed to empower customers and attract new commercial partners.

38 Gross loan receivables for Latitude's instalments products across Australia and New Zealand.

Contemporary consumer brand and lifecycle marketing driving product graduation and customer engagement

- Latitude has recognised brands in Australia (the Latitude brand) and New Zealand (the Gem brand). Since launch, Latitude brand awareness has grown to 37% prompted awareness in Australia and the Gem brand in New Zealand remains at 69% prompted brand awareness. Latitude also launched the LatitudePay brand in 2019. In its first year, the LatitudePay brand has achieved a prompted awareness of 35%, being the 3rd most recognisable among a selection of other BNPL players[39].
- Latitude has an established lifecycle marketing capability that enhances product utilisation and graduation to new products. These data-driven campaigns enable Latitude to meet new needs of customers as their circumstances change, having regard to a customer's product stage and financial situation. Latitude saw 38% of personal loan volume come from Instalments and credit card customers over 2020.

Sophisticated risk management capability with proprietary customer data and risk scorecards

- Latitude utilises proprietary customer data and data analytics from its Internal Bureau to assist with its underwriting decisions and help predict customer behaviour. For each individual customer, Latitude can collect up to 1,000 unique data points to drive smarter credit decisions, better understand customer preferences, increase acceptance rates and generate targeted marketing.
- Leveraging its rich, proprietary, through-the-cycle data and analytics expertise over the last 20+ years, Latitude has created proprietary models to enable risk-based pricing and sizing of its loan products over a broad pricing range. It has an established credit risk management infrastructure and process which are informed by its years of experience through the Australian and New Zealand credit cycle. Latitude continues to update and improve its credit risk management capability and resultant credit decisions based on regular testing (refer to Section 3.5).
- The credit capabilities described above have built over time a high quality book in which 68.22% of the portfolio had a Credit Risk scale of either 1 or 2 as at 31 December 2020 (refer to Section 3.7.4).
- Latitude's enterprise risk management framework and risk appetite statement aim to ensure that relevant risks in its business activities are appropriately identified, measured, monitored and controlled. It proactively seeks to comply with the evolving regulatory environment and address any changes with potential adverse impacts to the business (refer to Section 3.1).
- Latitude has invested in its technological platforms, which have been designed to both introduce new business and technology capabilities, while also taking steps to mitigate important operational and cybersecurity risks (refer to Sections 2.1.4.2 and 3.2).

An experienced management team and Board delivering on Latitude's business strategy

- Latitude's experienced management team and Board has a demonstrated track record of executing transformation strategies and launching digital businesses. They have fostered a strong culture driving employee satisfaction and engagement. They are also promoting an operating model and culture that support a customer-centric and innovative technology organisation.

An established treasury funding platform

- Latitude has an experienced Treasury team with an established funding platform including a diverse group of global and domestic institutional financiers.
- Latitude's funding platform currently comprises a mix of Warehouse Facilities, six outstanding public ABS issuances, other corporate facilities and cash balances.
- Latitude has a low cost and effective funding structure, no material maturities during FY21 and sufficient headroom in its existing funding facilities to support growth over at least the next 12 months.

39 Latitude commissioned research "Brand awareness tracker – Nov Wave V4" (with sample sizes as follows: Latitude Brand, n=800, Gem brand, n= 800, LatitudePay, n=200).

2.2 Latitude's customers, merchants and commercial partners

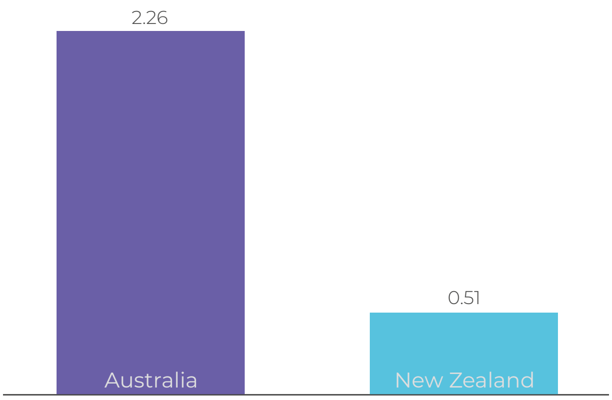
Latitude's B2B2C distribution model supports merchants and brokers in acquiring customers alongside Latitude's customer direct online and telephone channels.

2.2.1 Latitude's customers

As at 31 December 2020, Latitude had 2.77 million customer accounts across both Instalments and Lending. Latitude possesses a high quality customer base with 52% of customers being homeowners[40], 70% of customers being full-time employed[41] and 94% being above 25 years old[42]. Latitude believes that as at 31 December 2020, less than 2% of its customer base was potentially vulnerable to the economic impact of COVID-19[43].

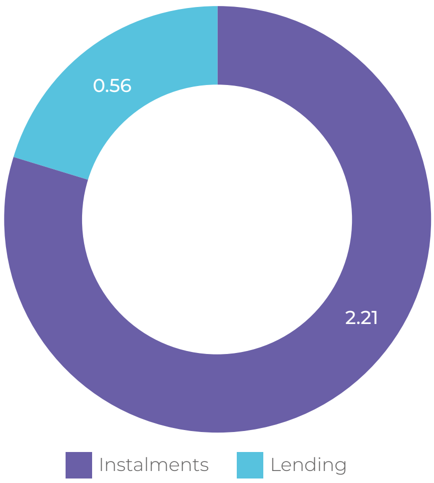
Latitude has data insights into its large customer base and maintains detailed records of individual credit scores and transaction histories over the course of its relationships with customers. Figure 20 to Figure 22 provide an outline of the current Latitude customer base.

Figure 20: Strong geographic presence across Australia and New Zealand (customers in millions)



Note: As at 31 December 2020.

Figure 21: Large customer base across Instalments and Lending (customers in millions)



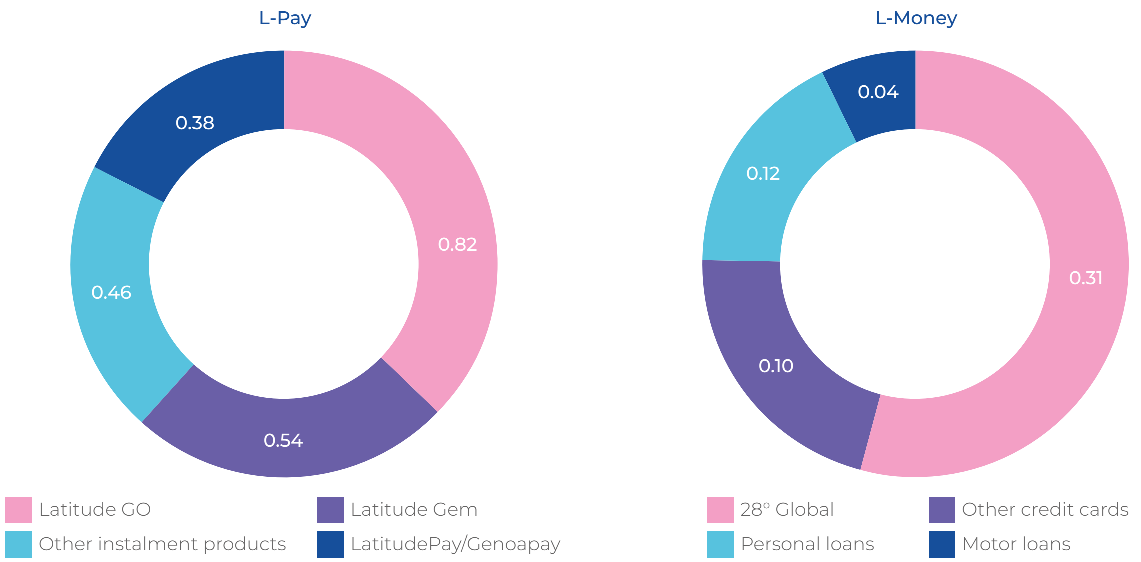
40 Homeowners: data as at origination for Australian instalments products, credit card and personal loan customers and New Zealand Instalments products and personal loan customers with open accounts as at 31 December 2020.

41 Employment: Australian and New Zealand credit cards and Instalments open accounts as at 31 December 2020.

42 Age: all products excluding LatitudePay and Genoapay, data as at 31 December 2020.

43 Proportion of customers acquired in the 2 years to 31 December 2020 rated CR4 and in casual, seasonal, temporary, or self employment at the time of origination and customers rated CR3 or CR4 with less than A$100 surplus capacity at the time of approval. Refer to Section 3.5.2 for more information on the CR scale.

Figure 22: Diverse customer product holding (customers in millions)



Note: As at 31 December 2020.

Latitude has built a large and diverse customer base across Australia and New Zealand with strong credit characteristics, as shown in Figure 23 and Figure 26.

Figure 23: 54% of customer relationships are 5+ years

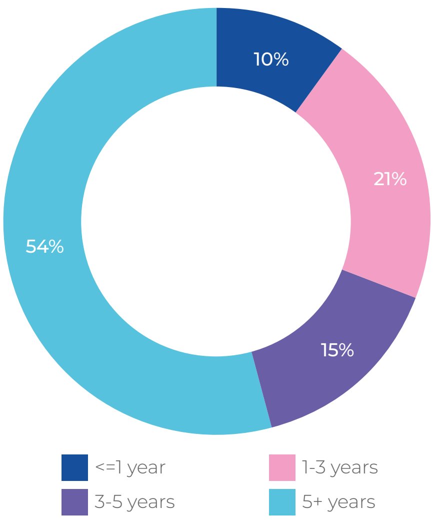
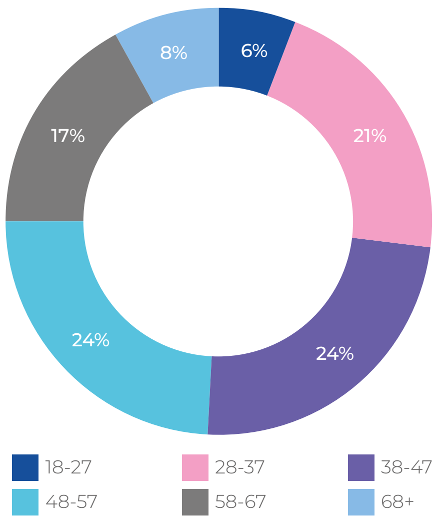


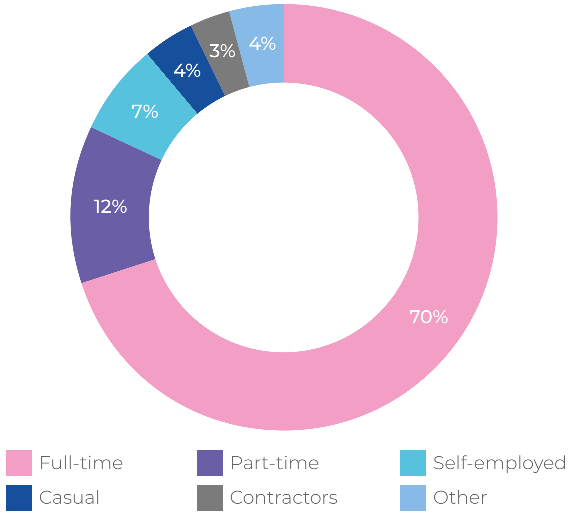
Figure 24: Diverse range of customers across generations



Note: Data as at 31 December 2020.

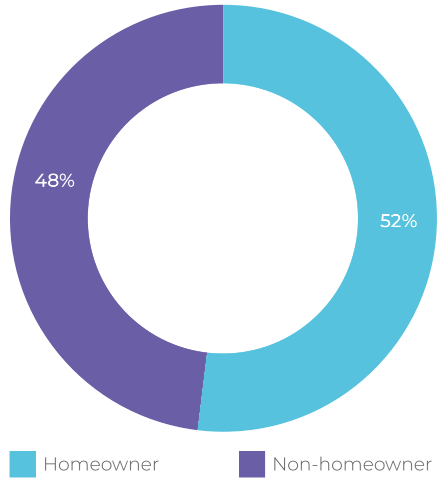
All products excluding LatitudePay and Genoapay.

Figure 25: 82% of customers are full-time and part-time employees



Notes: Data as at 31 December 2020; Australian and New Zealand Instalments products and credit card customers with open accounts as at 31 December 2020.

Figure 26: 52% of customers are homeowners



Notes: Data as at origination for Australian Instalments, credit cards and personal loan customers and New Zealand Instalments and personal loan customers with open accounts as at 31 December 2020.

Latitude does not target or approve credit to individuals under the age of 18 or to subprime[44] borrowers.

Latitude's customer proposition

Latitude enables its customers to make purchases at the time of their choosing. Latitude aims to be available to the customer when needed and to make the process of payment and choice of finance simple and convenient. The core elements of the customer proposition are explained in Table 5.

44 While there is no Australian standard for subprime, Latitude considers subprime to be default rates in excess of 20%, which is outside Latitude's risk appetite. Refer to Section 3.7.3 for further discussion.

Table 5: Value proposition for Latitude's customers

Diverse range of Instalments products and Lending options	• BNPL and interest free instalment plans on goods or services and access to credit card Schemes for everyday purchases. • A range of personal loans, motor loans and the 28° Global credit card.
Convenient applications and automated decisioning	• Digital application process that can be completed in under 10 minutes. • Online instalments and 28° Global applications, with new applications able to be conditionally credit approved within 60 seconds, should the customer meet the required credit checks and scoring criteria. • Online lending applications, with new applications able to be conditionally credit approved within 60 seconds for personal loans and 90 seconds for motor loans.
Instant provisioning and use of funds	• Latitude's automated decisioning capability for Instalments products allows approved customers to transact immediately and instantly access funds.
Online self-servicing	• Latitude's customers can use online servicing for Instalments and Lending products. • Latitude continues to invest in mobile servicing capability for all digital customer experiences.
Digital wallet payments	• Latitude supports Samsung Pay, Apple Pay, Google Pay, Fitbit Pay, Garmin Pay and Visa check-out, enabling customers to provision their card to a device or mobile phone[45].

2.2.2 Latitude's merchant partners

Latitude offers its Instalments products through an established network of 3,400+ merchant partners, consisting of 480+ merchant partners offering Latitude GO, Latitude Gem and CreditLine products in-store and online and a further 2,970+ partners offering BNPL products in-store and online through LatitudePay and Genoapay. Additionally, there are 40+ merchant partners who offer both products (refer to Figure 27 and Figure 28).

These partners operate more than 10,600 outlets across Australia and New Zealand.

Figure 27: Over 3,400 merchant partners

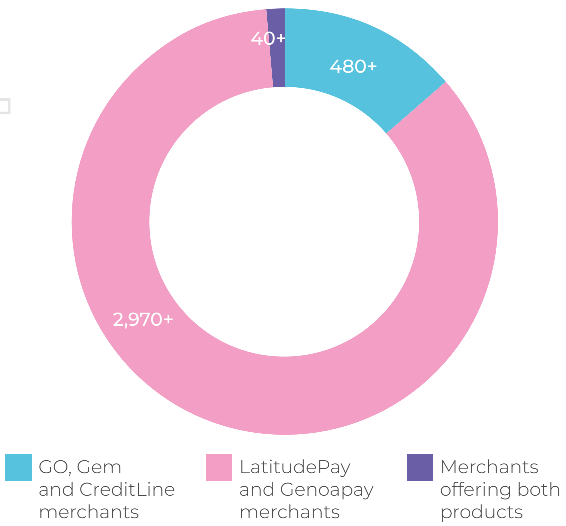
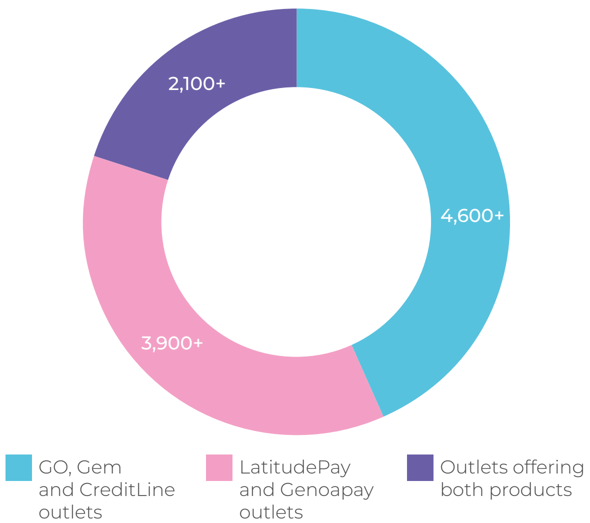


Figure 28: Over 10,600 outlets offering Instalments



Notes: Reflects total number of merchant partners and outlets as at 31 December 2020. Instalments merchants listed are those who have processed interest free volume in the 12 months to 31 December 2020.

45 Samsung Pay is not available in New Zealand.

- Instalments products are offered through a network of some of Australia and New Zealand's leading retailers, including Apple, Harvey Norman® franchised businesses in Australia and Harvey Norman® company-owned stores in New Zealand, JB Hi-Fi[46], Samsung and Luxury Escapes.
- The Instalments product offerings can be integrated into the merchants' POS system in-store via POS integration and online at checkout, or by customers gaining approval purchasing in-store and online.
- Latitude's merchant base extends across multiple customer sectors. The merchant base across Australia and New Zealand covers major retailers providing a wide range of living and lifestyle goods, with the size of many individual purchases benefiting from instalments financing.
- Latitude believes that the longevity of its merchant partnerships demonstrates Latitude's value proposition. Of Latitude's top 30 merchant partners (according to Instalments volume in the 12 months to 31 December 2020), 21 have partnered with Latitude for 15+ years. Latitude's agreements with its merchant partners in respect of Instalments products typically have contract terms ranging from three to five years, with some agreements providing for automatic renewal, subject to performance metrics being met. Latitude typically seeks to renew its merchant partner contracts in advance of their maturity dates.

A selection of Latitude's long-term merchant partners and relationship duration is shown in Table 6.

Table 6: Latitude has over 15 years of partnership with major merchant brands

21 merchants have 15+ year partnerships within Latitude's top 30 merchants in Australia and New Zealand				
Harvey Norman®	**The Good Guys**	**Amart Furniture**	**JB Hi Fi**	**Apple**
20+ years	20+ years	20+ years	20+ years	9 years
Freedom	**Michael Hill**	**Snooze**	**Forty Winks**	**Big Save Furniture**
20+ years	20+ years	20+ years	20+ years	20+ years
BBQ Galore	**Bob Jane T-Marts**	**Kogan**	**House of Travel**	**Bing Lee**
20+ years	20+ years	7 years	6 years	20+ years
Samsung	**Eco Travel**	**Luxury Escapes Travel**	**Evo Cycles**	**Harrison Carpets**
4 years	4 years	2 year	7 years	20+ years
Mitre 10	**Bed Shed**	**Narta Members**	**Beds R Us**	**Global Travel Network**
20+ years	20+ years	20+ years	20+ years	3 years
Dell	**Beds N Dreams**	**Betta**	**DVS**	**Jax Quickfit**
7 years	20+ years	20+ years	18 years	20+ years

46 In respect of JB Hi-Fi stores in Australia only.

Value proposition

Latitude designs its Instalments products to support long-standing, mutually beneficial relationships with merchant partners. Latitude believes these relationships drive customer acquisition by enabling both new and repeat customers to purchase goods and services with instalment plans.

The broader benefits to merchant partners are summarised in Table 7.

Table 7: Value proposition for Latitude's merchant partners

Integrated, multi-channel offering	• Latitude's systems provide customers with the ability to apply and buy online with merchant partner website integration. • Merchant partner origination is integrated with Latitude's credit approval processes to allow rapid processing of customer applications. • Approved customers can transact immediately.
Access to a large, established customer base	• 2.21 million Instalments account holders (as at 31 December 2020) can transact with Instalments at relevant merchant partners up to a pre-determined credit limit. • 43% of customers make a repeat Instalments product purchase within 24 months in Australia[47].
Sales and programme support	• Latitude account managers (and sales representatives) are allocated to each major retailer to establish a direct and deep relationship between Latitude and its partners. • The account management sales team works directly with retail franchisees and staff, assisted by phone support. • The de-centralised programme team focuses on aligning the programme lead to the partner that resides in their local state. The programme team is dispersed across the country.
Data–driven marketing	• Data analytics professionals and data insight teams in Australia and New Zealand analyse customer profiles, sales and repeat purchase data by retailer, store, staff member, geography and entitlement. • Portfolio analytics insights are provided to major merchant partners to enable sales, marketing campaigns and customer engagement, to support promotions. • Multi-channel campaigns are run to drive engagement and customer retention, which span the full customer lifecycle including onboarding, customer engagement, utilisation and retention across channels such as emails, statements, SMS, online service centre, websites, call centre and outbound interactive voice response.

47 Latitude GO and Latitude Gem customers originated in 2018 and who within 24 months acquired another product on interest free terms with a Latitude instalments product. Refer to Figure 9 for additional detail.

2.3 Latitude's products and distribution

2.3.1 Product overview

As discussed in Section 2.1.1, Latitude's product offering in Australia and New Zealand is comprised of two product groupings: Instalments products and Lending products. Refer to Figure 29.

Figure 29: Latitude's products across Instalments and Lending

INSTALMENTS Disrupting consumer payments and credit card balances	Shop small, pay weekly **BNPL** LatitudePay growing rapidly as BNPL disrupts traditional payments Younger customer acquisition Up to $1,000, 10 weekly payments[a]	Shop big, pay monthly **BIG TICKET** LatitudePay Big Ticket launching 2021 disrupting traditional credit cards New segments in home and health Up to $3,000 and 24 months	Shop anywhere, pay flexibly **GO & GEM** Latitude GO/Gem being refreshed making it easier to shop interest free[c][d] Digital wallet development Up to $30,000 and 60 months
	380k open accounts[b]	Launching 2021	1.83m open accounts[b], A$4.2bn FY20 volume[e], A$3.7bn GLR[f]
	UNIFYING THE LATITUDE BRAND EXPERIENCE WITH LIFECYCLE MARKETING AND GRADUATION		
LENDING Leveraging specialisation, graduation and funding model to drive growth	Home, holiday, wedding… **PERSONAL LOANS** Latitude personal loans developments enhancing customer and partner experience	Car, boat, caravan… **MOTOR LOANS** Latitude motor loans well suited to growing focus on domestic tourism	International travel & shopping **28° GLOBAL** Latitude 28° Global travel card with potential rebound when borders reopen
	122k open accounts[b] A$759m FY20 volume[e], A$1.9bn GLR[f]	36k open accounts[b] A$299m FY20 volume[e], A$587m GLR[f]	404k open accounts[b][g], A$1.7bn volume[e], A$333m GLR[f]

Notes:

(a) Initial limit maximum is A$1,000. Incremental increases up to a limit of A$1,500 is possible on the successful completion of payment plans.

(b) Open accounts as at 31 December 2020 includes CreditLine in Australia which is still being originated in Apple, and other Instalments products which have historically been issued and which existing customers may still use at all participating merchants (e.g. Buyer's Edge in Australia and CreditLine in New Zealand). BNPL, Latitude GO and Latitude Gem rounded to the nearest 10,000. 28° Global, personal loans and motor loans and rounded to nearest 1,000. Personal loans and motor loans exclude balances no longer originated by Latitude.

(c) This also includes CreditLine in Australia which is still being originated through Apple, and other Instalments products which have historically been issued and which existing customers may still use at all participating merchants (e.g. Buyer's Edge in Australia and CreditLine in New Zealand).

(d) Customers pay various fees (examples include annual fee, account keeping fee and late fee).

(e) Volume for 1 January 2020 to 31 December 2020.

(f) Gross loan receivables as at 31 December 2020.

(g) Open accounts include 98,000 accounts for Countdown, Infinity Rewards, Latitude Eco Mastercard, Latitude Mastercard, Low Rate and Onecard accounts that were discontinued and are no longer open to new customers.

- **Instalments (L-Pay):** provides access to convenient payment options for customers at checkout. Instalments enable the customer to obtain the good or service they need, when they need it, and in doing so, facilitates a merchant sale.

  Instalments products include LatitudePay and Genoapay BNPL (10 equal weekly instalments, no interest ever) and Latitude GO, Latitude Gem and CreditLine (up to 60 months interest free, combined with the provision of a Scheme-enabled[48] credit card for everyday use). Across Australia and New Zealand, LatitudePay and Genoapay are available in-store and online with 2,970+ merchant and commercial partners across 3,900+ outlets, and Latitude GO, Latitude Gem and CreditLine are available in-store and online across 480+ merchant and commercial partners across 4,600+ outlets. Additionally, there are 40+ merchant partners who offer both products across 2,100+ outlets (refer to Figure 27 and Figure 28).

  In 2021, Latitude is planning to launch an extension of LatitudePay to Big Ticket BNPL (expected to be up to A$3,000, monthly instalments up to 24 months – up to A$10,000 and 36 months for new growth segments) alongside major product enhancements to Latitude GO where customers will be able to turn everyday purchases into a six-month interest free plan anywhere Mastercard is accepted.
- **Lending (L-Money):** provides customers with convenient access to an array of personal finance products, allowing the customer to choose a finance option best suited to their circumstances and needs at the time. Lending encompasses personal loans, motor loans and the 28° Global credit card. Lending options are offered through a wide array of channels, including direct (online and by phone), third parties and Latitude's white-label partner.

In addition, Hallmark Insurance provides insurance to Latitude's customers in connection with Latitude's Instalments and Lending products, covering price protection, merchandise protection, stolen cards and adverse life events (including death, disability and involuntary unemployment). Insurance products are in the process of being relaunched in early 2021, as described in Section 2.3.4.

Latitude believes that the combination of Instalments and Lending is synergistic for both Latitude and its customers. The products operate with some common operating infrastructure and services and, once customers are acquired, Latitude uses data-driven marketing to better support the customer's ongoing and future needs across products.

2.3.2 Instalments platform

2.3.2.1 LatitudePay and Genoapay

Latitude offers BNPL products to its customers in Australia and New Zealand. Latitude acquired the New Zealand BNPL product provider Genoapay in December 2018. The Latitude BNPL product is branded as LatitudePay in Australia (launched in August 2019) and Genoapay in New Zealand.

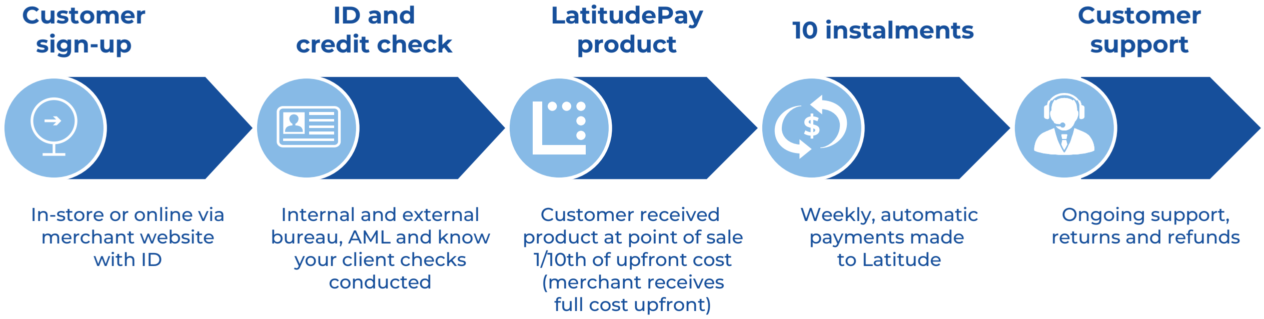
Both LatitudePay and Genoapay provide customers the ability to pay for products[49] on a 10-week instalment plan, so customers can finance their purchases over time with no interest and no fees (assuming all instalments are paid on time). The first instalment is required when customers commit to a purchase, with the remaining balance being processed weekly in equal instalments over the agreed term.

In line with Latitude's consistent commitment to act responsibly, Latitude conducts identity verifications and credit checks for all Instalments products customers prior to approval (refer to Figure 30).

48 Scheme-enabled refers to Latitude's Instalments products that can be used anywhere Mastercard and Visa are accepted. Latitude currently has a suite of Scheme-enabled cards including: Latitude GO and Latitude Gem for Instalments, and 28° Global and Gem Essentials for Lending.

49 Some products are excluded from the offering at some partner stores depending on each partnership contract.

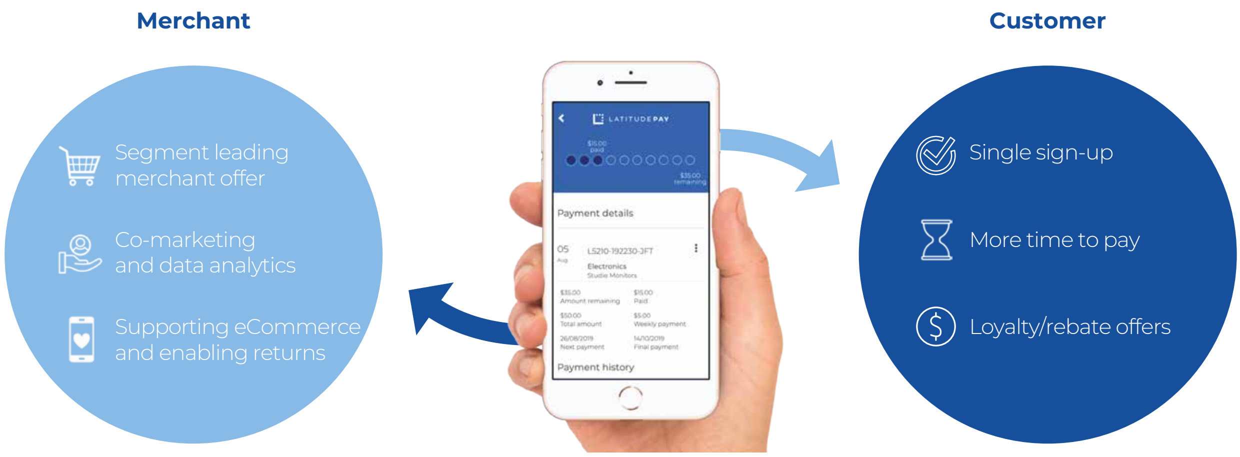
Figure 30: Overview of LatitudePay and Genoapay customer journey



New users of LatitudePay, if approved, are granted an initial credit line of up to A$1,000, which can be increased to A$1,500 as they build up their transaction and credit history.

Latitude believes that LatitudePay and Genoapay offer a compelling merchant and customer value proposition by enabling sales growth for merchants and customers to finance their purchases as explained in Figure 31.

Figure 31: Value proposition of LatitudePay and Genoapay to merchants and customers



LatitudePay and Genoapay product economics

The LatitudePay and Genoapay product offering is a no interest product to customers. Customers are not charged any fees by Latitude if each instalment is paid on time.

Latitude generates revenue through the following mechanisms:

- **Merchant service fees:** The merchant pays Latitude a merchant service fee which is calculated on each discrete, approved order placed by the customer through the Latitude BNPL platform. Latitude's merchant service fee is generally charged based on a percentage of the order value plus a transaction fee; and
- **Late fees paid by the customer:** Customers pay late fees if they are unable to pay their instalments on time, but do not pay any interest on the BNPL product transaction. Customers are currently charged a late payment fee of A$10 in relation to each payment missed. These late payment fees are capped.

2.3.2.2 Growth strategy in LatitudePay and Genoapay

Latitude's strategy for customer acquisition for LatitudePay and Genoapay comprises multiple engagement points across both merchants and customers including:

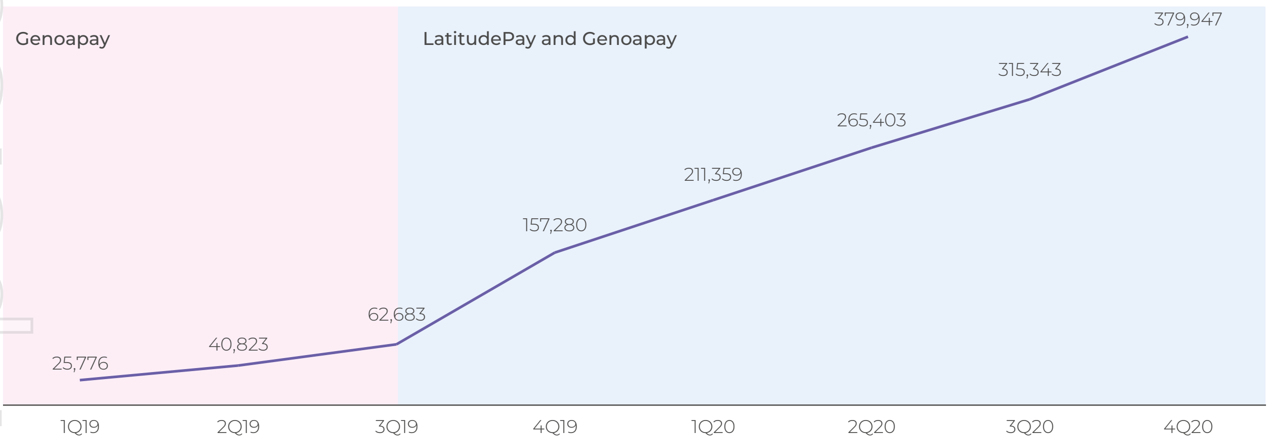
- **Product offering to existing customers**, with eligible customers offered access to a simplified application process;
- **Engagement with Latitude's merchant partners**, with offers targeted to merchant partners' customer database and loyalty programmes;
- **New merchant activation**, with easy integration in-store and online;
- **Acquisition** through joint marketing with strategic partners and broad-based direct customer acquisition programmes; and
- **Product extension in development**, to enable purchases of bigger ticket (<A$3,000) products over longer plan lengths (<24 months).

See Figure 13 for an overview of Latitude's acquisition of Genoapay in December 2018 and the scaling of the product in Australia and New Zealand.

In Australia, Latitude launched LatitudePay in both Harvey Norman® franchised stores and online in September 2019 and has continued to roll out the product across its existing merchant base and to new merchants. It is now the 3rd most recognised BNPL brand in Australia with prompted awareness of 35% as at November 2020 (an increase of seven percentage points from July 2020)[50].

Latitude has nearly 380,000 open customer accounts as at 31 December 2020. Refer to Figure 32 for the growth in open accounts since LatitudePay's late 2019 launch in Australia.

Figure 32: BNPL open account growth



Note: Open account is defined as a customer approved to spend.

LatitudePay customers are already organically graduating to other Latitude products with no targeted marketing campaign to date. A test programme conducted by Latitude in November 2020[51] indicates that those targeted by the pilot model (in comparison to a control group), increased their application rates to other Latitude products by +70% in Australia and +40% in New Zealand with a conversion rate uplift of +30% in Australia and +33% in New Zealand. These pilot results illustrate the potential for graduation as customers are acquired from LatitudePay and Genoapay, and are graduated to other Latitude products.

50 Latitude commissioned research "Brand awareness tracker – Nov Wave V4" (with sample sizes as follows: Latitude Brand, n=800, Gem brand, n= 800, LatitudePay, n=200).

51 Pilot programme was initially to ~50,000 Australian and New Zealand customers, commenced 17 November 2020. Uplift percentages are compared to a customer control group not targeted by the model. Application rate means applications to leads targeted. Conversion rate means number of units to leads targeted.

Responding to customer and partner demand in existing and new growth segments, Latitude is currently building an extension to LatitudePay, which is expected to enable customers to purchase items interest free for amounts of up to A$3,000 over plans of up to 24 months. In addition, limits of up to A$10,000 over 36 months will be made available to customers and partners in new growth segments such as home and health.

Like the existing LatitudePay product, this product extension will not charge any interest to the customer but will charge a merchant service fee and a consumer late fee for missed payments. In addition, there will be a monthly customer account keeping fee where there is a balance owing.

This product extension will be launched in 2021, and Latitude will continue to invest a total of A$30 million over FY21 and FY22 (A$20 million of capital expenditure) to enhance its feature set for a better customer and merchant experience, and to scale it to new merchants and customers.

2.3.2.3 Latitude GO, Latitude Gem and CreditLine

Latitude GO, Latitude Gem and CreditLine allow its customers to purchase selected items from Latitude's network of merchant partners on instalments, with an interest free period typically longer than that offered by a credit card (for Latitude, between three and 60 months). Instalments purchases are also typically larger in value and less frequent than average general purpose credit card transactions. The average value of a Latitude Instalments transaction over the 12 months to 31 December 2020 was A$1,515.

Latitude has A$3.7 billion of Instalments products receivables from a base of more than 1.8 million customer accounts as at 31 December 2020. Approximately 57% of the receivables are in an interest free period as at 31 December 2020.

In addition, Latitude GO and Latitude Gem can be used for purchases wherever Mastercard and Visa are accepted and for cash withdrawals via ATMs. Those transactions are referred to as general purpose credit card usage and settle via the Scheme network.

A typical Instalments transaction involves:

- **Sale and credit application:** The merchant, either via advertising or in-store communications, offers sales 'interest free' at specified terms which will vary depending on the product sold. If the customer does not have an existing Instalments card, they can apply in-store or online. The customer is subject to credit assessment and additional checks in accordance with all responsible lending requirements, which for Latitude's offer can be credit approved within 60 seconds should the customer meet the required credit and identity checks and scoring criteria. Upon approval, customers are issued an account number with an approved credit limit for the interest free purchase. The credit limit may be for more than the value of the immediate item being acquired. A physical card will also be mailed to the customer. Once approved, the customer is able to use their approved product to make a purchase immediately;
- **Payment and fees:** Latitude settles the relevant transaction amount with the merchant less a merchant service fee that takes into account factors such as the interest free period and product category. The customer subsequently pays an annual fee or a monthly account keeping fee. Where a balance remains outstanding at the end of the interest free period, interest will be payable on that balance at that date. Late payment fees may also be charged if applicable; and
- **Repeat usage:** The customer can use the card to make further interest free or everyday credit card purchases at any time, subject to their credit limit. Instalments purchases can be made at any merchant offering Instalments terms. Latitude's Scheme-enabled Instalments products may be used as general purpose credit cards wherever Mastercard or Visa cards are accepted.

2.3.2.4 Latitude GO, Latitude Gem and CreditLine business model

The economics of Latitude GO, Latitude Gem and CreditLine can be described as follows:

- **The merchant pays Latitude a merchant service fee**, which takes into account the length of the interest free period the merchant offers (currently between three and 60 months), and the average loss rates for the product type, individual retailer or the retailer's industry. This fee is received upfront, with Latitude recognising the revenue over the interest free period (for further information on Latitude's accounting policies, refer to Section 4);
- **The customer pays Latitude fees and interest (where relevant)**, including an annual fee or monthly account keeping fee (in Australia) or an establishment fee (in New Zealand), as well as late fees or cash withdrawal fees as applicable. Interest will be charged to the customer if the balance is not paid off within the relevant interest free period. Interest may also be charged on any general purpose credit card purchases (subject to the relevant credit card periods for statement cycles) and cash withdrawals;
- **An interchange fee**, received by Latitude where the Scheme-enabled Instalments products are used as a general purpose credit card, on the Mastercard or Visa network;
- **Loss rates**: Latitude is fully responsible for the credit decisioning and collection process and bears the loss for unpaid accounts; and
- **Marketing:** the promotion of the Instalments product would typically be led by the merchant to trigger the generation of their own revenue.

2.3.2.5 Latitude GO, Latitude Gem and CreditLine products

The primary Instalments products offered by Latitude are Latitude GO and Latitude Gem in Australia, and Latitude Gem in New Zealand. CreditLine is only originated via Apple; however, existing CreditLine and Buyer's Edge customers may still use their cards at all participating merchants. The Latitude GO and Latitude Gem cards can be used as general purpose credit cards, subject to the customer's approved credit limit. The key features and distribution channels for Latitude's Instalments products are summarised in Table 8.

Table 8: Products overview[a]

Product	Latitude GO Mastercard and Latitude Gem Visa 	CreditLine 
Geography	Australia and New Zealand	Australia[b]
Open accounts	1.4 million[c]	464,000[d][e]
Distribution	• Latitude GO offering interest free finance offered exclusively to customers of Harvey Norman® franchised businesses in Australia. • Latitude Gem is issued through 520+ affiliated retailers, across 5,850+ outlets, online stores and directly online via Latitude's website in Australia and New Zealand.	• Exclusively originated through Apple retail and online stores[f]
Current key features	• 3-60 months interest free at Latitude's merchant partners. • Six months interest free for general purpose purchases over A$250/NZ$250 on Latitude Gem. • Can also be used for general purpose credit card purchases. • Both cards are digital wallet enabled and can instantly provision upon approval. • All cards can be used at any participating merchant.	• 24 months interest free at Apple for purchases over A$600. • Access to EFTPOS network for cash credit card purchases at the checkout sale or cash withdrawals via ATMs. • All cards can be used at any participating merchant.

Notes:

(a) This includes all other Latitude credit cards that are no longer originated by Latitude.

(b) CreditLine back-book includes customers across Australia and New Zealand. CreditLine is open for new applications in Australia only and exclusively via Apple Financial Services (with links to Latitude's online application process). It was previously originated at all merchant partners (Australia and New Zealand) prior to the introduction of the Gem Visa.

(c) Open customer accounts rounded to nearest 100,000. As at 31 December 2020.

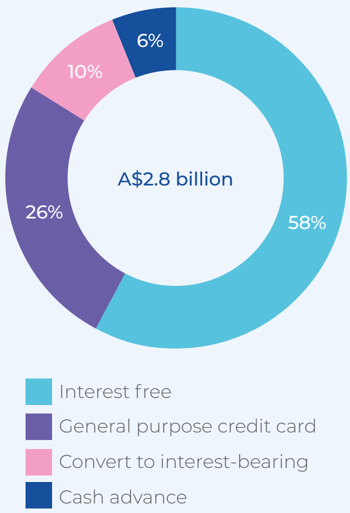
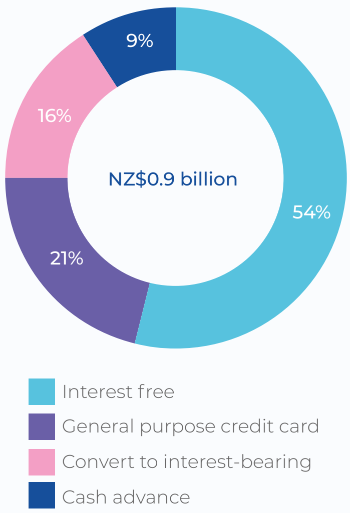
(d) Open customer accounts rounded to nearest 1,000. As at 31 December 2020. Includes Apple Financial Services originated CreditLine customers, and other back-book Instalments products (including back-book CreditLine and Buyer's Edge) originated in Australia and New Zealand prior to the current exclusive origination arrangement via Apple Financial Services (see Note (a) above).

(e) This includes non-Scheme-enabled closed loop card products Latitude no longer originates.

(f) Does not apply to discontinued products.

A summary of the key metrics is shown in Table 9.

Table 9: Key metrics as at 31 December 2020

	Australia	New Zealand
Gross receivables (split by type, %[a])		
Operating income (FY20)	A$423.6 million	NZ$129.1 million
RAI yield (FY20)[b]	10.3%	11.1%
Open accounts[c]	1.5 million	347,315
# transactions FY20	Instalments: 0.95 million General purpose card: 18.4 million	Instalments: 0.27 million General purpose card: 4.5 million
Average Instalments transaction size FY20	A$1,535	NZ$1,446
90+ days delinquencies	0.90%	0.99%

Notes:

(a) Split of receivables shown AGR for the month of December 2020.

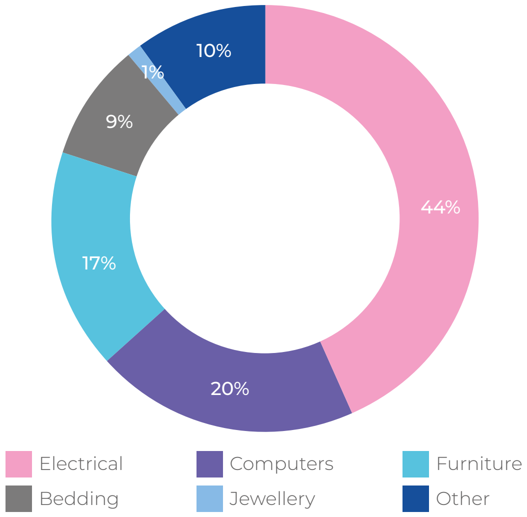
(b) RAI is calculated as total operating income less net charge offs and is measured by Latitude to evaluate the risk adjusted margin on receivables after funding costs and net charge offs on Latitude's receivables before the allocation of expenses associated with the movement in provisions for losses as well as operating expenses. For insurance products, RAI is calculated as net premium income plus investment income less external commission costs and claims costs. See Note 25 in Section 4.13.

(c) Open accounts rounded to nearest 100,000 (for Australia) and 1,000 (for New Zealand) and includes Latitude's closed loop (i.e. non-Scheme-enabled) card products.

At a product level, Latitude's Instalments volumes are diversified across new and existing customers and across Instalments purchases, general purpose credit card purchases and cash advances, with electrical, computers, furniture and bedding making up the bulk of volume (refer to Figure 33).

These products can be used in-store and online, with online applications stable at 51% of approved applications for the year ended 31 December 2020, up from 43% in 2019.

Figure 33: Instalments products volume by retail category



Note: For year ended 31 December 2020.

2.3.2.6 Growth strategy in Latitude GO, Latitude Gem and CreditLine

In 2021, Latitude is launching a series of product enhancements to Latitude GO that may include:

- Customers being able to turn everyday purchases into a six-month interest free plan anywhere Mastercard is accepted globally, complementing the range of longer-term plans that are already available for larger purchases;
- Instalments Anywhere providing the convenience to combine or 'stack' multiple purchases into a single, long-term interest free plan with monthly payments;
- Providing exclusive digital shopping offers and retail discounts tailored for Latitude GO customers; and
- Pricing and fee simplification to enhance the customer and merchant experience.

2.3.3 Lending platform

Latitude supports customers for a range of everyday spend cards. 28° Global is currently offered to new customers. Countdown, Infinity Rewards, Latitude Eco Mastercard, Latitude Mastercard, Low Rate, and Onecard were discontinued and no longer opened to new customers.

2.3.3.1 28° Global

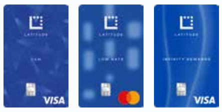
Credit cards allow a customer to make purchases on credit at the customer checkout, up to a pre-determined credit limit and typically provide for a monthly or per statement interest free period, with balances unpaid or accruing after this time subject to interest.

In addition to general purpose credit cards issued, in conjunction with its Instalments products, Latitude issues Scheme-enabled credit card products in Australia and New Zealand which allow customers to purchase goods and/or services on short-term revolving credit. They are offered directly to customers online under the 28° Global brand.

2.3.3.1.1 Latitude's 28° Global offering

Latitude's primary credit cards (excluding those offered in conjunction with Instalments products), along with their key features and distribution channels, are summarised in Table 10.

Table 10: Credit card product overview as at 31 December 2020 (excludes Instalments products)[a]

Product	28° Global 	Other credit cards[b]  (d)
Geography	Australia	Australia and New Zealand
Open accounts[c]	306,000	98,000
Proposition	• No annual fee card for travel and online shopping	
Distribution	• Direct to consumer (online)	
Current key features	• No annual fee with up to 55 days interest free • No international transaction fees • No currency conversion fees • Digital wallet enabled • Free global Wi-Fi via Boingo hotspot • Flight delay pass	

Notes:

(a) This includes all other Latitude credit cards that are no longer originated by Latitude.

(b) Countdown, Infinity Rewards, Latitude Eco Mastercard, Latitude Mastercard, Low Rate and Onecard were discontinued and no longer opened to new customers.

(c) Open accounts as at 31 December 2020 rounded to nearest 1,000 and excluding cards no longer originated by Latitude.

(d) Latitude also supports customers for a range of everyday spend cards which it no longer originates. Latitude Gem is also marketed as a general purpose credit card in New Zealand.

The Latitude credit cards are positioned with value propositions that aim to be different to bank issued cards and their associated loyalty programmes.

For example, 28° Global has no annual fee or international transaction or currency conversion fees, provides up to 55 days interest free and offers free access to global Wi-Fi provided by Boingo hotspot. With these features, Latitude aims for 28° Global to be an attractive card for travel and online purchases for customers.

In addition, cards issued under the Mastercard and Visa Schemes have been enabled for digital wallets including Samsung Pay[52], Apple Pay, Google Pay, Fitbit Pay, Garmin Pay and Visa Checkout. This is an area of significant growth with over 255,000 cards provisioned as at 31 December 2020, compared to around 30,000 in January 2018.

Key metrics for Latitude's primary credit cards are summarised in Table 11. The metrics provided in this section exclude any credit card transactions on Instalments products issued to customers originated via Latitude's merchant partners and reflected in Latitude's Instalments product metrics.

52 Samsung Pay is not available in New Zealand.

Table 11: Latitude's 28° Global and other credit cards key metrics as at 31 December 2020 (excludes Instalments products originated credit cards)

	Australia	New Zealand
Gross loan receivables	A$310.8 million	NZ$23.7 million
FY20 volume[a]	A$1.6 billion	NZ$40.2 million
FY20 operating income	A$45.5 million	NZ$4.6 million
FY20 RAI yield[a]	8.9%	12.3%
Open accounts[b]	397,000	7,000
90+ days delinquencies[c]	0.92%	1.64%

Notes:

(a) Refer to the definitions of volume and RAI yield in Section 4.13.

(b) Open accounts at 31 December 2020 rounded to nearest 1,000.

(c) Average 90+ days delinquency data shown calculated as at 31 December 2020.

2.3.3.2 Personal loans

Personal loans provide finance to individuals for personal purposes (other than secured housing purposes such as buying a home or investment property). Personal loans generally provide customers with finance for consolidating or refinancing other customer debts (such as existing credit cards or personal loans) and for a range of purposes and major purchases including car repairs, travelling, purchasing goods for around the home and undertaking small home renovations. Motor loans (fully secured by the vehicle being purchased) are discussed further in Section 2.3.3.3.

Latitude's personal loans are provided on a fully amortising, fixed rate basis for a term of one to seven years, with the option of weekly, fortnightly or monthly repayments. Personal loans generate income for Latitude through interest payments and various account fees (relating to the establishment, servicing and termination of the loan).

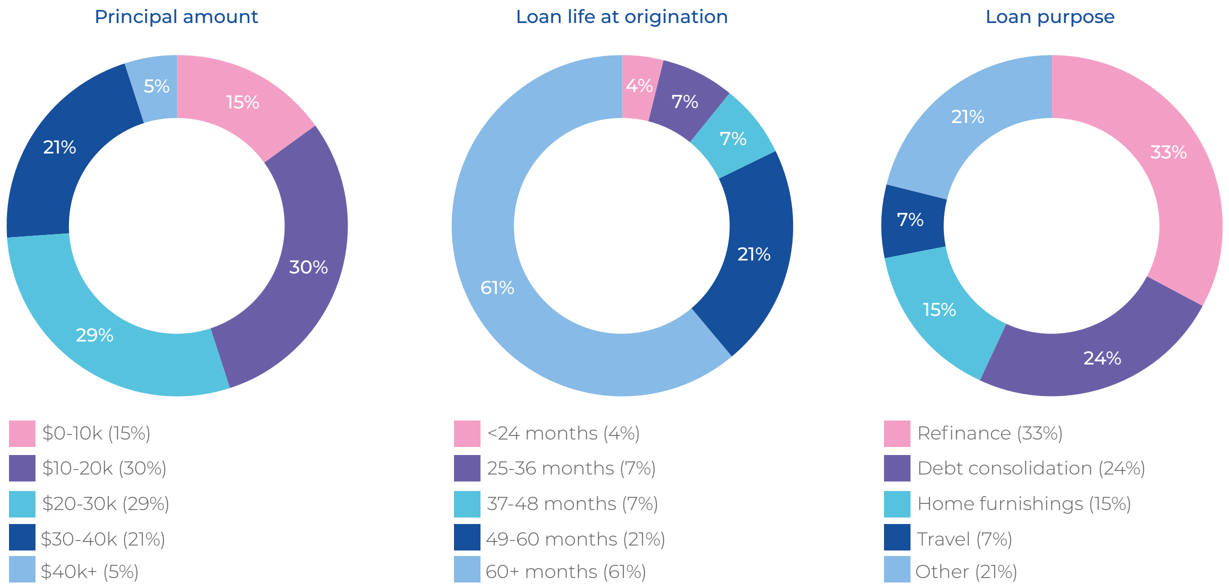
2.3.3.2.1 Latitude's personal loan offering

Latitude markets personal loans with lifecycle marketing to its Instalments products customers to support their ongoing needs (while having regard to the financial situation of, and suitability of the product for, each customer) alongside direct consumer marketing initiatives. Latitude originates personal loans online, with call centre support, brokers and other partnerships indicated below:

- A Latitude branded direct to customer (online, call centre) and broker offering in Australia;
- A Gem branded direct to customer (online, call centre) offering in New Zealand;
- White-label partnership with Kiwibank in New Zealand; and
- Referral partnerships with SocietyOne and Plenti in Australia.

An overview of Latitude's personal loan portfolio by loan size, loan life at origination and purpose is provided in Figure 34.

Figure 34: Personal loans portfolio overview



Note: Split based on number of loans, as at 31 December 2020.

Key metrics for the personal loans portfolio are shown in Table 12.

Table 12: Personal loans key metrics as at 31 December 2020

	Australia	New Zealand
Gross loan receivables	A$1.3 billion	NZ$553.9 million
FY20 volume[a]	A$495.1 million	NZ$279.2 million
FY20 operating income	A$190.3 million	NZ$82.8 million
FY20 RAI yield[a]	9.5%	10.7%
Open accounts[b]	83,000	39,000
90+ days delinquencies[c]	0.27%	0.34%

Notes:

(a) Refer to the definitions of volume and RAI yield in Section 4.13.

(b) Open accounts at 31 December 2020 rounded to nearest 1,000.

(c) 90+ days delinquency data shown calculated as at 31 December 2020.

2.3.3.3 Motor loans

The Australian motor loan industry forms a sub-sector of the personal loan industry[53] and comprises loans to individuals or businesses for the purposes of acquiring a new or used vehicle, such as a car or motorcycle, where that vehicle is used as security for the loan. Some lenders, such as Latitude, will also extend motor loan lending to finance the acquisition of other recreational vehicles (e.g. caravans, boats and off-road vehicles).

Latitude generates revenue through establishment fees, interest charged on outstanding balances and other fees and charges, including ongoing loan service fees. The interest rate charged varies depending on the age of the vehicle financed, term of the loan, size of the deposit and profile of the borrower, among other factors. As these loans are typically fully secured by the asset being financed, the interest rate charged will reflect this and will generally be lower than that for an unsecured personal loan.

Latitude provides loans for motor vehicles and other recreational vehicles, originating through direct to customer and broker channels in Australia. Latitude does not currently offer fully secured motor loans in New Zealand. Lending for motor vehicles in New Zealand is currently done as a personal loan. Where Latitude provides an unsecured loan to support the purchase of a motor vehicle, Latitude classifies these loans as personal loans. Latitude only offers fixed rate motor loans.

2.3.3.3.1 Latitude's motor loan offering

Latitude secured motor loans are an Australia only offering, originating through direct to customer and broker channels. Latitude focuses on the used vehicle segment, which represents the majority of Latitude's motor loan volumes in Australia.

In this segment, Latitude believes it can leverage its ability to offer competitive interest rates for risk and willingness to fund a broad range of vehicle types to drive growth. By contrast, new vehicle financing is primarily provided by original equipment manufacturers and dealer integrated financing offers.

A Latitude motor loan has a term of between one and seven years. It has a fixed interest rate, and repayments can be made weekly, fortnightly or monthly. Latitude charges fees relating to the establishment, servicing and termination of the loan, as well as interest on outstanding balances.

Latitude re-entered the motor financing segment in June 2016. Latitude's strategy to grow in motor loans is to scale volume through origination via intermediaries (aggregators and brokers) and building a strong direct to customer proposition and experience to increase Latitude's share of this large market segment.

Latitude believes it is an attractive partner for brokers and other commercial partners, as it delivers a strong service proposition supported by a national team of experienced relationship managers and a commitment to fast loan application processing.

Latitude has invested digitally in its loan application portal, which can be integrated with commercial partner platforms, as well as its capability to rapidly credit assess customers for new loans via streamlined application processes as well as automated decisioning processes. Latitude continues to streamline the application process through the introduction of a decisioning process in under 90 seconds. Latitude has also introduced a process for a full approval in advance of choosing the vehicle to further enhance its direct to customer proposition and appeal to customers who research financing before deciding on a vehicle purchase.

Latitude is focused on the broker origination channels to grow the motor loans business.

Key metrics for the motor loans portfolio are shown in Table 13.

53 As defined by the Australian Bureau of Statistics 'Lending indicators'.

Table 13: Motor loans key metrics as at 31 December 2020 (Australia)

Gross loan receivables	A$587 million
FY20 volume[a]	A$299 million
FY20 operating income	A$45 million
FY20 RAI yield[a]	7.0%
Open accounts[b]	36,000
90+ days delinquencies[c]	0.15%

Notes:
(a) Refer to the definitions of volume and RAI yield in Section 4.13.
(b) Open accounts at 31 December 2020 rounded to nearest 1,000.
(c) 90+ days delinquency data shown calculated as at 31 December 2020.

2.3.3.4 Growth strategy in Lending

There are many avenues for Latitude to grow Lending as a specialist consumer finance business, including:

- Pursuing ongoing improvements in the digital lending experience for partners and customers alongside utilising Latitude's strengths in credit decisioning and funding;
- Unwinding COVID-19 credit origination actions and resetting marketing spend;
- Taking advantage of opportunities in markets like motor to support growth in personal and motor loans;
- Enhancing graduation outcomes by leveraging Latitude's growing Instalments products customer base and testing AI tools to improve customer engagement;
- Engaging with potential new partners for white-label or co-brand Lending products, in a manner similar to the Kiwibank partnership in New Zealand (see Case study 1 in Section 2.1.4.1); and
- Leveraging Latitude's travel card for international spending – Latitude 28° Global and the recovery potential when borders reopen.

2.3.4 Hallmark Insurance

Hallmark Insurance traces its history back to the 1970s and was acquired by GE in 1999. Historically Hallmark Insurance has provided insurance for Latitude's personal loans and credit card customers in Australia and New Zealand (refer to Table 14). The insurance for personal loans covered life, disability, involuntary unemployment and some variants of critical illness. Insurance available for Latitude's credit card eligible customers also included additional coverage for price protection, merchandise protection and stolen cards as well as life, disability and involuntary unemployment, whereby eligible customers can claim up to A$15,200 of benefits under these heads of cover.

Table 14: Latitude's historical insurance products

Applicable to:

Cover	Loans	Cards	Details
Death, disability and involuntary unemployment	✓	✓	• Covers regular repayments on the credit contract in the event of death, disability and involuntary unemployment. • Pays the outstanding balance should the insured customer die or become totally and permanently disabled[(a)].
Price protection	–	✓	• Insurance allows cardholders to receive a payment in the event that the purchased item drops in price within 12 months at any Australian retailer.
Merchandise protection	–	✓	• Insures items purchased on an insured credit card from loss due to theft or damage for up to 12 months.

Notes: Details of the insurance cover shown relate to the suspended products from which Hallmark Insurance continues to earn premiums from its existing portfolio. Latitude also has a small term life legacy portfolio of approximately 2,000 customers with reinsurance arrangements in place.

(a) The life insurance component was ceased in April 2018.

As a result of an industry regulatory review by the Australian Securities and Investments Commission ('**ASIC**') (refer to Sections 2.5 and 5.2.1.3), Latitude ceased selling its Hallmark Insurance product for credit cards as at September 2019 in Australia and New Zealand. Latitude ceased selling Hallmark Insurance product for personal loans from April 2020 in Australia and December 2020 in New Zealand.

Table 15: Insurance key metrics as at 31 December 2020

FY20 gross written premium	A$38.8 million
FY20 net insurance income	A$32.7 million
Active policies	203,000

The Hallmark Insurance team has been working with an insurance technology provider, and obtained approval from the Australian Prudential Regulation Authority ('**APRA**') to launch new regulatory compliant Repayment Protection Insurance ('**RPI**'), for Latitude's personal loans customers in early 2021. As of March 2021, Latitude has commenced sale of the new RPI product in respect of personal loans in Australia only. The new RPI product is only being offered as a digital sales experience which complies with pending legislative changes. The new RPI product is being piloted in Australia prior to launching in New Zealand.

The regulatory environment associated with the provision of insurance is set out in Section 2.5, and a more detailed description of regulatory activities and proposed reforms as applicable to Latitude's business is set out in Sections 5.2.1.3 and 5.2.1.6.

Latitude's customers increasingly require choice of cover, digital engagement, and payment options, while regulators have set clear expectations regarding the unbundling of consumer credit insurance-related products and the adoption of a deferred sales model ('**DSM**').

Technology is a key enabler to Hallmark Insurance's ability to respond effectively to these evolving customer and regulatory requirements.

2.4 Latitude's organisation

Latitude is headquartered in Melbourne and is organised by geography in Australia and New Zealand with a total workforce of around 1,500 FTE staff as at 31 December 2020. The Commercial business is led by Paul Varro, Chief Commercial Officer, with Andrew Walduck, COO, responsible for Technology and Operations.

Latitude's workforce in Australia was comprised of approximately 1,200 FTE staff as at 31 December 2020. Latitude's New Zealand business, based in Auckland, is led by David Gelbak, Chief Customer Officer, New Zealand and comprised approximately 300 FTE staff as at 31 December 2020.

Latitude has three key enterprise governance and support functions, namely:

- Finance – led by Adrienne Duarte, CFO;
- Corporate Services – led by Chris Blake, Executive General Manager, Corporate Services; and
- Risk Management – led by Jo Mikleus, Chief Risk Officer.

Each of these executives reports to Ahmed Fahour, Managing Director and CEO, and together they form the Executive Committee of Latitude.

Latitude's leadership team is responsible for culture and has driven improved employee satisfaction and engagement, as illustrated in Figure 35. Further details of Latitude's management team are set out in Section 6.

Figure 35: Employee satisfaction survey as at October 2020

	2018 to 2020 uplift
Overall employee engagement	+9%
"I am proud to work for Latitude"	+8%
"I would recommend Latitude as a great place to work"	+8%
"I rarely think about looking for a job at another company"	+10%
"I still see myself at Latitude in two years' time"	+10%
"Latitude motivates me to go beyond what I would in a similar role elsewhere"	+10%

Source: Company survey conducted by Culture Amp. Uplift reflects comparison of surveys on February 2018 and October 2020.

2.5 Regulatory environment in which Latitude operates

2.5.1 Overview of regulatory areas relevant to Latitude

Latitude is subject to, and complies with, a range of regulatory and compliance requirements in Australia and New Zealand as a licensed credit and insurance provider conducting business, including those specific to the provision of Instalments and Lending, and insurance products.

Latitude's Instalments and Lending activities are primarily regulated:

- In Australia, by ASIC as an Australian Credit Licensee under the *National Consumer Credit Protection Act 2009* (Cth) ('**NCCP Act**') and the National Credit Code ('**NCC**'). The *Corporations Act 2001* (Cth) ('**Corporations Act**') and the *Australian Securities and Investments Commission Act 2001* (Cth) ('**ASIC Act**') also regulate these areas; and
- In New Zealand, by the Commerce Commission under the *Credit Contracts and Consumer Finance Act 2003* (NZ) ('**CCCFA**') and the Responsible Lending Code.

In Australia, Australian Credit Licensees are subject to general obligations under the NCCP Act, which include:

- Doing all things necessary to ensure that the credit activities authorised by the licence are engaged in efficiently, honestly and fairly; and
- Having proper arrangements for conflicts of interest, staff training and competency, and adequate resources and risk management.

The NCCP Act also imposes obligations on licensees in respect of responsible lending. These obligations ensure that licensees do not provide or suggest (or otherwise assist with) a credit contract that is unsuitable for a consumer.

In New Zealand, under the CCCFA and the Responsible Lending Code, providers of consumer credit are subject to extensive requirements regarding the terms of their consumer credit contracts, as well as procedures that must be followed by the creditor over the duration of their contract.

Latitude is also regulated in New Zealand by the Financial Markets Authority ('**FMA**') under the *Financial Advisers Act 2008* (NZ) with respect to financial advice provided in connection with its Instalments and Lending products. However, as a result of the *Financial Services Legislation Amendment Act 2019* (NZ) ('**FSLAA**'), from 15 March 2021, Latitude will be able to rely on an exclusion from the financial advice regime. In anticipation of this change, Latitude has notified the FMA of Latitude's intention to exit its Qualifying Financial Entity status on 15 March 2021 on the basis that Latitude does not provide "financial advice" or "regulated financial advice".

Latitude's insurance activities (being the issuance of insurance by Hallmark Insurance) are primarily regulated:

- In Australia, by ASIC, as an AFSL holder and issuer of financial products under the Corporations Act and the *Insurance Contracts Act 1984* (Cth), which regulates contracts on insurance, as well as by APRA as an insurer under the *Insurance Act 1973* (Cth) and the *Life Insurance Act 1995* (Cth), which provide the prudential framework for licensed general and life insurers respectively; and
- In New Zealand, by the Reserve Bank of New Zealand ('**RBNZ**'), as insurers licensed under the *Insurance (Prudential Supervision) Act 2010* (NZ) ('**IPSA**') and the FMA under the *Financial Advisers Act 2008* (NZ). The IPSA provides a prudential framework for licensed insurers under the supervision of the RBNZ.

Latitude is also subject to legislation in Australia common across similar businesses including (but not limited to) the *Privacy Act 1988* (Cth) (including the Privacy (Credit Reporting) Code 2014), the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth), the *Competition and Consumer Act 2010* (Cth), the ASIC Act, as well as corresponding legislation in New Zealand. It is also signatory to the relevant General and Life Insurance Codes of Practice in Australia and has opted to be subject to the Fair Insurance Code (NZ). Latitude has contributed to the development of BNPL industry codes in Australia and New Zealand.

In relation to financial crime regulatory obligations:

- In Australia, Latitude is a 'reporting entity'. Providing a loan in the course of carrying on a loans business and, as a lender, allowing a borrower to conduct a transaction in relation to a loan in the course of carrying on a loans business are designated services that Latitude provides. As a reporting entity, Latitude's obligations include:
  - Enrolling with the Australian Transaction Reports and Analysis Centre ('**AUSTRAC**');
  - Adopting and maintaining an AML/counter terrorism financing ('**CTF**') programme;
  - Undertaking customer due diligence prior to providing a designated service; and
  - Reporting certain matters to AUSTRAC including an annual compliance report; and
- In New Zealand, Latitude has similar obligations under the *Anti-Money Laundering and Countering Financing of Terrorism Act 2009* (NZ), which include having and maintaining a written AML/CFT Programme.

LatitudePay and Genoapay are not currently specifically regulated in Australia or New Zealand outside regulation applicable to businesses generally (including anti-money laundering and credit reporting regulation) and, in New Zealand, the aspects of the CCCFA that relate to "credit contracts" generally (primarily, restrictions on oppressive terms and oppressive conduct). However, in October 2021 they will become subject to the general design and distribution obligations in Australia discussed below. Additionally, Latitude complies with an industry code of practice for BNPL providers ('**BNPL Code**') published by the Australian Finance Industry Association.

Outside government regulatory bodies, Latitude is also required, as a provider of financial services and products to customers, to engage with the established consumer complaint bodies. In Australia, this body is the AFCA, the successor entity to the Australian Financial Ombudsman Service. In New Zealand, Latitude Financial Services Limited and Hallmark Insurance are members of the New Zealand Insurance & Financial Services Ombudsman, and Latitude Innovation Holdings Limited is a member of Financial Services Complaints Limited.

2.5.2 Recent regulatory developments

Latitude continually monitors the regulatory environments in Australia and New Zealand to identify regulatory changes that may impact Latitude's business to understand the risks and its approach to managing them. Significant regulatory developments on Latitude's and Hallmark Insurance's radar currently include:

Product design and distribution

The Corporations Act has been amended to introduce design and distribution obligations for issuers and distributors of financial products. These will include Latitude's regulated and unregulated credit products and insurance products. These requirements have been deferred because of COVID-19, and will commence in October 2021. Under these obligations, Latitude and Hallmark Insurance must formally identify the target customers for each affected product in a target market determination. This must include distribution conditions that make it reasonably likely that customers are in the target market. Latitude and Hallmark Insurance (and distributors such as merchant partners or brokers) must then take reasonable steps to ensure that the distribution of the product is consistent with the determination. Additional marketing, record-keeping and reporting obligations apply.

Product intervention power

The Corporations Act and the NCCP Act have been amended to provide ASIC with the power to make product intervention orders that regulate specific financial products. These will include Latitude's regulated and unregulated credit products and insurance products. ASIC has used this power to regulate credit that is subject to exemptions under the NCCP Act, and it is possible that it may issue product intervention orders that regulate LatitudePay or other Latitude products.

Lending responsibly

On 25 September 2020, the Australian Government announced proposals to simplify the NCCP Act in relation to responsible lending. Under the government's proposals, the new regime would reflect APRA's approach to credit assessment. This would likely change the current 'reasonable inquiries' test and reduce the need to verify a borrower's financial situation to the same extent as now in the course of providing credit assistance or approving credit.

The intention of the changes is to reduce the time and cost of borrowing for consumers and businesses, reduce 'red tape' for consumers seeking a credit product, improve competition by making it easier for consumers to switch lenders, and enhance access to credit for small businesses.

Draft legislation has been introduced into the Australian Parliament, but has been referred to the Senate Economics Legislation Committee with a report due on 12 March 2021. Whether the government proposal will pass or will pass in a modified form is not yet clear. Latitude is assessing the reforms to understand the impacts on its business and processes, and monitoring legislative developments.

In New Zealand, changes were made to the CCCFA in late 2019 that enabled the government to amend consumer credit contracts, and provided increased remedies and enforcement powers for certain breaches of the CCCFA.

New regulations to support the amended CCCFA will come into effect in October 2021. Latitude is part of an industry advisory group which has worked with the Ministry of Business, Innovation and Employment on the development of the new regulations. Latitude is preparing to make changes to its processes and systems as necessary to ensure compliance with the new requirements.

The Banking Royal Commission

On 14 December 2017, the Banking Royal Commission was established in Australia to investigate misconduct in Australia's banking, superannuation and financial services industry. The Final Report of the Banking Royal Commission was tabled in the Australian Parliament on 4 February 2019 and included 76 recommendations across the Australian financial sector, including changes to the role and power of the sector's regulators.

The *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* (Cth) was passed in December 2020 to implement a number of these recommendations. It included the introduction of:

- Enhanced breach reporting by AFSL holder and a new breach reporting regime for Credit Licensees, and statutory remediation obligations for both (to commence in October 2021);
- A DSM aimed at preventing the inappropriate sale of add-on insurance (to commence in October 2021);
- Anti-hawking rules that replace and increase existing prohibitions on unsolicited marketing of financial products (to commence in October 2021);
- An ASIC power to declare limits on commission for the sale of add-on insurance (commenced in January 2021); and
- Limits to an insurer's ability to deny claims on the basis of misrepresentation or non-disclosure by the customer (commenced in January 2021).

There has been no recent published activity on other remaining recommendations from the Banking Royal Commission, including the removal of POS exemption and the development of FAR. The Treasurer, however, announced on 12 November 2020 that the government is focused on completing the implementation of the remaining recommendations of the Banking Royal Commission. Latitude is monitoring progress and developments and will assess impacts and the need for changes to the business and operations as and when needed.

Insurance

Hallmark Insurance will also be required to navigate insurance-related regulatory changes over the next 12 to 18 months, including the transition to the updated General and Life Insurance Codes of Practice in Australia, unfair contract terms legislation, revisions to APRA's Remuneration prudential standard (CPS 511), and the review of the *Insurance (Prudential Supervision) Act 2010* (NZ) in New Zealand. In New Zealand, the RBNZ has re-commenced a review of the IPSA and the solvency standards applicable to licensed insurers. As the first step of the review, the RBNZ issued an initial set of consultation papers. These consultation papers request feedback during February 2021 on a variety of issues, including the scope of the legislation, how overseas incorporated insurers such as Hallmark Insurance shall be regulated in New Zealand and the solvency standards. However, any legislative process to amend or replace the IPSA or the final solvency standards is not expected until the second half of 2023 at the earliest.

New Zealand financial services and conduct regulation

From 15 March 2021, the New Zealand financial services regime will be replaced with the amendments included in the FSLAA. The new regime will require those who give financial advice to retail clients to either hold a financial advice provider licence or be engaged to operate under a financial advice provider's licence. The FSLAA contains a new lender specific exclusion from the financial advice regime that was not previously available. Latitude will be able to rely on this exclusion, and as such, from 15 March 2021, will not be subject to the financial advice regime in New Zealand.

The Financial Markets (Conduct of Institutions) Amendment Bill (NZ) ('**COFI**') is currently before the New Zealand Parliament. The current form of COFI requires financial institutions such as Hallmark Insurance to comply with a fair conduct principle and to establish an effective fair conduct programme. It also requires financial institutions and intermediaries involved in the chain of distribution to comply with regulations that regulate incentives based on volume or value sales targets. Financial institutions that are in the business of providing relevant services, like licensed insurers and licensed non-bank deposit takers (including Hallmark Insurance), will be required to obtain a licence. While the current timing for implementation of COFI is uncertain, that timing is expected to be confirmed in February 2021. A transition period is expected to apply once the legislation comes into force.

3 Risk Management

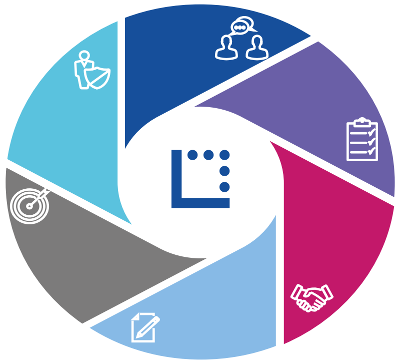
3 Risk Management

3.1 Risk management

Risk management is fundamental to the success of Latitude. Latitude is continually developing and enhancing its risk management capabilities to cater for changes to its strategy, developments in the external environment and expectations, as well as the enduring focus of achieving the best customer outcomes.

Latitude's enterprise risk management framework, risk appetite statement ('**RAS**') and supporting principles, policies and processes are designed to ensure that relevant risks in business activities are effectively identified, measured, monitored and managed.

Figure 36: Latitude's risk management guiding principles



Individual accountability for taking responsibility and managing risk

Balance risk-reward in pursuing strategic objectives and targeting returns

Only pursue and accept risks we understand and can manage

Transparency and speed in communicating and managing risks and incidents

Integrity and quality of data and information to support decisions and oversight

Conduct with customers is fair and value-focused

Latitude's operating model for risk management is intended to:

- Maintain an effective system of internal controls commensurate with the scale and complexity of the business and consistent with the "three lines" approach[54]. This incorporates management and staff taking primary responsibility for identifying and managing risks; and
- Support the business in enabling growth and productivity while ensuring operational reliability and resilience.

The RAS articulates the nature and quantum of risk that Latitude is willing and targeting to accept in pursuit of its strategic objectives and business plan. The RAS is reviewed and approved by the Board on a regular basis.

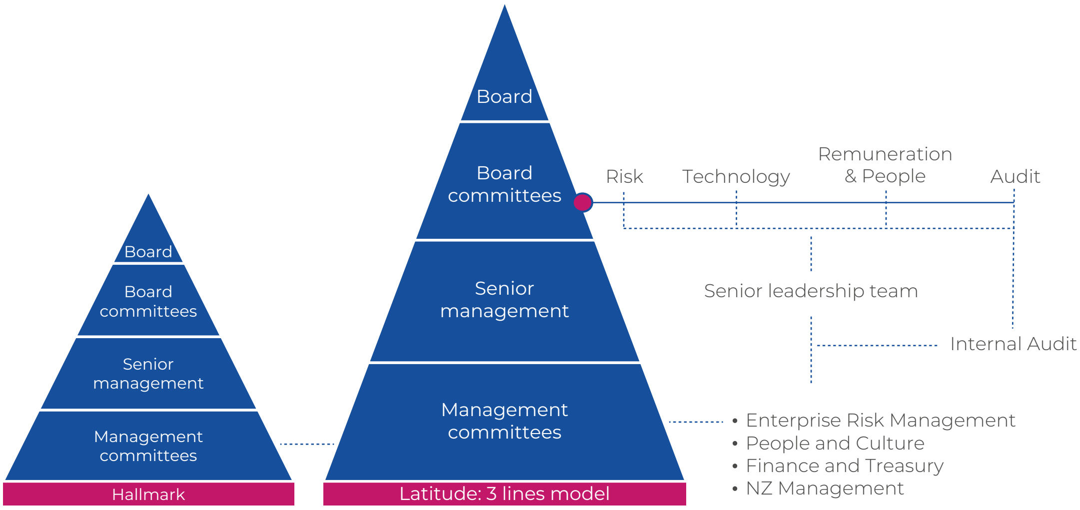
Latitude sees its broad risk management capabilities as a core source of competitive advantage.

Leadership and oversight of risk management at Latitude are executed and formalised through an established governance structure (refer to Figure 37), risk assessment programme and risk appetite metrics. Alignment and adherence to policies and procedures are monitored by management committees, Board committees, and the Board (refer to Section 6.4.4.5).

54 The "three lines" refers to the commonly adopted and regulatory endorsed approach to managing risk: Line 1: Ownership of risk and controls by the business line representative for the relevant process; Line 2: Advice, training, oversight and challenge by the Risk function; and Line 3: Independent review by audit.

3 Risk Management

Figure 37: Latitude risk governance structure



Each executive leads and attests to the appropriateness of their risk and control environment through completion of bi-annual Risk and Control Self-Assessments ('**RCSA**'). The results and observations are presented to the Enterprise Risk Management Committee, with material results reported to the Risk Committee of the Board.

Latitude undertakes business unit testing of controls, second line oversight and review, and independent third line audits to help ensure appropriate risk management.

Hallmark Insurance also maintains a risk management framework that is designed to be compliant with APRA's Prudential Standards and is aligned with Latitude's risk management approach. This includes both Hallmark Insurance-specific and Latitude enterprise-wide policies, procedures and controls noting that Latitude owns and manages a number of processes and risks for Hallmark Insurance. The Hallmark Insurance risk appetite statement is aligned with Latitude's RAS to the extent that it is practicable and reasonable to do so.

Hallmark Insurance maintains a separate board and committee governance structure operating in parallel to that of Latitude as per Figure 37.

The following sections focus on Latitude's:

- Technology enabled risk management (Section 3.2);
- Enterprise risks (Section 3.3);
- Operational and technology risk (Section 3.4);
- Credit risk management (Section 3.5);
- COVID-19 management, impact and response (Section 3.6);
- Asset quality (Section 3.7); and
- Funding and liquidity (Section 3.8).

3.2 Technology enabled risk management

Several areas of innovation in Latitude's risk management approach are being, and intend to be, pursued to leverage data and technology to enhance risk management and drive competitive advantage. Two of these areas are outlined below.

3.2.1 Leveraging Internal Bureau and customer data

Latitude's Internal Bureau is a proprietary tool that combines customer data on repayment behaviour and transactional history. The combination of Latitude's proprietary data, external credit bureau information, customer insights and digital mechanisms are used to:

- Enable enhanced risk-reward decisions on customer acquisition and management through credit scoring;
- Increase approval and customer conversion rates;
- Support customer segmentation strategies;
- Facilitate responsible customer outcomes;
- Drive productivity in relation to customer interactions and improved customer experience; and
- Enable the development of machine learning initiatives (discussed below).

In Latitude's view, the benefits of an Internal Bureau are best achieved by scale organisations that have large, organised data sets sufficient to build and validate strong models. Latitude has, over its long history, accumulated significant data providing insights into customer performance and behaviour, and built the capabilities to effectively use this information for credit risk management decisioning. As at 31 December 2020, Latitude had 2.77 million customer accounts featuring data across cards and Lending. It is anticipated that this data will expand further as Genoapay and LatitudePay continue to grow.

3.2.2 Using technology to enhance risk management

Latitude has a long history of innovating and partnering with third parties (including innovative RegTechs more recently) to build efficient and effective processes to assist in enhancing credit management and conduct.

Examples of recent initiatives include:

- The multi-faceted automated proof-of-income checks that optimise the customer experience while ensuring compliance with applicable regulations;
- Digitally developed platforms to enhance collections performance and productivity;
- Evolvement of originations and in-life credit decisioning capability; and
- Enhancement of fraud controls using facial biometrics and device authentication.

Latitude has also progressed machine learning pilots to continually challenge and evolve its approach to risk management and fosters innovation to help implement its strategy and drive improved customer outcomes.

Latitude intends to continue to seek opportunities to further enhance the use of customer data and technologies to target automated preventative controls to reduce risks, enhance customer experiences and optimise business outcomes.

3.3 Enterprise risks

3.3.1 Regulatory compliance

Latitude's risk appetite for compliance risks is low and there is zero tolerance for any deliberate or purposeful non-compliance and avoidance of obligations.

Latitude strives to create and maintain a strong culture whereby compliance obligations and risks are understood and demonstrably managed across the organisation. The importance of doing the right thing is communicated from the highest levels of the enterprise, and reinforced through Latitude's values, Code of Conduct and policy framework.

All employees are expected to undertake all assigned compliance training in a timely manner, follow all Latitude policies and procedures associated with their role, and report any compliance risks, issues and incidents.

Latitude continually monitors the external environments within which it operates to ensure it is aware of, and responding appropriately to, existing, new and changing regulatory obligations and regulator expectations. Latitude also strives to build and maintain open and transparent relationships with its regulators.

Latitude maintains a centralised repository of compliance-related information and data to support compliance management activities. Reporting on compliance matters is provided to management risk committees and the Board Risk Committee.

3.3.2 Conduct

Latitude supports and seeks to reinforce, a culture in which good conduct is central to the business and decision-making. Through its revamped and relaunched Code of Conduct introduced in December 2020 and a new Conduct Policy effective 1 January 2021, Latitude clearly sets out its expectations in relation to ethical decision-making, compliance with legislation and its Values.

Latitude recognises that living by its values – Act right, Be curious, and Show care – helps ensure that Latitude makes the right decisions and contributes to an organisational culture that builds integrity and trust with its stakeholders and communities it is part of, and helps deliver consistently great outcomes.

Latitude has zero tolerance for deliberate, intentional and wilful misconduct. Latitude seeks to actively manage the drivers of misconduct, including conflicts of interest, the design of products and services, and the effectiveness of its processes and systems.

The Code of Conduct is a core module of mandatory training for all staff.

Latitude has established a network of Conduct Champions to help promote conduct standards across the enterprise and be available as points of escalation for conduct-related incidents or concerns.

A conduct dashboard is being developed to support management and the Board monitor key conduct risk indicators and trends within the business.

If misconduct incidents occur, Latitude endeavours to address them in a timely and appropriate way. This may include addressing the impacts on customers and root causes in processes and systems, and taking consequential management actions in relation to the individuals involved.

3.4 Operational and technology risk

The Latitude enterprise risk management framework defines operational risk as a risk of loss due to inadequate or failed processes, people and systems or from external events or incidents. Latitude's RCSA process enables Latitude to assess, manage and monitor operational risks and controls. The process is run bi-annually and requires every Executive General Manager ('**EGM**') and their teams to assess their operational risks, assess the effectiveness of operating controls in managing the identified risks and/or determine if new or enhanced controls are required. The identified risks are assessed against Latitude's risk appetite framework to inform enhancements to controls.

Latitude continues to assess the current and expected environment for operational risk and makes changes and investments accordingly to enhance its focus on operational risk management.

Latitude has specific capabilities, policies and processes to manage and monitor the major areas of operational risk it faces (including technology and business resilience, failures of people, processes and systems, and fraud).

Latitude is prioritising effort in a number of areas to enhance management and monitoring of key operational risks including those outlined below:

- **Business resilience:** The risk of disruption to Latitude's business activities, due to the failure of technology platforms and assets resulting in an inability to obtain support to restore platforms or to obtain hardware that enables one or more business functions. Latitude is focusing on a programme aimed at implementing the replacement of aged information technology platforms and enhancing disaster recovery capability for critical customer and revenue generating platforms;
- **Cybersecurity:** Recognising the size and complexity of the threat, Latitude has dedicated internal and external resources to operate and continually improve the maturity of its cybersecurity control framework. A recent independent review against internationally recognised frameworks has informed key priorities for Latitude's cybersecurity strategy;

- **Fraud:** The intensity of fraud activity has materially increased and changed in nature, reflective of the digital age. Identity theft, often perpetrated by organised groups, has become a major industry challenge. Latitude has invested in enhanced controls which most notably include biometrics (facial and behavioural) and device authentication to combat this threat. Latitude has a fraud framework and policies in place and continues to evolve its strategies, processes, controls, tools and digital capability to manage, monitor and respond to the risk of application or transaction fraud committed by any party;
- **Operational processes:** Latitude is continually enhancing the control framework supporting the processes performed by its staff or third parties. This involves taking steps to address the likelihood of process errors, processing delays, reporting errors as a result of inaccurate data and enhancing data infrastructure; and
- **Human resources:** Specialist resources are required to support the execution of strategic priorities. Targeted recruitment, development and plans to retain key staff are being continually strengthened.

3.4.1 Risk in change

Latitude is executing a digital transformation that will implement new, and replace and supplement several legacy platforms across lending, collections, servicing and originations. At the same time, Latitude is maturing its risk management capability in this area. Key strategies to manage execution and transition risk include:

- **Policy guidance:** Policies include IT Asset Management Policy, Information Security Management, Procurement Management, Supplier Management, Vendor Management, Vulnerability and Patch Management;
- **Project portfolio management:** Estimation, prioritisation, scheduling and benefits management of strategically-aligned technology initiatives to build momentum and deliver business value;
- **Steering committees:** Governing and decision-making bodies responsible for providing guidance and leadership support (e.g. the removal of impediments) designed to ensure projects are undertaken appropriately, adhere to regulatory obligations, and deliver agreed business benefits;
- **Project delivery methodology:** Latitude has methods that cover the processes, tasks and tools for project managers to lead, design, plan, implement and achieve project objectives; and
- **Resource management:** Strategies include project workforce management, ongoing monitoring of supply and demand to determine any capacity constraints, management of vendor relationships designed to ensure timely resourcing and onboarding, and timely recruitment into delivery roles.

3.5 Credit risk management

Credit risk management is a core feature of Latitude's capability. Latitude has developed and refined its credit risk management capabilities, inclusive of proprietary scorecards that support credit decision strategies and insights, to foster prudent underwriting, portfolio management and effective controls.

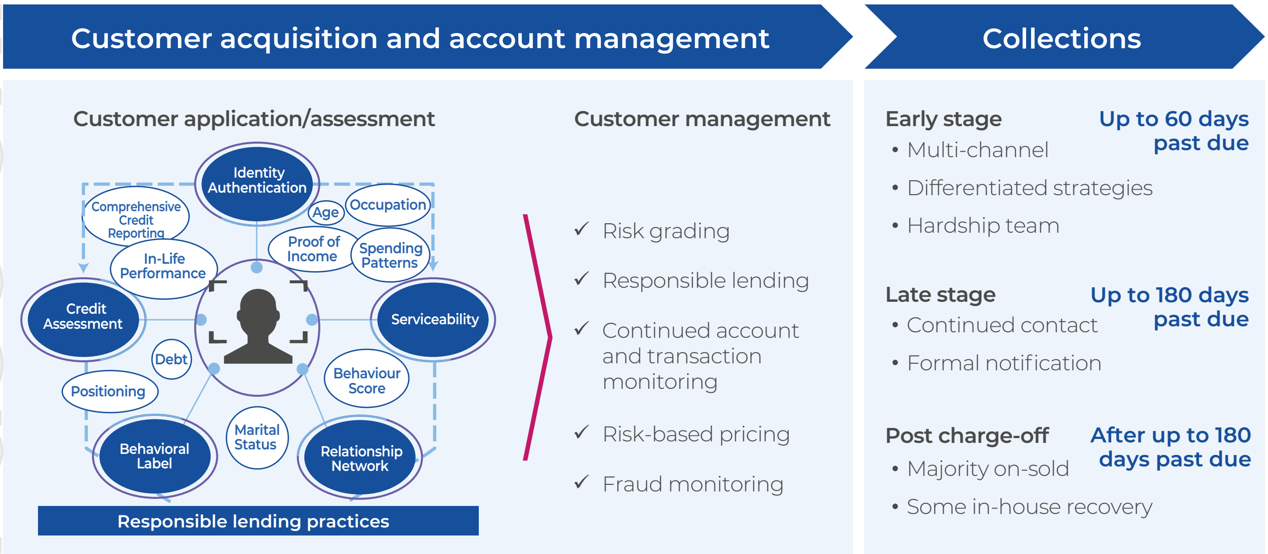
These processes incorporate risk-based loan pricing and lending limits for its customers, allowing Latitude to approve credit to customers while also seeking to ensure adequate compensation for risk to maintain its net charge offs and delinquencies[55] in accordance with Latitude's target risk appetite. Latitude has maintained broadly consistent credit risk appetite settings for its Australian and New Zealand aggregate portfolios, as illustrated by the stability of Latitude's annualised loss and delinquency rates over the last 10 years (refer to Section 3.7).

3.5.1 Credit risk lifecycle

Latitude manages credit according to customer segments and product types across the credit risk lifecycle (refer to Figure 38), with the credit risk management function working closely with Latitude's originations, fraud operations, servicing and collections teams. Latitude's credit risk management function is responsible for developing and monitoring strategies to assess customer creditworthiness, allocate customer risk profiles (according to Latitude's proprietary risk scorecards) and determine risk-aligned collections activity, which is then the responsibility of the collections function.

55 When a customer does not meet their minimum monthly payment requirements, they are deemed delinquent on their contractual terms. A delinquency of more than 90 days past due means the customer has not met their contractual arrangements for more than 90 days (or is overdue four monthly payments or more). Customers that are more than 180 days delinquent (revolving products), 120 days delinquent (personal and motor loans) or 90 days delinquent (LatitudePay and Genoapay) are charged off (de-recognised from the balance sheet). For further information, refer to Section 3.7.

Figure 38: Latitude credit risk lifecycle



Latitude continues to refine its credit risk management approach as the business model, product offerings and regulatory environment evolve.

3.5.2 Customer origination for credit products

Latitude originates new business through multiple channels, including online, mobile, over the telephone, merchant partner stores and other third-party intermediaries. Origination occurs both at customer checkout and, increasingly, in the form of an application online or on a mobile device. Regardless of the channel, the credit approval decision to open a credit card or loan account is made in accordance with Latitude's applicable regulatory credit risk and underwriting procedures.

In addition to Latitude's responsible lending obligations, in order to be approved for credit, a customer must meet the requirements of Latitude's credit risk policy and RAS (Section 3.5.6 provides an overview of processes for the LatitudePay and Genoapay products). These requirements include:

- Score-driven criteria including application inputs and existing customer behaviour;
- Customer identification checks;
- External credit bureau data incorporating Comprehensive Credit Reporting data;
- Capacity assessment based on income, expenditure, existing debt and other commitments;
- Verification of income (risk-based approach);
- Anti-money laundering checks;
- Fraud checks; and
- Credit approval by automatic decisioning, or manual decisioning through delegated authority based on rule-driven criteria.

The information captured at the point of application (applicant information, credit bureau record and existing customer history) is electronically transmitted to Latitude's Internal Bureau and proprietary scoring models for risk quantification. The resulting scores then support a risk-based customer assessment to determine approvals and associated limits and, where applicable, loan price (for personal loans and motor loans). Latitude's automated processes also identify applications that require:

- Manual credit assessment, triggered through high exposure and/or high-risk system rules, which are decided via delegated authorities assigned to the central underwriting team;
- Automatic interaction with third-party databases to verify a customer's income; and
- Referral to operational teams for data validation.

Latitude uses an internal ratings scale to assign risk of default at the point of origination called the Credit Risk scale ('**CR**' scale). The score an applicant is assigned at the point of origination is mapped to a CR scale ranging from 1 (lowest risk) to 5 (highest risk). Consistent with Latitude's RAS and credit policy, Latitude does not approve any applications for credit that are rated as CR5[56].

Latitude applies risk-based pricing for personal loans and motor loans and determines risk-based lending limits across its entire product suite. For personal and motor loans, the score and security (if any) are used by Latitude to determine a tailored interest rate from a parameterised pricing matrix. The interest rates in the matrix are determined from a pricing model that calculates the return based on loan amount, term and net charge offs. The approval rates and performance of loans made by Latitude are then analysed and adjustments are made to pricing parameters. Latitude views this risk-based loan pricing capability as a key strength.

Within each portfolio, Latitude seeks to refine credit settings on an ongoing basis through 'Champion/Challenger Testing'[57] for approval rates, loan pricing and amounts. This includes testing more conservative, as well as more expansive, credit settings.

Table 16 highlights the target probability of default associated with each CR scale at origination.

Table 16: Probability of an account going into default in 12 months from opening

CR scale	Risk descriptor	Probability of default range
CR1	Very low risk	0%–1.2%
CR2	Low risk	1.2%–3.0%
CR3	Medium risk	3.0%–7.0%
CR4	Moderate risk	7.0%–13.2%
CR5	High risk	13.2%+

Notes: Default is defined as any account which is 90+ days past due, charged off, or in an impaired state (defined internally). Probability of default range refers to the probability of an account going into default in 12 months from opening.

Day-to-day management of the portfolio is not limited to these account groupings. Individual application or behaviour scores are used, which allows for a more granular assignment of credit risk strategies. For example, within the broader CR4 category, an individual application score is used to determine a subset to approve and a subset to decline. As at 31 December 2020, cut-off scores for Latitude products (excluding BNPL) were within the CR3 to 4 band[58].

New scorecards for originations are calibrated to the target default probability scale and assessed regularly for alignment. Where necessary, scorecards are re-calibrated or re-developed.

3.5.3 Comprehensive Credit Reporting

The introduction of Comprehensive Credit Reporting ('**CCR**') in both Australia and New Zealand has materially changed the credit risk landscape. In addition to the information it contained before, a credit report under CCR now includes information about current accounts a customer holds, what accounts they have opened and closed, and up to 24 months of repayment history, including whether they met their repayments on time. Latitude is a CCR participant in both Australia and New Zealand, meaning Latitude can access positive and negative account conduct information for customers of all participating organisations, while contributing Latitude's customer data as required by the rules of reciprocity (noting strict regulations mandate that this data can only be used when making a credit decision).

56 A trial for personal loans in New Zealand to underwrite <1% of originated accounts at CR5 was stopped for applications received on or after 6 March 2019. While not originating CR5 loans, some customers' rating may degrade to this level subsequent to application/approval (due to changes in customer circumstances); hence, the existence of some CR5s in the portfolio (refer to Table 18). For Genoapay and LatitudePay, refer to Section 3.5.6.

57 Champion/Challenger Testing is the process through which new challenger credit strategies are trialled and compared against the current credit strategies in place (champion) by parallel testing on a random cohort. For example, the existing cut-off strategy might be retained for 80% of applicants but for a random 20% a new cut-off strategy is implemented, and the relative performance measured.

58 For Genoapay and LaitudePay, refer to Section 3.5.6.

CCR information, which has predictive attributes, provides Latitude with enhanced credit information to allow Latitude to improve its scorecards and make more refined credit decisions. These improved scorecards allow risk appetite to be maintained at higher approval rates. CCR also helps to identify overcommitted applicants with previously undisclosed liabilities as well as the verification of an applicant's disclosed liabilities. Augmenting this data with Latitude's Internal Bureau strengthens the quality of credit decisions.

3.5.4 Customer account management

Ongoing account monitoring and management utilise behavioural scorecards incorporating individual customer history that aims to predict a customer's propensity to default in the future. This enables Latitude to regularly re-assess customer credit strength, behaviour and risks, and utilise this for in-life decisions such as authorisation requests, limit increase requests and collections actions. In addition, Latitude analyses credit card transactions for the likelihood of fraud requiring intervention, including the use of automated SMS confirmation requests to customers for suspicious transactions.

3.5.5 Collections

Latitude has an in-house collections function, with teams in both Australia and New Zealand. For accounts falling past due, the collections process comprises three main stages – early stage collections (1–59 days past due), late stage collections (60+ days past due), and post charge off recovery activity including debt sale. Section 3.5.6 provides an overview for LatitudePay and Genoapay.

The collections activity through these stages is dependent on the customer risk profile, days past due, account balance and circumstances of the customer. Latitude uses a variety of channels to contact customers to discuss their arrears position and determine an appropriate arrangement to restore the account back to current.

Latitude seeks to limit exposure to delinquencies by limiting further transaction approvals that will increase a delinquent customer's balance. This is achieved by blocking accounts from further spending. A customer in financial hardship is served by a dedicated hardship team to offer ongoing assistance and rehabilitation.

Latitude's collections process automatically charges off accounts at either 120 days past due (for personal and motor loans) or 180 days past due (for credit cards and Instalments products). However, accounts may be manually charged off prior to this for reasons such as confirmed fraud, a deceased estate and/or bankruptcy. Latitude sells eligible charged-off debts monthly under forward flow agreements to optimise recovery and realisation of funds. For debts retained in-house for debt recovery, periodic inventory sales are made to a range of debt purchasers.

3.5.6 LatitudePay and Genoapay

Latitude acquired Genoapay in New Zealand in December 2018 and launched LatitudePay in Australia in August 2019. These products, and approach to credit risk management, differ from Latitude's credit cards and Lending products. LatitudePay is not regulated under the NCCP Act in Australia, and in New Zealand is only subject to the aspects of the CCCFA that relate to "credit contracts" generally (primarily, restrictions on oppressive terms and oppressive conduct), as opposed to the more onerous provisions that apply to "consumer credit contracts".

Latitude has developed a credit decision strategy that it believes to be appropriate for these products and supports Latitude's desire to act responsibly. The process includes accessing applicants' credit bureau scores and utilising Internal Bureau data. Mapping to the CR rating scales is intended to occur over time as the products mature.

As data and maturity accumulate, a tailored scorecard will be developed. As for other products, credit strategies will be dynamically maintained and updated as appropriate. For example, approval rates and associated cut-off scores are continually monitored. The short tenor means that the test and learn cycle time is materially shorter than for Latitude's other products.

Based on the credit score and number of successful transactions, a matrix is in place to support approvals to make further transactions that exceed the originally approved limit. This is important for customers that may have been onboarded with low limits but have demonstrated good conduct, responsible management of their facility and a desire to access further funds. Equally, customers that demonstrate poor repayment behaviour will have their limits reduced or cancelled.

Contact with customers that miss instalments is largely digitally-driven in the first 28 days and complies with the relevant debt collection guidelines set by regulators[59]. Amounts that extend beyond 28 days are outsourced to a third-party debt collections agency for ongoing contact with the customer.

LatitudePay and Genoapay accounts are written off when they reach 90 days delinquency.

3.6 COVID-19 management, impact and response

The onset of COVID-19 in early 2020 created significant uncertainty regarding the future trajectory of public health systems, economies and financial markets. COVID-19 also resulted in a reduced demand for credit across markets particularly during periods of lockdown.

Latitude was able to utilise its well-developed capabilities to rapidly respond and adapt to the changing environment created by COVID-19. Latitude's response was focused on supporting its existing customers, partners and employees as well as managing its cash, liquidity and credit risk. Actions taken included:

- Maintaining customer growth with a focus on BNPL, interest free Instalments and supporting Latitude's partners with opportunities in the "home economy";
- Optimising the workforce by deploying significant resources to assist with hardship management, customer assistance and partner assistance as well as shifting the employee base to working from home;
- Tightening new business credit underwriting standards and improving credit quality by, for example, encouraging higher-risk segment customers to accelerate repayments;
- Reprioritising and deploying operating and investment expenditure as required to reflect the changed environment;
- Mitigating liquidity and funding risk by accelerating refinancing, including all 2021 material maturities. As at 31 December 2020, Latitude had executed documents to refinance all Warehouse Facilities maturing in FY21, leaving only 4.8% residual maturities to be refinanced in FY21 and A$2.3 billion of headroom (refer to Section 3.8); and
- Selling non-core assets to optimise the balance sheet.

Most recently, credit underwriting strategies have reverted to pre-COVID-19 settings given sustained government support, strong customer payment behaviour resulting in very low delinquency and loss, and the approval of a vaccine to be rolled out in 2021.

3.6.1 COVID-19 impacts on Latitude

Consistent with most economies, the Australian Federal and state governments introduced wide-ranging lockdowns in order to stop the rampant spread of the virus and allow time to build in sustainable suppression management infrastructure. In addition, the Australian Federal Government and Reserve Bank of Australia introduced substantial stimulus initiatives designed to support consumers and businesses to mitigate the economic impact of COVID-19. These measures, combined with Latitude's management actions, had the following impacts on Latitude's business:

- Reduced credit demand, particularly in travel, partially offset by growth in "home economy" spending;
- Further constrained lending volumes due to tightened underwriting standards; and
- Accelerated level of loan repayments, particularly among more vulnerable customer cohorts.

The net result of these impacts was a reduced loan book of higher credit quality and reduced overall levels of delinquency and charge offs as at 31 December 2020.

Refer to Section 4 for more detailed financial analysis and commentary on FY20 and the impacts of COVID-19 on financial performance.

Latitude did not receive any JobKeeper benefits from the Federal Government.

59 Australian Competition and Consumer Commission, Debt collections guideline.

3.7 Asset quality

When a Latitude customer does not meet their minimum monthly payment requirements, they are deemed by Latitude to be delinquent on their contractual terms.

Latitude experiences a seasonal effect in its financial performance between the first six months of Latitude's Financial Year from January to June ('**1H**') and the second six months of Latitude's Financial Year from July to December ('**2H**'). Refer to Section 4.6.1.5.

Latitude makes provision for expected losses from the time of origination and thereafter each account is re-assessed monthly under IFRS 9 Financial Instruments ('**IFRS 9**').

3.7.1 Australia

3.7.1.1 Delinquencies

Figure 39 and Figure 40 illustrate the long-term performance and stability of Latitude's credit risk management approach. During the GFC[60] (under the ownership of GE), Latitude undertook a number of steps to mitigate potential credit losses including setting higher application score cut-offs to increase credit quality and reducing credit limits and over-limit authorisations. During this period, the highest recorded rate of 90+ delinquencies (Figure 40) was 2.3% in May 2009 for revolving products (the aggregate of Instalments products and credit cards) and 0.9% for personal loans.

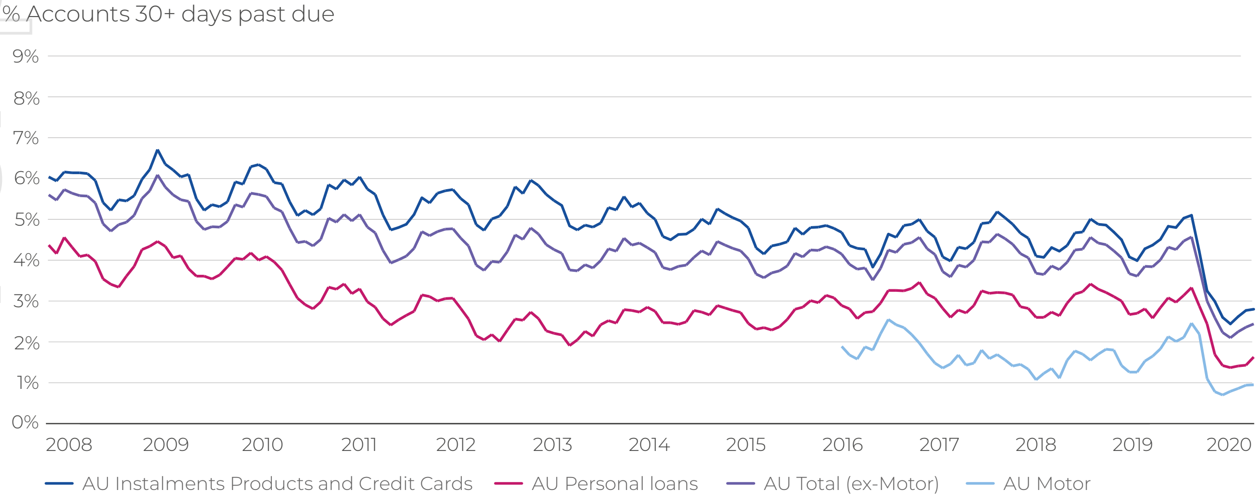
Since January 2008, delinquencies (90+ days past due) on Latitude's Australian portfolio have trended between a band of 0.9% and 2.3% for revolving products and 0.2% and 0.9% for personal loans. From January 2011, it has trended between 0.9% and 1.9%, and 0.2% and 0.6% respectively.

For personal loans, a conservative risk appetite was adopted immediately prior to the acquisition by Existing Investors in 2015. From 2016, Latitude has consciously re-risked the personal loan portfolio via a series of Champion/Challenger Testing that sought to optimise risk and return. This resulted in the higher loss rate observed from 2016 (refer to Figure 41).

The low delinquency observed for Australian cards in late 2016 was influenced by a change in process for approved hardship cases where delinquency was re-aged to zero[61].

COVID-19 has positively impacted portfolio delinquency and loss as a result of tightened risk appetite from April to October 2020, the significant levels of support provided by the Federal Government and regulators, as well as the re-aging of approved hardship applications for delinquent customers. This is evidenced by the sharp fall in delinquency which is yet to fully flow through and impact the annualised net charge off rate. This dynamic will result in reduced losses into 1H21.

Figure 39: Delinquencies (30+ days past due) by product, Australia

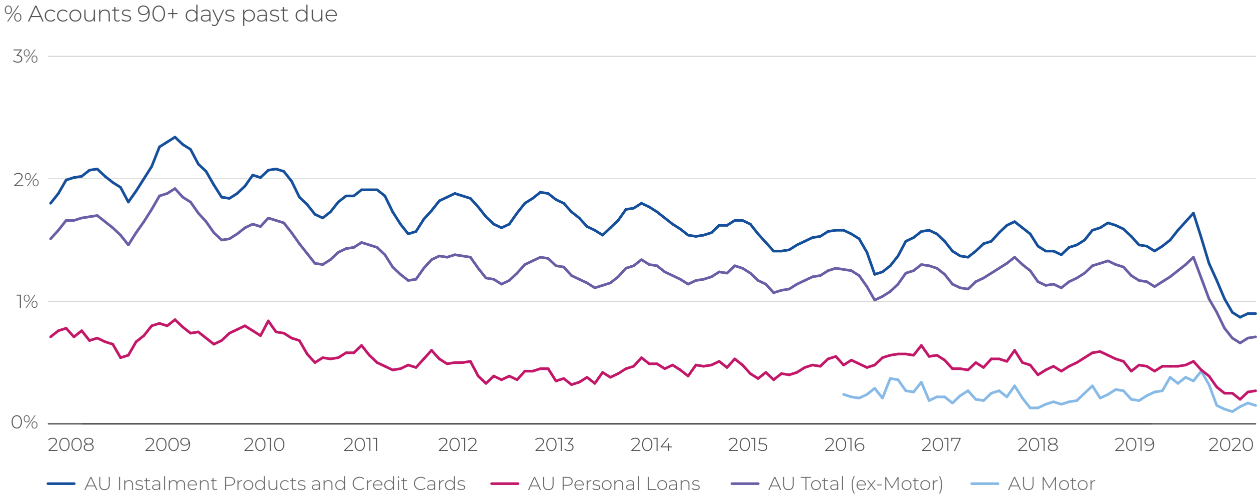


Notes: Time series data from January 2008 to 31 December 2020. Refer to Note 35 in Section 4.13 for 30+ days past due calculation methodology. Motor loans delinquency history captured from July 2016 which was when Latitude relaunched its motor loan product.

60 The Global Financial Crisis ('GFC') refers to the period of extreme stress in global financial markets and banking systems between mid 2007 and early 2009, as defined by the Reserve Bank of Australia.

61 The approach to hardship approval amounts to a re-contract.

Figure 40: Delinquencies (90+ days past due) by product, Australia



Notes: Time series data from January 2008 to 31 December 2020. Refer to Note 35 in Section 4.13 for 90+ days past due calculation methodology. Motor loans delinquency history captured from July 2016 which was when Latitude relaunched its motor loan product.

3.7.1.2 Net charge offs

Net charge offs are a function of:

- **Gross charged off bad debts:** Balances are charged off at 120 days past due (personal and motor loans), 180 days past due (credit cards and Instalments products), or 90 days past due (LatitudePay and Genoapay). However, accounts may be manually charged off prior to this for reasons such as confirmed fraud, a deceased estate and/or bankruptcy; and
- **Recoveries:** Amounts received post charge off, either from customers through in-house collections processes or through proceeds from the sale of charged off debt to third parties.

Annualised net charge offs in Latitude's Australian portfolio have trended between a band of 2.9% and 5.9% for revolving products and 2.6% and 6.3% for personal loans since January 2008. From January 2011, it has been 2.9% and 4.8%, and 2.6% and 5.6% respectively. During the GFC, the highest recorded rate of annualised net charge offs in Latitude's Australian portfolio was 5.9% in September 2009 for revolving products and 6.3% in January 2010 for personal loans.

Latitude's personal loan portfolios turn over more quickly than revolving portfolios, given the high refinance and amortising nature of a fixed term product contrasted by the ability to re-spend on a revolving product. For example, 33% of personal loan balances as at 31 December 2020 were originated in the 12 months to 31 December 2020 (including refinances). COVID-19 and the resulting reduced volume had an impact on this metric. For comparison purposes, 48% of personal loans balances as at 31 December 2019 were originated in the 12 months to 31 December 2019.

For cards, this percentage is significantly lower at 11% as at 31 December 2020 and 12% as at 31 December 2019.

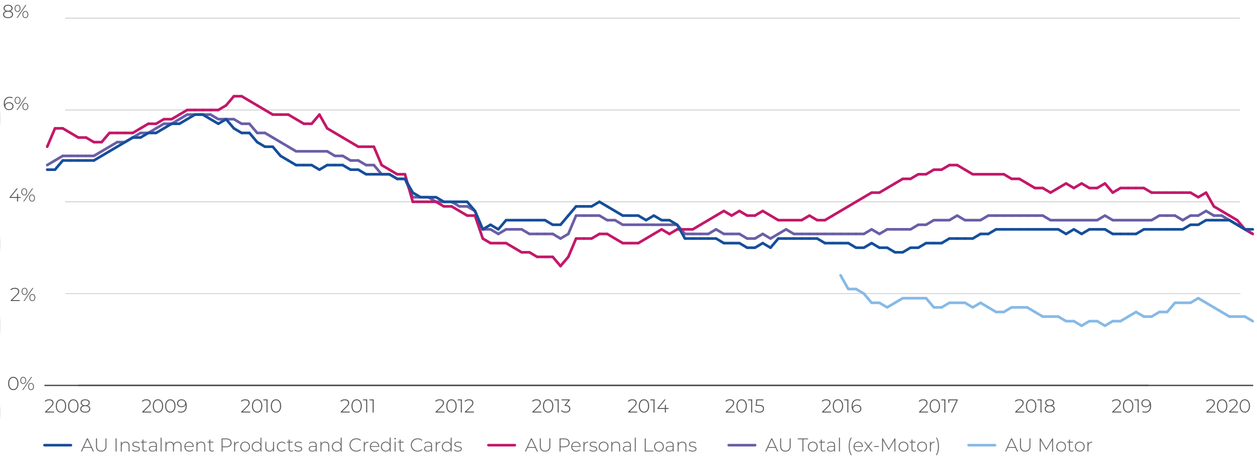
This means that the performance of Latitude's personal loan portfolio responds at a faster rate to any change in risk appetite at origination. An example is the increase in Latitude's Australian personal loans loss rates observed from 2016 to 2017 which was the result of Champion/Challenger Testing to marginally increase credit risk appetite at an acceptable return, although experience was also negatively impacted as a result of operational issues associated with Latitude's collections processes during that time.

This dynamic was also apparent during COVID-19, with credit tightening applied to personal loans from April 2020 being a contributing factor to recent low delinquency and loss. In addition, this approach will also mitigate against future escalation in delinquency and loss as they relate to the back-book if there is a deterioration in the economic environment during 2021.

The motor loan portfolio loss performance reflects that of a secured portfolio, with loss rates lower than for the personal loans and revolving portfolios.

Figure 41: Rolling 12-month average annualised net charge offs, Australia

Average net charge offs (annualised)



Notes: Rolling net charge offs time series from January 2008 to 31 December 2020. Motor loan write-off history captured from July 2016 which was when Latitude relaunched its motor product.

3.7.2 New Zealand

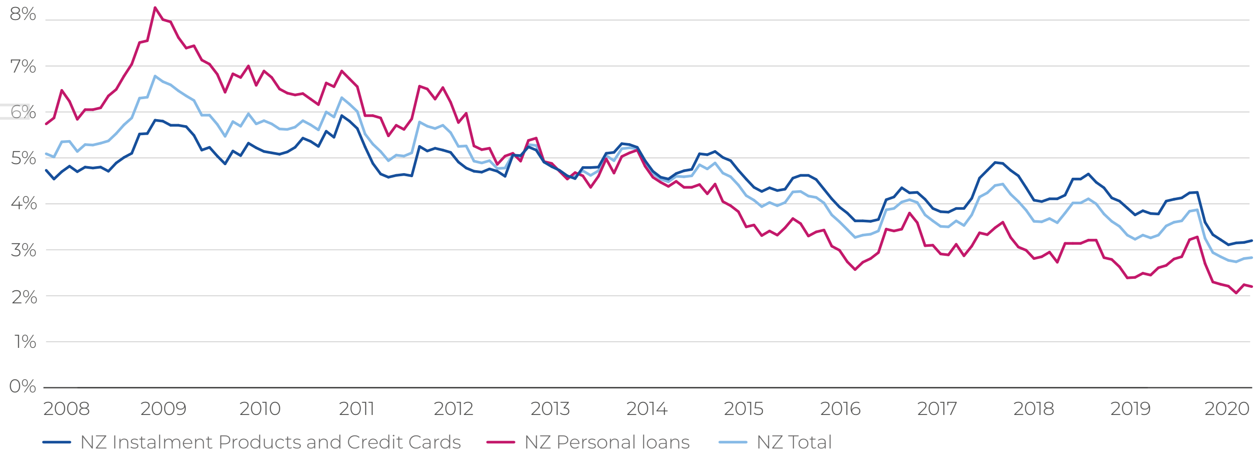
3.7.2.1 Delinquencies

Figure 42 and Figure 43 illustrate the long-term performance and stability of Latitude's credit risk management approach.

Since January 2008, 90+ delinquencies (Figure 43) in Latitude's New Zealand portfolio have trended between a band of 1.0% and 2.2% for revolving products and 0.3% and 1.8% for personal loans. From January 2011, it has trended between 1.0% and 2.0%, and 0.3% and 1.1% respectively. During the GFC, Latitude's highest recorded rate of 90+ delinquencies was 2.2% in June 2009 for revolving products and 1.8% for personal loans in May 2009.

Figure 42: Delinquencies (30+ days past due) by product, New Zealand

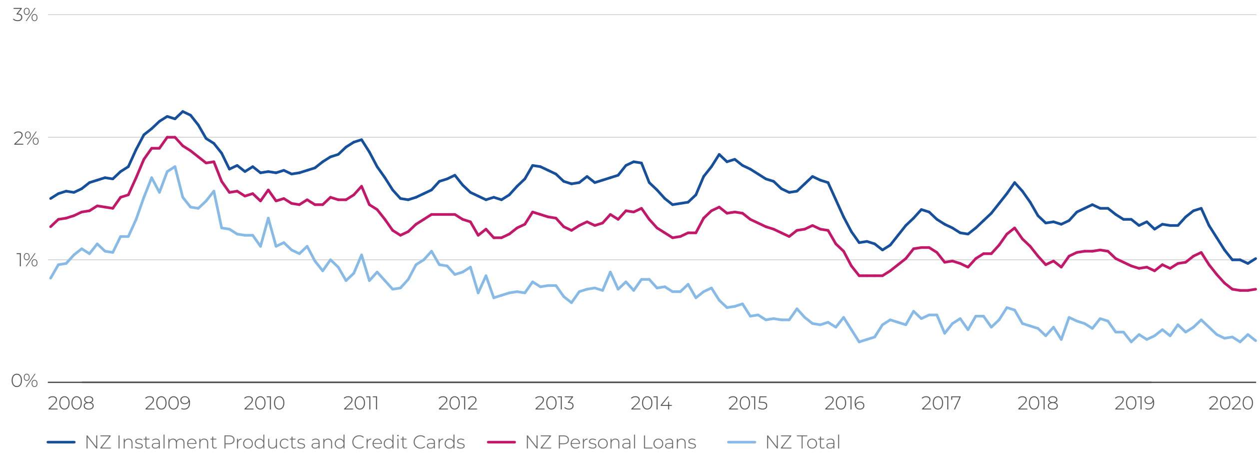
% Accounts 30+ days past due



Notes: Time series data from January 2008 to 31 December 2020. Refer to Note 35 in Section 4.13 for 30+ days past due calculation methodology.

Figure 43: Delinquencies (90+ days past due) by product, New Zealand

% Accounts 90+ days past due



Notes: Time series data from January 2008 to 31 December 2020. Refer to Note 35 in Section 4.13 for 90+ days past due calculation methodology.

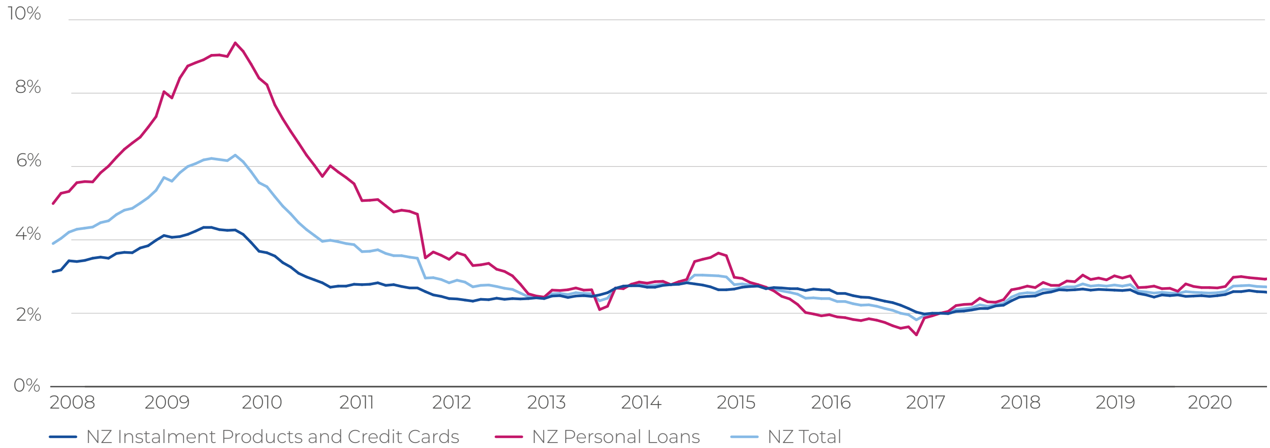
3.7.2.2 Net charge offs

Annualised net charge offs in Latitude's New Zealand portfolio have trended between a band of 2.0% and 4.3% for revolving products, and 1.4% and 9.4% for personal loans since 2008. From January 2011, it has trended between 2.0%, 2.8%, 1.4% and 5.9% respectively. During the GFC, Latitude's highest recorded rate of annualised net charge offs in New Zealand was 4.3% in August 2009 for revolving products and 9.4% for personal loans in December 2009.

The spike in Latitude's personal loan net charge offs over 2009 was due to a broad economic downturn in New Zealand. The New Zealand economy entered recession in early 2008, compounded by the impact of the GFC. Economic activity fell sharply following the intensification of the GFC in September 2008, contracting 0.9% in the December quarter 2008 and 0.8% in the March quarter 2009, with production GDP driven by reductions in manufacturing, construction, and wholesale and retail trade.[62]

Figure 44: Rolling 12-month average annualised net charge offs, New Zealand

Average net charge offs (annualised)



Notes: Rolling net charge off time series from January 2008 to 31 December 2020.

62 New Zealand Economic and Finance Overview 2010, New Zealand Treasury Department.

3.7.3 Latitude's asset quality relative to major banks

Thanks to its credit risk management capability and prudent underwriting policies, Latitude has built a high quality portfolio comparable to the portfolio of major banks. Table 17 shows the 90+ days past due ratio of Latitude's equivalent portfolios versus two major banks as at 30 September 2020.

Table 17: Latitude's 90+ days past due delinquency compared to major banks

90+ days past due delinquency	Latitude[(a)(b)]	Bank[(c)]
Major bank 1	0.76%	2.09%
Major bank 2	0.72%	1.16%

Notes:

(a) Latitude's 90+ days past due ratio is based on a portfolio with products equivalent to those included in the respective portfolio of the major bank, assumed to be credit cards and personal loans exclusively or in the majority. The major bank portfolios may include other product types.

(b) Latitude's Personal Loans aged write-off occurs at 120 days, cards at 180 days and hardship accounts are re-aged. Both of these policies may differ to the banks and impact the comparison.

(c) Major bank 1 is a portfolio of unsecured consumer loans in Australia, Major bank 2 is a portfolio that comprises cards and personal lending for Australia and New Zealand.

3.7.4 Risk grade characteristics

The quality of new loan bookings is a key factor in determining how the quality and performance of the total portfolio evolves over time. A CR1 to 5 risk scale is used to assess the risk of the applicants (refer to Section 3.5.2 for more detail on credit scoring). Latitude does not approve CR5 graded applicants, does not target or credit approve subprime[63] borrowers, and does not offer payday lending[64] products.

Figure 45 shows the origination quality of approved and opened accounts over time.

Latitude's quality of new approvals had been relatively stable from 2017 up to 1Q20. 2Q20 and 3Q20 were impacted by COVID-19, with a tightened risk appetite in place from April to October 2020 which led to application and approval volumes being below typical levels during this period. From October 2020, pre-COVID-19 risk settings have been re-introduced. As a result, the risk distribution of new approvals is predicted to revert to the pre-COVID-19 distribution.

As a result of the actions taken in 2020, the quality of the newly approved loans for 2H20 was superior to previous years as reflected in the improved risk grade distribution at origination in Figure 45.

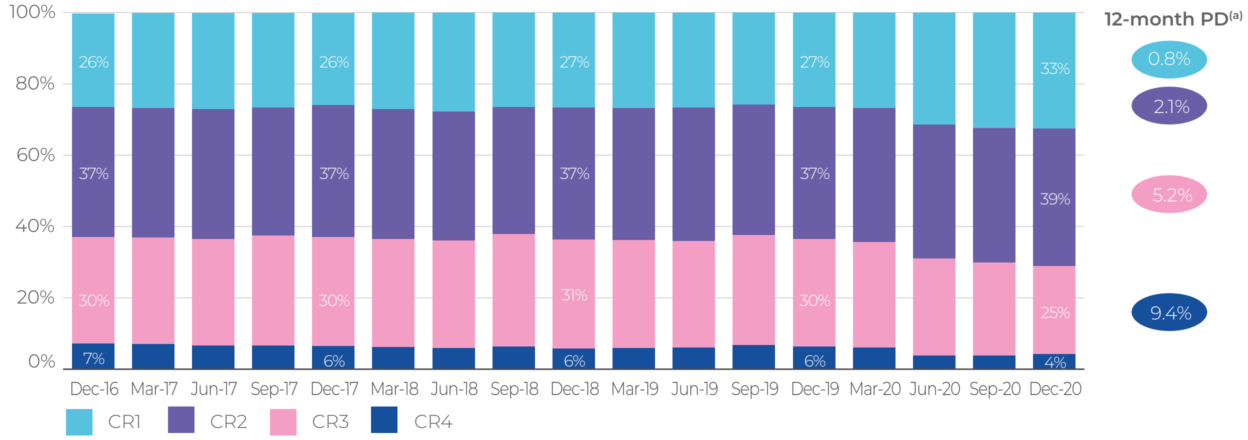
Figure 45 also shows that the 12-month observed probability of default of CR1 to 4 falls within Latitude's target 12-month probability of default ranges from Table 16. As at 31 December 2020, the three-year average probability of default in the portfolio at origination was 2.8%[65].

63 While there is no Australian market standard for subprime, Latitude considers subprime to be default rates in excess of 20%, which is outside Latitude's risk appetite.

64 Payday lending typically refers to short-term, unsecured and high interest loans which typically attract higher risk applicants.

65 Represents all accounts booked from 1 January 2018 to 31 December 2020.

Figure 45: Risk grade characteristics of approved and opened customer accounts at origination, quarterly[66]



Notes: Time series from 31 December 2016 to 31 December 2020.

(a) Probability of default – 12-month probability of default refers to the observed 12-month probability of default to all accounts originated in 2Q19 where default is defined as per Table 16.

Similar to application scoring, a CR1 to 5 risk scale is used to summarise the risk distribution of the portfolio (refer to Section 3.5.2 for more detail on credit scoring). For approved applicants that subsequently open accounts, the risk is re-assessed on a monthly basis using behaviour scoring based on account conduct variables such as customer transaction and payment performance. The customer's risk grade may change from the point of application based on how they conduct their account. For example, a customer who was acceptable at the point of application may undergo life changing events (such as the loss of employment) and therefore may no longer be able to service the commitment, resulting in a potential re-rating of the quality of the credit. As a result of dynamically re-rating approved customers, and changes in customer circumstance and behaviour during their life as a Latitude customer, CR5 accounts are present in Latitude's portfolio but remain at levels typical of what it has seen historically across the portfolio, consistent with the mix in Table 18.

The dynamic re-rated scores are added to Latitude's Internal Bureau.

Table 18 shows the credit risk of the portfolio as at 31 December 2020 which has improved since 31 December 2019, driven by the following factors:

- Latitude's response to COVID-19 as discussed above; and
- A proportionately higher pay down rate from higher risk cohorts compared to historical rates.

The proportion of the highest rated CR1 increased by 5.23 percentage points compared to 31 December 2019, whereas the proportion of the two lowest rated CR4 and CR5 decreased by 2.75 percentage points over the same period.

66 Latitude does not approve CR5 graded accounts; however, as customer's circumstances may change after origination, Latitude's in-life management includes monthly re-assessment of risk grades resulting in a portion of the portfolio becoming CR5.

Table 18: Risk grade characteristics of the portfolio as at 31 December 2020

CR scale	Risk category	% of portfolio as at 31 December 2020[a]	90+ days delinquency rate (%)[b]	Gross charge offs (%)[b]
CR1	Very Low Risk	38.68%	0.12%	0.19%
CR2	Low Risk	29.54%	0.38%	0.69%
CR3	Medium Risk	20.29%	0.96%	1.52%
CR4	Moderate Risk	6.38%	2.35%	2.96%
CR5	High Risk	5.12%	6.64%	10.21%

Notes:

(a) Excludes accounts which are unrated by behavioural scoring models due to account status.

(b) 90+ days delinquency rate and gross charge off rate represent the state of accounts at 12 months post observation in December 2019 and are based on incidence.

3.7.5 Provisioning process

Latitude maintains a credit loss provision based on its assessment of the future potential losses as a proportion of the overall portfolio of receivables. Latitude re-assesses the adequacy of its provision for future losses on a regular basis, including at each reporting date in line with its accounting policies. Changes in the estimation of the provision between each balance date are recognised in the income statement[67].

The provisioning process is governed through internal policies and procedures and is overseen by the Reserve Committee, which is chaired by the EGM Risk. Latitude uses proprietary models to estimate the required credit loss provisions. These models have been independently validated and are subject to the ongoing governance framework in Latitude's enterprise risk management framework as described further in Section 3.1. Latitude calculates the credit loss provision in accordance with the requirements of IFRS 9.

3.8 Funding and liquidity

Latitude's funding strategy aims to provide the business with funding diversity across multiple financiers, markets and facilities, and provides the business with scalability and stability with a balanced maturity profile. At 31 December 2020, Latitude had committed facilities of A$8.2 billion with unutilised limits of A$2.3 billion to support future receivables growth (refer to Table 19 and Table 20 below). The funding programme has established Latitude's brand in the public securitisation markets, with over 50 financiers across its funding programmes, providing flexibility to scale the business and support future receivables growth.

The key features of Latitude's funding strategy are to:

- Maintain a diversified funding platform with a broad base of financiers and staggered durations, with typical revolving period tenors of three to five years and capacity of A$2.3 billion[68] to support future receivables growth;
- Manage incremental receivables funding capacity to have a minimum of 12 months of growth capacity on a forecast basis[69];
- Actively manage the maturity profile and average tenor to reduce maturity concentrations in the future and continue to smooth the maturity profile as the portfolio funding programme matures; and
- Manage foreign exchange rate risk by raising funds in the same currency as its loans to customers.

Execution of Latitude's current funding strategy resulted in an interest expense/AGR of 3.41%[70] in FY19 and 2.56% for FY20 on a pro forma basis. The tenor of the revolving periods and committed nature of Latitude's warehouse arrangements facilitate its access to funding in periods of market disruption, without the need to constantly access capital markets.

67 The initial adoption impact of IFRS 9 was recognised in the opening balance of retained earnings on 1 January 2018, in accordance with accounting standards. For further information on Latitude's accounting policies, refer to Section 10.

68 As at 31 December 2020.

69 Funding capacity is defined as the average number of months of planned receivables growth (based on Latitude's latest forecast) until the full utilisation of its debt facilities.

70 External debt only.

Latitude was the first organisation to issue a credit card master trust in Australia. Master trust structures are used globally to increase the flexibility of ABS funding. Latitude's innovation was recognised by several organisations[71] including being named Australian Securitisation Deal of the Year in 2017 and IFR Asia Structured Finance Issue of the Year. Between 2017 and February 2020, Latitude successfully completed seven public ABS issuances, raising A$4.2 billion[72]:

- A$1.0 billion inaugural Australian credit card master trust ABS issuance with the deal including 36 financiers from Europe, Asia, Australia and New Zealand (April 2017, subsequently redeemed in March 2020);
- A$500 million Australian credit card master trust ABS issuance, leveraging demand and reverse enquiry from the inaugural deal and delivering a five-year revolving period (September 2017);
- A$651 million Australian personal loan ABS issuance (November 2017);
- A$500 million Australian credit card master trust ABS issuance (March 2018);
- NZ$200 million inaugural New Zealand credit card master trust ABS issuance introducing the ABS master trust in New Zealand (December 2018);
- A$750 million Australian credit card master trust ABS issuance (September 2019); and
- A$500 million Australian personal loan ABS issuance (February 2020).

It is Latitude's intention to continue to be a programmatic issuer in the capital markets to manage its funding profile and continue to diversify funding sources.

Latitude believes it has a balanced geographical funding mix, driven by its strategy to broaden and diversify its warehouse and securitisation investor base. This strategy has provided Latitude access to a deeper pool of international capital in addition to its continued domestic support.

More recently, COVID-19 had an impact on debt capital market conditions with some widening of spreads. Despite these conditions, Latitude was successfully able to redeem in March 2020, an A$1.0 billion maturity using its warehouse capacity, demonstrating prudent liquidity management and an ability to manage maturities even during periods of market disruption. Latitude was also able to successfully refinance four of its six Warehouse Facilities during COVID-19.

3.8.1 Funding and liquidity framework

Latitude's principal sources of funding for the financing of its products comprise four Australian warehouse trusts, two New Zealand warehouse trusts, five outstanding Australian ABS issuances and one outstanding New Zealand ABS issuance. Latitude's sources of funding for general corporate purposes comprise cash generated from operations, cash on hand, corporate debt facilities and an overdraft facility. Funding is diversified over a broad, global base of well-recognised and experienced financiers. Latitude has the funding support of major Australian banks, as well as a number of international banks, along with a number of large Australian and offshore fund managers.

In addition, Latitude has arranged to increase its corporate debt capacity from A$75 million to A$160 million through its New Banking Facilities (refer to Section 9.11.3 for further details) which also includes a further USD tranche of US$41 million, both of which are expected to remain undrawn at Completion. This augmented capacity will be used to provide Latitude with additional liquidity, with part of the facility to be used to refinance existing letters of credit provided as collateral for access to Schemes (USD component). Latitude also has had long-term shareholder loans provided by the Existing Investors since the acquisition of Latitude by the Existing Investors. The Historical Shareholder loans will be partially converted to equity with the remaining Historical Shareholder loans settled with the Selling Shareholder as part of the Restructure. A Deferred Settlement arrangement with the Selling Shareholder has also been agreed to as part of the Restructure. Refer to Sections 4.4.1 and 4.4.2 for further detail on the Pro Forma Historical Balance Sheet and Latitude's indebtedness following the Restructure.

Latitude's principal sources of liquidity include its borrowing capacity in its funding facilities (including undrawn commitments within each Warehouse Facility), its surplus cash and the cash flow generated from operations as well as capacity under its corporate debt facilities. Latitude believes it has sufficient liquidity in its funding arrangements to meet its growth targets and business needs in the ordinary course of its operations.

71 Latitude was also awarded Best Debt Finance Deal in 2017 by FinanceAsia, and Best Securitisation in 2017 by Global Capital Asia Awards.

72 Includes full limit of A$100 million for Series 2017-VFN which is available to the entire Australia master trust pool and NZ$20 million Series 2018-VFN which is available to the New Zealand master trust pool.

Latitude continues to explore other potential sources of funding, including debt and hybrid capital raising opportunities that will become available after Completion. Latitude may seek such funding at any time when market conditions are conducive.

Figure 46 illustrates Latitude's principal funding sources for customer receivables, and Figure 47 illustrates the regional distribution of Latitude's debt investor base.

Figure 46: Principal funding sources as at 31 December 2020

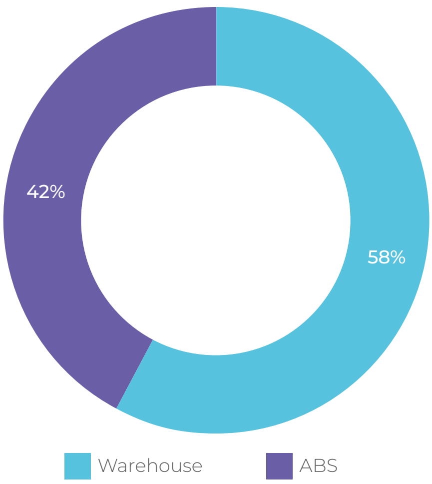
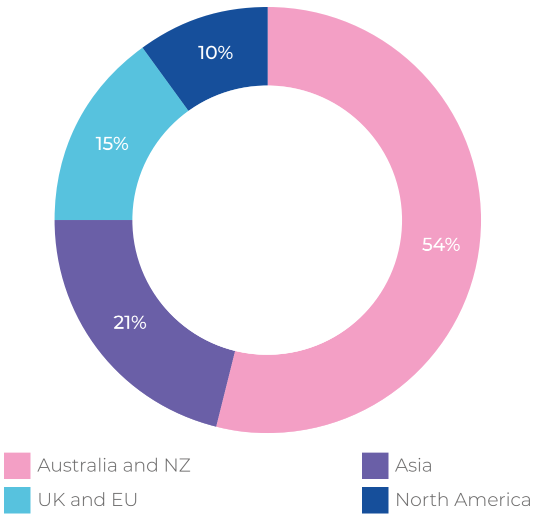


Figure 47: Diversified debt investor base geographically as at 31 December 2020



Latitude monitors the following core metrics as part of its funding and liquidity risk appetite framework:

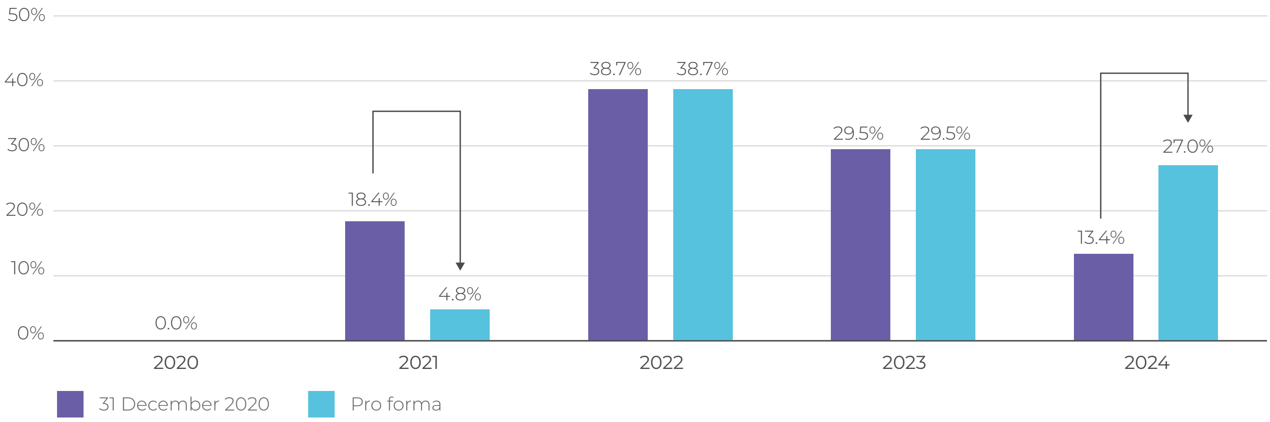
- Target funding capacity is defined as the average number of months of planned receivables growth (based on Latitude's latest forecast) until the full utilisation of its debt facilities. Latitude manages its funding capacity to have a minimum of 12 months of growth capacity on a forecast basis;
- Maturity concentration limits are used to ensure that Latitude does not have significant amounts of debt falling due and/or facilities maturing in the same calendar year. The maturity concentration for a given year is the total amount of current outstanding debt in respect of which the revolving period ends in that given year divided by the total debt outstanding[73];
- Warehouse and ABS funding performance metrics are used as early warning indicators to enable a forward-looking and dynamic view of the performance of each of the warehouse trusts. Each funding transaction has its own specific performance triggers and portfolio parameters which are monitored on a monthly basis; and
- Minimum cash requirement has been set to cover the equivalent of three months of corporate cash operating expenditure, less senior servicer fees from the ABS transactions and warehouse trusts and any income not transferred to the trusts.

3.8.2 Debt maturity profile

Since the establishment of its funding programme in 2015, following the acquisition by the Existing Investors, Latitude has been systematically working to smooth its maturity profile and bring the profile within its target range of no more than 50% of funding maturities in any given year and no more than 40% of funding maturities within the next 12 months. Figure 48 shows Latitude's debt maturity profile as at 31 December 2020.

73 For the purposes of calculating the maturity concentration limit, the Latitude Australia Personal Loans Series 2017-1 Trust and the Latitude Australia Personal Loans Series 2020-1 Trust maturity amounts are shown at the 10% clean-up call option date, expected in 2021 and 2023 respectively. The current outstanding debt of the Trusts for this calculation is the expected debt outstanding at the expected 10% clean-up call option date. The 10% clean-up call option provides Latitude with an option to redeem all the notes outstanding when the balance of the underlying receivables is less than 10% of the original amount on the issue date.

Figure 48: Latitude debt maturity profile as at 31 December 2020[74]



3.8.3 Warehouse financing

Warehouse facilities comprise the majority of Latitude's funding sources. Latitude's warehousing facilities are based on receivables within specific product types and geographies. During FY20, Latitude refinanced three Warehouse Facilities, executed the documents to refinance a fourth warehouse, added new financiers and increased the borrowing capacity of the Australian Sales Finance and Credit Cards warehouse by A$200 million. The size and key terms of Latitude's Warehouse Facilities are summarised in Table 19.

Table 19: Summary of Warehouse Facilities as at 31 December 2020

(All amounts million)	Australia Sales Finance and Credit Cards Trust	Australia Sales Finance and Credit Cards No. 2 Trust	Australia Personal Loans Trust	Australia Motor Loans Trust	New Zealand Sales Finance and Credit Cards Trust	New Zealand Personal Loans Trust
Limit[(a)]	A$1,429	A$929	A$1,200	A$808	NZ$864	NZ$610
Drawn	A$508	A$536	A$760	A$544	NZ$659	NZ$484
Headroom[(b)]	A$921	A$393	A$440	A$264[(d)]	NZ$205	NZ$126
Revolving period end date	22 Dec 2022	22 Mar 2022	17 Feb 2021[(c)]	19 Sep 2023	23 Sep 2022	17 Sep 2023

Notes:

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

(b) Total headroom of A$2.33 billion includes zero Variable Funding Note ('**VFN**') capacity for Australia and New Zealand as outlined in Table 20 Note (a).

(c) On 24 December 2020, the documents were executed to refinance the Australian Personal Loans Trust with settlement on 19 January 2021. The limit was amended to A$1,038 million with an expected revolving period end date of 17 January 2024.

(d) On 4 February 2021, an Amending Deed was executed to increase the limit for the Australian Motor Loans Trust to A$926 million, creating A$118 million of additional headroom.

3.8.4 ABS issuance

Since April 2017, Latitude has issued a number of ABS transactions for Australian credit cards and personal loan receivables, and one ABS transaction for New Zealand credit cards (further detail is included in Table 20). The Latitude Australia Credit Card Loan Note Trust – Series 2017-1 was the first ever Australian dollar denominated credit card master trust transaction and a new structure for the ABS market in Australia. Latitude has established itself as, and intends to remain, a programmatic issuer of ABS. In March 2020, Latitude successfully redeemed its Series 2017-1 public issue (A$1.0 billion) on its expected call date, despite challenging credit market conditions.

74 On 24 December 2020, documents were executed to refinance the Australian Personal Loans Trust. Figure 48 shows the debt maturity profile on a pro forma basis after the settlement of the Australian Personal Loans Trust, which was successfully completed on 19 January 2021.

The size and key terms of Latitude's outstanding ABS issuances are summarised in Table 20.

Table 20: Summary of Term Securitisation as at 31 December 2020[(a)]

	Latitude Australia Credit Card Loan Note Trust – Series 2017-2	Latitude Australia Personal Loan Series 2017-1 Trust	Latitude Australia Credit Card Loan Note Trust – Series 2018-1	Latitude New Zealand Credit Card Loan Note Trust – Series 2018-1	Latitude Australia Credit Card Loan Note Trust – Series 2019-1	Latitude Australia Personal Loan Series 2020-1 Trust
Underlying segment receivables	Sales finance and credit card receivables	Personal loans	Sales finance and credit card receivables	Sales finance and credit card receivables	Sales finance and credit card receivables	Personal loans
Notes issued	A$500 million	A$651 million	A$500 million	NZ$200 million	A$750 million	A$500 million
Issue date	7 Sep 2017	29 Nov 2017	27 Mar 2018	13 Dec 2018	13 Sep 2019	26 Feb 2020
Revolving period end date	22 Aug 2022	17 Jan 2019	22 Mar 2023	22 Nov 2021	22 Sep 2024	n.a.
Expected call date[(b)]	22 Aug 2022	30 Dec 2021	22 Mar 2023	22 Nov 2021	22 Sep 2024	30 Dec 2023
Geographical distribution of noteholders[(c)]	AU/NZ: 16% UK/Europe: 27% Asia: 46% Other: 11%	AU/NZ: 69% UK/Europe: 30% Asia: 0% Other: 1%	AU/NZ: 15% UK/Europe: 29% Asia: 55% Other: 1%	AU/NZ: 71% UK/Europe: 14% Asia: 15% Other: 0%	AU/NZ: 21% UK/Europe: 30% Asia: 47% Other: 2%	AU/NZ: 83% UK/Europe: 16% Asia: 0% Other: 1%
Financier type[(c)]	Banks: 58% Institutional financiers: 26% Official institutions[(d)]: 16%	Banks: 9% Institutional financiers: 81% Official institutions[(d)]: 10%	Banks: 65% Institutional financiers: 35% Official institutions[(d)]: 0%	Banks: 76% Institutional financiers: 24% Official institutions[(d)]: 0%	Banks: 58% Institutional financiers: 35% Official institutions[(d)]: 7%	Banks: 9% Institutional financiers: 91% Official institutions[(d)]: 0%
Number of financiers[(c)]	14	24	20	9	19	15

Notes:

(a) A Series 2017-VFN was refinanced by the Latitude Australia Credit Card Loan Note Trust which has a limit of A$100 million. As at 31 December 2020, the drawn amount was A$100 million. The facility is available to the entire Australia master trust pool. On 13 December 2018, a Series 2018-VFN was also issued by the Latitude New Zealand Credit Card Loan Note Trust which has a limit of NZ$20 million. As at 31 December 2020, the drawn amount was NZ$19 million. The facility is available to the New Zealand master trust pool.

(b) Series issued by the Latitude Australia Credit Card Loan Note Trust are expected to be called at the issue amount; the Latitude Australia Personal Loans Series 2017-1 and Series 2020-1 Trusts are expected to be called at their expected 10% clean-up call date.

(c) As at issue date.

(d) Official institutions refer to institutions such as central banks and supranationals.

3.8.5 Capital

Latitude's capital management strategy is targeted at implementing an efficient and increasingly diverse capital structure focused on balancing shareholder returns and financial risk, with sufficient liquidity and flexibility to support its strategy and growth agenda. Latitude continues to seek opportunities, both organic and inorganic, to invest capital and generate risk adjusted returns in excess of its cost of capital, accelerate growth and, ultimately, enhance shareholder value.

As noted in Section 3.8.1, following Completion, Latitude intends to proactively explore other potential sources of funding that will become available to it as a listed entity if the market conditions are conducive to it doing so. Latitude's capital objectives have been developed in accordance with economic capital requirements and through stress testing scenarios similar to those run by prudential regulators and rating agencies. Latitude's intention is to hold a target capitalisation ratio in the range of 6% to 7% Tangible Equity ('**TE**') as a proportion of Net Receivables ('**TE to net receivables**')[75].

Latitude's capital management objectives include holding sufficient aggregate capital to support its Instalments and Lending products as well as holding sufficient capital required for Hallmark Insurance, which is regulated by APRA[76]. Capital held within Hallmark Insurance is not available to support Latitude's non-insurance operations in the ordinary course and any reduction in Hallmark Insurance's capital base requires APRA approval.

Latitude seeks to hold a sufficient capital buffer to protect it against unexpected losses arising from risks such as credit risk, insurance risk, operational risk, and market and interest rate risk, with a sufficient buffer to meet the level of capital support required by its debt investors in its funding programme. Latitude also includes an additional level of capital to act as a 'stress capital buffer', which is determined by undertaking ongoing internal stress testing by Latitude's risk management and treasury teams.

Latitude's capital requirements are assessed with regard to a Board approved minimum capital limit. Latitude manages its business and capital in accordance with this limit and prior to any potential mitigation strategies. This reflects Latitude's desire to retain appropriate capital strength to maintain financial flexibility as well as protect against the impact of potential adverse scenarios.

3.8.6 Capital and liquidity stress testing

Latitude's capitalisation is based on levels that management believes are sufficient to provide the business with a buffer against unexpected losses and appropriate liquidity to meet operational requirements. The stress testing framework has been utilised to determine the level of additional capital over and above the operational needs of the business, required to protect shareholders against elevated and prolonged credit losses that could be experienced during a severe economic downturn as well as to assess the resilience of the funding programme.

3.8.6.1 Capital stress testing

Latitude conducts stress testing to understand the impact of these scenarios on its capital position, including a scenario to assess the capital base required by Latitude to withstand the potential impact of a stressed credit environment. To determine whether Latitude has sufficient capital to withstand a prolonged downturn, Latitude's stress test minimum capital threshold is set at 4.5% of TE to net receivables. Latitude ran many stress test scenarios as COVID-19 evolved and developed mitigation strategies, many of which were implemented as precautionary measures to ensure Latitude had sufficient liquidity and capital to sustain those scenarios. In addition to the significant stress testing work already undertaken during the course of 2020, Latitude also ran its formal annual stress test process in October 2020.

Key macroeconomic assumptions used in the annual stress testing scenarios, for both Australia and New Zealand, include:

- An unemployment rate of up to approximately 7.5% in FY20, peaking at 10.8% in FY21 before reducing to 10.5% in FY22;
- Cash rate falls to 0%;
- Disruption to debt capital markets via increased margin on funding facilities, and increased equity requirements; and
- Negative GDP growth in Australia and New Zealand in year one and year two with a reversion to modest growth in year three.

75 See capitalisation ratios and definitions in Section 4.4.1.

76 Minimum regulatory capital for Hallmark Insurance as at 31 December 2020 was A$56 million; and total target capital of A$82 million.

These assumptions are hypothetical downturn scenarios and do not represent Latitude's actual forecast for expected losses or likely capital ratios.

Latitude's stress tests are designed to determine whether Latitude has sufficient capital strength during an economic downturn. Latitude believes that the business is capitalised to a sufficient level to be resilient during adverse economic and credit conditions.

3.8.6.2 Liquidity stress testing

A common feature of securitisation funding is the requirement to maintain underlying receivables performance within key parameters. Latitude's funding programmes contain certain performance triggers, and the maintenance of performance within these triggers enables Latitude to draw on these facilities on an ongoing basis up to an agreed limit until the end of their availability period. In the event of the performance triggers being breached (typically calculated on a three-month rolling average basis), funding may not be available or Latitude may need to increase the capital required to be contributed to the Warehouse Facilities.

Latitude's performance triggers vary in quantum by asset class and typically include:

- Gross charge offs – where gross charge offs are not permitted to exceed a certain percentage of receivables; and
- Net yield (on the credit card portfolios only) – where net yield as a percentage of receivables must not fall below certain thresholds.

Under a stress case, such as the scenario contemplated above, gross charge offs will typically increase and will therefore have a material impact on the performance triggers.

Based on FY20 gross charge offs performance under the annual stress test set out above, the warehouse and ABS programmes rapid amortisation trigger levels were not reached and the current triggers have capacity to absorb a multiple of over two times the current gross charge offs performance before a rapid amortisation trigger level[77] is reached[78].

One of the key purposes of Latitude's stress test regime is to test the resilience of the trusts in relation to the performance triggers described above and whether Latitude is able to continue to access funds during periods of adverse economic conditions. As such, the trigger metrics are designed to both protect debt investors and also determine whether Latitude is able to operate and continue to fund its business during adverse economic and credit conditions.

Should the relevant metrics approach a trigger level, Latitude can take a number of actions to mitigate the risk of a trigger level being reached. These include:

- For warehouse and certain ABS trusts, Latitude can purchase underperforming assets from a trust before they are charged off; the purchase of these assets would need to be funded by unrestricted cash and cash equivalents; and the assets would then be held on Latitude's balance sheet instead of within the trust, thereby strengthening the trust's future net yield and charge off metrics;
- For certain ABS trusts, Latitude can sell performing assets into a trust at a discount; this strengthens the net yield metric for the trust; and
- Latitude can inject further capital/cash into the relevant warehouse or trust.

Latitude also has operational levers at its disposal to mitigate its risk.

Latitude has established and monitors a number of early warning indicators across the business to enable a forward-looking and dynamic view of the performance of each of the trusts against the trigger levels. These indicators are monitored on a monthly basis and drive an escalation process to facilitate mitigating actions being implemented on a timely basis.

77 Under a rapid amortisation event, the obligation of funders to provide any further funding is terminated (unless termination is waived), the interest rates accruing on senior notes may increase, and residual income is trapped in the trust until senior ranking debtors are repaid or the event is remedied.

78 The Latitude Australia Credit Card Master Trust also has partial amortisation triggers. If these triggers are breached, this may lead to any excess cash in these trusts (after the acquisition of new receivables) being used to make early redemption payments on the notes issued by the Latitude Australia Credit Card Master Trust. These triggers will not result in the inability to purchase new receivables nor will they cause a rapid amortisation event. The Latitude Australia Personal Loans Series 2017-1 Trust also has excess spread and pro-rata triggers which if breached would lead to cash that would have been due to Latitude being diverted to the external debt investors.

4 Financial Information

4 Financial Information

4.1 Introduction

The Historical Financial Information contained in this Section 4 relates to the entities comprising the Latitude group of companies being:

- The Company previously known as KVD Australia HoldCo Pty Ltd ('**KVDAH**') and its controlled entities, which collectively comprise the Australian operations of Latitude's consumer finance business, and Hallmark Insurance; and
- Latitude Financial Services Limited ('**LFSL**') and its controlled entities, which collectively comprise the New Zealand operations of Latitude's consumer finance business.

Following the Restructure, LFSL will be a wholly-owned subsidiary of the Company. The Financial Information in this Section 4 is presented on the following basis:

- Combined financial information – reflecting an aggregation of the audited statutory historical financial information of KVDAH and LFSL, as described in Section 4.2.2; and
- Pro forma financial information – reflecting the financial information of Latitude as extracted from the combined financial information and adjusted to reflect the impact of the Restructure and completion of the Listing as if they had taken place on 1 January 2018 along with other pro forma adjustments (each described in Section 4.2.2).

The financial information of Latitude contained in this Section 4 includes historical financial information for the years ended 31 December 2018 ('**FY18**'), 31 December 2019 ('**FY19**') and 31 December 2020 ('**FY20**'); and the balance sheet as at 31 December 2020.

The historical financial information of Latitude contained in this Section 4 is summarised in Figure 49.

Figure 49: Summary of Historical Financial Information in Section 4

	Combined financial information	**Pro forma financial information**
Historical Financial Information	Combined historical financial information of KVDAH and LFSL comprising: • Combined historical income statements of KVDAH and LFSL for FY18, FY19 and FY20 ('**Combined Historical Income Statements**'); • Combined historical balance sheet of KVDAH and LFSL as at 31 December 2020 ('**Combined Historical Balance Sheet**'); and • Combined historical cash flows of KVDAH and LFSL for FY18, FY19 and FY20 ('**Combined Historical Cash Flows**'), together, '**Combined Historical Financial Information**'.	Pro forma historical financial information of Latitude comprising: • Pro forma consolidated historical income statements of Latitude for FY18, FY19 and FY20 ('**Pro Forma Historical Income Statements**'); • Pro forma consolidated historical balance sheet of Latitude as at 31 December 2020 ('**Pro Forma Historical Balance Sheet**'); and • Pro forma consolidated historical cash flows for Latitude for FY18, FY19 and FY20 ('**Pro Forma Historical Cash Flows**'), together, '**Pro Forma Historical Financial Information**'.

The Combined Historical Financial Information and the Pro Forma Historical Financial Information are together referred to as the **Historical Financial Information**.

A summary of the Historical Financial Information contained in this Section 4 is presented below:

Item	Section(s)
Basis of preparation and presentation of the Historical Financial Information	4.2
Historical income statements	4.3
Historical balance sheet	4.4
Historical cash flows	4.5
Management discussion and analysis of the Historical Financial Information	4.6
Prospects	4.7
Sensitivity analysis	4.8
Dividend policy	4.9
Segment information	4.10
Financial risk management framework	4.11
Critical accounting estimates and judgements	4.12
Glossary of Financial Table Notes	4.13
Significant accounting policies	10

The information in this Section 4 should also be read in conjunction with the risk factors in Section 5 and other information contained in this Prospectus. Further information on Latitude's financing facilities is provided in Section 3.8. Investors should note that past results are not a guarantee of future performance.

All amounts disclosed in the tables are presented in Australian dollars ('**A$**' or '**$**') and, unless otherwise noted, are rounded to the nearest A$0.1 million. Calculations within tables and percentage movements have been calculated from underlying source information and hence may not reconcile with rounded calculations.

Amounts translated from New Zealand dollars ('**NZ$**') have been converted at the average exchange rates (for income statement and cash flow items) and spot exchange rates (for balance sheet items) set out in Table 49 in Section 11).

Note references in the tables included in this Section 4 are included in the Glossary of Financial Table Notes in Section 4.13. In some instances, to assist investors, additional footnotes to tables included in this Section 4 are included with further explanation with the relevant table and are not included in the Glossary of Financial Table Notes in Section 4.13.

4.2 Basis of preparation and presentation of the Historical Financial Information

4.2.1 Overview of the Historical Financial Information

Accounting standards and segment reporting

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the accounting standards and interpretations issued by the Australian Accounting Standards Board ('**AASB**'), and New Zealand equivalents, both of which are consistent with International Financial Reporting Standards ('**IFRS**') and interpretations issued by the International Accounting Standards Board, except for IFRS 10 Consolidated Financial Statements, as outlined in Section 4.2.2. The Financial Information is presented in an abbreviated form and does not include all the presentation and disclosures, statements or comparative information required by the Australian Accounting Standards ('**AAS**') and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. Latitude's accounting policies have been consistently applied throughout the periods presented in the Financial Information. Latitude's significant accounting policies are set out in Section 10.

A description of the segments on which Latitude reports (under IFRS 8 Operating Segments) is set out in Section 4.10. Latitude's segments are Australia, New Zealand and Other/unallocated. These segments are the same as the segments presented in the Combined Historical Financial Statements (as defined in Section 4.2.2).

Certain new accounting standards and interpretations have been published, including some which have become mandatory for Latitude to adopt within the period covered by the Historical Financial Information. An outline of these new standards and Latitude's assessment of the impact of these new standards on the Historical Financial Information is as follows:

- IFRS 9 Financial Instruments ('**IFRS 9**') and IFRS 15 Revenue from Contracts with Customers were both adopted by Latitude from 1 January 2018 and are fully reflected in the Historical Financial Information;
- IFRS 16 Leases ('**IFRS 16**') introduced a single, on-balance sheet lease accounting model for lessees. A lessee will recognise a right-of-use asset and a lease liability for the obligation to make lease payments. IFRS 16 has been adopted by Latitude from 1 January 2019. The main impact of adopting IFRS 16 has been the requirement, as a lessee, to recognise a lease liability and corresponding right-of-use asset on balance sheet for all leases with a term of more than 12 months, unless the underlying asset is of low value. On transition to IFRS 16, the Group recognised an additional A$74.0 million of right-of-use assets and A$80.5 million of lease liabilities. An additional A$23.2 million of deferred tax assets and A$22.2 million of deferred tax liabilities were recognised. The total net transitional difference of A$2.3 million was recognised in equity as a reduction to opening retained earnings as of 1 January 2019. A pro forma adjustment has been applied to the FY18 Pro Forma Historical Financial Information to reflect the impact of IFRS 16 across all periods consistently; and
- IFRIC 23 Uncertainty over Income Tax Treatments became effective in relation to the Group from 1 January 2019. The new interpretation clarifies the accounting for uncertainties in income taxes in relation to the determination of taxable profit/(loss), tax bases, unused tax losses, unused tax credits and tax rates. This has had an immaterial impact to the Group.

Latitude's critical accounting estimates and judgements are set out in Section 4.12.

The Financial Information in this Section 4 includes non-IFRS financial measures that Latitude uses to manage and report on its business that are not recognised under AAS or IFRS, as described in Section 4.2.3. Investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Prospectus.

Restructure

Prior to the Listing, a restructure will take place in preparation for the transaction ('**Restructure**', as outlined in Section 9.4). The Restructure results in KVDAH becoming the legal parent of LFSL. Prior to the Restructure, KVDAH and LFSL were separate and distinct for accounting purposes, and each of those entities has prepared its own general purpose consolidated financial statements.

The Directors have elected to account for the Restructure at book value (rather than fair value) under the common control requirements contained in AASB 3 Business Combinations. In the Directors' judgement, the continuation of the existing accounting values is consistent with what would have occurred if the assets and liabilities had already been in a corporate structure suitable for an IPO and most appropriately reflects the substance of the Restructure. As such, the financial statements of Latitude from the date of the Restructure (which took effect as of 1 January 2021) will be presented as a continuation and consolidation of the pre-existing accounting values of assets and liabilities reported in the historical general purpose statutory financial statements of KVDAH and LFSL.

As part of the Restructure, a number of arrangements with the Existing Investors will be terminated. The impact of these arrangements has been set out and described in the Pro Forma Historical Financial Information.

4.2.2 Preparation of the Combined Historical Financial Information and Pro Forma Historical Financial Information

The Combined Historical Financial Information has been extracted from the general purpose combined financial statements of the Group (comprising KVDAH and LFSL and their respective subsidiaries) for FY18, FY19 and FY20 ('**Combined Historical Financial Statements**').

Prior to the Restructure, KVDAH and LFSL were separate and distinct for accounting purposes. Each entity produced its own consolidated financial statements. The Group was not required to, and did not, prepare a single set of statutory financial statements on a consolidated basis. The Combined Historical Financial Statements have been prepared for the purposes of the Listing and for the disclosure of Historical Financial Information in this Prospectus and historical IPO processes. Because no parent company prepared consolidated financial statements for the Group prior to the Restructure, in accordance with the accounting standards, these are referred to as 'combined' historical financial statements rather than 'consolidated' historical financial statements.

The Combined Historical Financial Statements have been prepared in accordance with the recognition, measurement and classification requirements of all applicable AAS and other mandatory professional reporting requirements, except for IFRS 10 Consolidated Financial Statements.

The Combined Historical Financial Statements have been prepared by aggregating the audited statutory consolidated financial statements of KVDAH and the audited statutory consolidated financial statements of LFSL for the relevant periods (eliminating inter-company transactions). There are no material differences between the historical financial statements of KVDAH and LFSL on a combined basis and the financial statements that would have been prepared on a consolidated basis (under IFRS 10 Consolidated Financial Statements if it had been a single group).

The Combined Historical Financial Statements have been audited by KPMG in accordance with Australian Auditing Standards. KPMG issued an unqualified opinion in respect of the Combined Historical Financial Statements and its report includes an emphasis of matter paragraph which highlights the basis of preparation of those accounts, being on a combined basis as described above.

The Pro Forma Historical Financial Information has been prepared solely for the purposes of inclusion in this Prospectus. The Pro Forma Historical Financial Information does not reflect the actual or prospective financial performance, financial position or cash flows of Latitude for the periods indicated. The Directors believe that the Pro Forma Historical Financial Information illustrates the historical performance of the business on a basis that is consistent with its ongoing operations following the Listing and without the one-off impact of the Restructure and the Listing. The Pro Forma Historical Financial Information has been derived from the Combined Historical Financial Information, adjusted to reflect the:

- Impact of the new capital structure as a result of the Restructure, including the removal of Historical Shareholder loans and associated costs, the removal of consulting and monitoring fees paid or payable to the Existing Investors, expenses associated with distributions to the Existing Investors (or entities associated with them) on residual income units in the trusts that will be transferred to Latitude following the Restructure (refer to Section 9);
- Removal of profit contribution from Discontinued Operations associated with the sale of the legacy run off Residential mortgage portfolio in both Australia and New Zealand that was completed in 1H20, and subsequently settled in early 2H20;
- Removal of the impact of other discontinued arrangements relating to servicing arrangements for a credit card portfolio that was terminated during FY15 and ceased in March 2018 as well as the cancellation of a discrete commercial arrangement that was outside the ordinary course of business, in 1H18;
- Removal of transaction and historical IPO costs incurred associated with the Listing, historical IPO processes and the acquisition of Genoapay;
- Impact of new accounting standards (IFRS 16 adopted 1 January 2019) as if it had been adopted as at 1 January 2018 (refer to Section 4.2.1);
- Impact of the expected incremental costs associated with operating as a listed company following Completion of the Listing;
- Removal of costs associated with Latitude's existing Management Equity Plan that will be settled as part of the Restructure and replaced with the costs of newly established employee remuneration plans;
- Reclassification of certain costs incurred to a separate line called Significant items that due to their significant nature, have been identified and separately reported by Latitude in the Pro Forma Historical Income Statements (refer to Section 4.3.2.1);
- The reclassification of:
  - Amortisation costs associated with the fair value acquisition accounting following the Acquisition of Latitude from GE;
  - Amortisation costs associated with capitalised debt establishment costs associated with the establishment of the initial securitisation funding structures following the acquisition of Latitude from GE; and
  - Amortisation of the historical hedging arrangements settled as a direct result of Latitude's proposed 2019 IPO to a separate line called Amortisation of acquisition intangibles and structural changes (refer to Section 4.3.2.2); and
- The pro forma effective income tax rate which would be applicable following the Restructure.

A reconciliation of (a) combined total operating income to pro forma total operating income and (b) combined net profit after tax ('**NPAT**') to pro forma NPAT is provided in Section 4.3.4 along with a detailed description of the pro forma adjustments that have been made to the Combined Historical Financial Information.

The Pro Forma Historical Financial Information presented in this Prospectus has been reviewed by KPMG Transaction Services, in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Limited Assurance Historical Investigating Accountant's Report (refer to Section 8). Investors should note the scope and limitations of the Limited Assurance Historical Investigating Accountant's Report.

Historical Financial Information is not necessarily indicative of prospective financial performance. Refer to Section 4.7 where Latitude has provided statements that reflect the current prospects of the Company.

4.2.3 Explanation of non-IFRS and other financial measures

Latitude uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to as 'non-IFRS financial measures' under ASIC Regulatory Guide 230 *Disclosing non-IFRS financial information*. Non-IFRS financial measures are intended to supplement the measures calculated in accordance with AAS or IFRS and are not intended to be a substitute for those measures. Because non-IFRS financial measures are not defined by the recognised body of accounting standards, they do not have a prescribed meaning and the way that Latitude calculates them may be different to the way that other companies calculate similarly titled measures, which may limit their usefulness as a comparative measure.

Latitude uses these non-IFRS financial measures to evaluate the performance and profitability of its overall business, to make operational and investment decisions, for comparison with its business plan and operating budgets and for the allocation of resources.

The principal non-IFRS financial measures that are referred to in this Prospectus are described below. Latitude believes that providing Investors with these non-IFRS financial measures provides useful information to investors (for the reasons described below).

4.2.3.1 Income statement non-IFRS financial measures

Operating profit

Operating profit is calculated as total operating income less operating expenses excluding Significant items.

Operating profit is considered useful by Latitude as it measures the results of the business from an "operating margin" perspective, i.e. before loan impairment expense (Net charge offs and movement in loss provisions) and Significant items.

Some of the limitations of Operating profit include that this measure does not reflect:

- The Net charge offs or the movements in provisions for future losses on Latitude's receivables;
- The approach of other companies in Latitude's industry which may calculate this measure differently from Latitude, thus limiting its usefulness as a comparative measure; and
- The Significant items, Amortisation of acquisition intangibles and structural changes or tax expense.

Refer to Table 29 Latitude pro forma operating and financial metrics where Operating profit is presented across the historical periods.

Pre-provision PBT

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

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

Some of the limitations of Pre-provision PBT include that this measure does not reflect:

- The movements in IFRS 9 provisions for future losses on Latitude's receivables;
- The approach of other companies in Latitude's industry which may calculate this measure differently from Latitude, thus limiting its usefulness as a comparative measure; and
- The Significant items, Amortisation of acquisition intangibles and structural changes or tax expense.

Refer to Table 29 Latitude pro forma operating and financial metrics where Pre-provision PBT is presented across the historical periods.

Profit/(loss) before income tax and Significant items

Profit/(loss) before income tax and Significant items is calculated by excluding expenses associated with Significant items and Amortisation of acquisition intangibles and structural changes from Profit/(loss) before income tax. Significant items and Amortisation of acquisition intangibles and structural changes are defined below and described further in Sections 4.3.2.1 and 4.3.2.2 respectively.

Latitude believes Profit/(loss) before income tax and Significant items is useful to help Investors understand the underlying performance of the business and its cash generation potential. However, it should not be considered as an alternative to measures of Profit/(loss) before income tax and NPAT, or cash flow from operations.

Some of the limitations of Profit/(loss) before income tax and Significant items include:

- It excludes Amortisation of acquisition intangibles and structural changes which by their nature are historical and can be inherently large;
- It excludes Significant items which by their nature can be inherently large and volatile; and
- Other companies in Latitude's industry may calculate this measure differently from Latitude, thus limiting its usefulness as a comparative measure.

Refer to Table 21 in Section 4.3.1 where pro forma Profit/(loss) before income tax and Significant items and pro forma NPAT are shown.

Cash NPAT

Cash NPAT is calculated by adding back the after-tax impact of Amortisation of acquisition intangibles and structural changes and Significant items to NPAT. Detail on the components of these items are set out in Section 4.3.2.

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

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

Some of the limitations of Cash NPAT include:

- It excludes Amortisation of acquisition intangibles and structural changes and Significant items which by their nature create a different profile to statutory profit (refer to Section 4.3.2 for this information);
- It is not representative of the free cash flow of Latitude's business (refer to Section 4.5 for this information); and
- Other companies in Latitude's industry may calculate this measure differently from Latitude (including using a different calculation of Significant items and Amortisation of acquisition intangibles and structural changes), thus limiting its usefulness as a comparative measure.

Refer to Table 22 in Section 4.3.1 where Cash NPAT is reconciled to pro forma NPAT. Pro forma NPAT is reconciled to combined NPAT in Table 28 in Section 4.3.4.

4.2.3.2 Cash flow non-IFRS financial measures

Net cash flow before other financing activities

Net cash flow before other financing activities is calculated as Net cash from operating and investing activities including cash flows associated with Latitude's securitisation funding facilities (which are described in Section 3.8) and transaction costs incurred by Latitude in establishing the securitisation funding facilities but before the impact of effects of exchange rate changes on cash and cash equivalents, dividends and other cash flows related to the capital structure. Latitude believes that Net cash flow before other financing activities is a useful measure of the cash flow generated by the business before the impact of cash flows associated with Latitude's corporate financing and capital structure.

One of the limitations of this measure is that it does not include the impact of cash flows associated with Latitude's capital structure and dividend payments, and therefore does not represent Latitude's Net cash flow position.

Net cash flow before dividends

Net cash flow before dividends is calculated as Net cash flow after all other financing activities, with the inclusion of all other net financing cash flows of the business but excluding the payment of dividends. Latitude measures Net cash flow before dividends as it believes it is a useful measure to report the cash flows generated by the business (which is one of the measures the Board considers in determining whether or not a dividend should be paid and the quantum of any dividend).

One of the limitations of this measure is that it does not include the impact of dividend payments, and therefore does not represent Latitude's net cash flow position.

Refer to Table 34 in Section 4.5.1 and Table 35 in Section 4.5.2, where Net cash flow before dividends on a combined basis is reconciled to Net cash flow before dividends on a pro forma basis.

4.2.3.3 Balance sheet non-IFRS financial measures

Restricted cash and cash equivalents

Restricted cash and cash equivalents comprises:

- Restricted cash and cash equivalents (securitisation funding facilities): cash that is required for the operations of the securitisation funding trusts;
- Restricted cash and cash equivalents (corporate): cash that is being held as security for cash withdrawals that Latitude customers make; and
- Cash and cash equivalents held in the Hallmark Insurance businesses to meet liquidity and target capital requirements.

Refer to Table 32 in Section 4.4.2 where Restricted cash and cash equivalents (for both securitisation funding facilities and corporate debt) are presented.

Unrestricted cash and cash equivalents

Unrestricted cash and cash equivalents is total cash and cash equivalents less Restricted cash and cash equivalents. Refer to Table 32 in Section 4.4.2 where Unrestricted cash and cash equivalents is presented.

Net securitisation funding

Net securitisation funding is calculated as total external borrowings in Latitude's Warehouse Facilities and ABS, less Restricted cash and cash equivalents (securitisation funding facilities). Latitude measures Net securitisation funding as it believes it is useful to understand the net debt positions attributable to securitised funding vehicles.

One of the limitations of the Net securitisation funding measure is that it does not represent the complete net debt balance of Latitude, as it excludes Net corporate debt (as described below).

Refer to Table 32 in Section 4.4.2 where Net securitisation funding is presented.

Net corporate debt

Net corporate debt is calculated as total debt owing to shareholders plus any other debt facilities outstanding for the Latitude corporate Group less Restricted cash and cash equivalents (corporate) and Unrestricted cash and cash equivalents (as described below). This does not include any overdraft facilities unless those facilities have been drawn.

One of the limitations of Net corporate debt is that is does not represent the complete net debt balance of Latitude as it excludes Net securitisation funding (described above).

Refer to Table 32 in Section 4.4.2 where Net corporate debt is presented.

Total net debt

Total net debt is the sum of Net securitisation funding and Net corporate debt and it represents the net debt balance of Latitude.

Refer to Table 32 in Section 4.4.2 where Total net debt is presented.

Tangible Equity ('TE')

TE is defined as total equity after deducting amounts attributable to goodwill and other intangible assets. Refer to Table 31 in Section 4.4.1 where TE is presented.

4.2.3.4 Operating and financial metric non-IFRS financial measures

Latitude uses a number of operating and financial metrics to assess business performance which are also non-IFRS financial measures.

One of the more significant measures is Risk adjusted income ('**RAI**'). RAI is calculated as total operating income less Net charge offs and is measured by Latitude to evaluate the risk adjusted margin on receivables after funding costs and Net charge offs on Latitude's receivables before the allocation of expenses associated with the movement in provisions for losses as well as operating expenses. For insurance products, RAI is calculated as net premium income plus investment income less claims costs and external commissions.

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

It allows Latitude to have a consistent measure of performance and risk adjusted yields across its various segments and portfolios. RAI should not be considered as an alternative to Profit/(loss) before income tax and NPAT in considering the overall net profit of Latitude.

Some of the limitations of RAI include that this measure does not reflect:

- The loan impairment expense associated with the movement in provisions for future losses due to growth in Latitude's receivables or changes in the Coverage ratio;
- The direct operating expenses incurred by Latitude in generating RAI;
- The indirect costs associated with Latitude's business;
- The approach of other companies in Latitude's industry which may calculate this measure differently from Latitude, thus limiting its usefulness as a comparative measure; and
- Moreover, current Net charge offs may not be reflective of future long run Net charge offs and will be influenced by the current macro-economic environment as well as historical portfolio credit quality characteristics that may change over time.

Refer to Table 43 in Section 4.10.2 where RAI is presented on a segment basis.

Other operating and financial metrics to assess business performance which are also non-IFRS financial measures include:

- Operating performance metrics such as Volume growth, gross receivables growth and active accounts growth;
- Financial performance metrics such as Operating profit growth, pre-provision PBT, RAI growth and Cash NPAT growth;

- Operating efficiency metrics such as Cost to income ratio;
- Asset quality metrics such as 90+ days past due, Coverage ratio and Net charge offs/AGR;
- Financial return metrics such as RAI yield and RAI per active account, ROE; and
- Balance sheet strength such as TE/Net Receivables.

The limitation of these metrics is that other companies in Latitude's industry may calculate these measures differently to Latitude, thus limiting their usefulness as comparative measures.

Latitude's operating and financial metrics can be found in Sections 4.3.5 and 4.10.3. Latitude's definition of these metrics are included in the Glossary of Financial Table Notes in Section 4.13.

4.3 Historical income statements

4.3.1 Pro Forma Historical Income Statements and reconciliation of pro forma NPAT to Cash NPAT

Table 21 below sets out the Pro Forma Historical Income Statements for the periods discussed in Section 4.2. A reconciliation of the Combined NPAT to Pro forma NPAT is included in Section 4.3.4.

Table 21: Pro Forma Historical Income Statements

		Pro forma historical		
A$ million	**Note**	**FY18**	**FY19**	**FY20**
Interest income	1	1,151.3	1,205.6	1,058.1
Interest expense	2	(271.8)	(258.2)	(178.0)
Net interest income		879.5	947.3	880.1
Other operating income	3	44.4	36.6	21.4
Net insurance income	4	60.2	51.0	32.7
Total other operating income		104.6	87.7	54.1
Total operating income		**984.1**	**1,035.0**	**934.2**
Loan impairment expense	5	(253.0)	(248.9)	(208.8)
Employee benefit expense	6	(183.8)	(190.8)	(184.8)
Other expenses	7	(178.3)	(181.2)	(173.5)
Depreciation and amortisation expense	8	(32.4)	(34.4)	(44.6)
Total operating expenses		(394.5)	(406.3)	(402.9)
Profit/(loss) before income tax and Significant items		**336.7**	**379.8**	**322.6**
Significant items	9	(24.4)	(91.2)	(62.7)
Amortisation of acquisition intangibles and structural changes	10	(80.0)	(73.1)	(73.1)
Profit/(loss) before income tax		**232.2**	**215.6**	**186.7**
Income tax (expense)/benefit	11	(62.1)	(57.2)	(58.6)
Pro forma NPAT		**170.1**	**158.4**	**128.1**

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

Table 22 below sets out a reconciliation of pro forma NPAT to Cash NPAT. Cash NPAT is a non-IFRS measure and is defined in Section 4.2.3.1.

Table 22: Reconciliation of pro forma NPAT to Cash NPAT

		Pro forma historical		
A$ million	Note	FY18	FY19	FY20
Pro forma NPAT		**170.1**	**158.4**	**128.1**
Significant items	9	24.4	91.2	62.7
Amortisation of acquisition intangibles and structural changes	10	80.0	73.1	73.1
Tax effect of adjustments		(30.9)	(48.4)	(40.1)
Cash NPAT		**243.7**	**274.2**	**223.9**

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

4.3.2 Summary of Significant items and Amortisation of acquisition intangibles and structural changes

4.3.2.1 Summary of Significant items

The Pro Forma Historical Financial Information includes adjustments to reclassify certain items in the income statement that Latitude believes should be separately identified due to their significant nature. Latitude believes these items are outside the ordinary course of business and are temporary in nature. One of the limitations of Significant items is that other companies in Latitude's industry may calculate this measure differently from Latitude.

Table 23 below sets out a summary of key programme milestones included within Significant items:

Table 23: Summary of Significant items

		Pro forma historical		
A$ million	**Note**	**FY18**	**FY19**	**FY20**
Investment-related expense – Closed				
Transition and Replatforming	a	(5.7)	(3.1)	–
Latitude 2.0	b	(0.5)	(31.9)	(19.7)
Latitude 2.0 – Strategy Reset		*(0.5)*	*(0.6)*	–
Latitude 2.0 – Technology investment		–	*(16.3)*	*(7.5)*
Latitude 2.0 – Strategy Execution/Brand unification		–	*(15.0)*	*(12.2)*
COVID-19 Response – Operations digitisation	c	–	–	(3.9)
Total Investment-related expense – Closed		**(6.2)**	**(35.0)**	**(23.5)**
Investment-related expense – Ongoing				
Technology Investment and Simplification	d	–	–	(3.5)
BNPL – Big Ticket	e	–	–	(0.9)
Total Investment-related expense – Ongoing		**–**	**–**	**(4.3)**
Total Investment-related expense		**(6.2)**	**(35.0)**	**(27.9)**
Remediation and other Significant items				
Restructuring	f	–	(6.2)	(11.7)
Remediation and Other provisions	g	(11.0)	(28.3)	(5.1)
Asset/work in progress impairment	h	(7.2)	(21.5)	(7.8)
Insurance Provision COVID-19	i	–	–	(10.3)
Total Remediation and other Significant items		**(18.2)**	**(56.1)**	**(34.9)**
Total Significant items (pre-tax)		**(24.4)**	**(91.2)**	**(62.7)**

Notes:

(a) **Transition and Replatforming:** In late FY16, Latitude commenced a transformation programme across several operational streams, which focused on improving Latitude's technology capabilities following the separation from GE. A key part of this programme was the consolidation and replatforming of a number of product platforms, upgrading Latitude's cards core system and its originations and digital servicing platforms, as well as upgrading associated aged information technology infrastructure. This programme closed in FY19.

(b) **Latitude 2.0:** In late 2018, the business underwent a strategic reset with the commencement of a new CEO. While it is likely that a business such as Latitude will have to invest in new technology, platforms and infrastructure as part of the ordinary course of business, Latitude does not believe that undertaking projects of this size and nature simultaneously would be a part of its ordinary course of business. The accounting treatment of this expenditure is subject to Latitude's accounting policies which include the policy to capitalise expenditures which are expected to generate a future benefit, with the remainder of project expenditure recognised within Significant items in the pro forma income statements. The Latitude 2.0 programme was closed in 1H20.

(c) **COVID-19 response – Operations digitisation:** Costs incurred as a result of establishing working from home capability across the business during FY20 in response to COVID-19 and the associated lockdowns that arose across both Australia and New Zealand. Latitude believes these costs are outside the ordinary course of business as they relate to the initial response to the onset of COVID-19 with the organisation having now established processes and procedures to work flexibly from home and other locations. COVID-19 has also resulted in changes to Latitude's key operating metrics and NPAT, the impact of which is reflected in the Historical Financial Information and not recorded separately within Significant items (refer to Management discussion and analysis in Section 4.6.4.3).

(d) **Technology Investment and Simplification:** In response to COVID-19 and changing market dynamics, a simplification programme was established to automate and reduce the operating cost base of the business through not only FY20 but also into future years. While Latitude will continue to assess operational efficiencies and potential simplification initiatives, in line with policy, the balances identified as Significant items are above ordinary course business as usual technology investment either taken to the income statement as an operating expense or capitalised and subsequently amortised over the useful life of the asset in line with policy. See Table 24 for further detail on investment operating and capitalised expenditure.

(e) **BNPL – Big Ticket:** As discussed in Section 2.1.3 Latitude's current BNPL roadmap includes extending the LatitudePay proposition to larger 'ticket' transactions to leverage Latitude's existing leadership with major big-ticket retailers. The execution of this product initiative commenced in 2H20.

(f) **Restructuring:** In FY19, an organisational restructure took place after the commencement of the new CEO and implementation of the new executive team. During FY20, further significant restructuring was undertaken in response to COVID-19 and the commencement of the Technology Investment and Simplification programme. As a result of these restructuring activities, Latitude incurred a number of restructuring costs which Latitude believes are outside the ordinary course of business and are non-recurring in nature.

(g) **Remediation and Other Significant Items:** Between FY18 and FY20, Latitude reviewed its estimates in relation to customer remediation provisioning in response to changes in the regulatory landscape, current regulatory inquiries and outcomes of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – refer to Section 2.5 for further information. Latitude determined that it was appropriate to raise remediation provisions of A$44.4 million. As at 31 December 2020, A$25.7 million remains on the combined and pro forma historical balance sheets for the provisions recognised within Significant items. These provisions cover remediation exposures that arose in prior periods but at the time were not yet known or that otherwise did not yet meet the criteria for recognition. These remediation provisions have been estimated based on the information available at the time of recognition and will be reviewed at each balance date for appropriateness. There can be no assurance that the assumptions on which the provisions are derived will not change over time.

(h) **Asset/work in progress impairment:** As a result of the investment in digital capability as described above, a number of legacy assets have had their useful life reduced, leading to impairment charges in FY18, FY19 and FY20.

(i) **Insurance provision COVID-19:** The adjustment in FY20 relates to the cost of a provision recognised for incurred but not reported ('**IBNR**') insurance claims in response to the onset of COVID-19 and Latitude's actuarial advice. Since the cost is related to potential claims arising as a direct result of COVID-19 which is such a significant exogenous event, Latitude considers that the recognition of the expense associated with the COVID-19 IBNR significantly distorts the reported trading of the insurance business and therefore it has been separately identified.

In addition to the Significant items included in the pro forma NPAT, Latitude has continued to invest in the business across the historical periods and with an increasing level of capitalised expenditure across FY20, when compared to the two previous years, despite COVID-19. Table 24 below sets out a summary of key investment programmes, the portion reflected within operating expenses and the portion that has been capitalised, as well as the items that are significant in nature compared to the investment expense that is in the ordinary course. As referenced in Section 2.3.2.2, Latitude expects to continue to invest in the business through both business as usual capital expenditure as well as other significant projects that warrant separate identification. In FY20, Latitude commenced two significant programmes, focusing on technology investment and simplification as well as delivering an unregulated Big Ticket BNPL product which Latitude currently does not offer. Given these projects only commenced in 2H20, these are currently expected to form the majority of the budgeted significant investment spend in the near term until those projects complete.

Table 24: Summary of investment operating expenditure ('Opex') and capitalised expenditure ('Capex')

		Historical								
		FY18			FY19			FY20		
A$ million	**Note**	**Opex**	**Capex**	**Total**	**Opex**	**Capex**	**Total**	**Opex**	**Capex**	**Total**
Investment Opex/Capex – Closed										
Transition and Replatforming		(5.7)	(25.3)	(31.0)	(3.1)	(12.6)	(15.7)	–	–	–
Latitude 2.0		(0.5)	–	(0.5)	(31.9)	(32.1)	(64.0)	(19.7)	(27.9)	(47.6)
Latitude 2.0 – Strategy Reset		*(0.5)*	–	*(0.5)*	*(0.6)*	–	*(0.6)*	–	–	–
Latitude 2.0 – Technology investment		–	–	–	*(16.3)*	*(32.1)*	*(48.4)*	*(7.5)*	*(27.9)*	*(35.4)*
Latitude 2.0 – Strategy Execution/ Brand Unification		–	–	–	*(15.0)*	–	*(15.0)*	*(12.2)*	–	*(12.2)*
COVID-19 Response – Operations digitisation		–	–	–	–	–	–	(3.9)	(1.6)	(5.4)
Total Investment Opex/Capex – Closed		**(6.2)**	**(25.3)**	**(31.5)**	**(35.0)**	**(44.7)**	**(79.7)**	**(23.5)**	**(29.5)**	**(53.0)**
Investment Opex/Capex – Ongoing										
Technology Investment and Simplification		–	–	–	–	–	–	(3.5)	(5.2)	(8.7)
BNPL – Big Ticket		–	–	–	–	–	–	(0.9)	(5.5)	(6.4)
Total Investment/ Opex – Ongoing		**–**	**–**	**–**	**–**	**–**	**–**	**(4.3)**	**(10.8)**	**(15.1)**
Total Significant investment Opex/Capex		**(6.2)**	**(25.3)**	**(31.5)**	**(35.0)**	**(44.7)**	**(79.7)**	**(27.9)**	**(40.3)**	**(68.1)**
Business as usual Capex	a	–	(36.0)	(36.0)	–	(10.8)	(10.8)	–	(29.3)	(29.3)
Total investment Opex/Total Capex		**(6.2)**	**(61.3)**	**(67.5)**	**(35.0)**	**(55.5)**	**(90.5)**	**(27.9)**	**(69.5)**	**(97.4)**

Notes:

(a) Business as usual Capex: Latitude invests in Capex required to support ongoing operations of the business (the Opex related to this investment is included in the core operating expenses and is not identified separately). This investment is not separately identified as a Significant item as it reflects investment that is within the ordinary course of business and is included in the table above for completeness. In FY19, business as usual Capex was reduced as a way to create focus and resource capacity given the significant investment in technology as part of Latitude 2.0.

4.3.2.2 Summary of Amortisation of acquisition intangibles and structural changes

Table 25 below sets out a summary of Amortisation of acquisition intangibles and structural changes.

Table 25: Summary of Amortisation of acquisition intangibles and structural changes

		Historical		
A$ million	**Note**	**FY18**	**FY19**	**FY20**
Net fair value unwind	12	20.0	–	–
Amortisation of acquisition intangibles	13	48.2	48.4	48.3
Amortisation of transaction costs	14	11.9	24.7	24.8
Total Amortisation of acquisition intangibles and structural changes		**80.0**	**73.1**	**73.1**

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

Upon the acquisition of Latitude from GE, a number of intangible assets (distinct from goodwill) were recognised as part of the acquisition accounting. These intangible assets have resulted in non-cash amortisation expenses being recognised over the useful life of the respective assets. Latitude has excluded the amortisation expenses associated with the acquisition intangible assets from Cash NPAT given they are non-cash in nature and arose as a function of the acquisition accounting treatment. Accordingly, these expenses have been separately reported in the Latitude Pro Forma Historical Income Statements. The expenses in relation to Amortisation of acquisition intangibles and structural changes can be broadly classified into the following three categories:

- **Net fair value unwind:** Relates to unwinding the fair value uplift adjustment that was recognised on the Gross loan receivables compared to the carrying value as at the date of the acquisition of Latitude from GE. The increase in fair value is amortised over the expected run off profile of the book. The fair value uplift was fully amortised by 1H18;
- **Amortisation of acquisition intangibles:** Reflects the amortisation of customer lists and distribution agreements recognised as part of the acquisition accounting. Intangible customer lists and distribution agreements are amortised on a straight-line basis over nine years in Australia and seven years in New Zealand (ending in 2024 and 2022 respectively); and
- **Amortisation of transaction costs:** Reflects the amortisation of the capitalised portion of costs related to the initial establishment of the warehouse funding programme and infrastructure following the acquisition of Latitude from GE, as well as the amortisation of the historical hedging arrangements settled as a direct result of Latitude's proposed 2019 IPO. The debt establishment costs are amortised over the life of the respective funding vehicles (which have a life of approximately five to seven years). Refer to Section 3.8 for additional information on warehouse and ABS funding. Amortisation of the historical hedging arrangements will be in line with the original life of the historical instrument and unwind of the historical cash flow hedge reserve.

Latitude separately identifies the impact of these items as it believes it is helpful to Investors to understand the impact of non-cash amortisation charges that arose as a result of these acquisition intangible assets being recognised.

One of the limitations of Amortisation of acquisition intangibles and structural changes is that other companies may classify the items that are included in this measure differently from Latitude, thus limiting its usefulness as a comparative measure.

4.3.3 Combined Historical Income Statements

Table 26 below is set out in accordance with the format that the Company expects to report in its consolidated financial statements following Completion and has been extracted from the Combined Historical Financial Statements.

Table 26: Summary of Combined Historical Income Statements

		Combined historical		
A$ million	**Note**	**FY18**	**FY19**	**FY20**
Interest income	15	1,135.7	1,205.6	1,058.1
Interest expense	16	(363.2)	(362.0)	(278.6)
Net interest income		772.5	843.6	779.5
Other operating income	3	56.8	36.6	21.4
Net insurance income	4	60.2	51.0	22.5
Total other operating income		117.0	87.7	43.9
Total operating income		**889.5**	**931.2**	**823.4**
Loan impairment expense	17	(253.4)	(248.9)	(208.8)
Employee benefit expense	18	(173.0)	(190.6)	(202.0)
Other expenses	19	(262.3)	(283.0)	(234.6)
Depreciation and amortisation expense	20	(68.8)	(82.8)	(92.9)
Total operating expenses		(504.2)	(556.3)	(529.5)
Distribution to trust beneficiaries		(74.5)	(103.5)	(104.3)
Profit/(loss) before income tax		**57.5**	**22.6**	**(19.3)**
Income tax (expense)/benefit	21	(13.2)	(5.0)	(9.5)
Combined NPAT from continuing operations		**44.3**	**17.6**	**(28.8)**
NPAT from Discontinued Operations		–	1.8	(3.7)
Combined NPAT		**44.3**	**19.4**	**(32.6)**

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

4.3.4 Pro forma adjustments to the Combined Historical Income Statements

Table 27 and Table 28 below reconcile pro forma total operating income and pro forma NPAT to combined total operating income and combined NPAT, respectively, for FY18, FY19 and FY20.

Table 27: Reconciliation of combined total operating income to pro forma total operating income

		Historical		
A$ million	**Note**	**FY18**	**FY19**	**FY20**
Combined total operating income		**889.5**	**931.2**	**823.4**
Reclassification of net fair value unwind	a	20.0	–	–
Reclassification of amortisation of transaction costs and structural changes	b	11.9	24.7	24.8
Changes in capital structure	c	81.3	79.0	75.8
Changes in accounting standards	d	(2.9)	–	–
Reclassification of insurance provision COVID-19	e	–	–	10.3
Discontinued Operations	f	(3.9)	–	–
Reclassification of operating expenditure	g	(11.8)	–	–
Pro forma total operating income		**984.1**	**1,035.0**	**934.2**

Notes:

(a) **Reclassification of net fair value unwind:** Reported within combined total operating income is amortisation related to the fair value uplift on the receivables balance Latitude booked as part of the purchase price accounting following the acquisition of Latitude from GE. For the purposes of the pro forma financial information, this balance has been reclassified from total operating income to Amortisation of acquisition intangibles and structural changes on the face of the income statement (refer to Section 4.6.2).

(b) **Reclassification of amortisation of transaction costs and structural changes:** Reported within Interest expense (Combined) and therefore impacting combined total operating income is the amortisation charge associated with the capitalised establishment costs from the setup of the initial day 1 securitisation funding vehicles as well as the amortisation of the historical hedging arrangements settled as a direct result of Latitude's proposed 2019 IPO. For the purposes of the Pro Forma Historical Financial Information, this balance has been reclassified on the face of the income statement to separately distinguish the expense within Amortisation of acquisition intangibles and structural changes (refer to Section 4.6.2).

(c) **Changes in capital structure:** Refers to the impact of finance and corporate structures that will not exist following the Restructure, with adjustments to reflect the new capital structures in place on completion of the Restructure as if the Restructure had taken place on 1 January 2018. The adjustments include the removal of financing costs on Historical Shareholder loans reported within interest expense in the Combined Historical Income Statements that will be converted to equity/repaid as part of the Restructure, and the removal of a one-off expense recognised in FY18 incurred in writing off the remaining balance of debt establishment costs associated with the Historical Shareholder loans.

(d) **Changes in accounting standards:** Reflects the impact to interest expenses included within combined operating income as a result of the adoption of IFRS 16 as if adoption had occurred on 1 January 2018. In addition to further interest expenses, IFRS 16 results in further depreciation expenses offset by lower rental expenses (reflected as a pro forma adjustment to combined NPAT).

(e) **Reclassification of Insurance provision COVID-19:** The adjustment in FY20 relates to the cost of a provision recognised for IBNR insurance claims in response to the onset of COVID-19 and Latitude's actuarial advice. Since the cost is related to potential claims arising as a direct result of COVID-19 which is such a significant exogenous event, Latitude considers the recognition of the expense associated with the COVID-19 IBNR significantly distorts the reported trading of the insurance business and therefore has been separately identified.

(f) **Discontinued Operations:** Reported within combined total operating income is the operating results of the legacy run off Residential mortgage portfolio. This portfolio was sold as at 30 June 2020 and the adjustment represents the removal of the contribution to total operating income over the historical period of the portfolio, as the operations have been discontinued. The results of the Residential mortgage portfolio were separately reported within Discontinued Operations in the FY20 combined historical financial statements (and FY19 comparatives) and therefore are not reflected as a pro forma adjustment to Total operating income in those years.

(g) **Reclassification of operating expenditure:** In FY20, payment handling fees and paper statement fee costs were offset, to the extent possible, against the associated fee revenue recorded within other operating income. The balances for FY19 and FY20 were restated within the FY20 financial statements and therefore are not pro forma adjustment to the pro forma NPAT. The FY18 adjustment represents the equivalent balance that has not been restated in the FY18 financial statements and therefore a pro forma adjustment is required to Total operating income in that year.

Table 28: Reconciliation of combined NPAT to pro forma NPAT

		Historical		
A$ million	**Note**	**FY18**	**FY19**	**FY20**
Combined NPAT		**44.3**	**19.4**	**(32.6)**
Changes in capital structure	a	161.8	189.1	186.3
Changes in accounting standards	b	(3.8)	–	–
Transaction and historical IPO costs	c	28.2	11.8	10.1
Employee remuneration plans	d	(7.9)	(7.9)	(7.9)
MEP and related expenses	e	2.3	10.0	27.4
Discontinued Operations	f	(2.3)	(2.8)	5.3
Other discontinued arrangements	g	6.4	–	–
Incremental public company costs	h	(10.1)	(10.1)	(10.1)
Tax effect of adjustments		(48.9)	(51.2)	(50.7)
Pro forma NPAT		**170.1**	**158.4**	**128.1**

Notes:

(a) **Changes in capital structure:** Refers to the impact of financing and corporate structures that will not exist following the Restructure, with adjustments to reflect the new capital structures in place following the Restructure as if the Restructure had taken place on 1 January 2018. The adjustment includes (i) the removal of financing costs on Historical Shareholder loans that will be converted to equity/repaid as part of the Restructure, and the removal of an associated expense recognised in FY18 incurred in writing off the remaining balance of the debt establishment costs; (ii) the removal of costs associated with consulting and monitoring fees paid to the Existing Investors which will not be incurred following the Restructure; and (iii) the removal of distributions to trust beneficiaries from Latitude's trusts on residual income units ('**RIU**') historically owned by the Existing Investors (or entities associated with them) which are to be purchased by Latitude as part of the Restructure.

(b) **Changes in accounting standards:** Relates to the adjustment to combined NPAT for IFRS 16 which became mandatory for Latitude on 1 January 2019, as if Latitude had adopted IFRS 16 on 1 January 2018. The pro forma financial information has been presented on a like-for-like basis across all years.

(c) **Transaction and historical IPO costs:** Relates to the removal of (i) costs in relation to matters incurred under GE ownership that could not be recovered due to the expiration of legal recourse under the acquisition share purchase agreement; (ii) third-party costs incurred in FY18 and FY19 associated with the acquisition of Genoapay which Latitude does not consider to be recurring; (iii) one-off costs incurred and recognised in the income statement that are directly associated with the historical proposed IPO processes (A$22.4 million expensed during FY18 and A$11.8 million expensed in FY19); and (iv) costs of A$10.1million incurred in FY20 directly associated with the Restructure and Listing. The Selling Shareholder has agreed to bear all costs incurred in association with the Restructure and Listing, including A$8.4 million of the costs incurred in FY20.

(d) **Employee remuneration plans:** Reflects Latitude's estimate of the incremental annual costs that will be incurred as a result of the impact of the new listed company remuneration plans that will be established following the Listing adjusted to reflect the impact as if Latitude had been a listed company from 1 January 2018.

(e) **MEP and related expenses:** Relates to the impact of the Latitude Management Equity Plan ('**MEP**') that has been recognised in the Combined NPAT. The adjustment includes the removal of the associated expenses as if the Restructure and plan unwind had occurred on 1 January 2018, and replaced with the costs associated with new employee remuneration plan (STI and LTI) to be established for certain Latitude employees (the cost of which is reflected in adjustment d)). Latitude expects to incur A$1.5 million of non-recurring costs associated with shares granted to Latitude employees following completion of the Listing which occurs beyond the period of the Historical Financial Information presented.

(f) **Discontinued Operations:** At 30 June 2020, Latitude sold a legacy run off residential mortgage portfolio resulting in a net loss being recognised of A$4.5 million, comprising a A$3.7 million loss on sale of the portfolio and incurred legal costs of A$2.0 million. An A$1.2 million IFRS 9 coverage provision held on the legacy portfolio was released to the income statement, and A$0.8 million of other incidental costs. The net contribution associated with the legacy run off Residential mortgage portfolio has been removed from earnings as if the portfolio was sold as on 1 January 2018 (refer to Table 27).

(g) **Other discontinued arrangements:** Relates to the removal of:

- The net contribution associated with Latitude's servicing a unique contract for a third-party credit card portfolio (contract terminated during FY15 and servicing ceased in March 2018); and
- The costs incurred in 1H18 associated with the write-off of capitalised development expenditure in relation to a discontinued contract outside the ordinary course of Latitude's business.

(h) **Incremental public company costs:** Reflects Latitude's estimate of the incremental annual costs that will be incurred as a result of the public listing adjusted to reflect the impact as if Latitude had been a listed company from 1 January 2018. These costs include additional non-executive Director fees, listing fees, incremental business insurance premiums and costs associated with the annual reporting and shareholder communications required of a listed company.

4.3.5 Latitude's key operating and financial metrics

Table 29 below provides a summary of Latitude's pro forma historical key operating and financial metrics for FY18, FY19 and FY20.

Table 29: Pro forma key operating and financial metrics

		Pro forma historical		
A$ million	**Note**	**FY18**	**FY19**	**FY20**
Operating				
Volume	22	8,859.4	8,886.0	7,032.0
Gross loan receivables	23	7,533.2	7,636.7	6,521.6
AGR	24	7,206.1	7,568.6	6,955.0
Financial				
Operating income		984.1	1,035.0	934.2
RAI	25	741.9	783.2	706.6
Operating profit	26	589.7	628.7	531.3
Pre-provision PBT	27	347.6	376.9	303.8
Cash NPAT		243.7	274.2	223.9
Operating growth rates (prior comparative period) ('PcP')				
Volume		n.a.	0.3%	(20.9)%
Gross loan receivables		n.a.	1.4%	(14.6)%
AGR		n.a.	5.0%	(8.1)%
Financial growth rates (PcP)				
Operating income		n.a.	5.2%	(9.7)%
RAI		n.a.	5.6%	(9.8)%
Operating profit		n.a.	6.6%	(15.5)%
Pre-provision PBT		n.a.	8.5%	(19.4)%
Cash NPAT		n.a.	12.5%	(18.4)%
Profitability				
Interest income/AGR	28	15.98%	15.93%	15.21%
Interest expense/AGR	29	(3.77)%	(3.41)%	(2.56)%
Net interest margin	30	12.20%	12.52%	12.65%
Operating income yield	31	13.66%	13.67%	13.43%
RAI yield	32	10.3%	10.4%	10.2%
RAI per active account ($)	33	400	416	407
Cost to income ratio	34	40.1%	39.3%	43.1%
Asset quality				
90+ days past due	35	1.09%	1.04%	0.67%
Net charge offs/AGR	36	3.36%	3.33%	3.27%
Coverage ratio	37	4.30%	4.21%	4.62%
Return				
ROE	38	n.a.	n.a.	18.2%
ROTE	39	n.a.	n.a.	56.7%

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

4.4 Historical Balance Sheet

4.4.1 Combined Historical Balance Sheet and Pro Forma Historical Balance Sheet

Table 30 below sets out the Combined Historical Balance Sheet and Pro Forma Historical Balance Sheet.

The Combined Historical Balance Sheet reflects the aggregated balance sheet of KVDAH and LFSL at 31 December 2020 as extracted from the FY20 Combined Historical Financial Statements.

The Pro Forma Historical Balance Sheet is based on the Combined Historical Balance Sheet at 31 December 2020, adjusted for certain pro forma adjustments, including the impact of certain post-balance date events, the Restructure and the Listing, as if such events had occurred at 31 December 2020. The Latitude Pro Forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of Latitude's actual financial position upon the Restructure or at a future date.

Latitude has no off-balance sheet arrangements.

Table 30: Combined and Pro-forma Balance sheets as at 31 December 2020

			Pro forma adjustments		
A$ million	Notes	Combined 31 December 2020	Impact of post-balance date events[a]	Impact of Restructure[b]	Pro forma
Cash and cash equivalents		522.7	51.7	(66.8)	507.6
Assets held for sale		0.1	2.1	–	2.2
Derivative financial instruments		0.2	–	–	0.2
Loans and other receivables		6,089.6	–	–	6,089.6
Other assets		9.1	–	–	9.1
Deferred tax assets		205.4	–	3.5	208.9
Other financial assets		1.6	–	–	1.6
Property, plant and equipment		81.7	–	–	81.7
Intangible assets	c	834.7	–	0.1	834.8
Total assets		**7,745.1**	**53.7**	**(63.1)**	**7,735.7**
Trade and other liabilities		423.2	–	(68.2)	335.0
Derivative financial instruments		13.8	–	–	13.8
Provisions		81.4	–	–	81.4
Gross insurance policy liabilities		40.4	–	–	40.4
Current tax liabilities		2.7	–	2.5	5.2
Deferred tax liabilities		84.3	–	–	84.3
Borrowings		6,715.7	53.7	(843.5)	5,926.0
Total liabilities		**7,361.5**	**53.7**	**(909.2)**	**6,506.1**
Net parent investment/contributed equity and common control reserve		497.0	–	802.1	1,299.1
Reserves		38.2	–	0.1	38.2
Retained earnings		(113.6)	–	5.9	(107.7)
Capital and reserves attributable to owners of the Group		**421.6**	**–**	**808.1**	**1,229.6**
Non-controlling interests		(38.0)	–	38.0	–
Total net parent investment/total equity		**383.6**	**–**	**846.1**	**1,229.6**

Notes:

(a) **Impact of post-balance date events:** Reflects the impact of the sale of Class B notes that Latitude held in the Australian Motor Loans Trust at 31 December 2020 that were subsequently sold on 5 February 2021 for A$47.0 million and the sale of Class B notes that Latitude held in New Zealand Personal Loans Trust at 31 December 2020 that were subsequently sold on 17 February 2021 at face value for A$4.7 million as well as the recognition of the remaining A$2.1 million Class B notes Latitude held in the New Zealand Personal Loans Trust at 31 December 2020 that have been classified as available for sale.

(b) **Impact of Restructure:** Reflects the impact of the Restructure to the Combined Historical Balance Sheet, including: (i) the acquisition of the Latitude brand name and trademarks held by companies outside the pre-IPO Group but acquired as part of the Restructure (subject to FIRB Approval); (ii) the impact of the conversion of A$848.3 million of the Historical Shareholder loans to equity as part of the Restructure with the remaining A$37.2 million of the Historical Shareholder loans balances being settled with the Selling Shareholder; (iii) the settlement of existing distribution liabilities of A$150.9 million on RIU in the trusts held by the Existing Investors (or entities associated with them) which will be transferred to Latitude (subject to FIRB Approval) as part of the Restructure; and (iv) the settlement of existing consortium fees payable of A$5.2 million. The net shareholder settlement is to be effected via a cash payment of A$66.8 million, the transfer of A$42.0 million Class C notes that Latitude held in the Australian Motor Loans Trust and the establishment of a A$84.5 million Deferred Settlement arrangement with the Selling Shareholder. Impact of the Restructure also includes the impact of the de-recognition of A$8.4 million of accrued costs relating to the transaction which will be borne by the Selling Shareholder.

(c) **Intangible assets:** Intangible assets at 31 December 2020 includes goodwill A$521.1 million, and amortising intangible assets related to: distribution agreements A$67.7 million; software A$88.4 million; capital works in progress A$45.7 million; customer relationships of A$111.8 million; and trademark of A$0.1 million which is acquired as part of the Restructure. Latitude's accounting policies, including relevant intangible asset amortisation periods, are presented in Section 10. Intangible assets are adjusted on a pro forma basis to reflect the impact of the acquisition of the net assets of KVCF at net book value following the Restructure at cost.

Impact of the Restructure

Following completion of the Restructure (refer to Section 9.4 and Note (b) above), LFSL and its controlled entities will be a wholly-owned subsidiary of the Company. Latitude's existing amounts owing to the Existing Investors will be extinguished and a new A$84.5 million Deferred Settlement arrangement will be established (the payment profile of which is set out in Table 36). As a result, cash and cash equivalents will decrease by A$66.8 million (before the impact of post-balance date events). Latitude will be entitled to the rights to distributions from RIUs held in the securitisation trusts and Latitude's total equity will increase to A$1,229.6 million (pro forma 31 December 2020), reflecting the capitalisation of a portion of the Historical Shareholder loans which are to be settled in exchange for equity in the Company.

Cash and cash equivalents

Cash and cash equivalents in the Latitude Pro Forma Historical Balance Sheet have been adjusted to reflect the impact of the Restructure and the refinancing arrangements as if they took place at 31 December 2020, as required by ASIC Regulatory Guide 228 *Prospectuses: Effective disclosures for retail investors* paragraph 92, and as such no adjustments have been made for various anticipated cash requirements of the business between 31 December 2020 and Completion.

After the Restructure, Latitude expects to have sufficient cash flow, including access to the undrawn portion of its Warehouse Facilities and ABS, to meet its operational needs and growth requirements. The details of Latitude's funding, liquidity and capital are set out in Section 3.8.

Capitalisation ratios

Table 31 below sets out Latitude's total pro forma equity and capitalisation ratios as calculated from the Pro Forma Historical Balance Sheet at 31 December 2020 and in line with the Pro Forma Historical Balance Sheet set out in Table 30.

As set out in Section 3.8, it is Latitude's intention to operate within a target capitalisation range of 6% to 7% of TE/Net Receivables. Based on the Pro Forma Historical Balance Sheet, Latitude would have had a pro forma capitalisation ratio of 6.5% TE/Net Receivables at 31 December 2020.

Following completion of the Restructure, Latitude's capital structure will comprise ordinary equity, as well as equity reserves. Latitude intends to continuously review its capital structure and investigate alternative forms of capital instruments that could provide greater capital and strategic flexibility.

Table 31: Capitalisation ratios

	Note	Pro forma 31 December 2020
Total equity		1,229.6
Intangible assets		834.8
TE		**394.8**
Net receivables		6,085.2
Metrics		
TE/Net Receivables	40	6.5%

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

4.4.2 Indebtedness

Table 32 below depicts Latitude's indebtedness as at 31 December 2020 (pre-Restructure), on a combined and pro forma basis. The Pro Forma Historical Balance Sheet as at 31 December 2020 has been adjusted to reflect the impact of the Restructure.

Table 32: Combined and pro forma indebtedness as at 31 December 2020

A$ million	Note	Combined	Pro forma
Securitisation funding			
Warehouse Facilities	41	3,322.2	3,418.0
ABS	42	2,508.0	2,508.0
Total securitisation funding	43	**5,830.2**	**5,926.0**
Less: Restricted cash and cash equivalents (securitisation funding facilities)	44	(133.2)	(133.2)
Net securitisation funding	45	**5,697.0**	**5,792.8**
Corporate debt			
Historical Shareholder loans	46	885.5	
Less: Restricted cash and cash equivalents (corporate)	47	(172.2)	(172.2)
Less: Unrestricted cash and cash equivalents	48	(217.3)	(202.2)
Net corporate debt	49	**496.0**	**(374.4)**
Total net debt		**6,193.0**	**5,418.4**

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

For further detail in relation to Latitude's funding, liquidity and capital, refer to Section 3.8.

On 21 September 2020, Latitude completed the refinancing of the Australian Motor Loans Trust for its motor lending portfolios. As part of settlement, Latitude held Class B notes ($45.7 million at 31 December 2020) and Class C notes ($40.1 million at 31 December 2020) in the trust on a revolving basis. As at 31 December 2020, the Class B and Class C notes held by Latitude were $85.8 million. Latitude has subsequently sold the Class B notes for A$47.0 million (being the drawn amount at the date of sale) and the Class C notes with a drawn value of A$42.0 million to be distributed to the Existing Investors (or entities associated with them) as part of the completion of the Restructure. Accordingly, the pro forma indebtedness in Table 32 has been adjusted to reflect these transactions as a pro forma adjustment, with an increase to secured Warehouse Facilities, a reduction to the Historical Shareholder loans and an increase in Unrestricted cash and cash equivalents.

On 19 October 2020, Latitude completed the refinancing of the New Zealand Personal Loans Trust for its personal lending portfolios. As part of settlement, Latitude held a portion of the Class B notes in the trust. At 31 December 2020, the Class B notes in the trust held by Latitude were A$6.7 million. Latitude has completed the sale of A$4.7 million of these notes, with the remaining A$2.1 million classified as held for sale. A pro forma adjustment has been recognised in the pro forma indebtedness in Table 32 to increase securitisation warehouse funding with a corresponding increase in cash.

As part of the Restructure, Latitude settled the Historical Shareholder loans, accrued but unpaid RIU distributions and unpaid consortium fees with a net cash outflow of A$66.8 million and the establishment of a A$84.5 million Deferred Settlement arrangement with the Selling Shareholder. The net impact of these adjustments is reflected in the pro forma indebtedness in Table 32.

On 24 December 2020, Latitude executed the contracts for the refinancing of the Australian Personal Loans Trust for its personal lending portfolios, with settlement completed on 19 January 2021. The total commitment level of the facility was decreased by A$162 million to A$1,038 million and the scheduled amortisation date was extended from 17 February 2021 to 17 January 2024.

As described in Sections 3.8.1 and 9.11.3, Latitude has arranged to increase its corporate debt capacity from A$75 million to A$160 million through its New Banking Facilities which also includes a further USD tranche of US$41 million. These facilities are expected to remain undrawn at Completion. This augmented capacity will be used to provide Latitude with additional liquidity and for general corporate purposes, with the USD component to be used to refinance existing letters of credit provided as collateral for access to Schemes.

4.4.3 Capital and contractual commitments

The material capital and contractual commitments of Latitude are outlined below.

- **Capital expenditure commitments:** As at 31 December 2020, Latitude has committed capital expenditure of A$2.7 million in relation to ongoing investment programmes;
- **Non-cancellable operating leases:** Latitude leases operational sites such as an office building, office space and equipment under non-cancellable operating leases with terms ranging from one year to in excess of five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated;
- **Commitment to undrawn credit facilities:** Latitude makes commitments to extend credit facilities on undrawn limits offered to its customers in the normal course of business (e.g. on Scheme credit cards);
- **Maturity of securitisation funding facilities:** Latitude funds the business through securitisation funding;
- **Deferred Settlement:** As part of the net shareholder settlement of the Restructure, an amount of A$84.5 million has been deferred and is subject to an agreed repayment schedule; and
- **Historical Shareholder loans:** Latitude has also funded the business through Historical Shareholder loans. A portion of these loans ($848.3 million) will be converted to equity immediately prior to the Restructure (refer to Section 9.4.1) with A$37.2 million of remaining Historical Shareholder loans balances being settled with the Selling Shareholder.

Table 33 below summarises Latitude's capital and contractual commitments as at 31 December 2020, on a pro forma and combined basis.

Table 33: Capital and contractual commitments[a][b]

A$ million	Note	<1 year	1-5 years	>5 years	Total
Capital expenditure commitments	50	2.7	–	–	2.7
Non-cancellable operating leases	51	15.3	50.5	26.6	92.4
Commitment to undrawn credit facilities	52	9,261.6	–	–	9,261.6
Maturity of securitisation funding facilities	53	557.0	5,420.3	106.6	6,083.9
Deferred Settlement[c]	67	–	84.5	–	84.5
Total pro forma		**9,836.6**	**5,555.3**	**133.2**	**15,525.1**
Maturity profile of Historical Shareholder loans	54	52.7	906.0	–	958.7
Total combined		**9,889.3**	**6,461.3**	**133.2**	**16,483.8**

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

(a) Amounts include expected future interest and principal payments on the debt outstanding as at 31 December 2020.

(b) As at 31 December 2020, A$450.1 million of securitisation funding facilities were classified as a current liability and A$5,380.1 million as a non-current liability, total carrying amount A$5,830.2 million. The contractual cash flows associated with the securitisation funding facilities is A$6,083.9 million.

(c) The Deferred Settlement has a contracted repayment profile with $27.1 million due for settlement on 1 January 2022.

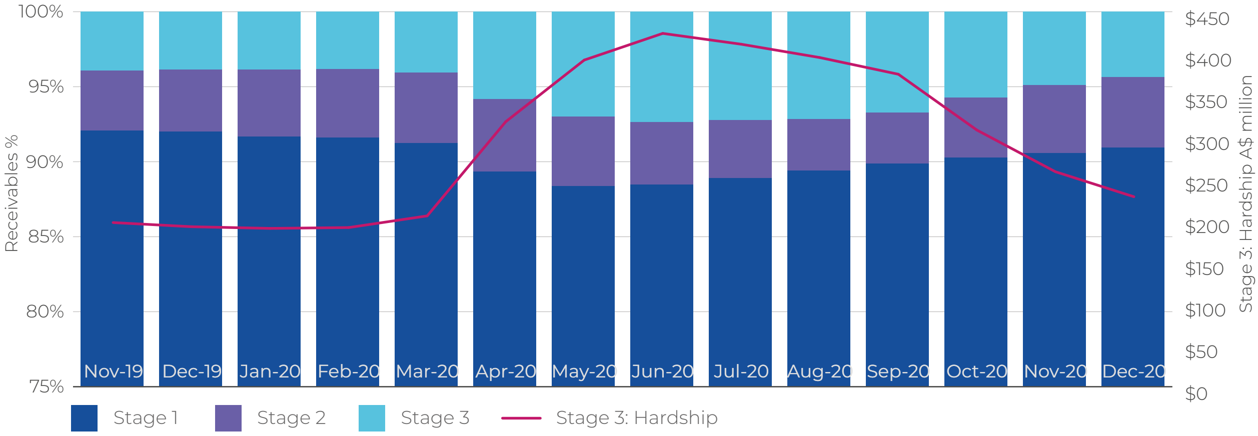
4.4.4 COVID-19 IFRS 9 provisioning

COVID-19 has had a material and unpredictable market wide impact on the global and national economy, financial markets and businesses. As described in Section 3.6 and set out in Figure 50, following the onset of COVID-19 Latitude experienced an initial increase in requests for hardship support from customers with early signs of credit stress. Subsequent to the initial increase in hardship requests the Australian and New Zealand governments introduced a series of stimulus measures (including JobKeeper and JobSeeker and allowing early access to superannuation savings in Australia and similar wage supportive measures in New Zealand – refer to Section 3.6). Government stimulus along with further assistance measures provided by external financial institutions (including loan and mortgage repayment holidays) resulted in a reduction in the number of Latitude's customers requiring hardship support and the proportion of Latitude's gross loans receivables in arrears and classified as delinquent.

In calculating an estimate of the IFRS 9 provision for expected losses Latitude classifies hardship accounts as Stage 3 within its IFRS 9 models and provides accordingly. While customers applying for hardship as a result of COVID-19 had different characteristics to traditional hardship customers, for provisioning purposes Latitude did not differentiate between these hardship populations. This resulted in a larger increase in the proportion of receivables classified as Stage 3 within Latitude's IFRS 9 provision models and an associated increase in the provision coverage rate than if these populations were treated distinctly.

Figure 50 illustrates the trend in the number of accounts in hardship and the percentage of receivables in each provision stage within Latitude's estimated IFRS 9 provision for losses:

Figure 50: Latitude Group IFRS 9 provisioning information



For further discussion on asset quality, refer to Sections 3.7.1 and 3.7.2 on Delinquencies and Net charge offs for Australia and New Zealand respectively.

As a result of the above factors, Latitude's IFRS 9 provision coverage ratio increased from 4.21% at 31 December 2019 to 4.62% at 31 December 2020. While the number of hardship accounts has reduced in 2H20 and the proportion of Latitude's gross loans receivables that is in arrears at 31 December 2020 is lower than historical years, Latitude's IFRS 9 provision coverage ratio at 31 December 2020 remains 41bps higher than as at 31 December 2019. The higher coverage ratio reflect Latitude's projections for future delinquency and loss arising from the expectation that:

- Government economic stimulus for both employees and employers will continue to be scaled back during 1H21, leading to flow on effects for customer assistance requests to lenders including Latitude;
- Decisions made by external financial institutions to reduce the level of repayment holidays and other customer assistance programmes may result in increased stress for Latitude's customers; and
- A proportion of customers rolling off current hardship arrangements entered into as a result of COVID-19 will experience some credit stress that will result in an increase in delinquency and subsequent losses.

The 41bps increase in coverage ratio at 31 December 2020 (compared to 31 December 2019) has resulted in A$34 million in additional provisions compared to 31 December 2019 offset by an A$51 million lower provision balance due to the lower gross loan receivable balance at 31 December 2020 relative to 31 December 2019. The foreign exchange rate impact increased provisions by A$1.5 million at 31 December 2020 relative to 31 December 2019.

For further information on provisioning methodology, refer to Section 3.7.5.

4.4.5 Contingent liabilities

Latitude is subject to a number of obligations which, if not discharged or considered not to be discharged, may give rise to potential claims or other costs. Where some loss from an actual or alleged non-performance of an obligation is more likely than not and can be reliably estimated, provisions have been made. The Group considers that the outcome of any specific enquiry which is underway as at 31 December 2020, and has not been provided for, is not expected to affect its financial position in any material way, either individually or in aggregate.

Regulatory and customer exposures

In recent years, there has been an increase in the number of matters on which the industry engages with its regulators. There have also been significant increases in the nature and scale of regulatory investigations, surveillance and reviews, civil and criminal enforcement actions (whether by court action or otherwise), formal and informal inquiries, regulatory supervisory activities and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally.

The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, currently include a range of matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation and insurance distribution. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

There is a risk that the actual cost of responding to any inquiry or penalty paid following any settlement or determination by a court for any legal proceedings may be materially higher or lower than the provision or that any contingent liability may be larger than anticipated. There is also a risk that additional litigation or contingent liabilities may arise, all of which could adversely affect our business, prospects, reputation, financial performance or financial condition.

Taxation

The tax affairs of the Group are subject to review by the Australian Taxation Office ('**ATO**') as well as the revenue offices of the various Australian states and territories from time to time. In particular, the ATO is completing assurance reviews of the top 1,000 companies in Australia. In February 2019, the ATO completed an assurance review of the Group and provided an assurance report which raised a number of matters that the ATO may consider further. The ATO advised in early February 2021 that they will revert with further enquires over the next few months consistent with their top 1000 company review timetable. Accordingly, any potential outcomes and total costs associated with any such activities remain uncertain at this time. One of these matters relates to the corporate structure of the Group and distributions made as part of that structure. Should the Group be subject to a future tax obligation arising from those distributions, the Shareholders have agreed in principle[79] a mechanism to reduce the Group's possible exposure to that issue to an immaterial amount. The Group considers that the residual risk stemming from the items raised in the report is not likely to materially affect its financial position, either individually or in aggregate.

4.5 Historical cash flows

4.5.1 Pro forma historical net cash flows

Table 34 below sets out the Pro Forma Historical Cash Flows.

Table 34: Pro Forma Historical Cash Flows

		Pro forma historical		
A$ million	**Note**	**FY18**	**FY19**	**FY20**
Profit/(loss) before income tax		232.2	215.6	186.7
Depreciation and amortisation	55	80.6	82.8	92.9
Change in receivables	56	(554.3)	(86.6)	1,077.8
Movement in balance sheet and working capital	57	77.4	(9.0)	13.3
Income taxes	58	(94.3)	(88.3)	(44.2)
Net cash (used in)/from operating activities		**(258.5)**	**114.3**	**1,326.5**
Capital expenditure	59	(61.3)	(55.5)	(69.5)
Purchase of Investment Securities	60	–	–	(1.6)
Net cash flow (used in)/from operating and investing activities		**(319.8)**	**58.9**	**1,255.4**
Changes in securitisation funding facilities	61	524.4	(4.7)	(1,083.6)
Net (outflow)/inflow from share-based payments		(2.1)	4.5	(2.5)
Payment of lease liabilities	62	(10.8)	(10.3)	(11.1)
Transaction costs	63	(4.9)	(3.3)	(3.0)
Net cash flow before other financing activities		**186.8**	**45.1**	**155.3**
Effects of exchange rate changes on cash and cash equivalents	64	0.9	0.7	1.3
Net cash flow before dividends		**187.7**	**45.8**	**156.6**

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

79 A binding agreement was entered into with the Selling Shareholder in relation to this issue on 30 March 2021.

4.5.2 Pro forma adjustments to the combined historical Net cash flow before dividends

Table 35 below sets out the pro forma adjustments and a reconciliation between combined Net cash flow before dividends to pro forma Net cash flow before dividends for FY18, FY19 and FY20.

Table 35: Pro forma adjustments to the Combined Historical Cash Flows

		Historical		
A$ million	**Note**	**FY18**	**FY19**	**FY20**
Combined Net cash flow before dividends		**78.9**	**(106.6)**	**110.7**
Changes in capital structure	a	152.7	146.5	127.1
Transaction and Historical IPO costs	b	21.7	18.3	–
Changes in Historical shareholder loan	c	–	19.2	–
Crystalised swap break costs	d	–	31.2	–
Changes in legal entity structure	e	(39.5)	(42.7)	(40.0)
Discontinued operations	f	(15.4)	(9.4)	(30.5)
Incremental public company costs	g	(10.7)	(10.7)	(10.7)
Pro forma Net cash flow before dividends		**187.7**	**45.8**	**156.6**

Notes:

(a) **Changes in capital structure:** Represents the change in net cash flow arising from Latitude's change in corporate structure as a result of the Restructure. The adjustment includes the removal of cash costs associated with the Historical Shareholder loans, consortium fees paid to the Existing Investors for consulting services, as well as distributions from Latitude's trusts to beneficiaries on RIU historically owned by the Existing Investors (or entities associated with them) and to be acquired by Latitude as part of the Restructure.

(b) **Transaction and Historical IPO costs:** Relates to the removal of the historical cash outflows in relation to (i) costs in relation to matters incurred under GE ownership that could not be recovered due to the expiration of legal recourse under the acquisition share purchase agreement, (ii) third-party costs incurred in FY18 and FY19 associated with the acquisition of Genoapay and (iii) costs incurred that are directly associated with Latitude's attempted IPO processes in FY18 and FY19. Transaction costs incurred in association with the Restructure and the Listing will be borne by the Selling Shareholder.

(c) **Change in Historical shareholder loan:** Relates to the removal of the repayment of the Historical Shareholder loans principal that occurred in December 2019.

(d) **Crystalised swap break costs:** Represents the removal of the cash outflows related to the closure of historical hedging arrangements that were settled as part of the preparation for the FY19 IPO process.

(e) **Changes in legal entity structure:** Represents the change in non-operating expense estimated by Latitude as a result of the Restructure, as if the Restructure had completed on 1 January 2018.

(f) **Discontinued operations:** Represents the adjustment to Combined Historical Cash Flows as a result of removing the net cash contribution associated with (i) Latitude's discrete servicing contract for a third-party credit card portfolio (contract terminated during FY15 and servicing ceased in March 2018); and (ii) the net cash contribution associated with the sale of the legacy run off Residential mortgage portfolio as at 30 June 2020.

(g) **Incremental public company costs:** Represents the adjustment to Combined Historical Cash Flows for Latitude's estimate of the incremental annual costs that will be incurred as a result of the public listing adjusted to reflect the impact as if Latitude had been a listed company from 1 January 2018. These costs include additional non-executive Director fees, the incremental cash costs associated with a listed company remuneration structure for the executive team, listing fees, incremental business insurance premiums and costs associated with the annual reporting and shareholder communications required of a listed company.

4.6 Management discussion and analysis of the Historical Financial Information

4.6.1 Key factors affecting the operating results

Set out below is a list of key factors that drove Latitude's operating and financial performance in FY18, FY19 and FY20.

The discussion of these factors which follows is intended to provide a general and brief summary only and does not detail all factors that affect Latitude's historical operating and financial performance, nor everything that may affect Latitude's operational or financial performance in the future. It should be noted that in addition to the specific items detailed below, Latitude's operating results are generally affected by broader economic and retail sector growth, the level of consumer spending, the commercial outlook for Latitude's merchant retailers, planned new product development and promotional activity across the Latitude product suite, as well as regulatory developments.

4.6.1.1 Key factors affecting total operating income

Components of Latitude's total operating income are outlined below.

Interest income

- Interest income is based on an effective interest rate methodology and is comprised of:
  - Interest charged on outstanding customer balances; plus
  - Fees and charges that are considered an integral part of the loan, net of origination costs.
- Interest charged on outstanding customer balances is a function of the number of active customers and their utilisation of Latitude's products, the contracted interest rate on, and the size of, interest-bearing receivables and the revolve rates. Some of these items are described in more detail below:
  - **Contracted interest rate** varies depending on Latitude's product terms and risk appetite.
  - **Interest-bearing receivables** which are a function of:
    - The volume of customer spend on sales finance (which is a function of the credit limits offered to customers and the number and size of retailers offering Latitude products and the product volumes during the period) and the subsequent transition to interest-bearing status for balances that are unpaid at the end of the interest free period;
    - Day-to-day purchases by customers using Scheme-enabled sales finance cards or Latitude's Scheme usage credit cards;
    - Customer Scheme usage and interest free spend levels are related to broader factors such as retail spending (including macroeconomic conditions), the underlying performance and strategies of key merchant partners, and the continued trend towards electronic payment methods;
    - Cash advances undertaken by customers on sales finance cards or Latitude's Scheme usage credit cards; and
    - The volume of, and interest rates charged on, Latitude's personal loan and motor loan products; and
- **Revolve rates** are a function of the rate at which borrowing balances are repaid by customers and the timing of those repayments.
- **Fees and charges** – Latitude charges a variety of fees to its customers and merchants that are considered an integral part of the loan agreement and it also incurs costs to originate new loans. Fees and charges are a function of the contracted rates of fees associated with the provision of services to customers and merchant partners and comprise:
  - **Establishment, account keeping, annual and late fees** which are charged with respect to sales finance cards, credit cards, personal loans, motor loans and BNPL products provided by Latitude;
  - **Merchant income**, comprising merchant service fees charged to retailers and partners for transactions in relation to sales finance and BNPL purchases, with income deferred upfront on the balance sheet and amortised and recognised in the income statement over the interest free period using the blended portfolio payment curve. Merchant service fees are a function of interest free and BNPL volume and the merchant service fee percentage; and
  - **Origination costs** including commission paid to third-parties for introducing new business to Latitude and amortisation of operating expenses incurred as a consequence of originating a new loan.

Interest expense

- Interest expense is the cost of borrowings incurred by Latitude, primarily to fund its receivables. This is a function of total borrowings and the contracted interest rate on borrowings, which are dependent on:
  - Volume, mix and nature of receivables financed;
  - Debt and equity funding mix adopted by Latitude and the quantum of unutilised headroom in funding facilities; and
  - Contracted interest payments and costs (including establishment fees) under Latitude's funding facilities.

- Contracted interest payments are a function of:
  - The applicable base funding rates specified in the facilities and the mix of facilities utilised by Latitude. The base component for Australian funding sources is linked to both Bank Bill Swap Bid Rate ('**BBSY**') and Bank Bill Swap Rate ('**BBSW**') and for New Zealand funding sources is linked to Bank Bill Benchmark Rate ('**BKBM**');
  - The margin determined by the financiers above the base rate for each of the warehouse or ABS funding vehicles at the time of contracting, which is driven by the underlying loan performance, such as repayment rates, product yield and historical loss experience, the funders' perceived risk of Latitude as a borrower (including the diversity of Latitude's debt investor base and its reputation in the debt capital markets) and their level of risk appetite and funding capacity and macroeconomic factors such as general market liquidity and conditions at the time of issuance and margins on other funding products; and
  - The applicable rates payable under interest rate swap arrangements utilised by Latitude for the purposes of hedging its fixed rate portfolios such as personal loans and motor loans.
- Interest expense also includes the amortisation of any transaction costs related to the refinancing or establishment of the funding vehicle as well as the cost of securing hedging instruments to offset any increase in funding costs and the costs of overdrafts and standby letters of credit.
- Refer to Section 3.8 for further detail on Latitude's funding model.

Other operating income

Latitude's other operating income is earned from a variety of transactional fees it charges its customers and income it receives on Scheme purchases. Fee income is a function of the contracted rates of fees associated with the provision of services to customers throughout the course of a loan or revolving balance. The key other operating income components include:

- Customer income, comprising transactional fees – including cash advance, international transaction, paper statement, payment handling, and early termination fees; and
- Scheme income, comprising interchange fees which are fees received for purchases on Scheme enabled cards issued by Latitude. These fees are a function of interchange revenue net of Scheme fees.

For certain fee categories where fees are a pass through of external costs due to customer channel selection these costs are netted against the associated fees (e.g. paper statement fees, payment handling fees).

Net insurance income

Net insurance income comprises the premium income earned from Latitude's credit insurance business after the deduction of associated costs that are not general operating expenses of Latitude's credit insurance business, such as claims expense, refunds (relating to the refund of premiums to customers due to loan refinancing or cancellation) and customer acquisition costs. The core components are outlined below.

- **Premium income** is a function of gross written premium ('**GWP**') received, less refunds. GWP is driven by the penetration rate of insurance product add-ons for sales finance, credit cards and personal loan accounts and the level of premium charged per insurance policy.
- **Movement in unearned premium** (to the extent there are single premium policies) is the deferral of the unearned portion of single premium insurance products and the earn out of premiums over the life of the loan products.
- **Credit insurance claims** comprise claims settled by Latitude with customers in relation to credit insurance cover provided by Latitude to Latitude customers.
- **Refunds** comprise refunds to insurance customers based upon early termination of contracts; and
- **Investment income** is the return earned on capital and technical reserves held to meet APRA's capital requirements with respect to the insurance business.

4.6.1.2 Key factors affecting loan impairment expense

Latitude's loan impairment expense consists of three main components:

- **Gross charged off bad debts:** Personal loan and motor loan customers are automatically charged off at 120 days past due, credit cards and sales finance balances are automatically charged off at 180 days past due, and BNPL customers are charged off at 90 days past due. Charge off occurs earlier for fraud, deceased estates and bankruptcy. Gross charged off bad debts are affected by the rate at which loans are charged off (as a result of past due accounts (delinquency)) as well as the overall AGR in each year;
- **Recoveries:** Amounts received post charge off, either from customers through in-house collections processes, or through proceeds from the sale of charged off debt to third parties:
  - **Net charge offs:** Gross charge offs less any subsequent recoveries of charged off debt equals Net charge offs (refer to Note 65 in Section 4.13).
  - **Changes in the delinquency profile of Latitude's AGR:** the rate of fraud, deceased estates and bankruptcy as well as total recoveries impact Latitude's Net charge off rate (Net charge offs/AGR). Net charge offs are also impacted by the changes in AGR in each period as described in Section 4.6.2.2; and
- **Provision movements:** The expense associated with the recognition of a provision for future potential losses arising from the underlying credit risk profile of the broader portfolio (where expressed as a percentage of gross loan receivables ('**Coverage ratio**'). Changes in both Coverage ratio and gross loan receivables at each period end impact the loan loss provision and in turn the expense recognised for provision movements, as described in Sections 4.6.2.2 and 4.6.4.2. The assessment of the Coverage ratio is based on reserve models compliant with IFRS which use loss and recovery distribution curves.

Loan impairment expense is a function of:

- Underlying credit quality inherent in each of Latitude's product portfolios;
- Latitude's ability to adequately assess default risk when underwriting or making credit decisions on an Instalment product, credit card or loan product to a customer;
- Macroeconomic factors such as unemployment, underemployment, and cost of living pressures on consumers;
- Latitude's management of delinquencies, including collection strategies and systems and the effectiveness of Latitude's collections processes;
- Level of hardship being experienced by Latitude's customers and approval of hardship requests that are made by customers;
- Portfolio performance over time which drives the inputs into the calculation of Latitude's proprietary risk models and informs estimates for loan impairment Coverage ratio levels for future expected losses; and
- Quantum and frequency of the sale of aged debt to third parties and other recoveries achieved by Latitude.

4.6.1.3 Key factors affecting operating expenses

Latitude manages operating expenses centrally across the Australian and New Zealand segments. Operating expenses are accounted for and managed as part of the Other/unallocated segment. Operating expenses are reported under the following categories:

- **Employee benefit expense:** represents salaries and wages, bonuses, superannuation, LEP and other employee-related expenses for Latitude employees. Employee numbers are driven by business growth, offset by productivity initiatives including the use of technology and outsource/offshore service providers;
- **Other expenses** cover all other expenses incurred by Latitude, including, but not limited to, goods and services supplied by third parties, brand and marketing activities, professional services (such as audit, tax and legal services), occupancy costs, technology services, travel and entertainment costs and other costs associated with extending credit such as performing background checks; and
- **Depreciation and amortisation expense:** reflects the depreciation and amortisation of information technology systems, infrastructure and software, property and leasehold improvements and office equipment.

4.6.1.4 Key factors affecting capital expenditure

Capital expenditure includes investment in information technology infrastructure, software and licence assets, general office infrastructure, furnishings and equipment, new product initiative investments and product enhancement investments.

4.6.1.5 Other factors influencing performance

In addition to the components of income, expense and capital expenditure noted above, there are key project initiatives that have delivered either revenue benefits or cost efficiencies altering Latitude's performance post completion of those initiatives.

Refer to Sections 2 and 4.3.2.1 for further detail.

Seasonality:

Latitude experiences a seasonal effect in its financial performance between 1H and 2H of each financial year.

For example, demand for Latitude's sales finance and revolving credit products is typically higher during the 2H period in comparison to the 1H period as a result of increased consumer spending across the Black Friday/ Cyber Monday sales events, in addition to the lead up to the Christmas holiday period and the post-Christmas sales period. This causes an increase in volumes and receivables at the end of the 2H period. An increase in income from the higher 2H receivables balance is typically observed in 1H in the next Financial Year. Conversely the Latitude portfolio exhibits a counter seasonal impact with delinquencies rising in 1H with over indebtedness following the December holiday periods as well as higher Net charge offs in 1H, followed by increased repayment rates and improving delinquencies and charge offs in 2H as borrowers typically reduce indebtedness following the end of tax year in June upon the receipt of tax refunds.

4.6.2 Pro forma income statements: FY19 compared to FY18

Table 36 below sets forth the Latitude Pro Forma Historical Income Statements for FY19 compared to FY18.

Table 36: Comparison of Pro Forma Historical Income Statements for FY19 compared to FY18

		Pro forma historical			
A$ million	Note	FY18	FY19	YoY Change ($)	YoY Change (%)
Interest income	1	1,151.3	1,205.6	54.3	4.7%
Interest expense	2	(271.8)	(258.2)	13.6	5.0%
Net interest income		879.5	947.3	67.8	7.7%
Other operating income	3	44.4	36.6	(7.8)	(17.5)%
Net insurance income	4	60.2	51.0	(9.2)	(15.3)%
Total other operating income		104.6	87.7	(17.0)	(16.2)%
Total operating income		**984.1**	**1,035.0**	**50.9**	**5.2%**
Loan impairment expense	5	(253.0)	(248.9)	4.1	1.6%
Employee benefit expense	6	(183.8)	(190.8)	(7.0)	(3.8)%
Other expenses	7	(178.3)	(181.2)	(2.9)	(1.6)%
Depreciation and amortisation expense	8	(32.4)	(34.4)	(2.0)	(6.2)%
Total operating expenses		(394.5)	(406.3)	(11.8)	(3.0)%
Profit/(loss) before income tax and Significant items		**336.7**	**379.8**	**43.2**	**12.8%**
Significant items	9	(24.4)	(91.2)	(66.8)	(273.5)%
Amortisation of acquisition intangibles and structural changes	10	(80.0)	(73.1)	6.9	8.7%
Profit/(loss) before income tax		**232.2**	**215.6**	**(16.6)**	**(7.2)%**
Income tax (expense)/benefit	11	(62.1)	(57.2)	4.9	7.9%
NPAT		**170.1**	**158.4**	**(11.7)**	**(6.9)%**
Reconciliation to Cash NPAT					
Significant items		24.4	91.2	66.8	273.5%
Amortisation of acquisition intangibles and structural changes		80.0	73.1	(6.9)	(8.7)%
Tax effect of adjustments		(30.9)	(48.4)	(17.6)	(56.8)%
Cash NPAT		**243.7**	**274.2**	**30.6**	**12.5%**
Key operating and financial metrics					
Volume	22	8,859.4	8,886.0	26.5	0.3%
AGR	24	7,206.1	7,568.6	362.4	5.0%
Interest income/AGR (%bps)	28	15.98%	15.93%	n.a.	(5)bps
Net charge offs/AGR (%bps)	36	3.36%	3.33%	n.a.	(4)bps
Cost to income ratio (%bps)	34	40.1%	39.3%	n.a.	(83)bps

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

4.6.2.1 Total operating income

Total operating income, on a pro forma basis, increased by A$50.9 million or 5.2%, from A$984.1 million in FY18 to A$1,035.0 million in FY19.

Over the same period:

- Volume increased by A$26.5 million (comprising a reduction of A$33.0 million in Australia and an increase of A$59.5 million in New Zealand) or 0.3% in total (a decline of 0.5% in Australia and an increase of 3.7% in New Zealand), from A$8,859.4 million in FY18 to A$8,886.0 million in FY19; and
- AGR increased by A$362.4 million (comprising A$224.3 million in Australia and A$138.1 million in New Zealand) or 5.0% in total (3.9% in Australia and 9.5% in New Zealand), from A$7,206.1 million in FY18 to A$7,568.6 million in FY19.

This increase in total operating income was comprised of the following key components:

- **Interest income:** increased on a pro forma basis, by A$54.3 million or 4.7%, from A$1,151.3 million in FY18 to A$1,205.6 million in FY19. The increase on a pro forma basis was due to:
  - Interest-bearing asset growth in both Australia (4.8%) and New Zealand (6.6%) from:
    - Increased Scheme spend from sales finance channels. In FY19, Scheme volumes on sales finance issued products increased by 4.9% to $2.4 billion, primarily due to the combination of growth in the number of accounts using Scheme functionality and growth in spend per card. This compares to 7.1% volume growth observed in FY18; and
    - Increased Scheme volume per account facilitated by continued improvements in customer awareness of Scheme capability and the introduction of digital payment methods such as Apple Pay, Samsung Pay, Android Pay, Fitbit Pay and Garmin Pay on customers' phones driving increases in frequency of Latitude Scheme use;
  - Growth in personal loans AGR across Australia and New Zealand of A$154.2 million or 7.5% from A$2,049.5 million in FY18 to A$2,203.8 million in FY19. This growth was driven from an increased investment in marketing activities as well as a review of pricing structures to attract more high quality customers and resulted in an increase in Latitude's market share in both Australia and New Zealand;
  - Continuation of the motor loan growth strategy in Australia with motor loan AGR growing A$159.2 million or 60.7% in FY19 compared to FY18. Applications increased from ~28,000 in FY18 to ~36,000 in FY19; and
  - Select fee increases that were executed in the 4Q18, with FY19 benefiting from the full-year effect of these increases.

  The above factors driving interest income growth were partially offset by:
  - Regulatory changes due to interest simplification implemented on 1 January 2019 and the removal of grandfathering of pre-Fairer, Simpler Banking Reforms products in 1H19;
  - Decreasing Merchant service fees due to changing merchant volume mix towards larger retailers; and
  - Interest income yield (Interest income/AGR) decreased 4.8bps on a pro forma basis, from 15.98% to 15.93%, due to changes in product and channel mix, notably the increasing impact of growth in AGR in both motor and personal loan channels;
- **Interest expense:** decreased on a pro forma basis by A$13.6 million or 5.0%, from A$271.8 million in FY18 to A$258.2 million in FY19. Interest expense and funding requirements on a pro forma basis are directly linked to receivables growth (AGR growth of 5.0% between FY18 and FY19), and reductions in base interest rates and credit margins of funding facilities refinanced during the period. Interest expense/AGR decreased by 36bps from an average of 3.77% in FY18 to 3.41% in FY19;
- **Other operating income:** decreased on a pro forma basis by A$7.8 million or 17.5% from A$44.4 million in FY18 to A$36.6 million in FY19. FY19 reflects a reduction in customer fees as more customers moved to accessing online statements and fee free payment channels; and
- **Net insurance income:** decreased on a pro forma basis by A$9.2 million or 15.3%, from A$60.2 million in FY18 to A$51.0 million in FY19 due to the decision to pause sales of life cover within the personal loans product portfolio (as discussed in Section 5.2.1.3).

4.6.2.2 Loan impairment expense

Latitude adopted IFRS 9 from 1 January 2018 (refer to Section 4.2.1). Loan impairment expense decreased by A$4.1 million or 1.6%, from A$253.0 million in FY18 to A$248.9 million in FY19.

Table 37 below provides a breakdown of the key drivers of the change in the loan impairment expense between FY18 and FY19 on a pro forma basis.

Table 37: Comparison of pro forma historical loan impairment expense for FY18 and FY19

		Pro forma historical			
A$ million	**Note**	**FY18**	**FY19**	**YoY Change ($)**	**YoY Change (%)**
Net charge offs	65				
Prior period total Net charge off expense		(223.5)	(242.2)	(18.6)	(8.3)%
Impact of growth in AGR		(15.2)	(12.2)	3.0	19.7%
Impact of change in Net charge off rate		(3.5)	2.6	6.1	175.6%
Total Net charge offs		**(242.2)**	**(251.7)**	**(9.5)**	**(3.9)%**
Provision movement	66				
Impact of growth in gross loan receivables		(24.7)	(4.4)	20.2	82.0%
Impact of change in coverage ratio		11.3	7.0	(4.2)	37.5%
Total expense for movement in provisions		**(13.4)**	**2.6**	**16.0**	**119.4%**
Foreign exchange rate impact		2.6	0.3	(2.3)	n.m.
Total loan impairment expense		**(253.0)**	**(248.9)**	**4.1**	**1.6%**
Selected operating and financial metrics					
Gross loan receivables	23	7,533.2	7,636.7	103.5	1.4%
AGR	24	7,206.1	7,568.6	362.4	5.0%
Net charge offs/AGR	36	3.36%	3.33%		(3)bps
Coverage ratio	37	4.30%	4.21%		(9)bps

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13. Latitude adopted IFRS 9 on 1 January 2018 with an opening coverage ratio of 4.42%.

The primary factors impacting pro forma loan impairment expense from FY18 to FY19 (and their contribution to the YoY decrease) are summarised below:

- **Growth in AGR:** AGR increased by A$362.4 million, or 5.0%, from A$7,206.1 million in FY18 to A$7,568.6 million in FY19, resulting in a Net charge off expense of A$12.2 million in FY19 which is a decrease in Net charge off expense of A$3.0 million YoY (assuming no change in the net charge off rates of 3.36% from FY18);
- **Growth in gross loan receivables:** Gross loan receivables increased by A$103.5 million or 1.4%, from A$7,533.2 million in FY18 to A$7,636.7 million in FY19 and resulted in provision costs of A$4.4 million (assuming no change to the Coverage ratio);
- **A decrease in Net charge off rate:** Net charge off rate decreased by 3bps from 3.36% in FY18 compared to 3.33% in FY19 resulting in a A$2.6 million reduction in Net charge off expense in FY19 (assuming no change in the AGR);
- **Changes in the Coverage ratio:** The Coverage ratio reduced from 4.30% in FY18 to 4.21% for FY19 and resulted in a reduction in loan impairment expense of A$7.0 million (assuming no change in Gross loan receivables); and
- **Foreign exchange difference:** Resulted in a decrease in loan impairment expense of A$0.3 million.

4.6.2.3 Total operating expenses

Total operating expenses, on a pro forma basis, increased by A$11.8 million or 3.0%, from A$394.5 million in FY18 to A$406.3 million in FY19. Over the same period, the pro forma Cost to income ratio decreased 83bps from 40.1% in FY18 to 39.3% in FY19.

The primary factors that drove the change in the pro forma operating expenses are outlined below:

- Employee benefit expense increased by A$7.0 million or 3.8%, from A$183.8 million in FY18 to A$190.8 million in FY19. This was driven by several factors including average salary increases of 2.5%, establishment of the new executive team, an investment in digital and marketing capability, partly offset by productivity reductions in the operational areas;
- Other expenses increased by A$2.9 million or 1.6%, from A$178.3 million in FY18 to A$181.2 million in FY19. This included an increase in marketing spend to support volume growth and an uplift in IT licensing costs;
- Depreciation and amortisation expense increased by A$2.0 million or 6.2%, from A$32.4 million in FY18 to A$34.4 million in FY19 as new systems and capabilities were deployed throughout the course of FY19, offsetting the retirement of legacy systems; and
- The reduction in the Cost to income ratio reflects the benefit from operating leverage as the business grew in scale.

4.6.2.4 Profit/(loss) before income tax

Profit before income tax decreased on a pro forma basis by A$16.6 million or 7.2%, from A$232.2 million in FY18 to A$215.6 million.

The changes in pro forma profit before income tax are impacted by the factors described above, including:

- A A$66.8 million increase in the items reported within Significant items (described in Section 4.3.2.1); and
- Amortisation of acquisition intangibles and structural changes which decreased by A$6.9 million or 8.7%, from A$80.0 million in FY18 to A$73.1 million in FY19, reflecting the runoff of the net fair value unwind recognised on gross loan receivables (as described in Section 4.3.2.2).

4.6.2.5 NPAT

NPAT, on a pro forma basis, decreased by A$11.7 million, from A$170.1 million in FY18 to A$158.4 million in FY19, driven by the above-mentioned factors and the impact of pro forma income tax expense. Pro forma income tax is calculated assuming the Restructure took place on 1 January 2018 and is therefore on a consistent basis for FY18 and FY19.

The tax expense includes the impact of permanent differences arising from research and development benefits.

4.6.2.6 Cash NPAT

Cash NPAT, on a pro forma basis, increased by A$30.6 million or 12.5%, from A$243.7 million in FY18 to A$274.2 million in FY19. Cash NPAT reflects the movements in pro forma profit before income tax discussed above after adding back the post-tax impact of Significant items and Amortisation of acquisition intangibles and structural changes as set out in Section 4.3.2 above.

4.6.3 Pro forma cash flows: FY19 compared to FY18

Table 38 below compares the Latitude Pro Forma Historical Cash Flows for FY19 compared to FY18.

Table 38: Comparison of Pro Forma Historical Cash Flows for FY18 compared to FY19

		Pro forma historical			
A$ million	**Note**	**FY18**	**FY19**	**YoY Change ($)**	**YoY Change (%)**
Profit/(loss) before income tax		232.2	215.6	(16.6)	(7.2)%
Depreciation and amortisation	55	80.6	82.8	2.2	2.7%
Change in receivables	56	(554.3)	(86.6)	467.7	84.4%
Movement in balance sheet and working capital	57	77.4	(9.0)	(86.4)	(111.7)%
Income taxes	58	(94.3)	(88.3)	6.0	6.3%
Net cash flow from operating activities		**(258.5)**	**114.3**	**372.8**	**144.2%**
Capital expenditure	59	(61.3)	(55.5)	5.8	9.5%
Net cash flow from operating and investing activities		**(319.8)**	**58.9**	**378.6**	**118.4%**
Changes in securitisation funding facilities	61	524.4	(4.7)	(529.0)	(100.9)%
Net (outflow)/inflow from share-based payments		(2.1)	4.5	6.6	n.m.
Payment of lease liabilities	62	(10.8)	(10.3)	0.5	5.1%
Transaction costs	63	(4.9)	(3.3)	1.6	32.4%
Net cash flow before other financing activities		**186.8**	**45.1**	**(141.7)**	**(75.8)%**
Effects of exchange rate changes on cash and cash equivalents	64	0.9	0.7	(0.2)	n.m.
Net cash flow before dividends		**187.7**	**45.8**	**(141.9)**	**(75.6)%**

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

4.6.3.1 Net cash flow from operating and investing activities

Net cash outflow from operating and investing activities, on a pro forma basis, increased by A$378.6 million or 118.4%, from A$319.8 million outflow in FY18 to A$58.9 million inflow in FY19.

The primary factors that impacted the change in Net cash outflow from operating and investing activities, on a pro forma basis are:

- The A$16.6 million reduction in pro forma profit before income tax discussed in Section 4.6.2;
- A net decrease in cash outflows to fund growth in receivables of A$467.7 million as discussed in Section 4.6.2;
- The reduction in Profit before income tax was further affected by a decrease in non-cash items reported within the movement in balance sheet and working capital from A$77.4 million cash inflow in FY18 to a A$9.0 million cash outflow in FY19 on a pro forma basis. The pro forma movement was largely a result of:
  - A reduction in the non-cash adjustment for the completion of the fair value unwind in mid 2018, from A$20.0 million in FY18 to A$0.0 million in FY19 (reported within Significant items within the pro forma income statement);
  - A decrease in the non-cash expense incurred on the provision for impairment losses on receivables in FY19 compared to FY18, attributable to the factors discussed in Section 4.6.2.2;
  - An increase in the non-cash Significant items relating to asset/work in progress ('**WIP**') impairment and remediation provisions in FY19 compared to FY18; and
  - Changes in deferred merchant service fees and working capital balances and timing of payments in relation to prepayments, other receivables, other liabilities and employee provisions.

4.6.3.2 Net cash flow before other financing activities

Net cash flow before other financing activity, on a pro forma basis decreased by A$141.7 million or 75.8%, from A$186.8 million in FY18 to A$45.1 million in FY19.

The decrease in net cash flow before other financing activities, on a pro forma basis, is primarily a result of the changes in Net cash flow before operating and investing activities, described in Section 4.6.3.1, as well as the following factors:

- A decrease in cash from securitisation funding facilities (net of the cash for notes funded directly by Latitude in the funding facilities) of A$529.0 million, from A$524.4 million in FY18 to A$4.7 million in FY19 to fund the growth in receivables in FY19; and
- An increase in net cash flow from share based payment of A$6.6 million, from A$2.1 million cash outflow in FY18 to A$4.5 million cash inflow in FY19.

4.6.4 Pro forma income statements: FY20 compared to FY19

Table 39 below sets forth the Latitude Pro Forma Historical Income Statements for FY20 compared to FY19.

Table 39: Comparison of Pro Forma Historical Income Statements for FY20 compared to FY19

		Pro forma historical			
A$ million	Note	FY19	FY20	YoY Change ($)	YoY Change (%)
Interest income	1	1,205.6	1,058.1	(147.5)	(12.2)%
Interest expense	2	(258.2)	(178.0)	80.2	31.1%
Net interest income		947.3	880.1	(67.2)	(7.1)%
Other operating income	3	36.6	21.4	(15.2)	(41.6)%
Net insurance income	4	51.0	32.7	(18.3)	(35.9)%
Total other operating income		87.7	54.1	(33.5)	(38.3)%
Total operating income		**1,035.0**	**934.2**	**(100.8)**	**(9.7)%**
Loan impairment expense	5	(248.9)	(208.8)	40.1	16.1%
Employee benefit expense	6	(190.8)	(184.8)	6.0	3.1%
Other expenses	7	(181.2)	(173.5)	7.7	4.2%
Depreciation and amortisation expense	8	(34.4)	(44.6)	(10.2)	(29.7)%
Total operating expenses		(406.3)	(402.9)	3.4	0.8%
Profit/(loss) before income tax and Significant items		**379.8**	**322.6**	**(57.3)**	**(15.1)%**
Significant items	9	(91.2)	(62.7)	28.5	31.2%
Amortisation of acquisition intangibles and structural changes	10	(73.1)	(73.1)	(0.0)	(0.1)%
Profit/(loss) before income tax		**215.6**	**186.7**	**(28.9)**	**(13.4)%**
Income tax (expense)/benefit	11	(57.2)	(58.6)	(1.5)	(2.5)%
NPAT		**158.4**	**128.1**	**(30.3)**	**(19.1)%**
Reconciliation to Cash NPAT					
Significant items		91.2	62.7	(28.5)	(31.2)%
Amortisation of acquisition intangibles and structural changes		73.1	73.1	0.0	0.1%
Tax effect of adjustments		(48.4)	(40.1)	8.4	17.3%
Cash NPAT		**274.2**	**223.9**	**(50.3)**	**(18.4)%**
Key operating and financial metrics					
Volume	22	8,886.0	7,032.0	(1,853.9)	(20.9)%
AGR	24	7,568.6	6,955.0	(613.6)	(8.1)%
Interest income/AGR (%bps)	28	15.93%	15.21%	n.a.	(71)bps
Net charge offs/AGR (%bps)	36	3.33%	3.27%	n.a.	(5)bps
Cost to income ratio (%bps)	34	39.3%	43.1%	n.a.	387bps

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

4.6.4.1 Total operating income

Total operating income is affected by Latitude's Volumes and AGR. In FY20, compared to FY19:

- Volumes decreased by A$1,853.9 million (comprising a reduction of A$1,479.2 million in Australia and A$374.7 million in New Zealand) or 20.9% in total (20.6% in Australia and 22.2% in New Zealand), from A$8,886.0 million in FY19 to A$7,032.0 million in FY20; and
- AGR decreased by A$613.6 million (comprising A$508.9 million in Australia and A$104.7 million in New Zealand) or 8.1% in total (8.5% in Australia and 6.5% in New Zealand), from A$7,568.6 million in FY19 to A$6,955.0 million in FY20.

As demonstrated in the below Figure 51 to Figure 54, COVID-19 and the associated lockdowns in both countries resulted in a significant reduction in volumes across all products in both Australia and New Zealand (reduction of A$1,853.9 million or 20.9% versus FY19). The major impacts were seen in International and travel scheme and travel Personal Loans volume which fell by A$1 billion in FY20. This was mainly on 28° Global (as can be seen in Figure 54), which has a higher transactor customer base relative to other Latitude products and only accounts for less than A$0.1 billion AGR. Non-travel Personal Loans volume fell by A$0.4 billion in FY20 primarily due to Latitude imposed credit restrictions and COVID-19 actions, with travel-related Personal Loans falling by A$0.2 billion. The aforementioned COVID-19 impacts, associated lockdowns and the subsequent government stimulus resulted in an elevated level of customer repayment rates (particularly within higher risk customer cohorts) during 2Q20 and 2H20 in both Latitude's Australia and New Zealand business.

Latitude believes that these trends were driven by:

- A fall in consumer confidence reducing spend and shifting consumer spending patterns, particularly driven by national and state travel restrictions;
- Proactive tightening of Latitude's credit risk strategies to mitigate future credit losses in anticipation of significant increases in unemployment that were forecast at the time; and
- Customers seeking to deleverage given economic uncertainty, lower base rates increasing post-mortgage-related disposable income and access to Federal and state government stimulus as well as early access to superannuation savings in Australia.

However, with easing government restrictions in Australia and New Zealand and an uplift in seasonal customer activity, Latitude has experienced an increase in monthly volumes in 4Q20 offsetting the higher repayment rates.

Figure 51: Monthly volume (A$ million)

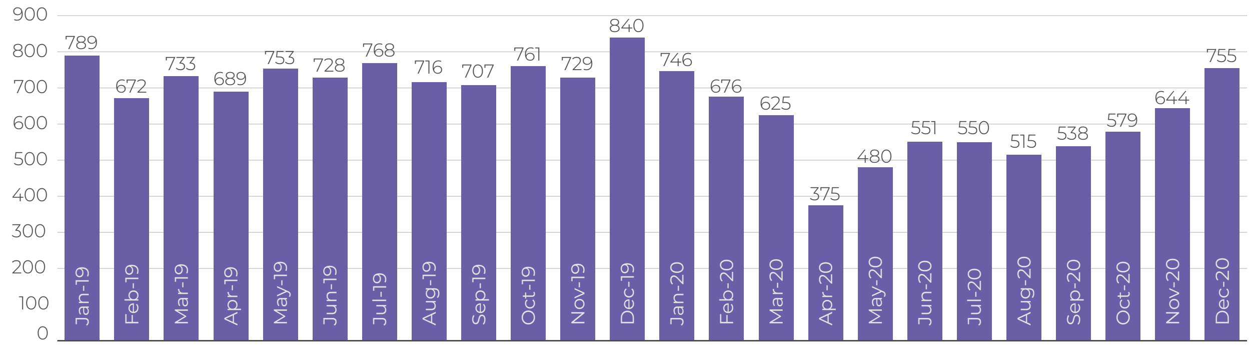
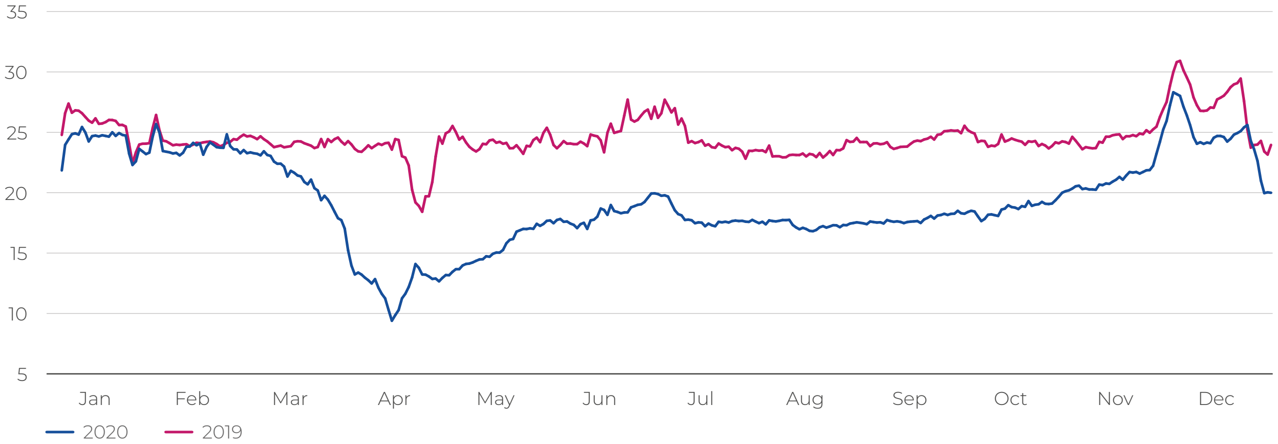
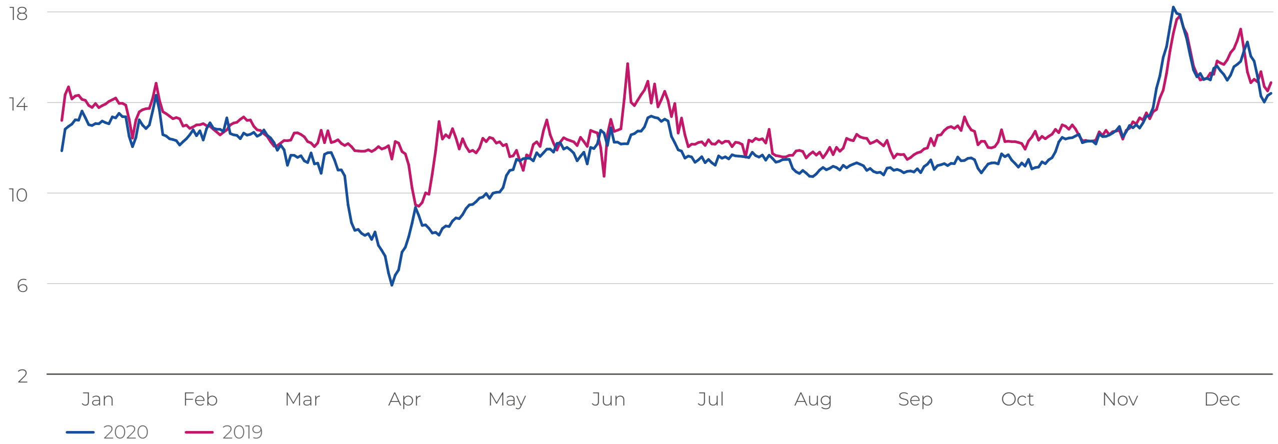


Figure 52: Group volume ($ million)



Note: represents daily volume, seven day rolling averages, in local currencies.

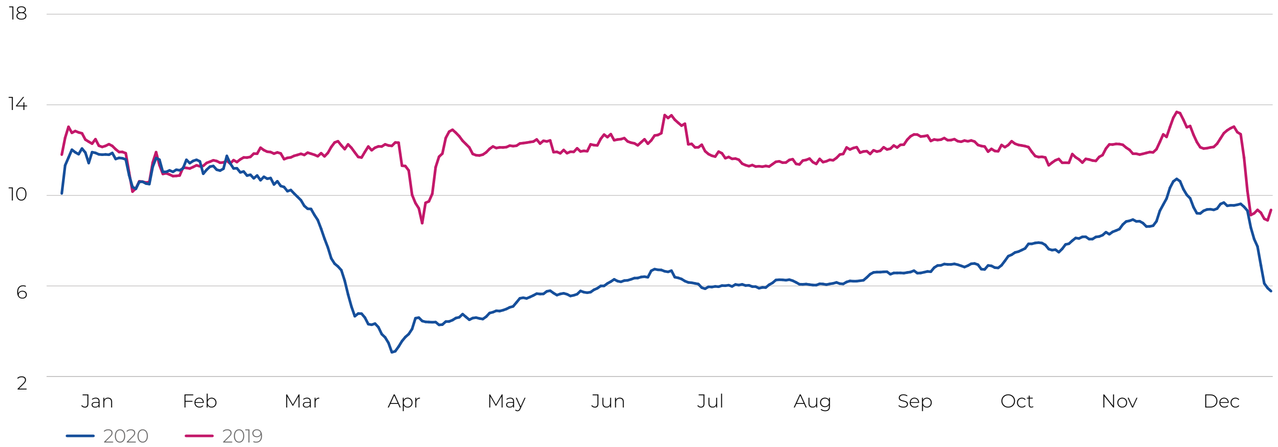
Figure 53: Instalments products volume ($ million)



Note: represents daily volume, seven day rolling averages, in local currencies.

As evidenced in Figure 52, there has been recovery in Group volumes in 2H20. Instalments products volumes recovered strongly as state and national government restrictions eased, as evidenced in Figure 53.

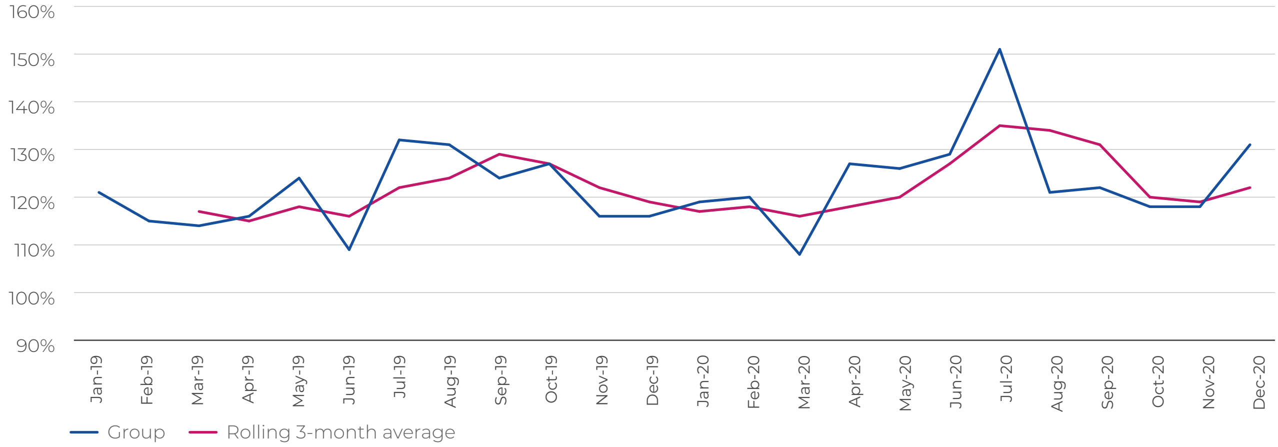
Figure 54: Loans and credit cards product volume ($ million)



Note: represents daily volume, seven day rolling averages, in local currencies.

As evidenced in Figure 54, there has been slower but progressive recovery in Lending product volumes through working with brokers and improving broker and customer experience. International travel-associated volumes remained subdued and continued to limit inherent volume recovery.

Figure 55: Repayment rates

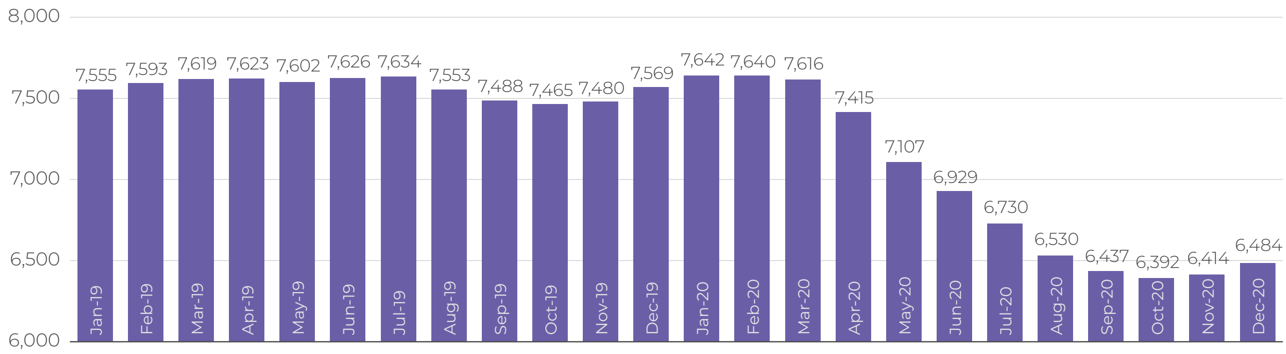


Note: Repayment rates are calculated as monthly repayments divided by opening balance gross receivables, expressed as an annualised percentage. Monthly repayments represent the sum of opening balance gross receivables, volume (new volume), capitalised interest and fees less charge offs less closing balance gross receivables.

As evidenced in Figure 55, repayment levels were elevated in 2Q20 and 3Q20 as a result of government support initiatives including early access to superannuation. These elevated repayment rates were particularly evident within higher risk customer cohorts, improving the overall credit quality of the book (refer to Section 3.7.4).

These trends in volumes and repayment rates have led to a reduction in AGR. However, as trends improved in 4Q20, there has been a modest recovery in AGR as evidenced in the below Figure 56.

Figure 56: Monthly AGR (A$ million)



This decrease in total operating income was as such primarily driven by the following factors:

- **Interest income** decreased on a pro forma basis, by A$147.5 million or 12.2%, from A$1,205.6 million in FY19 to A$1,058.1 million in FY20. The decrease on a pro forma basis was due to a decline in interest-bearing assets in both Australia and New Zealand arising from the above-mentioned reduction in volume and elevated customer repayment rates as well as a significant rise in hardship inventory levels where interest charges are either frozen or a significantly reduced rate is applied as well as customer fees being suspended during the arrangement period;
  - **Interest income yield** (interest income/AGR) decreased 71.5bps on a pro forma basis, from 15.93% to 15.21%. This is due to a combination of the elevated hardship levels referred to above (accounts in hardship do not accrue interest and fee income) as well as new volume in personal and motor loans being written at lower interest rates than the reducing back book. Hardship account levels decreased in 4Q20 (refer to Figure 50 in Section 4.4.4).
- **Interest expense** decreased on a pro forma basis by A$80.2 million or 31.1%, from A$258.2 million in FY19 to A$178.0 million in FY20. Interest expense and funding requirements on a pro forma basis are directly linked to receivables growth (AGR reduction of 8.1% between FY19 and FY20), leading to lower drawn funding balances and movements in base interest rates partially offset by increases in credit margins in funding facilities refinanced during FY20 due to disrupted market conditions. Interest expense/AGR decreased by 85bps from an average of 3.41% in FY19 to 2.56% in FY20;
- **Other operating income** decreased on a pro forma basis by A$15.2 million or 41.6%, from A$36.6 million in FY19 to A$21.4 million in FY20 due to declining interchange revenue from lower Scheme volumes as well as a reduction in customer fees as more customers move to accessing online statements and fee free payment channels and lower cash advance fees; and
- **Net insurance income** decreased on a pro forma basis by A$18.3 million or 35.9%, from A$51.0 million in FY19 to A$32.7 million in FY20 due to the decision to pause sales of life cover within the personal loans product portfolio (as discussed in Section 5.2.1.3) as well as higher claims experience due to the COVID-19 environment. For the avoidance of doubt, this is before the IBNR reserve movement recognised in response to COVID-19 which is identified separately in Significant items.

4.6.4.2 Loan impairment expense

Loan impairment expense, on a pro forma basis, decreased by A$40.1 million or 16.1%, from A$248.9 million in FY19 to A$208.8 million in FY20.

Table 40 below provides a breakdown of the key drivers of the change in the loan impairment expense between FY19 and FY20 on a pro forma basis.

Table 40: Comparison of Pro forma historical loan impairment expense for FY19 and FY20

		Pro forma historical			
A$ million	Note	FY19	FY20	YoY Change ($)	YoY Change (%)
Net charge offs	65				
Prior period total Net charge off expense		(242.2)	(251.7)	(9.5)	(3.9)%
Impact of decline in AGR		(12.2)	20.4	32.6	267.5%
Impact of change in Net charge off rate		2.6	3.7	1.1	42.1%
Total Net charge offs		**(251.7)**	**(227.6)**	**24.2**	**9.6%**
Provision movement	66				
Impact of decline in gross loan receivables		(4.4)	46.9	51.4	n.m.
Impact of change in coverage ratio		7.0	(26.9)	(33.9)	n.m.
Total expense for movement in provisions		**2.6**	**20.0**	**17.4**	**671.1%**
Foreign exchange rate impact		0.3	(1.2)	(1.5)	n.m.
Total loan impairment expense		**(248.9)**	**(208.8)**	**40.1**	**16.1%**
Selected operating and financial metrics					
Gross loan receivables	23	7,636.7	6,521.6	(1,115.1)	(14.6)%
AGR	24	7,568.6	6,955.0	(613.6)	(8.1)%
Net charge offs/AGR	36	3.33%	3.27%		(5)bps
Coverage ratio	37	4.21%	4.62%		41bps

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

The primary factors impacting loan impairment expense from FY19 to FY20 (and their contribution to the YoY decrease) are summarised below:

- **Decrease in AGR:** AGR decreased by A$613.6 million or 8.1%, from A$7,568.6 million in FY19 to A$6,955.0 million in FY20, resulting in a Net charge off reduction of A$20.4 million in FY20 which is a decrease in Net charge off expense of A$32.6 million YoY (assuming no change in the net charge off rates of 3.33% from FY19);
- **Decrease in gross loan receivables:** Gross loan receivables decreased by A$1,115.1 million or 14.6%, from A$7,636.7 million in FY19 to A$6,521.6 million in FY20 and resulted in a decrease in provision costs of A$46.9 million (assuming no change in Coverage ratio);
- **A decrease in Net charge off rate:** Net charge off rate decreased by 5bps from 3.33% in FY19 compared to 3.27% in FY20, resulting in a A$3.7 million reduction in Net charge off expense in FY20. Sections 3.6 and 3.7 discuss the impacts of the strategic underwriting decisions that were taken as a result of COVID-19, the net result of these impacts is a reduced loan book of higher credit quality and reduced overall levels of delinquency and charge offs (assuming no change in AGR);
- **Changes in the Coverage ratio:** The Coverage ratio increased from 4.21% in FY19 to 4.62% for FY20 and resulted in an increase in loan impairment expense of A$26.9 million (assuming no change in Gross loan receivables); and
- **Foreign exchange difference:** Resulted in an increase in loan impairment expense of A$1.2 million.

4.6.4.3 Total operating expenses

Total operating expenses, on a pro forma basis, decreased by A$3.4 million or 0.8%, from A$406.3 million in FY19 to A$402.9 million in FY20. Over the same period, the pro forma Cost to income ratio increased 387bps from 39.3% in FY19 to 43.1% in FY20.

The primary factors that drove the change in the pro forma operating expenses are outlined below:

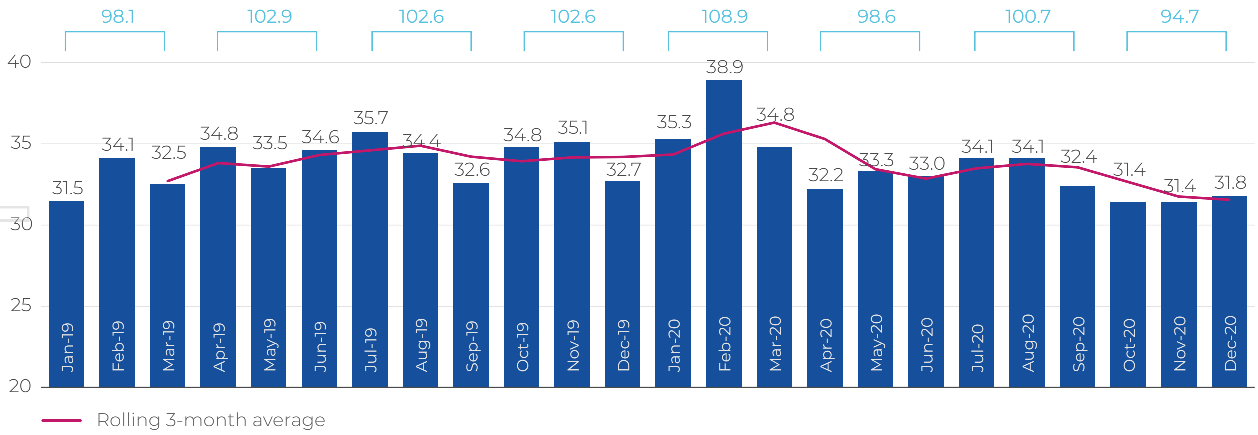
- Employee benefit expense decreased by A$6.0 million or 3.1%, from A$190.8 million in FY19 to A$184.8 million in FY20. This is driven by several factors including average salary increases of 2.3%, and the recruitment of new staff during 2H19 to enhance the organisational skillset to deliver Latitude 2.0 (resulting in an increase in employee benefit expense in 1H20), before a subsequent reduction in employees in 2H20 as a result of an organisation restructure and the commencement of Latitude's programme of Simplification targeted at reducing operating costs (refer below);
- Other expenses decreased by A$7.7 million or 4.2%, from A$181.2 million in FY19 to A$173.5 million in FY20. This primarily reflects a reduction in marketing spend from the second quarter of 2Q20 in response to COVID-19; and
- Depreciation and amortisation expense increased by A$10.2 million or 29.7%, from A$34.4 million in FY19 to A$44.6 million in FY20 as new systems and capabilities were deployed, offsetting the retirement of legacy systems.

Despite the reduction in operating expenses, the Cost to income ratio increased in FY20 as a result of the decrease in operating income as described above.

In response to COVID-19 and changing market dynamics, a simplification programme and organisational restructure implemented in 2H20 (refer to Section 4.3.2) has resulted in expected sustainable annual cost run-rate benefits of ~A$42 million and a headcount reduction of ~300[80]. Refer to Section 4.7 regarding statements on future prospects.

Figure 57 below shows the monthly operating expenses trend across both FY19 and FY20 on a pro forma basis showing the reduction in month expenditure across the 4Q20.

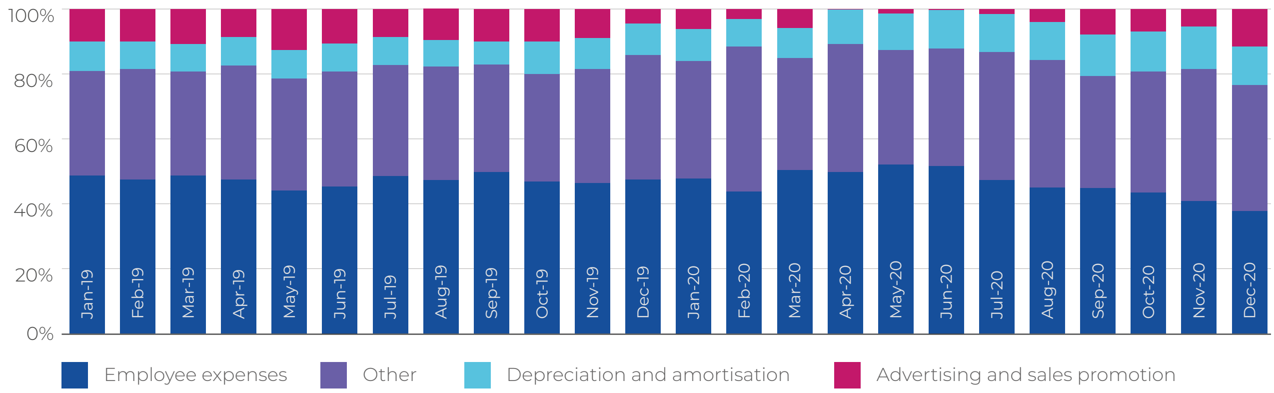
Figure 57: Operating expenses monthly trend analysis (FY19 and FY20 – A$ million)



As referenced above, as a result of the Simplification programme commenced in FY20 there was a reduction in employees across 2H20 and during the height of COVID-19, Latitude decided to actively reduce marketing spend. Both of these trends are demonstrated in the below Figure 58, showing the percentage composition of monthly operating expenditure by component, with employee expenses showing a reduction across 2H20 and marketing spend reverting to historical levels, particularly in 4Q20.

80 Includes ~200 permanent employees and ~100 contract workers.

Figure 58: Operating expenses composition monthly trend analysis (FY19 and FY20 (%))



4.6.4.4 Profit/(loss) before income tax

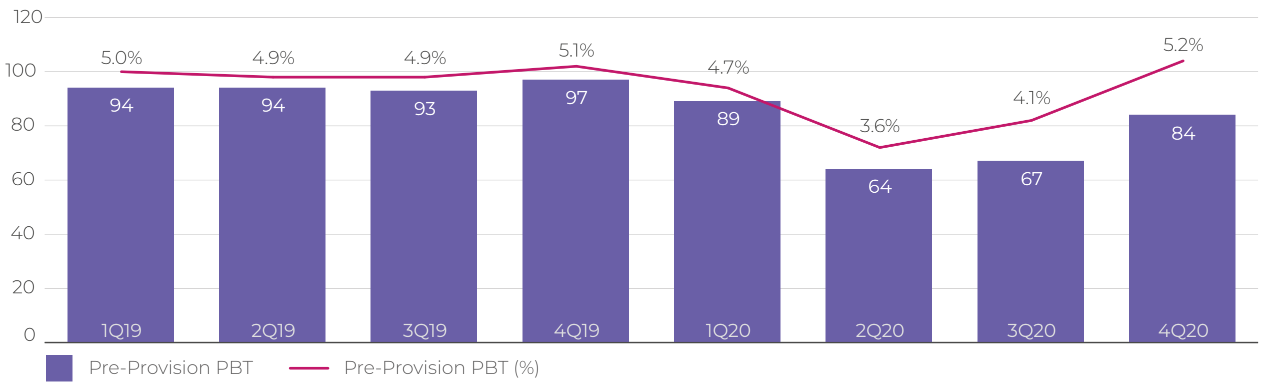
Profit before income tax decreased on a pro forma basis by A$28.9 million or 13.4%, from A$215.6 million in FY19 to A$186.7 million.

The changes in pro forma profit before income tax are impacted by the factors described previously, including:

- The rapid decline in receivables and elevated hardship levels impacting total operating income, resulting in a reduction of A$100.8 million relative to FY19;
- Initial increase in Net charge off levels in 2Q20 followed by a subsequent reduction given elevated repayment levels in 2H20 leading to a reduction YoY of A$24.2 million (refer to Table 40); offset by
- Operating efficiency initiatives (including simplification), leading to a reduction in operating expenses, particularly in 4Q20, achieving a quarterly run-rate of A$94.7 million compared to 1Q20 of A$108.9 million (refer to Figure 57).

As demonstrated in the below Figure 59, the trends with regards to AGR (as shown in Figure 56) have led to a decline in Pre-provision PBT in 2Q20-4Q20 compared to prior comparative periods. However, as a result of improved operating efficiency shown in Figure 57 and Figure 58, Pre-provision PBT as a percentage of AGR, improved ~10bps compared to 4Q19.

Figure 59: Pre-provision PBT (A$ million)



Notes: Pre-provision PBT (%) represents pre-provision PBT as a percentage of AGR.

The impacts to Profit/(loss) before Income tax set out above were partially offset by the A$28.5 million decrease to Significant items (described in Section 4.3.2.1 above).

4.6.4.5 NPAT

NPAT, on a pro forma basis, decreased by A$30.3 million, from A$158.4 million in FY19 to A$128.1 million in FY20, driven by the above-mentioned factors and the impact of pro forma income tax expense.

The tax expense includes the impact of permanent differences arising from research and development benefits.

4.6.4.6 Cash NPAT

Cash NPAT, on a pro forma basis, decreased by A$50.3 million or 18.4%, from A$274.2 million in FY19 to A$223.9 million in FY20. Cash NPAT reflects the movements in pro forma profit/(loss) before income tax discussed above after adding back the post-tax impact of Significant items and Amortisation of acquisition intangibles and structural changes as set out in Section 4.3.2.

4.6.5 Pro forma cash flows: FY20 compared to FY19

Table 41 below shows the Latitude Pro forma Historical Cash Flows for FY20 compared to FY19.

Table 41: Comparison of Pro Forma Historical Cash Flows for FY20 compared to FY19

		Pro forma historical			
A$ million	**Note**	**FY19**	**FY20**	**YoY Change ($)**	**YoY Change (%)**
Profit/(loss) before income tax		215.6	186.7	(28.9)	(13.4)%
Depreciation and amortisation	55	82.8	92.9	10.2	12.3%
Change in receivables	56	(86.6)	1,077.8	1,164.4	large
Movement in balance sheet and working capital	57	(9.0)	13.3	22.3	(246.8)%
Income taxes	58	(88.3)	(44.2)	44.1	50.0%
Net cash flow from operating activities		**114.3**	**1,326.5**	**1,212.2**	**large**
Capital expenditure	59	(55.5)	(69.5)	(14.0)	(25.3)%
Purchase of Investment Securities	60	–	(1.6)	(1.6)	n.a
Net cash flow from operating and investing activities		**58.9**	**1,255.4**	**1,196.5**	**large**
Changes in securitisation funding facilities	61	(4.7)	(1,083.6)	(1,078.9)	large
Net inflow/(outflow) from share based-payments		4.5	(2.5)	(7.0)	n.m.
Payment of lease liabilities	62	(10.3)	(11.1)	(0.8)	(7.7)%
Transaction costs	63	(3.3)	(3.0)	0.3	10.4%
Net cash flow before other financing activities		**45.1**	**155.3**	**110.2**	**244.2%**
Effects of exchange rate changes on cash and cash equivalents	64	0.7	1.3	0.7	n.m.
Net cash flow before dividends		**45.8**	**156.6**	**110.8**	**242.0%**

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

4.6.5.1 Net cash flow from operating and investing activities

Net cash flow from operating and investing activities, on a pro forma basis, increased by A$1,196.5 million or 2,032.9%, from A$58.9 million inflow in FY19 to A$1,255.4 million inflow in FY20.

The primary factors that impacted the change in Net cash flow from operating and investing activities, on a pro forma basis are:

- The A$28.9 million reduction in pro forma profit before income tax discussed in Section 4.6.2;
- A decrease in cash outflows to fund receivables of A$1,164.4 million as a result of the increased repayments and reductions in gross loan receivables discussed in Section 4.6.4;
- An increase in cash outflow for the adjustment for the movement in balance sheet and working capital from A$9.0 million cash outflow in FY19 to a A$13.3 million cash inflow in FY20 on a pro forma basis. The pro forma movement was largely a result of:
  - A decrease in the non-cash expense incurred on the provision for impairment losses on receivables in FY20 compared to FY19, attributable to the factors discussed in Section 4.6.4.2;
  - A decrease in the non-cash Significant items relating to asset/WIP impairment and remediation provisions in FY20 compared to FY19; and
  - Changes in deferred merchant service fees and working capital balances and timing of payments in relation to prepayments, other receivables, other liabilities and employee provisions.
- A pro forma decrease of A$44.1 million in tax paid mainly due to a combination of top up tax in FY19 due to a lag on PAYG instalments with respect to FY18, higher PAYG instalments paid in FY19 with a refund of tax in FY20 with respect to FY19 and lower PAYG instalments paid in FY20 with respect to FY20. This was partly offset by a higher tax paid in New Zealand in FY20 as compared to FY19;
- An increase in capital expenditure by A$14.0 million cash outflow in FY20 as a result the completion of the Latitude 2.0 programme and the other associated other capital investment programmes delivered in FY20 (refer to Section 4.3.2.1); and
- An increase in purchase of Investment Securities cash flow of $1.6 million as a result of the acquisition of an interest in an external entity.

4.6.5.2 Net cash flow before other financing activity

Net cash flow before other financing activities, on a pro forma basis, increased by A$110.2 million or 244.2%, from A$45.1 million in FY19 to A$155.3 million in FY20.

The increase in Net cash flow before other financing activities, on a pro forma basis, is primarily a result of the changes in Net cash flow before operating and investing activities, described above in Section 4.6.3.1, as well as the following factors:

- A decrease in cash from securitisation funding facilities (net of the cash for notes funded directly by Latitude in the funding facilities of A$92.6 million) of A$1,078.9 million, from A$4.7 million in FY19 to A$1,083.6 million in FY20 as a result of the reduction in receivables in FY20; and
- A decrease in net cash flow from share-based payments of A$7.0 million, from A$4.5 million cash outflow in FY19 to A$2.5 million cash outflow in FY20.

4.7 Prospects

Prospect statements

Any financial forecast or other forward-looking statement is inherently unreliable in the context of the COVID-19 impacts in Australia, New Zealand and internationally and the uncertainty of the success and timing of vaccine distribution. The Directors believe that this too would apply to any financial forecast for the Group.

However, based on the following assumptions, Latitude believes the below statements reflect the current prospects of the Group:

- Trading in late FY20 is indicative of FY21 experience with no further lockdowns beyond February 2021;
- No material disruption to consumer activity or financial markets during COVID-19;
- No material adverse effect to current trading conditions and economic landscape (including underlying base rates e.g. BBSW and BKBM); and
- No material change to current COVID-19 related responses from Federal and state governments such as lock-downs or restrictive measures that may potentially adversely impact customer activity levels.

Prospects:

- **Volume and AGR:** Volume recovers to FY19 levels in 2H21 and grows thereafter as Latitude continues to benefit from improvements in customer and partner propositions and experiences and confidence returns as vaccines are systematically rolled out, which in turn will help support AGR to grow back to FY19 levels by the end of FY22.
- **Yield (%):** Operating income yield % remains broadly in line with FY20 across FY21 to FY22.
- **Cost efficiency:** Cost to income ratio of ~43% in FY20, reverting to FY19 levels by FY22 as volumes return.
- **Net charge offs/AGR (%):** Decrease in FY21, trending back towards pre-COVID-19 levels as portfolio trends normalise and government stimulus ends. FY22 rate slightly below FY20 levels, reflecting the improvement in underlying quality of the portfolio that has occurred in FY20.
- **Dividends:** In the longer term, Latitude anticipates paying a progressive dividend and the Board has established a proposed dividend policy payout ratio of between 60% and 70% of Cash NPAT, while for the six-month period to 30th June 2021, the Board's current intention is to declare a dividend of A$79 million (7.85 cents per share) which is a prospective payout ratio in the range of 65% to 70% of Cash NPAT, payable in October 2021. It is anticipated that this initial dividend for the six-month period to 30 June 2021 will be unfranked, with the final dividend for FY21 (payable in 2Q22) anticipated to be fully franked (refer to Section 4.9).

4.8 Sensitivity analysis

Investors should be aware that in assessing the impact of changes to business, economic and competitive environments uncertainties exist. Set out below is a summary of the sensitivity of the Pro forma FY20 Profit/(loss) before income tax to changes in a number of key variables.

The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

The sensitivity analysis is intended as a guide only.

Table 42: Sensitivity analysis on FY20 Pro forma profit/(loss) before income tax impact

A$ million	Note	Variance	FY20 Profit/(loss) before income tax Impact
Receivables growth rate	a	100bps	7.1
Interest income/AGR		10bps	7.0
Interest expense/loan notes		10bps	(6.4)
Change in borrowing base rate – BBSW (Australia)	b	10bps	(3.3)
Change in borrowing base rate – BKBM (New Zealand)	c	10bps	(0.9)
Net charge offs/AGR	d	10bps	(7.0)
Cost to income ratio		100bps	(9.3)
AUD/NZD exchange rate		100bps	(0.7)

Notes:

(a) **Receivables growth rate:** Impact does not include any additional operating expenses or provision movements. It factors in the Net interest margin and Net charge off impact, assuming the yield remains in line with the portfolio for the given period.

(b) **Change in borrowing rate – BBSW (Australia):** Sensitivity to changes in the borrowing rate (BBSW) assumes there is no impact to Latitude's personal loans and motor loans portfolios given the existing hedging arrangements and that new originations would be re-priced to reflect the borrowing rate changes. These hedged portfolios are excluded from the impact analysis.

(c) **Change in borrowing rate – BKBM (New Zealand):** Sensitivity to changes in the borrowing rate (BKBM) assumes there is no impact to Latitude's personal loans portfolio given the existing hedging arrangements and that new originations would be re-priced to reflect the borrowing rate changes. These hedged portfolios are excluded from the impact analysis.

(d) **Net charge offs/AGR:** Net charge offs/AGR sensitivity does not assume that the level of provisions changes as a result (to reflect a higher charge off). Latitude re-assesses the adequacy of its provision for future losses on a regular basis, consistent with accounting standards and industry practices (as outlined in Sections 3.5 and 3.7).

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the pro forma historical results. In practice, changes in variables may offset each other or be additive, and it is likely that Latitude would respond to any adverse change in one variable by seeking to minimise the net effect on Latitude's earnings and cash flows.

4.9 Dividend policy

Subject to future business conditions, available profits and franking credits and the financial position of Latitude, it is the current intention of Latitude to pay a progressive dividend.

The Directors anticipate that the first (interim) dividend to Shareholders will be determined in respect of the six-month period to 30 June 2021 with reference to available profits within this period and the financial position of Latitude.

The planned future dividend payout ratio range is 60% to 70% of Cash NPAT and the Directors expect the dividend to be progressive.

Assuming a FY21 result consistent with the FY20 Pro forma Financial Information, the Directors anticipate the first dividend will be approximately 65% to 70% of forecast Cash NPAT, equivalent to approximately A$79 million (7.85 cents per share) payable in October 2021 representing the six-month period to 30 June 2021.

At Completion, Latitude will have a zero franking account balance but will generate franking credits as income tax is paid in Australia. Its ability to pay, and the extent of, franked dividends in the future will evolve as the franking credits are generated. It is anticipated that the initial interim dividend for the six-month period to 30 June 2021 will be unfranked, with the final dividend for FY21 (payable in 2Q22) anticipated to be fully franked.

In assessing the dividend payment in future periods, the Directors at their discretion may consider a number of factors, including the general business environment, the operating results and financial condition of Latitude, future funding requirements, capital management initiatives, tax considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Latitude, and any other factors the Directors may consider relevant. Latitude may contemplate the inclusion of a dividend reinvestment programme.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on such dividends. Please read the key factors affecting the operating results of Latitude set out in Section 4.6.1 as well as the sensitivities set out in Section 4.8, and the risk factors as set out in Section 5.

Investors who are not tax residents of Australia and who acquire Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Such Investors should consult with their own tax advisers regarding the application of the Australian withholding or other taxes to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of the Shares.

4.10 Segment information

4.10.1 Reporting segments

In accordance with IFRS 8 Operating Segments, Latitude has determined that its reporting segments comprise: Australia, New Zealand and Other/unallocated. These segments represent the manner in which Latitude expects to report in future periods in accordance with IFRS 8 Operating Segments.

Table 43 in Section 4.10.2 sets out the segment pro forma historical RAI for the Australian and New Zealand segments, as well as segment Profit/(loss) before income tax for the Other/unallocated segment. Table 43 also sets out Group pro forma NPAT and Cash NPAT.

4.10.1.1 Australia

The Australian segment includes the RAI associated with Latitude's Australian Instalments and Lending products as described in Section 2. On a segment basis, Other Operating income also includes internal commissions that are paid from Latitude's insurance business.

4.10.1.2 New Zealand

The New Zealand segment includes the RAI associated with Latitude's New Zealand Instalments and Lending products. New Zealand operates under separate brands and does not offer motor loans as set out in Section 2. On a segment basis, Other Operating income also includes internal commissions that are paid from Latitude's insurance business.

4.10.1.3 Other/unallocated

The Other/unallocated segment includes the net insurance income associated with Latitude's insurance business, as well as all of Latitude's operating expenses, Significant items and Amortisation of acquisition intangibles and structural changes as these are not allocated on a segment basis (see Table 43 in Section 4.10.2). As defined in Note 4 of the Glossary of Financial Table Notes, Net insurance income represents gross written premium ('**GWP**'), movement in unearned premium ('**UEP**') and investment income, offset by claims expenses, refunds (relating to the refund of premiums to customers due to loan refinancing or cancellation), external commissions and customer acquisition costs. GWP represents the insurance premiums received for personal loans and sales finance and credit card policies. Personal loans GWP is a function of the number of new loans, the penetration rate, and the mix of policies issued. Sales finance and credit cards GWP is a function of the number of accounts, the penetration rate and average value of outstanding balances. On a segment basis, Net insurance income also includes internal commissions that are paid to the Australian and New Zealand segments. The above should be read in conjunction with Section 2.

4.10.2 Segment Pro Forma Historical Income Statements

Table 43 below sets out the Pro Forma Historical Income Statements by segment for the Australia, New Zealand and Other/unallocated segments. A reconciliation of Cash NPAT to pro forma NPAT is presented in Section 4.3.4.

Table 43: Segment Pro Forma Historical Income Statements

		Pro forma historical		
A$ million	**Note**	**FY18**	**FY19**	**FY20**
Australia				
Interest income		911.6	946.6	814.6
Interest expense		(214.5)	(197.0)	(133.0)
Net interest income		697.1	749.6	681.7
Other operating income		47.1	41.2	27.3
Total operating income		**744.2**	**790.8**	**708.9**
Inter-segment operating income		(6.7)	(7.8)	(6.5)
Net charge offs		(202.4)	(210.0)	(186.0)
Segment RAI	a	**535.0**	**573.0**	**516.4**
Movement in loss provisions		(6.1)	(2.8)	23.1
Segment RAI post provisions		**528.9**	**570.2**	**539.5**
New Zealand				
Interest income		239.7	259.0	243.5
Interest expense		(54.4)	(55.2)	(40.8)
Net interest income		185.4	203.7	202.7
Other operating income		7.6	6.0	3.6
Total operating income		**193.0**	**209.7**	**206.3**
Inter-segment operating income		(4.5)	(3.8)	(3.1)
Net charge offs		(39.7)	(41.8)	(41.7)
Segment RAI	a	**148.7**	**164.1**	**161.6**
Movement in loss provisions		(4.8)	5.7	(4.2)
Segment RAI post provisions		**143.9**	**169.8**	**157.4**
Other/unallocated				
Interest expense		(3.0)	(6.0)	(4.3)
Net insurance income		48.9	39.3	23.1
Other operating income		1.1	1.1	0.2
Total operating income		**47.0**	**34.4**	**19.0**
Inter-segment operating income		11.3	11.6	9.6
Total operating expenses of the Group		(394.5)	(406.3)	(402.9)
Segment profit/(loss) before income tax and significant items	b	**(336.2)**	**(360.3)**	**(374.2)**
Significant items		(24.4)	(91.2)	(62.7)
Amortisation of acquisition intangibles and structural changes		(80.0)	(73.1)	(73.1)
Segment profit/(loss) before income tax		**(440.6)**	**(524.5)**	**(510.1)**
Group				
Total pro forma profit/(loss) before income tax		**232.2**	**215.6**	**186.7**
Income tax (expense)/benefit		(62.1)	(57.2)	(58.6)
Total pro forma NPAT		**170.1**	**158.4**	**128.1**
Significant items		24.4	91.2	62.7
Amortisation of acquisition intangibles and structural changes		80.0	73.1	73.1
Tax effect of adjustments		(30.9)	(48.4)	(40.1)
Cash NPAT		**243.7**	**274.2**	**223.9**

Notes:

(a) **Segment RAI:** Refer to Section 4.3.4 for detailed information on the pro forma adjustments applied to the Latitude Combined Historical Financial Information.

(b) **Segment Profit/(loss) before income tax and Significant items:** Reflects pro forma adjustments to Other/unallocated segment Profit/(loss) before income tax on a combined basis to remove the impact of (i) Discontinued Operations; (ii) changes in capital structure; (iii) changes in accounting standards; and (iv) transaction and Restructure costs. Detailed information on pro forma adjustments applied to the Latitude Combined Historical Financial Information is set out in Section 4.3.4.

4.10.3 Segment key operating and financial metrics

Table 44 below sets out the pro forma historical key operating and financial metrics for FY18, FY19 and FY20 for the Australian and New Zealand segments.

Table 44: Segment Pro forma historical key operating and financial metrics

		Pro forma historical		
A$ million	**Note**	**FY18**	**FY19**	**FY20**
Australia operating				
Volume	22	7,227.9	7,194.8	5,715.6
Gross loan receivables	23	5,948.8	5,987.3	5,101.0
AGR	24	5,744.7	5,969.0	5,460.1
Australia financial				
Operating income		744.2	790.8	708.9
RAI	25	535.0	573.0	516.4
Operating growth rates (PcP)				
Volume		n.a.	(0.5%)	(20.6%)
Gross loan receivables		n.a.	0.6%	(14.8%)
AGR		n.a.	3.9%	(8.5%)
Financial growth rates (PcP)				
Operating income		n.a.	6.3%	(10.4%)
RAI		n.a.	7.1%	(9.9%)
Profitability				
Interest income/AGR	28	15.87%	15.86%	14.92%
Interest expense/AGR	29	(3.73)%	(3.30)%	(2.44)%
Net interest margin	30	12.13%	12.56%	12.48%
Operating income yield	31	12.95%	13.25%	12.98%
RAI per active account ($)	33	359	384	382
RAI yield	32	9.3%	9.6%	9.5%
Asset quality				
90+ days past due	35	1.11%	1.04%	0.65%
Net charge offs/AGR	36	3.52%	3.52%	3.41%
Coverage ratio	37	4.50%	4.52%	4.85%

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

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Table 45: Segment Pro forma historical key operating and financial metrics

		Pro forma historical		
A$ million	**Note**	**FY18**	**FY19**	**FY20**
New Zealand operating				
Volume	22	1,631.6	1,691.1	1,316.4
Gross loan receivables	23	1,584.3	1,649.3	1,420.6
AGR	24	1,461.5	1,599.6	1,494.9
New Zealand financial				
Operating income		193.0	209.7	206.3
RAI	25	148.7	164.1	161.6
Operating growth rates (PcP)				
Volume		n.a.	3.7%	(22.2%)
Gross loan receivables		n.a.	4.1%	(13.9%)
AGR		n.a.	9.5%	(6.5%)
Financial growth rates (PcP)				
Operating income		n.a.	8.7%	(1.6%)
RAI		n.a.	10.3%	(1.5%)
Profitability				
Interest income/AGR	28	16.40%	16.19%	16.29%
Interest expense/AGR	29	(3.72)%	(3.45)%	(2.73)%
Net interest margin	30	12.68%	12.74%	13.56%
Operating income yield	31	13.20%	13.11%	13.80%
RAI per active account ($)	33	409	419	422
RAI yield	32	10.2%	10.3%	10.8%
Asset quality				
90+ days past due	35	1.03%	0.98%	0.76%
Net charge offs/AGR	36	2.73%	2.61%	2.78%
Coverage ratio	37	3.53%	3.08%	3.78%

Notes: Refer to the Glossary of Financial Table Notes in Section 4.13.

Refer to Section 4.3.4 for detailed information on the pro forma adjustments applied to the Latitude Combined Historical Financial Information.

4.11 Financial risk management framework

Latitude is exposed to a variety of financial risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. Latitude's overall risk management programme includes a focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Latitude.

Latitude has established risk management processes and has an enterprise risk management framework in place that aims to ensure enterprise risks are effectively identified, measured, monitored and managed. The Group operates under a governance and risk management culture, managed ultimately by a Board Risk Committee, responsible for all enterprise risk. The management committees supporting risk governance include the Asset and Liability Committee, who manage specific areas of financial risk management such as funding, liquidity and market risks (interest rate risk and foreign currency risks, use of derivative financial instruments), and the Risk Management Committee who manage strategic, credit, operational and financial risks. A 'three-line' of defence model is operated to comply with the risk management framework (refer to Section 3).

Latitude uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for economic hedging purposes and not as trading or speculative instruments.

Latitude uses different methods to measure types of risk to which it is exposed. These methods include sensitivity analysis for net gap exposure for foreign exchange risk, interest rate risk, and ageing analysis for credit risk. Latitude's financial risk governance framework for specific risks is described below:

- **Foreign currency risk:** Latitude has exposures primarily to the changes in value of non-A$ and NZ$ currency assets and liabilities and forecast transactions. Material currency exposures are hedged where they are highly probable excluding NZ$. Latitude uses foreign exchange contracts to manage its foreign exchange risk;
- **Interest rate risk:** Latitude's main interest rate risk arises from mismatches in the interest rate characteristics of the fixed interest financial assets and corresponding variable liability funding. Latitude uses interest rate swaps where Latitude agrees with swap counterparties to exchange, at specified intervals (mainly monthly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Swaps currently in place cover variable rate securitisation liabilities relating to fixed rate motor loans and personal loans sold into securitisation trusts. All funding facilities are floating rate instruments prior to entering into swap contracts;
- **Credit risk:** Latitude bears the risk of financial loss if a customer fails to meet their contractual obligations, arising principally from Latitude's loans to customers. The maximum exposure of Latitude is represented by the carrying amount of loans and advances in the consolidated balance sheet. Latitude has strategies in place to optimise risk versus return via a process of continual review and refinement. New strategies are implemented to take appropriate timely action if adverse trends occur. All credit risk activities are managed on a day to day basis by the enterprise risk function; and
- **Liquidity risk:** Latitude ensures it has access to liquidity and has the resources to meet its contractual financial obligations during the normal course of business and in periods of stress. This includes maintaining sufficient cash and other liquid assets, overdraft facilities and flexibility in funding through committed credit lines. Funding is monitored on a regular basis and risk management includes forecasts and modelling including moderate and severe stress testing scenarios (refer to Section 3.8).

4.12 Critical accounting estimates and judgements

Preparing financial statements in accordance with IFRS requires Latitude to make estimates, judgements and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Judgements made by Latitude in the application of accounting standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Refer to the Significant Accounting Policies section of this Prospectus.

Management judgement is required in the following areas:

- **Recoverability of loans and receivables:** Since 1 January 2018, Latitude has applied IFRS 9 for collective provisioning. Under IFRS 9, the loss provisions are based on a three-stage approach to measure expected credit losses based on the change in credit quality of financial assets since initial recognition. Expected credit losses are derived from probability weighted estimated loss measures taking account of possible outcomes, the time value of money and current and future economic conditions. Latitude updates its assumptions and makes estimates periodically, to reflect current conditions;
- **Estimation of insurance claims liability:** An actuary estimates the value of outstanding claims. This involves analysing available past experience to determine expected future payments. The provision for the outstanding claims liability also contains a risk margin to reflect the inherent uncertainty in the central estimate. The risk margin increases the probability that the net liability is adequately provided for to a 90% confidence level;
- **Recoverability of goodwill and other intangible assets:** Intangible assets are tested for impairment at financial reporting period ends or more frequently if events or changes in circumstances indicate that they might be impaired. The goodwill impairment testing calculations use discounted cash flow projections based on Management approved financial budgets covering a five-year period. Cash flows are extrapolated using a growth rate and a terminal value to yield a value appropriate to each cash generating unit. Other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable;
- **Estimated useful life of intangible assets:** For intangible assets that were recognised as part of the Acquisition (distribution lists and customer agreements), the useful life was determined initially by actuarial valuation. Management performs an assessment at reporting periods ends to ensure the useful life remains appropriate. Goodwill is assessed for impairment rather than amortised. Capitalised software and development costs are recorded as intangible assets and amortised on a straight-line basis from the point at which the asset is ready for use, over the assessed useful life of the intangible; and
- **Recognition of deferred tax asset for carried forward tax loss:** Deferred tax assets relating to unused tax losses are recognised only if it is probable that future taxable amounts will be available to utilise the temporary differences and losses.

4.13 Glossary of Financial Table Notes

Note	Definition
1: Interest income	Interest income is based on an effective interest rate methodology and comprises interest charged on outstanding customer balances plus fees and charges that are considered an integral part of the loan, net of origination costs. Outstanding customer balances include revolving credit card balances (including interest-bearing sales finance products), personal loan products and motor loan products. Fees and charges include merchant service fees (for sales finance and BNPL) which Latitude earns from retail partners for financing interest free sales, establishment fees, annual fees, account keeping fees, late fees and third-party commission expenses
2: Interest expense	Interest expense incurred by Latitude to finance Latitude's receivable assets inclusive of interest margin, base rate interest, commitment fees, guarantee fees, interest rate swap interest expense and amortisation expenses associated with capitalised costs incurred in the establishment of new trusts
3: Other operating income	Includes interchange income, statement fees and other fees and charges. Other operating income is offset by direct costs including credit card Scheme and related fees, partner loyalty fees, customer loyalty fees. For certain fee categories where fees are a pass through of external costs due to customer channel selection, these costs are netted against the associated fees (e.g. paper statement fees, payment handling fees)
4: Net insurance income	Represents gross written premium ('**GWP**'), movement in unearned premium ('**UEP**') and investment income, offset by claims expenses, refunds (relating to the refund of premiums to customers due to loan refinancing or cancellation), external commissions and acquisition costs

Note	Definition
5: Loan impairment expense	Represents losses from loan receivables charged off in the period and the movement in the provision for impairment losses (estimated in accordance with IFRS 9) (excluding movement in transaction fraud losses), net of recoveries of amounts previously written off
6: Employee benefit expense	Relates to employee salary, incentives and related on-costs. Pro forma employee benefit expenses exclude costs associated with Latitude's Transformation, restructuring and simplification programmes which have been presented separately in Significant items (refer to Section 4.3.2.1) but includes incremental Employee benefits expense incurred as a result of Listing
7: Other expenses	Primarily relates to marketing costs, IT costs, outside services costs, lease expenses for Latitude's offices and other general operating costs. Other expenses associated with Latitude's Transformation, restructuring and simplification programmes have been excluded and presented separately in Significant items (refer to Section 4.3.2.1)
8: Depreciation and amortisation expense	Depreciation of property, plant and equipment and amortisation of software, excluding Amortisation of acquisition intangibles (refer to Section 4.3.2.2)
9: Significant items	Includes Transformation and Replatforming costs, Restructuring costs, Latitude 2.0 and Simplification program costs, Remediation costs and COVID-19 response costs. Refer to Section 4.3.2.1 for detailed information on Significant items
10: Amortisation of acquisition intangibles and structural changes	Refer to Section 4.3.2.2 for detailed information
11: Income tax (expense)/benefit	Reflects the pro forma income tax expense at the estimated effective tax rate for Latitude based on the corporate structure post Restructure
12: Net fair value unwind	Refer to Section 4.3.2.2
13: Amortisation of acquisition intangibles	Refer to Section 4.3.2.2
14: Amortisation of transaction costs	Refer to Section 4.3.2.2
15: Interest income (Combined)	Interest income earned from revolving credit card balances (including interest-bearing sales finance products), personal loan products and motor loan products, as well as the impact of the net fair value unwind of receivables (refer to Section 4.3.2.2)
16: Interest expense (Combined)	Interest expense incurred by Latitude on warehouse and ABS related debt to finance Latitude's receivable assets inclusive of commitment fees, guarantee fees, interest rate swap interest expense and amortisation expenses associated with capitalised costs incurred in the establishment of new trusts (refer to Section 3.8), as well as the amortisation of transaction costs (refer to Section 4.3.2.2) and Historical Shareholder loan interest
17: Loan impairment expense (Combined)	Represents losses from loan receivables charged off in the period and the movement in the provision for impairment losses, estimated in accordance IFRS 9 (excluding movement in transaction fraud losses), net of recoveries of amounts previously written off

Note	Definition
18: Employee benefit expense (Combined)	Relates to employee salaries, incentives and related on-costs. Employee benefit expenses associated with Latitude's Transformation and restructuring programmes (refer to Section 4.3.2.1) are included within Significant items
19: Other expenses (Combined)	Primarily relates to marketing costs, IT costs, outside services costs, rental expenses for Latitude's offices and other general operating costs. It also includes all expenses associated with Latitude's Transformation and restructuring programmes and Amortisation of acquisition intangibles
20: Depreciation and amortisation expense (Combined)	Depreciation of property, plant and equipment, amortisation of distribution agreements, software and customer contracts and acquisition intangibles (refer to Section 4.3.2.2)
21: Income tax (expense)/benefit (Combined)	Reflects the actual income tax (expense)/benefit for Latitude on a combined basis
22: Volume	Key lead indicator monitored by the business. It represents all principal receivables lent by the business in the relevant period. It shows customer spending habits, future income levels, effectiveness of top line initiatives implemented and Latitude's lending appetite
23: Gross loan receivables	Represent the total outstanding receivables balance across all products at the end of the period excluding the net fair value unwind (refer to Section 4.3.2.2) and Discontinued Operations
24: Average gross receivables (AGR)	Average gross monthly receivables balance during the period (e.g. calculated based on the 13 month average across the period for a Financial Year). AGR is a key driver of earnings for the business
25: Risk adjusted income (RAI)	RAI is calculated as total operating income less Net charge offs and is measured by Latitude to evaluate the risk adjusted margin on receivables after funding costs and Net charge offs on Latitude's receivables before the allocation of expenses associated with the movement in provisions for losses as well as operating expenses. For insurance products, RAI is calculated as net earned premium less claims, less external commissions plus investment income
26: Operating profit	Operating profit is calculated as Total operating income less operating expenses excluding Significant items
27: Pre-provision PBT	Pre-provision PBT is calculated as Total operating income less Net charge offs and operating expenses. For the avoidance of doubt this excludes IFRS 9 provision movements, Significant items and Amortisation of acquisition intangibles and structural changes
28: Interest income/AGR	Interest income divided by AGR for the relevant period
29: Interest expense/AGR	Interest expense divided by AGR for the relevant period
30: Net interest margin	Net interest income divided by AGR for the relevant period
31: Operating income yield	Total operating income divided by AGR for the relevant period

Note	Definition
32: Risk adjusted income (RAI) yield	Risk adjusted income divided by AGR for the relevant period
33: Risk adjusted income (RAI) per active account	Risk adjusted income divided by Active accounts for the relevant period
34: Cost to income ratio	Represents the ratio of operating expenses to operating income, excluding net fair value unwind (refer to Note 12), amortisation of transaction costs (refer to Note 14) and changes in capital structure and changes in accounting standards (refer to Section 4.3.4)
35: 30/90+ days past due	Total amount of receivables 30/90+ days past due divided by gross loan receivables
36: Net charge offs/AGR	Net charge offs divided by AGR for the relevant period
37: Coverage ratio	Represents the ratio of provisions for expected losses to gross loan receivables in accordance with IFRS 9
38: Return on Equity (ROE)	ROE is calculated as Cash NPAT divided by the pro forma total equity as at 31 December 2020. The total equity as at 31 December 2020 includes the impact of the Restructure and impact of the Listing as described in Table 30
39: Return on Tangible Equity (ROTE)	Calculated as Cash NPAT divided by Tangible Equity as at 31 December 2020 includes the impact of the Restructure and impact of the Listing as described in Table 30
40: TE/Net Receivables	Calculated as Tangible Equity ('**TE**') divided by gross loans and receivables less loan provisions for impairments, deferred income and customer acquisition costs
41: Warehouse Facilities	As at 31 December 2020, Latitude operates 6 syndicated Warehouse Facilities
42: ABS	As at 31 December 2020, Latitude has 6 outstanding ABS series across Australia Credit Cards and Australia Personal Loans
43: Total securitisation funding	Total securitisation funding represents the aggregate values of Warehouse Facilities and ABS
44: Restricted cash and cash equivalents (securitisation funding facilities)	Reflects all cash and cash equivalents in bank accounts owned by Latitude's Warehouse Facilities and ABS
45: Net securitisation funding	Total securitisation funding facilities less Restricted cash and cash equivalents in Latitude's securitisation funding facilities
46: Historical Shareholder loans	Represents the Historical Shareholder loans balance (including accrued interest)
47: Restricted cash and cash equivalents (corporate)	Includes the cash held within Latitude's Hallmark Insurance business to maintain target surplus capital requirements and cash held as security for cash withdrawals that Latitude customers make
48: Unrestricted cash and cash equivalents	All cash and cash equivalents other than Restricted cash and cash equivalents (corporate)

Note	Definition
49: Net corporate debt	Historical Shareholder loans less all corporate cash and cash equivalents (unrestricted and restricted). Note that Latitude operates with access to two overdraft facilities to fund any short-term working capital requirements that cannot be funded through cash. In Australia this facility has a A$15 million limit and in New Zealand this facility has a NZ$4.5 million limit. As at 31 December 2020 both these facilities were undrawn. Furthermore, as set out in Section 9.11.3, Latitude entered into New Banking Facilities, comprising a revolving credit facility of A$160 million and a separate tranche of US$41 million. These New Banking Facilities are conditional on Completion and are expected to be undrawn at that time.
50: Capital expenditure commitments	Represents contractual commitments with third parties that are not recognised on the Balance Sheet
51: Non-cancellable operating leases	Primarily represent leases for buildings which under IFRS 16 are recorded on Latitude's Pro Forma Historical Balance Sheet
52: Commitment to undrawn credit facilities	Relevant to Instalments and credit card products and are the undrawn limits in the credit card portfolio
53: Maturity of securitisation funding facilities	Represents the future contractual payments of principal and future interest relating to Warehouse Facilities and ABS
54: Historical Shareholder loans (Maturity profile)	Reflects the future contractual payments of the Historical Shareholder loans principal and interest put in place at the time of the Acquisition, which will be either converted to equity at an agreed capitalisation ratio with any remaining balance repaid as part of the Restructure
55: Depreciation and amortisation	Represents the impact of depreciation and amortisation charges recognised on property, plant and equipment as well as the amortisation of acquisition intangibles (refer to Section 4.3.2.2)
56: Change in receivables	Represents the impact of cash outflows arising from increases or decreases in Latitude's receivables portfolio
57: Movement in balance sheet and working capital	Represents the non-cash impact of the change in the fair value uplift of receivables, changes in provisions for losses on receivables, changes in deferred merchant service fees, the impact of changes in working capital, employee provisions and employee remuneration plans
58: Income taxes	Represents income taxes paid assuming completion of the Restructure occurred as at 1 January 2021 on a pro forma basis
59: Capital expenditure	Represents the cash expenditure incurred by Latitude on items which qualify for recognition as intangible assets in accordance with Latitude's accounting policies. Capital expenditure includes the expenditure on Latitude's Transition and Replatforming and Latitude 2.0 and simplification programmes and Business as usual capex which are described in Section 4.3.2.1
60: Purchase of Investment Securities	Represents the purchase consideration paid for securities in external investment entities
61: Changes in securitisation funding facilities	Represents the cash inflow from the change in externally held notes in Latitude's securitisation funding vehicles in line with funding receivables, net of the deferred transaction costs associated with the establishment of the funding facilities

Note	Definition
62: Payment of lease liabilities	IFRS 16 requires cash payments for the principal portion of the lease liability be shown within financing activities
63: Transaction costs	Represents cash outflows in relation to adviser fees incurred in Latitude's funding programme
64: Effects of exchange rate changes on cash and cash equivalents	Represents the impact of converting the NZ cash into Australian dollars
65: Net charge offs	Gross charge offs less any subsequent recoveries of charged off debt
66: Provision movement	Represents the movement in the provision for impairment losses, estimated in accordance with IFRS 9 (excluding movement in transaction fraud losses)
67: Deferred Settlement	Represents the Deferred Settlement owing to the Selling Shareholder as part of the Restructure. The Deferred Settlement is subject to an agreed repayment profile

5 | Investment Risks

5 Investment Risks

5.1 Investment risks

There are a number of risk factors both specific to Latitude and of a more general nature which may, either individually or in combination, affect the future operating and financial performance, or financial condition, of Latitude and the value of an investment in the Shares. This Section 5 describes the most significant risks.

Each risk set out in this Section 5 could, if it eventuates (or a combination of the risks set out in this Section 5, if they eventuate), have a material adverse impact on Latitude's business, prospects, operating and financial performance, financial condition and results of operations.

Investors should be aware that this Section 5 does not purport to list every risk that may be associated with an investment in Latitude or the Shares now, or in the future, and many of the risks described below are partially or fully outside the control of Latitude and its Directors and Management. Investors should also be aware that there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge. Similarly, there is no guarantee or assurance that any mitigation measures Latitude takes will succeed.

This Section 5 should be read in conjunction with other information disclosed in this Prospectus. There can be no guarantee that Latitude will achieve its stated objectives or that any forward-looking statements will eventuate.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of the risks described in this Section 5 and of all other information set out in this Prospectus. You should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial situation and particular needs (including financial and tax issues). If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in Shares, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser, tax adviser or other independent professional adviser.

The risks in this Section 5 have been separated into risk factors specific to Latitude (refer to Section 5.2) and general investment risk factors (refer to Section 5.3).

5.2 Risks specific to an investment in Latitude and the sectors in which it operates

5.2.1 Evolving regulatory requirements

5.2.1.1 Regulatory compliance

As discussed in Section 2.5, Latitude is subject to a range of laws and regulations in Australia and New Zealand, the jurisdictions in which it currently conducts its business. Failure to comply with laws or regulations in these jurisdictions (or in other jurisdictions in which Latitude may operate in the future) could adversely impact Latitude's business.

In both Australia and New Zealand, Latitude must comply with statutory obligations in relation to licensing and registration, responsible lending, design and distribution, insurance, mis-selling, AML, privacy and disclosure. Among other things, Latitude must maintain robust internal processes to ensure that it and its employees and representatives comply with these obligations and must maintain systems that enable Latitude to conduct its business in a manner consistent with these obligations. If Latitude does not comply with its regulatory obligations, there is a risk that Latitude may cease to be authorised or licensed to undertake its business, may be subject to penalties, may be unable to recover fees, charges or interest, or may have to refund funds lent, funds repaid to it by customers under loan contracts, insurance premiums, amounts representing an overcharging of fees, interest payments or other amounts. This may negatively impact the performance of Latitude's portfolio, its future origination activities and its ability to maintain its current funding or attract new funding.

There is a risk that a regulator may conduct reviews or investigations in relation to Latitude's regulatory compliance or Latitude and its operations more generally, and that Latitude may therefore be subject to such reviews and investigations from time to time. There is a risk that, arising from such reviews and investigation or otherwise, Latitude could face legal or regulatory sanctions or reputational damage as a result of any failure (or purported failure) to comply with (or comply with developing interpretations of) applicable laws, regulations, codes of conduct and standards of good practice, including in relation to licensing and registration, responsible lending, design and distribution, insurance, mis-selling, AML, privacy and disclosure. Any non-compliance by Latitude could result in a negative impact on customers and other stakeholders' trust in Latitude, fines, penalties, payment of compensation, remediation orders, cancellation or suspension of Latitude's ability to carry on certain activities or businesses, or class actions from customers. There is also a risk that non-compliance may negatively impact Latitude's distribution channels and product development opportunities.

Latitude may also be adversely affected by the impact of laws on the enforceability of its customer contracts. For example, under Australian and New Zealand unfair contract terms legislation, certain terms in standard form consumer contracts which could cause a significant imbalance in the parties' rights and obligations arising under the contract, and which are not reasonably necessary in order to protect the legitimate interests of the party who would be advantaged by the term and which would cause detriment (whether financial or otherwise) to a party if they were to be relied on, may be declared void. As it is not always certain how a court may interpret such provisions, it is possible that certain terms in Latitude's standard form customer contracts may be rendered void.

The performance of industry participants in the finance services industry in complying with regulatory requirements typically impacts the overall regulatory regime underpinning the sector and the regulatory requirements for other individual industry participants such as Latitude. In the event that one or more market participants have major and/or repeated instances of non-compliance with their regulatory requirements, there may be flow-on effects for Latitude by impacting the reputation of the sector or product or causing increases in, or changes to, the regulatory requirements which apply to Latitude.

5.2.1.2 Responsible lending

In Australia, ASIC has been increasingly concerned with the extent to which licensed credit providers undertake independent verification of a potential customer's income (by way of checking payslips, tax returns, bank statements or equivalent) and has also expressed concern in respect of the verification of customer expenses, including use of benchmarks such as the Household Expenditure Method ('**HEM**').

Latitude is currently subject to certain ongoing investigations by regulators in respect of its responsible lending practices. In particular:

- Latitude is coming to the end of a remediation programme and third party review programme in cooperation with ASIC. This responded to concerns that credit contracts had been approved in-store for certain customers on the basis of inadequately verified information, some of which had been misrepresented to Latitude;
- Since October 2019, ASIC has issued several statutory notices requesting that Latitude and some of its merchant partners provide information and documents relating to origination, responsible lending practices for in-store card applications and associated conduct obligations (including training, monitoring and supervision). In the course of providing this information, Latitude has not identified any clear significant breaches of the relevant legal requirements. It is not clear at this stage what, if any, specific breaches ASIC is concerned with. There is a possibility that ASIC may choose to take enforcement action or impose penalties in relation to alleged breaches arising out of these notices;
- Latitude is in consultation with ASIC in connection with its motor loan activities, following an industry review undertaken by the regulator. Latitude is considering an appropriate response to ASIC including whether to review its credit policy as well as a potential remediation programme; and
- There is one open AFCA inquiry relating to a potential systemic responsible lending issue, concerning income verification. This has been open for more than a year, and Latitude has responded to all of AFCA's inquiries. Latitude does not agree with the allegations made by AFCA but the investigation remains open as at the Prospectus Date.

Latitude currently adopts a scalable and risk-based approach to income verification. ASIC in recent years has expressed concerns about the concept of scalability as it is being applied by some industry participants. Latitude has increased the level of independent income verification that it undertakes across its customer base in light of the changing regulatory and industry environment around expectations on the level of income verification. However, there is a risk that ASIC or AFCA, following from the above investigations or otherwise, may form the view that Latitude's income verification practices are insufficient or that Latitude has inappropriately applied the concept of scalability in the past and as a result breached responsible lending requirements.

In Australia, Latitude currently uses the HEM benchmark to assess the minimum living expenses of applications for Latitude's products (the HEM plus a buffer is used when it is greater than the customer's disclosed living expenses), in line with what has been common and established industry practice historically. Latitude does not always verify the level of fixed expenses (such as for other loans and housing) which are provided by an applicant. There is a risk that ASIC or AFCA may form the view that Latitude's expense verification practices are insufficient.

Latitude is also subject to various conduct obligations in connection with its responsible lending obligations (such as in relation to the training, monitoring and supervision of Latitude's representatives to ensure compliance with responsible lending laws). In addition to ASIC or AFCA taking issue with Latitude complying with responsible lending laws themselves, there is a risk that ASIC or AFCA may form the view that Latitude's compliance with connected conduct obligations has been inadequate.

If ASIC or AFCA were to take issue with Latitude's current approach to compliance with its responsible lending obligations (including in relation to its associated conduct obligations), or the income or expense verification approach that Latitude has historically used, Latitude's current or proposed policies and processes may be required to change or Latitude may be required to undertake remediation of customers that ASIC or AFCA views as potentially at risk of loss or disadvantage as a result of Latitude's approach to verification. ASIC or AFCA may also seek to impose enforcement actions or penalties on Latitude. If any of these possible outcomes were required or sought, it may increase Latitude's costs and negatively impact the performance of Latitude's portfolio and reputation, future origination activities, customer conversion rates and ability to maintain its current funding or attract new funding. Recent and planned changes to Latitude's processes and technology platforms are designed to ameliorate the risk of increases in costs or a reduction in loan volumes, but there is no assurance that these changes will be successful.

As mentioned in Section 2.5, there is a proposal to simplify the current responsible lending rules in Australia which are currently being reviewed by the Senate Economics Legislation Committee and which may impact on ASIC and AFCA's approach to appropriate levels of income and expense verification in the future.

There have also been a number of developments in relation to responsible lending in New Zealand which have mirrored previous developments in Australia by moving towards a more stringent approach to responsible lending. In addition, the New Zealand Commerce Commission confirmed in October 2020 that it intends to prioritise the enforcement of the CCCFA. Like developments in Australia, the outcomes of these developments may require changes to Latitude's processes and procedures which could increase Latitude's costs and negatively impact the performance of Latitude's portfolio and reputation, future origination activities, customer conversion rates and ability to maintain its current funding or attract new funding in New Zealand.

5.2.1.3 Insurance

Latitude's insurance products are sold within the CCI industry. The CCI industry has been a focus of regulators in Australia and New Zealand over the past few years. The key risks that regulators have focused on are concerns around mis-selling of the CCI product and concerns that the product offers insufficient value to consumers.

As a result of this focus, Latitude suspended offering insurance on credit cards and personal loans products in both Australia and New Zealand. Latitude continued, however, to be the insurer in respect of products issued prior to this suspension.

ASIC has procured premium refunds from Latitude and certain other market participants in connection with the past mis-selling of personal loan and credit card insurance. Latitude has completed remediation in respect of these matters and is in discussions with ASIC to close out this matter. Latitude has also provided for remediation in New Zealand. Should other failures to comply with regulatory requirements be identified, whether related to mis-selling or otherwise (e.g. in relation to matters such as the calculation of premiums, payment of claims, or enforcement of exclusions), further remediations may be required. Other market participants have also been subject to class actions related to CCI matters. There remains a residual risk that Latitude could be subject to a class action in relation to its historical CCI activities.

Following an ASIC report on CCI ('**ASIC Report 622**'), the *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* (Cth) has been passed. This Act imposes new restrictions on add-on insurance, which includes CCI, in Australia. These restrictions include a DSM for add-on insurance, anti-hawking rules and caps on commissions for add-on insurance in connection with motor vehicles. In New Zealand, the FMA and RBNZ in their review of conduct and culture in New Zealand life insurers ('**New Zealand Life Insurer Review**') also identified CCI as potentially providing poor outcomes to customers because of limited benefits and misunderstanding of coverage and eligibility and a number of the recommendations for legislative change including in relation to the role of boards, product design, training and support and oversight of intermediaries and incentives, are relevant to the CCI product.

As of March 2021, Latitude has recommenced sale of CCI on personal loans in Australia only and intends to recommence selling other CCI products in both Australia and New Zealand in 2021.

CCI products in Australia will need to comply with the above legislation, as well as with ASIC's expectation as set out in ASIC Report 622. In particular, ASIC may scrutinise CCI for product suitability concerns, including low claims ratios. In New Zealand, CCI products will be designed to address the recommendations of the New Zealand Life Insurer Review and expected legislative changes.

In respect of Latitude's life insurance products, from 5 April 2021, unfair contract terms laws will apply to Latitude's life insurance products offered in Australia. In addition, the *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* (Cth) will limit Latitude's ability to avoid claims on insurance policies on the basis of the customer's misrepresentation or non-disclosure, and the anti-hawking rules mentioned above.

Latitude is also a member of the Financial Services Council (**'Council**'), which in 2016 published the Life Insurance Code of Practice ('**Life Code**') with the intention of establishing a framework to govern the professional behaviour and responsibilities of its members. Compliance with the Life Code is monitored by an independent committee which can sanction members of the Council for breaches of the Life Code. Latitude self-reported an area of non-compliance with the Life Code in respect of a non-financed option to purchase insurance for its personal loan products and has suspended all sales in relation to life insurance for personal loans (in addition to the suspension of the sale of insurance on credit cards as set out above). Compliance with the Life Code may continue to impact Latitude's products and processes in relation to Latitude's insurance offering. There are also proposals for the Life Code, or parts of it, which are currently voluntary, to become enforceable at law, but the details of how this would apply, and any potential consequences for Latitude, are not yet known.

In New Zealand, the FMA and RBNZ asked Hallmark Insurance and other life insurers not included in the New Zealand Life Insurer Review to respond to the FMA and RBNZ in a similar manner to those life insurers that had been included in the review. Among other things, this required insurers to develop an action plan to address the FMA and RBNZ's feedback and explain how they would meet the expectations of the FMA and RBNZ regarding staff incentives and commissions for intermediaries. Hallmark Insurance provided its response to the FMA and RBNZ on 31 July 2019, which included a plan of key actions that Hallmark Insurance has taken in the recent past or is planning to take to improve customer outcomes. It is possible that the FMA or RBNZ will investigate further or require remediation in respect of matters reported by Hallmark Insurance. The regulators may also require further information to be provided by Hallmark Insurance.

Issues relating to insurance are expected to continue to evolve. New legislation related to product design and distribution was recently passed in Australia (refer to Section 5.2.1.6 for further details), which may also require changes to Latitude's insurance products.

5.2.1.4 BNPL

LatitudePay and Genoapay are not subject to regulation by the NCC in Australia, and in New Zealand are only subject to the aspects of the CCCFA that relate to "credit contracts" generally (namely, restrictions relating to oppressive terms and oppressive conduct), as opposed to the more onerous provisions that apply to "consumer credit contracts". If the law changes in Australia or New Zealand, this may not continue to be the case. The risk associated with proposals to specifically regulate BNPL products is discussed in Section 5.2.1.6.

LatitudePay is not currently regulated under the NCC on the basis that it does not involve charging the customer for credit. Latitude charges late payment fees on its products. While Latitude does not believe that this is a charge for credit, courts may disagree and take a contrary position, in which case there is a risk that Latitude may be found to be in breach of the NCC.

Further, if a merchant inflates the price of goods or services purchased with the LatitudePay products, there is a risk that this may constitute a charge for credit under the NCC which might bring that specific use of the product into the scope of NCC regulation. Latitude's standard contractual requirements with its merchant partners for LatitudePay require that there must be no price inflation.

From October 2021, LatitudePay will be subject to the design and distribution obligations discussed in Section 5.2.1.6. In ASIC Report 672, which is a November 2020 report on BNPL products, ASIC discussed the application of the design and distribution obligations to BNPL products. ASIC suggested that if a BNPL product is marketed as a low cost product, data indicating that customers are repeatedly paying late fees will require the BNPL provider to actively consider whether this indicates that the product is being inappropriately distributed and whether distribution controls should be improved.

In addition, ASIC now has a product intervention power to make specific new regulations for specific products as described in Section 2.5.2, and ASIC has indicated that it may consider using this power to regulate BNPL products of the same type as LatitudePay.

While there are no current government proposals to specifically regulate BNPL products, this remains a possibility. There is also a risk that a number of general laws and regulations may be adopted with respect to these products covering issues such as user privacy, pricing, content and quality of products and services, intellectual property rights and information security, which could impact on Latitude's business model for these products.

Finally, the Australian Finance Industry Association BNPL Code came into effect in March 2021. Latitude has adopted this code. The New Zealand finance industry is similarly proposing a code of practice for BNPL.

In New Zealand, various submissions (particularly from consumer advocacy groups, but also from banks) have also raised concerns about BNPL products and have sought to have these brought within the ambit of the CCCFA. While it is difficult to predict if, and when, the New Zealand Government may seek to exercise its power to do so, if it were to declare BNPL products "consumer credit contracts", the regulatory obligations which apply to them would be considerably more onerous.

5.2.1.5 General licensing

Latitude is required to be licensed by, and/or registered with, various government regulators in order to offer a number of its products across Australia and New Zealand.

If any licence holder does not comply with its licences or meet other regulatory requirements (including with respect to responsible lending), the licence holder could be subject to penalties, more onerous licence conditions, imposition of licence restrictions or loss of its licences. If Latitude is unable to retain its current licences, authorisations and/or registrations, or renew them on favourable terms when they become due, Latitude may not be able to continue to operate its business, or aspects of its business, in its current form. Additionally, the loss of certain licences, authorisations or registrations may impact Latitude's ability to obtain securitisation and other funding. If this occurred, Latitude would be required to seek funding from alternative sources, which may not have as favourable terms as those historically enjoyed by Latitude.

A combination of three recent legal changes has greatly increased the risk associated with any non-compliance with licence conditions by Latitude in Australia:

- Civil penalties for licence non-compliance have significantly increased;
- Civil penalties now apply to a number of general licence obligations that were previously not subject to penalty. These obligations include the obligation to act honestly, efficiently and fairly, the obligation to ensure customers are not disadvantaged by conflicts of interest, and obligations in relation to training, compliance arrangements and adequate resourcing; and
- ASIC has adopted a "why not litigate" stance, which promotes the consideration of the prosecution and assessment of penalties through court action, as opposed to private settlement, and has been commencing proceedings in relation to some matters which have been on foot for extended periods (and have since been subject to remediation).

These developments may increase Latitude's exposure to civil penalties for non-compliance with licences which may adversely impact Latitude's reputation and financial condition.

5.2.1.6 Regulatory change

There are a number of recent regulatory changes or public announcements on regulator expectations which have been made which may impact Latitude's business, where the consequences of these changes for Latitude's business may not yet be fully known or realised. There are also a number of legislative initiatives and regulatory reviews which have recently been completed or are underway in Australia and New Zealand which may lead to legislative changes impacting Latitude's business. These include:

- **Responsible lending:** Potential changes to the responsible lending regimes in both Australia and New Zealand, mentioned in Section 5.2.1.2;
- **Recommendations of the Banking Royal Commission:** Various initiatives related to recommendations arising from the Banking Royal Commission remain under consideration. In addition to those related to insurance discussed in Section 5.2.1.3, these include:
  - **The abolition of the POS exemption:** The Australian Government has indicated that it accepts this recommendation; however, it seems that implementation has been delayed because of COVID-19 and the government's plans are currently unclear. In particular, it is not yet clear precisely what form the implementation of this recommendation will take, whether the POS exemption will be retained in part, and when the reform

will be enacted or come into force. It is also not clear if the related exemption for co-branded credit cards (which Latitude also uses) will be affected. These exemptions facilitate the sale of Latitude's products at the stores of its merchant partners without the need for those merchant partners to be licensed. If these exemptions are cancelled or restricted, the manner in which, and the cost at which, Latitude distributes its products could be negatively impacted. While Latitude is exploring a number of options to mitigate the impact of any change, until the precise form of the reform or abolition of the POS exemption is confirmed, the impact of any change remains uncertain; and

- **Development of FAR:** This would extend the existing Banking Executive Accountability Regime to APRA regulated insurers and potentially other licence holders. This will impact Hallmark Insurance and might also impact Latitude. Work has commenced to prepare Hallmark Insurance for the new regime; however, there is uncertainty about the manner in which FAR will be implemented for non-authorised deposit-taking institution, and until the final form of FAR is known, there remains uncertainty about its impact on Latitude. The Australian Government consulted on legislation in early 2020 but the current timetable is not known.

There is also a reasonable likelihood that the New Zealand Commerce Commission will take the lead from the recommendations of the Banking Royal Commission to effectively align New Zealand laws and required practices with those in Australia over time;

- **Product design and distribution obligations:** The Corporations Act has recently been amended to introduce design and distribution obligations for issuers and distributors of financial products. These obligations are described in Section 2.5.2. These will apply to Latitude's regulated and unregulated credit products and to Hallmark Insurance products. These requirements have been deferred because of COVID-19 and will commence in October 2021. ASIC appears to expect that these obligations will involve a high degree of continuous monitoring and adjustment of sales practices and product terms, as discussed in Section 5.2.1.4;
- **Product intervention power:** ASIC now has a product intervention power to make specific new regulations for specific products as described in Section 2.5.2. This allows ASIC considerable power to introduce new regulations for specific credit and insurance products;
- **Breach reporting:** The *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* (Cth) has increased breach reporting obligations for financial services, and has introduced breach reporting obligations for consumer credit, together with statutory obligations to carry out remediation for both. While these obligations will not directly affect the nature or distribution of Latitude's products, they will increase regulatory focus on possible breaches;
- **New Zealand CCCFA:** In late 2019, the CCCFA was amended under the *Credit Contracts Legislation Amendment Act 2019* (NZ). New regulations have also been promulgated regarding advertising, variation disclosure, debt collection disclosure, responsible lending and disclosure of dispute resolution schemes and financial mentoring services. In addition to the enhanced safeguards in respect of responsible lending, the legislative changes introduced other wide-ranging amendments including new due diligence, record-keeping and other administrative obligations. These changes will take effect from October 2021; and
- **Privacy:** The Australian Attorney-General is conducting a review of the *Privacy Act 1988* (Cth). The review is still in an early stage, and a discussion paper is scheduled to be released early in 2021 seeking feedback on possible reforms. It is anticipated that the review may result in significant reforms, including changes to how and when consents must be obtained and an expanded definition of "personal information". In late 2020, the *New Zealand Privacy Act 1993* (NZ) was repealed and replaced by the *Privacy Act 2020* (NZ). One of the key changes under the *Privacy Act 2020* (NZ) was the introduction of an obligation to report privacy breaches to the Office of the Privacy Commissioner and to the affected individuals. The reporting regime is closely aligned with the equivalent reporting framework in Australia. Latitude holds a significant amount of personal information about its customers.

As is evident from the above, the legislative and regulatory environment in which Latitude operates is subject to change, which may impact Latitude's business model. Even when changes are unlikely to significantly impact Latitude's business model, where regulatory standards are adopted in Australia and New Zealand which are more stringent than those which Latitude's systems are currently designed to comply with, then this could lead to additional costs and negatively impact Latitude's financial performance. Each of the above initiatives has, either in themselves or through their potential consequences or effects, the potential to adversely affect Latitude's business in Australia and New Zealand.

Further, while Latitude keeps abreast of potential and actual changes to the legislative and regulatory environment, and engages with various regulators and government stakeholders, Latitude cannot predict what legislative or regulatory changes may be made in the future or the impact of future legislative or regulatory change on its business, particularly in circumstances where the financial services industry in Australia and New Zealand is under enhanced scrutiny following the Banking Royal Commission. If, for example, there are changes to the regulatory environment, such changes could necessitate Latitude ceasing to provide certain of its current suite of products or necessitate changes to Latitude's processes or procedures, and the take-up of Latitude's products could decline. Moreover, additional and increasingly complex new regulation may increase the cost of compliance (and the risk of non-compliance) for Latitude or compel Latitude to prioritise the implementation of systems or processes for compliance reasons, thereby delaying or impeding the implementation of other customer oriented or revenue generating initiatives. Pricing changes could also be necessary due to regulatory changes.

5.2.2 Impact of COVID-19

Events related to COVID-19 resulted in economic and financial disruption in the principal markets in which Latitude operates which, in turn impacted aspects of Latitude's operations during FY20 (refer to Section 4.6.4). The effects of COVID-19 may continue to impact Latitude's business in the future; however, the extent of these effects will depend on future developments, which cannot be predicted.

There is continued uncertainty as to the ongoing and future response of governments and authorities globally as well as existing and continued risk of disruption to domestic and global supply chains which may impact Latitude and its merchant partners and the likelihood of an Australian and New Zealand economic downturn of unknown duration or severity. There is also an ongoing risk that the economic consequences of COVID-19 may become more severe across the economy, leading to a more widespread downturn in economic and business activity. Even after COVID-19 subsides, the Australian and New Zealand economies, as well as most other major economies, may continue to experience a recession and unemployment may rise further. A prolonged recession may potentially negatively impact lending volume and balances, debt servicing levels and consumer spending levels, may increase customer defaults and may adversely impact Latitude's financial performance and position.

The Federal and state governments in Australia, and the New Zealand Government, have announced welfare and economic support and stimulus packages in response to COVID-19 aimed at reducing the severity of the social and economic impact on the population. The extent to which these packages may mitigate and/or defer the economic impact, including any credit losses Latitude may incur, is uncertain. There is also a risk that these packages (or any reforms and measures introduced as the packages are unwound) will create longer-term risks to the economy. This may also negatively impact consumer sentiment and may reduce demand for Latitude's products and services.

5.2.3 COVID-19 Australian and New Zealand government travel and other restrictions

The Federal and state governments in Australia, and the New Zealand Government, have from time to time imposed various measures to control the spread of COVID-19, such as social-distancing, public gathering restrictions, lockdowns, business closures and travel and trade restrictions (including border restrictions). The measures that have been introduced, and which may be further extended, have had, and may continue to have, a significant impact on economic and business activity. Certain sectors of the Australian and New Zealand economies, including discretionary retail, hospitality, air travel, and tourism (both domestic and international), have experienced, and are expected to continue to experience, disproportionately significant financial stress.

There is a risk that Latitude's business may be impacted by the measures imposed by the Australian and New Zealand governments; however, it is not possible to predict the impact (or the magnitude of such impact) of these trends on Latitude's business.

5.2.4 Information technology

5.2.4.1 Reliance on technology

The financial services industry as a whole relies heavily on information technology and Latitude's ability to provide reliable services, pricing and accurate and timely reporting for its customers is dependent upon the ongoing performance of its information systems, software and telecommunications equipment which include specialised and proprietary software systems, third-party suppliers (including of software), IT infrastructure and back-end data processing systems. Latitude's technology platform may be disrupted, become outdated or cease to function efficiently for both Latitude and its customers. Latitude currently has legacy platforms which carry a risk of sub-optimal function or system failure. This, in turn, places a high degree of importance on Latitude's disaster recovery capability which at this stage is still developing.

The risk of disruption to Latitude's business activities, due to the failure of aged technology platforms and assets resulting in an inability to obtain support to restore platforms or to obtain hardware that enables one or more business functions to operate, is being focused on. This also includes addressing incomplete and untested disaster recovery capability for critical customer and revenue generating platforms. The failure to upgrade those platforms or obtain support to restore them could adversely affect Latitude's operations and financial performance.

Latitude has completed multiple material technology initiatives and upgrades and has a programme in respect of future material systems changes. The implementation of such technology changes and upgrades has caused, and may continue to cause, interruptions, transaction processing errors and system conversion delays, all of which could have an adverse effect on Latitude's business.

Latitude's core technologies and other systems also face risks including damage or interruption from systems failures, computer viruses, cyber-attacks and data theft (as to which, refer to Section 5.2.4.3) and other events.

Any systemic failure, cybersecurity breach or sustained disruption to the effective operation of Latitude's technology platform could damage Latitude's reputation and its ability to generate new business or retain existing business, and directly impair Latitude's ability to comply with its regulatory and contractual obligations, assess credit risk and undertake collection management and maintain its operations and customer service levels. It could also necessitate increased expenditure on technology or generally across the business. These risks are particularly acute during times of material system change, which Latitude continues to address (having made considerable progress over the last three years).

To the extent that Latitude utilises software and other information technology under contract with third-party suppliers, the use of such software is also subject to the additional risks described in Section 5.2.13.

5.2.4.2 New technologies and business processes

Latitude expects that new technologies and business processes applicable to the financial services industry will continue to emerge, and these new technologies and business processes may be better than those Latitude currently uses. Latitude's future success will depend, in part, on the effective use of technology to increase efficiency and to enable Latitude to better serve customers and reduce costs. The pace of technological change is high, and the financial services industry is intensely competitive. To manage this risk, a key focus of Latitude's strategy is substantial investment in enhancing its technology and digital platforms and tools to improve its products and customer experience, and lower its costs. Oversight of the execution of this strategy is and will receive significant focus of Latitude's resources.

Despite this, there is no guarantee that return on investment will meet expectations and Latitude cannot be sure that it will be able to sustain its investment in new technology as critical systems and applications become obsolete and better ones become available. A failure to maintain current technology and business processes could also cause disruptions in Latitude's operations or cause Latitude's products and services to be less competitive. A failure of Latitude to achieve scale in its new technology could also lead to a failure to achieve Latitude's overall strategic objective (see further in Section 5.2.6).

In addition, the business of providing products and services through digital mechanisms is dynamic and highly competitive. Latitude must keep pace with rapid technological change, consumer use habits, internet security risks, risks of system failure or inadequacy, and governmental regulation and taxation, and each of these factors, if not appropriately addressed, could adversely impact Latitude's business model.

5.2.4.3 Cybersecurity

In the normal course of business, Latitude collects, processes and retains personal, sensitive and confidential information regarding its partners and its customers. Latitude also has arrangements in place with its partners and other third parties through which it shares and receives information about their customers who are, or may become, Latitude's customers.

Latitude devotes significant resources and management focus to ensuring the integrity of its systems through information security and business continuity programmes. Notwithstanding this, Latitude's facilities and systems, and those of its partners and third-party service providers, are subject to the risk of external or internal security breaches, cyber-attacks, data theft, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, or other similar events. It is possible that the measures taken by Latitude (including firewalls, encryption of client data, privacy policy, and policies to restrict access to data to authorised employees) will not be sufficient to detect or prevent unauthorised access to, or disclosure of, personal or confidential information, whether malicious or inadvertent.

While Latitude maintains insurance policies in respect of such risks, cyber-attacks and other security breach events could interrupt Latitude's business or operations, result in significant legal and financial exposure and loss of intellectual property and confidential information, cause breaches of Latitude's obligations under applicable laws and regulatory standards (e.g. data privacy laws, APRA Prudential Standard CPS 234 Information Security) or client agreements, or lead to supervisory liability or a loss of confidence in the security of Latitude's systems, products and services which may, in turn, have an adverse impact on Latitude's reputation.

5.2.5 Changing consumer preferences and competitive threats

The industry in which Latitude operates is subject to changing consumer trends, demands and preferences. Responding to new market trends can require significant investment. A failure by Latitude to anticipate, identify and react to these changes in a timely manner could lead to reduced demand and price reductions for Latitude's products.

In this respect, there has been an increased preference of customers for debit over credit products and a decline in demand for unsecured personal lending and a growing preference for online vs in-store transactions. It is therefore key that Latitude focuses on developing new, and enhancing existing, products to provide an attractive payments offering to its existing and new merchants, as well as customers. An example is the recent launch of LatitudePay, which is a payment product that will be made available to existing, as well as new, merchant partners. Latitude is also focusing significant resources on enhancing the digitally enabled customer experience for its new and existing products. However, there is no certainty that these initiatives will be successful in achieving their goals. Accordingly, should the trend away from credit to debit and other payment products increase exponentially or faster than Latitude anticipates, there could be adverse or positive impacts on Latitude's business and financial performance.

In addition, the financial services industry is subject to rapid and significant changes in technologies, products and services, including continually changing ways for merchants and consumers to obtain access to credit and make and process payments. A key part of Latitude's continuing financial success will depend on its ability to develop and commercialise new products and services or enhancements to existing products and services. Latitude's ability to develop, acquire or commercialise competitive technologies, products or services on acceptable terms or at all may also be limited by intellectual property rights that third parties, including competitors and potential competitors, may assert. In addition, success is dependent on factors such as partner and customer acceptance, adoption and usage, competition, effectiveness of marketing programmes, availability of appropriate technologies and business processes and regulatory approvals, none of which can be guaranteed. Further, because Latitude's products and services typically are marketed through merchant partners, if merchant partners are unwilling or unable to effectively implement Latitude's new technologies, products, services or enhancements, Latitude may be unable to grow its business. Latitude's failure to successfully develop and commercialise new or improved products, services or enhancements, including new ways for customers to obtain access to credit and make and process payments, could have an adverse effect on its business and results of operations.

Latitude's industry is competitive. Actions by existing competitors or new entrants to the market could result in reductions in Latitude's lending volumes, reduced margins and/or loss of market share. The entry of new external providers of consumer finance or payments technology into the Australian or New Zealand market, or the introduction of new credit or payment products or more aggressive credit, premium rates or other competitive behaviour by competitors has increased and could potentially further increase competition in the industry, which may result in Latitude having to reduce its rates, see its market share decrease and/or have an adverse impact on Latitude's profitability or financial condition.

5.2.6 Execution risk on initiatives and strategies

There is no guarantee that any of Latitude's growth initiatives will be successfully implemented or that Latitude will deliver the expected returns arising from those initiatives. Latitude has implemented a number of significant initiatives designed to improve Latitude's risk management systems, enhance its services and new products provided to customers, and improve the efficiency of its business, including investing in technology to achieve its strategic objectives, meet changing customer expectations and respond to competitive pressures.

There is a risk that the benefits of any initiatives currently being pursued may be subject to unexpected delays, that costs may overrun or that the initiatives, such as new product launches or potential acquisitions, may not generate the financial returns that are intended or that the failure to adequately execute these changes, particularly in an environment of intense change across Latitude's business, may increase operational and compliance risks or adversely impact customers.

Latitude will also continue to consider, and may pursue, options with respect to inorganic growth, including by way of potential acquisitions by Latitude of other businesses. Genoapay in New Zealand is a recent example of a business that Latitude has acquired with the aim of facilitating growth for Latitude. However, there is no certainty that any future acquisitions will be successful or will not expose Latitude's business to additional risk.

5.2.7 Macroeconomic conditions

Macroeconomic factors such as unemployment, underemployment, interest rates, lack of income growth, the amount of consumer spending, business investment, government spending, government policy, the volatility and strength of the global and Australian and New Zealand capital markets, currency value, exchange rates and inflation (particularly of essential items) all affect the business and economic environment and, ultimately, the volume and profitability of Latitude's business.

Global factors such as the impacts of COVID-19, slowing global growth and recessionary concerns, and capital market volatility, all have the potential to lead to extended periods of economic uncertainty and volatility in financial markets.

Given the concentration of Latitude's business in Australia and New Zealand, it is particularly exposed to changes in macroeconomic conditions in those countries. Further, while interest rates are expected to stay low in the short to medium term, in the event of higher interest rates or inflation, or deterioration in Australian and New Zealand economic conditions resulting from the impacts of COVID-19 or otherwise, this may increase the likelihood that borrowers will become unemployed or have insufficient income to pay their debts. It may also decrease underlying consumer spending that drives demand for Latitude's products. Further, consumer confidence and spending may not necessarily correspond with levels of unemployment or inflation, as consumer confidence and spending has waned even in the absence of such conditions against the backdrop of COVID-19 and the associated global uncertainty and slowdown. Furthermore, changes or extensions to government stimulus in a response to the economic and social impacts from COVID-19 may affect the repayment rates of customers, impacting Latitude's receivables growth, operating income and NPAT.

Likewise, as noted in Section 5.2.8, if interest rates in respect of Latitude's funding were to rise – and, in particular, if they were to rise materially over a sustained period of time – and if Latitude were unable to raise its interest rates, merchant service fees or other customer fees in a sufficient and timely manner, or at all, Latitude's operating income and NPAT could be adversely impacted.

5.2.8 Access to, and cost of, funding

Latitude's funding platform currently comprises a mix of Warehouse Facilities, Term Securitisations, corporate debt facilities and cash deposits. As noted in Section 3.8.1, Latitude depends on these sources to fund originations and for the funding of receivables and therefore may face funding risks. As detailed below, a loss of, or adverse impact on or in relation to, one or more of Latitude's funding sources (including the terms of such a funding arrangement), without access to alternative funding sources on comparable terms, could limit Latitude's ability to write new business or to write business on favourable terms, or to refinance expiring Warehouse Facilities and other facilities or meet additional requirements of capital to grow its business and invest in new product lines.

5.2.8.1 Warehouse Facilities and Term Securitisations

There is a risk that a default or other event under Latitude's Warehouse Facilities and Term Securitisations may impact the profitability, financial position and prospects of Latitude. A default or other event may arise from Latitude's breach of its servicing or management obligations or representations that Latitude gives in connection with the origination of assets (such as in relation to Latitude's compliance with its responsible lending obligations and other laws). These may also arise from factors outside Latitude's control, such as a deterioration in the credit quality or performance of the pool of loans funded under the relevant Warehouse Facility or Term Securitisation.

If a condition precedent to funding under a Warehouse Facility is not satisfied, Latitude may be unable to draw on the Warehouse Facility to fund the origination of new loans. A more serious event in a Warehouse Facility or Term Securitisation may cause an amortisation event or an event of default. Under an amortisation event or an event of default, the obligation of lenders to provide any further funding is terminated, the interest rates accruing on the notes may increase and there will be no residual income available to Latitude from the trust until senior ranking debtors are repaid or the event is remedied. Depending on the trigger event, senior financers may also have the option to replace Latitude as servicer and manager and may enforce their security over and sell the pool of loans held by the relevant funding vehicle.

There is a risk that Latitude is not able to renew a Warehouse Facility when it is due for renewal. If the Warehouse Facilities are not renewed, and Warehouse Facilities do not continue on, or are not renewed on, terms as favourable to Latitude as the current terms, this could materially impact Latitude's ability to fund new loans.

There is a risk that Latitude may be restricted from refinancing an existing Warehouse Facility through a Term Securitisation because it is unable to obtain the consent of the Warehouse Facility lenders (which will be required if various performance tests in the Warehouse Facility are not satisfied) and/or because of general market conditions in the capital markets.

There is a risk that, although the recourse of the financiers to Warehouse Facilities and Term Securitisations is typically limited to the pool of assets backing that facility, Latitude may be exposed to losses incurred by financiers where those losses are due to breaches by Latitude of representations made with respect to those assets, breaches of obligations by Latitude under the transactions or limited indemnities relating to certain events.

Latitude may also suffer losses incurred on subordinated facilities that it provides to Warehouse Facilities and Term Securitisations if there are losses incurred on the funded assets or associated with the repurchase of underperforming assets from certain Warehouse Facilities and Term Securitisations. If certain performance triggers occur under the Warehouse Facilities, Latitude may be required to provide additional subordinated funding. Latitude may also decide to repurchase underperforming assets or to provide additional subordinated funding, each using unrestricted cash or cash equivalents, to mitigate the risk of such a performance trigger being breached. This could adversely impact Latitude's financial performance.

If the performance of a Warehouse Facility or Term Securitisation deteriorates, it is possible that a rating by a credit rating agency may be downgraded or withdrawn. This may have an impact on the pricing of future Latitude funding transactions and negatively impact on the willingness of financiers to extend Warehouse Facilities or participate in new funding transactions.

Latitude's business is heavily reliant on securitised funding, and if a major disruption occurs in the capital markets or if financial institutions become less willing or unable to provide Warehouse Facilities, Latitude may experience difficulties financing its business. Latitude's business may also be similarly impacted by a fall in demand for its Term Securitisations.

5.2.8.2 Corporate debt facilities

There is a risk that, due to an event of default or a review event, Latitude's corporate debt providers may either demand repayment of or cancel the facility provided by them, fail to renew their facility following its maturity, or renew the facility only in part or on less favourable terms.

As a result, Latitude is subject to a risk that it may be unable to refinance its corporate debt facility upon acceleration or maturity, or may be unable to do so on as favourable terms, and consequently may face greater funding costs or be unable to obtain sufficient facilities to fund its growth activities.

5.2.8.3 Increased cost of funding

Latitude earns interest income and associated revenue from providing gross loan receivables (e.g. interest income from customers, merchant services fees received from respective retailers, and other fixed rate fees), offset by funding costs relating to the funding of those receivables through its Warehouse Facilities and Term Securitisations. Latitude, other than for personal and motor loans, does not generally enter into interest rate hedges to protect itself against increases in interest rates. If wholesale market interest rates rise, then Latitude's cost of borrowing will similarly rise. Latitude may be exposed to increased funding costs (including as a result of interest rate rises) on its existing or new Warehouse Facilities or Term Securitisations as part of the renewal process or increased wholesale interest rates which may not be able to be immediately passed on to existing customers or merchant partners.

Compared to historical averages, current base interest rates across Australia and New Zealand are low. There is a risk that in a rising interest rate environment, or if credit market volatility returns creating a widening margin between the cash rate and wholesale market rates, Latitude will be exposed to increasing funding costs and the ability of Latitude to pass on any interest rate or other margin increases on its Warehouse Facilities to existing customers or merchant partners may be impacted by factors such as:

- The nature of Latitude's Instalments product, which provides periods of interest free lending to customers, that result in Latitude being unable to pass on any increase in funding costs for the duration of the interest free period for that portion of the loan;
- Competitive pressures preventing Latitude increasing headline pricing on core products;
- Political pressures on other market participants to absorb increased funding costs; and
- The inability to renegotiate higher merchant fees from key merchant partnership agreements.

Any material increases in market funding costs and an inability to pass these increased costs on to customers and merchants may have a material impact on Latitude's future funding costs, adversely affecting Latitude's financial performance, net earnings and/or new sales volumes.

5.2.9 Risk management

Latitude's risk management processes and procedures seek to appropriately balance risk and return and mitigate risks. Latitude has established processes and procedures intended to identify, measure, monitor and control the types of risk to which Latitude is subject, including strategic, financial market, insurance, credit, liquidity, compliance, HR resourcing (quality and quantity), workplace, health and safety, information security and cybersecurity, business disruption, processing errors, conduct and product development risk. There may also be risks that exist, or that develop in the future, that Latitude has not appropriately anticipated, identified or mitigated including when processes are changed, or new products and services are introduced. If Latitude's risk management framework does not effectively identify and control these risks, Latitude could suffer unexpected losses or be adversely affected.

5.2.9.1 Operations and conduct

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events which affect Latitude's business. Latitude is exposed to operational risks including process error, internal and external fraud, system failure, failure of communications technology and failure of security and physical protection systems. Latitude also faces conduct risk – being the risk to the delivery of fair customer outcomes, or to market integrity. Loss from operational risk events could adversely affect Latitude's financial results, as well as divert staff away from their core roles to remediation activity. Such losses could include fines, penalties, loss or theft of funds or assets, legal costs, customer compensation, loss of shareholder value, reputational loss, loss of life or injury to people, and loss of property and/or information. Latitude has had to, and will need to continue to, manage backlogs, enhancements, remediation and platforms shifts which, in certain cases, could adversely impact Latitude's business.

Latitude's operational and conduct risks also include its reliance on salespeople – who in some cases are employees of Latitude's merchant partners (or broker partners) and not Latitude – to comply with Latitude's operational systems and processes when offering its products. There is a risk of failure (accidental or intentional) by salespeople (either Latitude employees or the employees of Latitude's merchant or broker partners) to comply with Latitude's operational systems and processes. Non-compliance with proper systems and processes may expose Latitude to operational risks including process error and system failure, and regulatory non-compliance, and may result in loss or damage to Latitude. The potential impact of these risks could be increased to the extent certain aspects of Latitude's growth strategy involves expansion through new merchant and broker partnerships.

Latitude provides training and support to salespeople of its merchant and broker partners to act according to Latitude's processes and is strengthening the training content, allocation and monitoring of completion of training by salespeople. Further, Latitude has recently implemented enhancements to controls required of its merchant and broker partners (in Australia) and monitoring of these controls. Latitude continues to assess and develop additional ways of training for and monitoring the sales practices of its merchant or broker partners. However, while Latitude has sales monitoring controls in place, it has no direct supervisory control over salespeople employed by merchant or broker partners and there is a risk of inappropriate conduct leading to adverse financial, customer and/or reputation impacts.

It is also possible that Latitude could be exposed to reputational risk in connection with the business conduct of third-party services providers (including IT service providers and providers of operational and business process support). They may not comply with Latitude's processes and procedures and/or the terms of the distribution or contractual agreements in place with Latitude. The use of such services or products under contract is subject to other risks described in Section 5.2.13, including failure on the part of the service provider to adequately provide the service in accordance with its terms or to Latitude's requirements.

5.2.9.2 Credit

Latitude is exposed to its customers' ability and willingness to meet their payment obligations during the term of their contracts. Customer default may be caused by changes to a customer's personal circumstances (e.g. loss of employment) or as the result of a macroeconomic event. COVID-19 has led to increased unemployment, business failure and insolvency, and deteriorating household income throughout Australia, New Zealand and worldwide. As a result, Latitude could experience increased levels of customer default and bad debts, including following the cessation of government welfare and economic support and stimulus packages. Latitude's business model recognises that a certain proportion of its customers will default on their payments, and Latitude has systems in place to monitor credit risk and likelihood of default, as well as collections processes. Latitude also has responsible lending obligations, which are discussed in Section 5.2.1.2. However, the level of defaults could be higher than that assumed by Latitude or experienced by Latitude historically, or could result from agreed remediation outcomes arising from regulatory investigations. If Latitude's exposure to credit loss as a result of Latitude's customers failing to repay their obligations to Latitude is higher than expected, it will have a material adverse effect on Latitude's profitability.

In addition, Latitude must maintain an allowance for loan losses compliant with the IFRS 9 (a reserve established through a provision for losses charged to expense) that Latitude believes is appropriate to provide for expected losses in its loan portfolio. Latitude may underestimate its future expected losses and fail to maintain an allowance for loan losses sufficient to account for these losses.

There is no guarantee that Latitude's credit underwriting and risk management strategies will enable it to avoid high charge off levels or delinquencies relative to those experienced historically, that charge off levels will not rise above Latitude's expectations or that Latitude's allowance for loan losses will be sufficient to cover actual losses.

5.2.9.3 Fraud

Latitude is exposed to the risk that customers, employees, partners, individual borrowers and other third parties may seek to commit fraud against Latitude or in connection with the products and services that Latitude provides. Fraudulent behaviours could include individual borrowers or other parties conspiring to misrepresent their ability to service loans, overstating the value of their collateral, or undertaking identity theft in order to obtain loans.

Latitude's products may be susceptible to application fraud because, among other things, it provides immediate access to the credit line at the time of approval for some product lines. Latitude's business is also subject to the risk of transaction fraud, for example where those in possession of stolen or falsified credit cards or compromised card information attempt to transact.

Latitude may continue to experience variations in, or levels of, fraud-related expense that are different to or higher than experienced by Latitude in the past, or to that experienced by Latitude's competitors or the industry generally.

Latitude relies on its systems and processes, as well as certain external providers and processes, to identify fraud and minimise its impact should it occur. Failure of these controls and the subsequent underwriting of fraudulent loans could result in damage to Latitude's reputation or standing with funding providers or impact Latitude's ability to attract new customers. Further, increased fraud beyond historic levels may have an adverse impact on the financial performance and prospects of Latitude.

5.2.9.4 Reliance on models

Latitude relies extensively on models in managing many aspects of its business, including stress testing, forecasting, cash flow, customer selection, credit and other risk management, pricing and collections management.

Models may prove in practice to be less predictive than Latitude expects for a variety of reasons, including as a result of errors in constructing, interpreting or using the models or the use of inaccurate assumptions (including failures to update assumptions appropriately or in a timely manner) or in the case of credit scorecards a shift in the profile of new applicants. Latitude's assumptions may be inaccurate for many reasons, including that they often involve matters that are inherently difficult to predict and beyond Latitude's control (e.g. macroeconomic conditions and their impact on partner and customer behaviours) or due to system or control errors. The errors or inaccuracies in Latitude's models may be material, and could lead Latitude to make wrong or sub-optimal decisions in managing Latitude's business.

5.2.10 Reliance on commercial partnerships

Latitude distributes its products through a number of channels and intermediaries, including merchant partners for its payments and Instalments products and brokers and white-label arrangements for its credit card and personal loan products. As a result, Latitude's future financial performance, prospects and financial condition depend in part on its ability to retain existing commercial partners, and attract new commercial partners, on acceptable terms.

In particular, Latitude is dependent on merchants and other commercial partners as a key origination channel for new Instalments product customers who are acquired through the offer of merchant partner products on an interest free basis at the retail POS and online. Given the nature of the Australian retail landscape, there are a number of merchant partners who are important distribution channels for Latitude. Customer interest free volume generated from Latitude's top three merchant partners collectively accounted for approximately 21% of Latitude's total sales volume in FY20.

Latitude's financial performance, reputation and prospects depend, in part, on the operational and financial strength and integrity of these merchant partners. Accordingly, new entrants to, or new trends impacting the markets of Latitude's merchant partners (including as a result of Federal or state government-mandated restrictions that may be imposed from time to time in response to COVID-19), could result in reductions in the number of financing transactions such merchant partners facilitate, resulting in reduced margins and/or loss of market share for Latitude. Further, as a linked credit provider of its merchant partner, Latitude could suffer financial and/or reputational damage due to the failure of its merchant partners to deliver on their customer undertakings.

The terms of the distribution agreements with each of its merchants and other commercial partners vary, and there is no guarantee that Latitude will be able to negotiate new distribution agreements with any of its current merchants or other commercial partners on terms acceptable to Latitude upon expiry of those terms. If one or more merchants or other commercial partners were to terminate their agreements for any reason, if their agreements were renewed on terms less favourable to Latitude, or if one or more merchants or other commercial partners were to default on their agreement, become insolvent, lose market share or cease to sell or broker products financed by Latitude (reducing the Latitude distribution network), Latitude's financial performance, prospects and financial condition could be adversely impacted. If Latitude fails to retain a number of its existing merchants or other commercial partner relationships, this could have a material adverse effect on Latitude's results of operations (including growth rates) and financial condition to the extent that Latitude does not acquire new merchants or other commercial partners of similar size and profitability or otherwise grow Latitude's business.

Latitude's ability to retain existing and attract new merchants and other commercial partners ultimately depends on Latitude's ability to offer attractive products which merchants, brokers and white-label partners consider appropriate to the needs and preferences of their own customers. Latitude's ability to attract new merchants and other commercial partners will therefore be dependent on its ability to keep pace with changes in the financial services and retail industries, competition and end-consumer preferences as discussed further at Section 5.2.5.

5.2.11 Brands and reputation

Latitude's business relies, to a large extent, on relationships and its reputation to attract and retain customers and merchants and other commercial partners. Maintaining the Latitude brand is important to attracting and expanding Latitude's customer base, solidifying Latitude's business relationships and reputation and implementing Latitude's business strategy. Risks relating to legal and regulatory requirements, compliance matters, responsible lending and sales practices, potential conflicts of interest, litigation, privacy laws, cybersecurity and ethical issues may cause harm to Latitude's reputation. Any adverse perception of Latitude's reputation or image (or of others engaged in a similar business or activities) on the part of customers, partners, funding providers, rating agencies, regulators, investors and other counterparties, whether or not accurate, could adversely affect Latitude's business, operating and financial performance, and financial condition.

5.2.12 Recruitment and retention of key employees

Latitude's successful operation relies on its ability to attract and retain experienced and high-performing employees with specialist skills (including, in particular, a highly experienced team of senior managers and executives). There is a risk that a failure to retain certain senior management and executives or other employees could lead to the loss of, or a change in the conditions attached to, Latitude's AFSLs. Failure to appropriately recruit and retain senior management and executives may adversely affect Latitude's ability to develop and implement its business strategies and result in a material increase in the costs of obtaining experienced senior management and executives and the potential irreplaceable loss of important subject matter expertise and knowledge unique to Latitude.

Latitude is also reliant on attracting and retaining its workforce of skilled information technology and digital specialists. If Latitude does not attract and retain personnel with such skills, this may impact on its ability to achieve its strategic goals.

5.2.13 Reliance on supplier contracts and other agreements

There are a number of risks associated with Latitude's existing contracts and agreements (outside the distribution agreements with its merchants and other commercial partners described above), including those related to key information technology contracts with third-party suppliers. There is a risk that Latitude's existing contracts may be terminated, lost or impaired or renewed on less favourable terms. Some of Latitude's contracts can be terminated without cause or on short notice periods (depending on the termination event or circumstances), and although the relevant parties may continue to operate on existing commercial terms, a number of Latitude's existing contracts (including key outsourcing contracts) have expired or will shortly expire.

A number of Latitude's contracts contain change of control provisions which may be triggered by the Listing. In the event that a consent requirement is triggered and a change of control consent is not obtained from the relevant counterparty, there is a risk that the contract could be terminated.

Further, Latitude is exposed to the risk that one or more of its third-party suppliers (including broker partners, IT service providers and providers of operational and business process support) may have failures in or interruptions to their operational processes and controls, default on their agreement with Latitude, become insolvent, lose market share or otherwise cease to be able to provide products or services to Latitude at its previous standards or in accordance with Latitude's performance requirements.

Additionally, Latitude is subject to a number of ongoing contractual obligations to counterparties, including obligations to make certain payments and to comply with certain regulatory (including industry) requirements, which the failure to comply with may lead, in certain circumstances, to termination of the relevant agreement. Latitude is also subject to various levels of potential liability under indemnity provisions in a number of its contracts and agreements. There is a risk that agreements may be terminated, or Latitude may be unable to meet its existing obligations or unable to adequately fund its exposure to damages or compensation owed to an indemnified party.

5.2.14 Impairment of intangible assets

As a result of the acquisition of what is now the Latitude business from GE in 2015, Latitude has a substantial value of acquisition-related intangible assets on its balance sheet relating to goodwill and identifiable intangible assets in addition to other identifiable intangible assets. Under accounting standards, goodwill and intangible assets must be tested annually for impairment.

Identifiable intangible assets are amortised and assessed for any indicator of impairment in each reporting period. Impairment of goodwill will result from a permanent diminution in value indicated by a decrease in cash flows below the level that supports the value of the asset. Impairment of identifiable intangible assets will be made if any indicators of impairment are present. This may be caused by a range of factors, including a failure to achieve expected profit growth, higher than expected expenses, loss of customers, loss of key employees, or the impact of unforeseen events. In the event that the value of any of Latitude's intangible assets is found to be impaired to a level below its carrying value, Latitude would need to write down the value of the intangible asset. This would result in an expense in the statutory profit for Latitude in the period in which the intangible asset impairment is recognised.

5.2.15 Currency

Latitude's financial reports are prepared in Australian dollars. However, revenue, expenditure and cash flows, and assets and liabilities, from Latitude's New Zealand operations are denominated in New Zealand dollars. Latitude does not currently hedge exchange rate risk associated with New Zealand dollar earnings or assets. As a result, movements in the AUD/NZD exchange rate could affect Latitude's business, operating and financial performance.

5.2.16 Intellectual property

Competitors or other third parties may allege that Latitude, or consultants or other third parties retained or indemnified by Latitude, infringe on their intellectual property rights. Latitude also may face allegations that Latitude's employees have misappropriated intellectual property of their former employers or other third parties. Given the complex, rapidly changing and competitive technological and business environment in which Latitude operates, and the potential risks and uncertainties of intellectual property-related litigation, an assertion of an infringement claim against Latitude may cause it to spend significant amounts to defend the claim, pay significant money damages, lose significant revenues, be prohibited from using the relevant systems, processes, technologies or other intellectual property, cease offering certain products or services, or incur significant licence, royalty or technology development expenses. Even in instances where Latitude believes that claims and allegations of intellectual property infringement against Latitude are without merit, defending against such claims is time consuming and expensive and could result in the diversion of time and attention of Management and employees. In addition, although in some cases a third party may have agreed to indemnify Latitude for such costs, such indemnifying party may refuse or be unable to uphold its contractual obligations.

Moreover, Latitude relies on a variety of measures to protect Latitude's intellectual property, and confidential information, including its proprietary credit and fraud scoring models, which it uses for pricing loans. These include copyrights, trademarks, trade secrets and controls on access and distribution. These measures may not prevent misappropriation or infringement of Latitude's intellectual property or confidential and proprietary information and a resulting loss of competitive advantage, and in any event, Latitude may be required to litigate to protect Latitude's intellectual property and proprietary information from misappropriation or infringement by others, which is expensive, could cause a diversion of resources and may not be successful. Third parties may challenge, invalidate or circumvent Latitude's intellectual property, or Latitude's intellectual property may not be sufficient to provide Latitude with competitive advantages. Latitude's competitors or other third parties may independently design around or develop similar technology, or otherwise duplicate Latitude's services or products such that Latitude could not assert Latitude's intellectual property rights against them. In addition, Latitude's contractual arrangements may not effectively prevent disclosure of Latitude's intellectual property or confidential and proprietary information or provide an adequate remedy in the event of an unauthorised disclosure.

5.2.17 Interchange fees

Interchange fees are fees that merchants pay as part of the acquirer fees for the use of the open loop Scheme payments network infrastructure and acceptance. The fees are paid to the issuer to compensate them for the risk they bear in facilitating financial transactions.

Merchants, trying to decrease their operating expenses, have sought to, and have had some success at, lowering interchange fees. Several events in recent years (including the release of the Productivity Commission's report into Competition in the Australian Financial System in 2018) indicate a continuing increase in focus on interchange by both regulators and merchants.

Beyond pursuing litigation, legislation and regulation, merchants are also pursuing alternate payment platforms as a means to lower payment processing costs. To the extent that interchange fees are reduced or banned, one of Latitude's current competitive advantages with Latitude's merchant partners – that Latitude does not charge interchange fees when Latitude's Instalments products are used to purchase Latitude's merchant partners' goods and services – may be reduced. Latitude's income from those fees (earned on products other than its Instalments products) will also be lower (or cease). These factors could have an adverse impact on the profitability of Latitude's business.

5.2.18 Litigation

Latitude is not currently involved in any material litigation as a defendant and is not aware of any facts or circumstances that may give rise to any material litigation commenced against it. However, given the nature and scope of Latitude's activities and the wide range of parties it deals with, Latitude may be exposed to potential claims or litigation from third parties such as customers, regulators, employees and business associates, including merchant partners. In addition, to the extent that these risks are not covered by Latitude's insurance policies, litigation and the costs of responding to any threats of legal action or investigation may have an adverse impact on the financial performance or prospects of Latitude.

5.2.19 Selling Shareholder retaining a stake in Latitude post Listing

Following Completion of the Offer, the Selling Shareholder will hold approximately 66.4% of the Shares on issue, which will be subject to voluntary escrow arrangements as described in Section 9.8.

Both the size of the shareholding by the Selling Shareholder and the escrow arrangements are likely to cause or contribute to limited liquidity in the market for Shares. A significant sale of Shares by the Selling Shareholder, or the perception that such sale might occur, could impact the Share price. Alternatively, the absence of any sale of Shares by the Selling Shareholder in the period following the escrow period may impact liquidity in the market for the Shares. These factors combined could affect the prevailing market price at which Shareholders are able to sell their Shares.

In addition, the Selling Shareholder and the Company have entered into the Selling Shareholder Relationship Deed to govern the relationship between the Company and the Selling Shareholder. This agreement is described in Section 9.9.1 and provides certain rights to the Selling Shareholder in respect of the Company, including in respect of the nomination of Directors.

As a result of the size of its shareholding and its rights under the Selling Shareholder Relationship Deed, the Selling Shareholder (and, through it, the Existing Investors) may be in a position to exercise influence over matters requiring the approval of the Shareholders, including but not limited to the election of Directors and the approval of significant corporate activities (unless prevented from voting under the Corporations Act or ASX Listing Rules). The interests of the Selling Shareholder (and the Existing Investors) may differ from the interests of other Shareholders, and this may adversely affect the price of the Shares and other Shareholders.

5.2.20 Minority Investors retaining a stake in Latitude post Listing

Following the Listing, approximately 14.3% of the Shares on issue will be held by the Minority Investors pursuant to the Restructure. The Minority Investors consist of a range of investors.

Shares held by the Minority Investors will be able to be freely traded on the ASX. A significant sale of Shares by a material number of those Minority Investors, or the perception that such a sale might occur, could impact the Share price.

These factors combined could affect the prevailing market price at which Shareholders are able to sell their Shares.

5.3 General investment risks

5.3.1 Fluctuating price of Shares

Once Latitude becomes a publicly listed company on the ASX, it will become subject to the general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in the Share price that are not explained by the fundamental operations and activities of Latitude.

The price of Shares as quoted on the ASX may fluctuate due to a range of factors. These include the number of potential buyers or sellers of Shares on the ASX at any given time, fluctuations in the domestic and international market for listed stocks (and for financial services or insurance stocks in particular), interest rates, inflation rates, exchange rates, changes to government fiscal, monetary or regulatory policies, recommendations by brokers or analysts and the inclusion in or removal of Latitude from major market indices. The events relating to COVID-19 have recently resulted in decline in general economic conditions together with significant volatility to the market including the prices of shares trading on the ASX.

5.3.2 Illiquid trading in Shares

Prior to the Listing, there has been no public market for the Shares. Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase, particularly given the relatively limited nature and extent of the Listing. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that those Shareholders paid.

The Escrowed Shareholders will hold approximately 67.0% of the Shares following Completion, which may impact liquidity. Further details are set out in Sections 5.2.19 and 5.2.20.

5.3.3 Exposure to changes in tax rules or their interpretation

Tax laws in Australia and New Zealand are complex and are subject to change periodically, as is their interpretation by the courts and the tax revenue authorities. Significant reforms and current proposals for further reforms to Australia and New Zealand's tax laws, as well as new and evolving interpretations of existing laws, give rise to uncertainty.

The precise scope of many of the new and proposed tax laws is not yet known. Any change to the taxation of shares (including the taxation of dividends) and the taxation of companies (including the existing rate of company income tax) may adversely impact on Shareholder returns, as may a change to the tax payable by Shareholders in general. Any other changes to Australian tax law and practice that impact Latitude, or Latitude's industry generally, could also have an adverse effect on Shareholder returns.

Any past or future interpretation of the taxation laws by Latitude which is contrary to that of a revenue authority in Australia or New Zealand may give rise to additional tax payable. In order to minimise this risk, in areas of uncertainty, Latitude obtains external expert advice on the application of the tax laws to its operations (as applicable); however, there is no certainty that the interpretations of tax revenue authorities will accord with that advice.

5.3.4 Change to accounting standards or their interpretation

Australian Accounting Standards ('**AAS**') are issued by the AASB and are not within the control of Latitude and its Directors. Any changes to AAS or to the interpretation of AAS may have an adverse effect on the reported financial performance and position of Latitude or which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables.

Latitude implemented the AAS equivalent of IFRS 16 in 2019, which introduced the requirement, as a lessee, to recognise a lease liability and corresponding right-of-use asset on its balance sheet for all leases with a term of more than 12 months, unless the underlying asset is of low value. There is also a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ.

Changes to AAS issued by the AASB or changes to the commonly held views on the application of AAS could adversely affect the financial performance and position reported in Latitude's consolidated financial statements. In particular, AASB 17 Insurance Contracts, which is effective for Financial Years commencing on or after 1 January 2023. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The objective of AASB 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Latitude is currently assessing the impact of the new requirements on its insurance business.

5.3.5 Inability to make dividend distributions

Latitude's ability to pay dividends or make other distributions in the future is contingent on its solvency and profits.

Moreover, to the extent that Latitude pays any dividends, its ability to offer fully franked dividends is contingent on it making taxable profits. Latitude's taxable profits may be volatile, making the forecasting and payment of dividends difficult and unpredictable.

At Completion, Latitude will have a zero franking account balance but will generate franking credits as income tax is paid in Australia. Its ability to pay, and the extent of, franked dividends in the future will evolve as the franking credits are generated.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.3.6 Acquisitions and dilution

In the future, Latitude may elect to issue Shares or engage in fundraisings, or to fund, or raise proceeds, for acquisitions that Latitude may decide to make, whether in Australia, New Zealand or other jurisdictions, or for other strategic reasons both in its current or other markets. The successful implementation of acquisitions will depend on a range of factors including funding arrangements, cultural compatibility and operational integration. To the extent that any acquisitions are not successfully integrated with Latitude's existing business, the business, operating or financial performance of Latitude could be adversely affected.

Shareholder interests may be diluted, and Shareholders may experience a diminution in value of their equity, if Latitude issues Shares as consideration for acquisitions, if Latitude funds acquisitions through raising equity capital by placing Shares with new investors or if Latitude engages in fundraisings for any other reason, including the repayment of debt. While Latitude will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), Shareholder interests may be diluted as a result of such issues of Shares and fundraisings.

5.3.7 Force majeure events

Events may occur within or outside the economies in which Latitude operates that could impact upon those economies, the operations of Latitude and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Latitude's products and its ability to conduct business. Latitude has only a limited ability to insure against some of these risks.

5.3.8 Uncertainty of forward-looking information

Any forward-looking statements, opinions and estimates provided in this Prospectus are based on assumptions, some of which are set out in this Prospectus. Various factors, both known and unknown, may impact Latitude's performance and cause actual performance to vary significantly from what was expected. There can be no guarantee that Latitude will achieve its stated objectives or that any forward-looking statement, opinion or estimate will eventuate.

5.3.9 No guarantee in respect of investment

The above list of risk factors should not be taken as an exhaustive list of the risks faced by Latitude or by investors in Latitude.

The above factors, and others not specifically referred to above, may materially affect the financial performance of Latitude and the value of the Shares under the Listing. The Shares issued under the Listing carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. Furthermore, there is no guarantee that the Shares will remain continuously quoted on the ASX, which could impact the ability of prospective Shareholders to sell their Shares.

Investors should consult their professional adviser before deciding whether to apply for Shares under the Listing.

6 | Directors, Management and Governance

6 Directors, Management and Governance

6.1 Overview

6.1.1 Board of Directors

The directors of the Company bring to the Board the relevant skills and experience across a range of commercial industries including banking, private equity, insurance, consumer finance, brand management, corporate governance and consulting.

Director and experience
Michael Tilley Independent Non-Executive Chairman • Michael has been the independent Non-Executive Chairman of Latitude since 2015. • Michael served as CEO of Challenger Financial Services from 2004 to 2008, having previously been Deputy Chairman. • Prior to Challenger, Michael was Chairman and CEO of Merrill Lynch Australasia and Chairman of Mergers & Acquisitions for the Asia Pacific Region. • Michael was a non-executive director of ASX-listed Orica from 2003 to 2013. • Michael has also served as Chairman of ASX-listed Hotel Property Investments and Tubi.
Ahmed Fahour Managing Director and CEO • Ahmed was appointed Managing Director and CEO of Latitude Financial Services in October 2018. • Throughout his 30-year career, Ahmed has served in senior executive roles across banking and financial services, management consulting and postal services, including as Managing Director and CEO of Australia Post, Managing Director and CEO of the National Australia Bank's Australian operations, CEO of Citigroup Alternative Investments in New York and as a Partner at Boston Consulting Group. • Ahmed is also an active member of Australia's Muslim community, where he has served as an Australian Special Envoy to the Organisation of Islamic Cooperation and was a founder of the Islamic Museum of Australia. • Ahmed was appointed an Officer of the Order of Australia in January 2017. He holds a Bachelor of Economics and Honorary Doctorate from La Trobe University and an MBA from Melbourne Business School.
Mark Joiner Independent Non-Executive Director • Mark joined Latitude as an independent Non-Executive Director in March 2017. • Prior to this, Mark was the CFO of National Australia Bank from 2008 to 2013. • Mark also previously worked for Citigroup in the United States and as a management consultant with Boston Consulting Group in Australia and the United States. • Mark is also currently a director of National Australia Bank's asset management business and QBE Group's Australian and New Zealand subsidiaries.
Alison Ledger Independent Non-Executive Director • Alison joined Latitude as an independent Non-Executive Director in March 2017. • Previously, Alison spent eight years with Insurance Australia Group in senior strategic and operational roles. As EGM for Product, Pricing & eBusiness and COO of online-only The Buzz Insurance, Alison led the digital transformation of the direct to consumer business. Prior to this, Alison was a Partner with McKinsey & Company in the United Kingdom and Australia and a banker with Chase Investment Bank and Bankers Trust. • Alison is currently also a director of ASX-listed Audinate Group and CountPlus.

Director and experience

Scott Bookmyer

Non-Executive Director
Shareholder Representative Director – KKR

- Scott joined Latitude as a Non-Executive Director in 2017.
- Scott joined KKR in 2002 and is a Partner and the Head of KKR Australia. He serves on KKR's Asia Private Equity Investment Committee and the KKR Asia Portfolio Management Committee.
- Scott's other board roles include MYOB, the Australian Venue Company and Laser Clinics Australia.
- Scott's previous employers include Procter & Gamble and Boston Consulting Group.
- Scott holds a BA with honours from Indiana University and an MBA from The University of Chicago's Booth School of Business.

James Corcoran

Non-Executive Director
Shareholder Representative Director – Värde Partners

- James joined Latitude as a Non-Executive Director in 2020.
- Prior to this, James was the CEO of NewDay in the United Kingdom.
- James also previously served in various senior management roles with Washington Mutual, HBOS, Bank One and Citibank.
- James is currently a director on the board of NewDay and Mercury Financial in the United States.

Beaux Pontak

Non-Executive Director
Shareholder Representative Director – Deutsche Bank

- Beaux joined Latitude as a Non-Executive Director in 2015.
- He currently serves as a Managing Director and the Co-Head for Deutsche Bank's Global Finance & Credit Trading business in Asia Pacific.
- Prior to joining Deutsche Bank in 2005, Beaux worked with Ernst & Young as a Senior Manager in Management Consulting.

The composition of the Board committees and a summary of its key corporate governance policies are set out in Section 6.4.

Each Director above has confirmed that he or she anticipates being available to perform their duties as a Non-Executive Director, or Executive Director, as the case may be, of the Company without constraint from other commitments.

6.1.2 Leadership team

Following the appointment of Ahmed Fahour in October 2018, a revised Latitude Operating Model was established in January 2019 to further strengthen and align accountabilities to the refreshed strategic direction. The revised operating model has continued to evolve and be enhanced through the development of cross-functional teams to accelerate key initiatives, in parallel with the development of the organisation's strategy; refer to Section 2.1.3.

Profiles of Latitude's senior management team are set out below.

Senior executive and experience

Ahmed Fahour

Managing Director and CEO

- Refer to Section 6.1.1.

Adrienne Duarte

CFO

- Adrienne joined Latitude as CFO in July 2017.
- Previously, she was the CFO of the Bank of New Zealand from 2012 to 2017, where she served as the bank's first female CFO.
- Prior to her appointment to Bank of New Zealand, Adrienne held several general manager roles at National Australia Bank Group, where she spent 12 years.
- Before joining NAB, Adrienne worked in corporate finance and strategy consulting for over 12 years.
- Adrienne has over 20 years of experience in financial services across Australia, New Zealand and the UK.

Jo Mikleus

Chief Risk Officer

- Jo joined Latitude in June 2019 as Executive General Manager, Risk.
- Jo is a growth focused and customer business leader with over 25 years' experience in business and financial services globally. This has given her the opportunity to successfully lead people through business cycles, technology, social and regulatory change.
- Having led a diverse range of large businesses at ANZ, been CEO of fast-growing tech scale-up at RUBIX, and now Chief Risk Officer at Latitude, Jo has demonstrated strengths and skills in: driving growth, improving shareholder value (in public, private and private equity-backed companies), risk and governance, strategy development, stakeholder management, organisational and cultural change, and business innovation. She consistently outperforms by cleverly integrating data analytics and AI with business strategy, to achieve strong commercial outcomes.

Senior executive and experience

Andrew Walduck

COO

- Andrew joined Latitude in January 2019 and is the COO with responsibility for enabling the change and growth of Latitude through transformative technology, culture and innovation.
- Andrew is an entrepreneurial executive with deep experience in building domestic and global organisations to take advantage of the transformative potential of technology and customer orientation.
- Andrew's career spans more than 25 years in multiple disciplines including sales, marketing, product management, digital, innovation and technology leadership roles. It includes executive leadership roles in tier 1 corporations including leading Australia Post's digital transformation, roles in global corporations such as Accenture, where he was a Partner in the Communications and High-tech Practice, as well as marketing leadership roles in small growing businesses.
- Andrew's expertise lies in leading companies in technology-intensive industries to build the business strategy, capabilities, culture and change momentum needed to address digital disruption, build commercial growth and improve operating performance. This includes leading people and culture change at scale and implementing new ways of working (iterative delivery methods) critical for building adaptive, change ready organisations.

Chris Blake

Executive General Manager, Corporate Services

- Chris joined Latitude in February 2019 and is responsible for developing and implementing a refreshed strategy, brand and culture to capture the growth opportunities that exist in the rapidly changing financial services landscape.
- Prior to this role, Chris spent eight years at Australia Post as EGM Corporate Services where he played a leading role in the transformation of the strategy and culture of one of Australia's most iconic companies from a government-owned postal business in decline to an innovative eCommerce business with significant growth options. The Corporate Services portfolio that Chris led at Australia Post included the management of the A$8 billion APSS Superannuation Fund.
- Prior to joining Australia Post, Chris spent four years at the National Australia Bank firstly as EGM People & Organisational Development and then as EGM Business Strategy & People – Wholesale Banking.
- Chris spent 19 years at PwC, including 10 years as a Partner.
- Chris has 30+ years of experience in financial, government and professional services sectors.

Paul Varro

Chief Commercial Officer

- Paul joined GE Capital in 2000 and has held his current position at Latitude since June 2020.
- In this role, Paul has responsibility for all of Latitude's products including product development, marketing, and delivery, partner sales and relationship management, and line 1 credit risks.
- Prior to his current role, Paul was responsible for Latitude's suite of products across cards, Instalments and insurance. Paul has been the Group Treasurer, leading Latitude's Treasury operations, funding programmes and debt capital market relationships.
- Paul has over 20 years of global experience across several industries.

Senior executive and experience

David Gelbak

Chief Customer Officer, New Zealand

- David joined GE Capital in 2008 and has held his current position with Latitude since January 2019.
- In this role, David has responsibility for all New Zealand business operations as well as Latitude's product portfolio including Genoapay, Instalments, credit cards and personal loans.
- Prior to his current role, David held the role of Managing Director (Commercial) and was responsible for Latitude's digital function, product development, business development, marketing and commercial partnership management across Australia and New Zealand.
- David has previously held General Manager roles at Latitude and GE across the consumer portfolio range, and also previously led the digital practice.
- David previously served as Chairman of the GE Innovation Committee ANZ and a non-executive director of the Youth Substance Advocacy Service (YSAS) in Victoria from 2011 to 2015.
- David has over 20 years of experience across general management, sales, digital, product and marketing roles.

6.2 Interests and benefits

Section 6.2.1 sets out the nature and extent of the interests and fees of certain persons involved in the Listing. Other than as set out below or elsewhere in this Prospectus (including Section 9.10), no:

- Director or proposed director of the Company;
- Person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- Promoter of the Company; or
- Underwriter to the Listing,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- The formation or promotion of the Company;
- Property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Listing; or
- The Listing,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Listing or to any Director or proposed Director to induce them to become, or qualify as, a director of the Company.

6.2.1 Interests of advisers

The Company has engaged the following professional advisers in connection with the Offer and preparation of this Prospectus:

- Credit Suisse, Jefferies and Merrill Lynch have acted as Joint Lead Managers to the Offer. The Company has agreed to pay Credit Suisse, Jefferies and Merrill Lynch the fees described in Section 9.10.1 for these services.
- Bell Potter, Commonwealth Securities, Deutsche Bank, Escala Partners and Ord Minnett have acted as Co-Lead Managers to the Offer. The Selling Shareholder has agreed to pay any commission and fees due to the Co-Lead Managers, as described in Section 9.10.1.

- King & Wood Mallesons has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately A$2.4 million (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to King & Wood Mallesons in accordance with its normal time-based charges.
- KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd) has acted as the Investigating Accountant and performed work in relation to the Financial Information included in Section 4 and its Investigating Accountant's Report included in Section 8. The Company has paid, or agreed to pay, approximately A$1.3 million (excluding disbursements and GST) for these services up until the Prospectus Date. Consistent with other transaction costs incurred in association with the Restructure and Listing, as indicated in Section 4.3.4, these costs will be reimbursed by the Selling Shareholder.
- Ernst & Young has acted as tax adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately A$1.3 million (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Ernst & Young in accordance with its normal time-based charges.

Consistent with other transactions costs incurred in association with the Restructure and Listing, these costs will be borne by the Selling Shareholder, as indicated in Section 4.3.4.

6.2.2 Directors' interests and remuneration

6.2.2.1 Managing Director and CEO remuneration

Ahmed Fahour is employed in the position of Managing Director and CEO of the Company. The Company has entered into an employment agreement with Ahmed Fahour to govern his employment.

Refer to Section 6.2.4 for further details.

6.2.2.2 Non-Executive Director remuneration

Under the Constitution, the Board may decide the total amount paid to each Director as remuneration from the Company for his or her services as a director of the Company. However, under the ASX Listing Rules, the total amount of fees payable to all Directors for their services (excluding for these purposes, the salary of any Executive Director) must not exceed, in aggregate in any Financial Year, the amount approved by the Shareholders in a general meeting. This amount has been fixed by the Company at A$2,200,000 per annum. Any change to that aggregate annual sum needs to be approved by Shareholders. Directors may seek approval of the Shareholders from time to time, as appropriate.

The following annual base and committee fees are payable to Directors (these will take effect from Completion):

Director fees	Number of Directors	Fees payable (A$)	Total fees (A$)
Chairman	1	400,000	400,000
Other Non-Executive Director	5	200,000	1,000,000
Total			**1,400,000**

Committee fees	Number of members	Chairman fee (A$)	Member fee (A$)	Total fees (A$)
Audit Committee		20,000	10,000	40,000
Remuneration & People Committee	3 on each committee	15,000	7,500	30,000
Risk Committee		15,000	7,500	30,000
Technology Committee		15,000	7,500	30,000
Total				**130,000**

The Chairman of the Board does not receive any additional fees for membership of committees of the Board. All Directors' fees include superannuation payments required by law to be made by the Company.

Alison Ledger also receives an additional fee of A$60,000 per annum for serving as a director of Hallmark Insurance. Ahmed Fahour does not receive any Director fees.

6.2.2.3 Deeds of access, indemnity and insurance for Directors and officers

Pursuant to the Constitution, the Company has entered into a deed of access, indemnity and insurance with each existing Director which provides for the Director's right of access to certain books and records and requires the Company to indemnify, to the extent permitted by law, each Director in respect of certain losses and liabilities (including legal expenses) which the Director may incur in their capacity as an officer of the Company or of any subsidiary of the Company.

Pursuant to the Constitution, the Company may pay or agree to pay, whether directly or through an interposed entity, a premium for a contract insuring a person who is or has been a director or secretary or officer of the Company or of a subsidiary of the Company against liability incurred by the person in that capacity, including a liability for legal costs, to the extent permitted by law. Under the deeds of access, indemnity and insurance, the Company must, to the extent permitted by law, use its reasonable endeavours to ensure that the Director is insured under a D&O policy while the Director is an officer of the Company or an officer of any wholly-owned subsidiary of the Company, and for seven years after a Director ceases to hold office as a director of the Company. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

6.2.2.4 Other information and interests

Directors may also be reimbursed for travel and other expenses reasonably incurred in attending to the Company's affairs. Non-Executive Directors may be paid additional or special remuneration as the Directors decide is appropriate, where a non-executive director performs extra work or services which are not in the capacity as Non-Executive Director of the Company or a subsidiary of the Company. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

In addition, certain Directors are participants under the Pre-Completion Equity Plans currently operated by Latitude. Refer to Section 6.3.2 for further details.

6.2.2.5 Directors' interests in Shares

A. Directors' interests in Shares at Completion

The Directors are not required by the Constitution to hold any Shares. The Directors' interests in Shares on Completion are expected to be as follows:

Shareholders	Shares expected to be held on Completion (million)	% of Shares expected to be held on Completion
Ahmed Fahour	2.7	0.3%
Mike Tilley	3.7	0.4%
Mark Joiner	0.5	0.1%
Alison Ledger	0.1	0.0%
Total	**7.1**	**0.7%**

Directors may hold their interests in Shares shown above directly or indirectly through holdings by companies or trusts.

The Directors are entitled to apply for Shares under the Offer. The table above reflects the Shares anticipated to be granted in accordance with the arrangement set out in Section 6.3.2 and does not take into account any Shares the Directors may acquire under the Offer or under the arrangements referred to in Section 6.2.4. Final Directors' shareholdings will be notified to the ASX on Completion.

B. Summary of the call option purchased by Ahmed Fahour from the Selling Shareholder

Ahmed Fahour and the Selling Shareholder have entered into a call option arrangement ('**Call Option**') pursuant to which Mr Fahour has purchased (either directly or indirectly via an investment vehicle), in total, 16.5 million options with the features described below from the Selling Shareholder.

The Call Option has been entered into between Mr Fahour and the Selling Shareholder on arm's length terms. Mr Fahour will pay an amount determined by an independent valuer to the Selling Shareholder as consideration for the grant of the Call Option.

Mr Fahour may exercise one or more tranches of the Call Option on any Trading Day falling in the period commencing on 1 March 2023 and ending on 31 March 2023 (each Trading Day on which a tranche of the Call Option is exercised, being the '**Exercise Date**').

The features of the Call Option are summarised in the table below:

Call Option Tranche #	Total number of options granted to Mr Fahour ('Total Options')[81]	Exercise price (per Share) ('Exercise Price')	Implied market capitalisation of the Company at which the Call Option is excercisable as at the Exercise Date ('Threshold Market Capitalisation')	Implied premium to the Offer Price
Tranche #1	5.5 million	A$3.12 per Share	A$3.12 billion	20%
Tranche #2	5.5 million	A$3.25 per Share	A$3.25 billion	25%
Tranche #3	5.5 million	A$3.50 per Share	A$3.5 billion	35%

If Mr Fahour exercises one or more tranches of the Call Option, Mr Fahour will receive from the Selling Shareholder a net settlement in the form of cash to a value equal to the sum of (i) the Closing Market Price per Share on the Trading Day immediately prior to the relevant Exercise Date less (ii) the Exercise Price for that tranche, multiplied by the number of Total Options for that tranche.

Mr Fahour may also exercise one or more tranches of the Call Option on the occurrence of certain change of control events in respect of the Company.

The Call Option will lapse if it is not exercised by 31 March 2023.

Mr Fahour will not be entitled to participate in any dividends of the Company in his capacity as the holder of the Call Option.

6.2.3 Executive remuneration

The executive remuneration arrangements to be operated by the Company as at Completion are outlined below. Other than as outlined in Sections 6.2.4 to 6.2.6, no executive is entitled to any equity award or bonus in connection with Listing.

6.2.4 Managing Director and CEO

Ahmed Fahour is employed in the position of Managing Director and CEO and has entered into an employment agreement with Latitude Financial Services Australia Holdings Pty Ltd. Details of Mr Fahour's annual remuneration arrangements are outlined below.

Total fixed remuneration ('TFR')	Target STI	LTI	Total target remuneration ('TTR')
A$1,800,000	A$1,800,000	A$1,250,000	A$4,850,000
37%	37%	26%	100%

Notes: The STI and LTI arrangements will be effective for the performance period commencing 1 January 2021. Details of Mr Fahour's STI opportunity for 2021 are outlined below. Information on the Pre-Completion Equity Plan in which Mr Fahour participates is provided in Section 6.3.2.

81 This assumes that 1 billion Shares will be on issue as at the Completion Date.

A. Total fixed remuneration

Under the terms of his employment, Mr Fahour is entitled to receive annual TFR of A$1,800,000 (inclusive of base salary and statutory superannuation contributions).

B. Short-term incentive

For the performance period commencing from 1 January 2021, Mr Fahour is eligible under his employment agreement to receive an STI with an annual target STI opportunity of 100% of TFR (up to a maximum of 125% of target STI opportunity for outperformance), subject to the achievement of performance conditions and continued employment with Latitude. To the extent the performance conditions are met, and Mr Fahour remains employed with the Company, approximately 67% of the STI is payable in cash and approximately 33% will be delivered in equity (deferred STI component). The deferred STI component will be delivered as Restricted Shares, with 50% vesting approximately 12 months after allocation, and the remaining 50% vesting approximately 24 months after allocation.

From 1 January 2022, it is intended that 50% of Mr Fahour's STI will be delivered in cash and 50% will be delivered in Restricted Shares (with 50% vesting approximately 12 months after allocation, and the remaining 50% vesting approximately 24 months after allocation).

C. Long-term incentive

For the performance period commencing from 1 January 2021, Mr Fahour is also eligible to receive LTI, under the Long-Term Incentive Plan ('**LTIP**') and may be granted awards at the discretion of the Board. It is intended that Mr Fahour will receive an LTI grant on an annual basis. Further details of the LTIP, including the key terms and conditions applicable to the grant of awards to Mr Fahour (e.g. the vesting period and performance conditions), are outlined in Section 6.3.1.

In respect to the 2021 LTI component of his remuneration, the Company intends to grant Mr Fahour, as soon as possible after Listing (and, in any event, no later than 12 months from Listing), Rights equivalent to his 2021 LTI grant value of approximately A$1,250,000, being approximately 69% of TFR. The Company has chosen to grant Rights under the LEP to assist in the motivation, retention and reward of participants, and to align the interests of those participants with the interests of Shareholders. Rights only convert to Shares should performance conditions set by the Board be achieved. The number of Rights to be granted to Mr Fahour will be determined by dividing his 2021 LTI grant value by the value attributed to a Right (being the volume weighted average price ('**VWAP**') of a Share over the five Trading Days prior to the grant date). Subject to Mr Fahour's continued employment with Latitude, the 2021 LTI award may vest to the extent the Company's:

- ROE meets or exceeds the ROE targets set by the Board over the relevant period – applicable to 50% of Rights granted; and
- Growth in cash earnings per share ('EPS') meets or exceeds targets set by the Board over the relevant period – applicable to 50% of the Rights granted.

Subject to meeting the applicable ROE and EPS performance conditions, the 2021 LTI award may vest after a three-year performance period (comprising of the 2021, 2022 and 2023 Financial Years). To the extent the ROE or EPS performance hurdles are not met over the performance period, the relevant portion of awards will lapse.

There is no re-testing of performance in respect of either performance condition. To the extent the ROE or EPS performance hurdles are met over the performance period and Rights vest, 50% of Shares allocated in respect of vested Rights will be subject to a 12-month holding period (during which time the Shares cannot be disposed of).

D. Limited recourse loan

Mr Fahour was provided with a limited recourse loan in connection with his subscription under the Pre-Completion Equity Plan referred to in Section 6.3.2. On unwind of the Pre-Completion Equity Plan, the net balance of the associated loan will be repaid. There will be no outstanding loan to Mr Fahour from the Company (or any other member of the Latitude Group) at Completion.

E. Other information

Upon Listing, Mr Fahour will be subject to a minimum shareholding requirement under which he will be expected to hold Shares equivalent in value to at least 100% of his TFR. The new policy will be phased in over three to five years from the date of Listing to allow executives time to transition to the minimum shareholding requirement.

The Board has the ability to impose malus and/or clawback in respect of STI and LTI awards granted to Mr Fahour, including the lapsing or forfeiture of unvested awards, to ensure that no unfair benefit is obtained under the incentive arrangements as a result of an act which, in the Board's opinion:

- Constitutes fraud, dishonesty or gross misconduct;
- Brings the Company (or any other member of the Latitude Group) into disrepute;
- Is in breach of Mr Fahour's obligations to Latitude (including compliance with any applicable Latitude policy);
- Does not adhere to Latitude's values or risk framework; or
- Has the effect of delivering strong Company performance in a manner which is unsustainable or involves unacceptably high risk, and results or is likely to result in a detrimental impact on Company performance in the longer term.

Under his employment agreement, Mr Fahour may receive additional benefits, including car parking and an additional week of annual leave (covered by the Take 5 policy).

Mr Fahour's employment may be terminated by either the Company or Mr Fahour providing at least 12 months' notice, in writing, before the proposed date of termination. In certain circumstances (including serious misconduct), Latitude may terminate Mr Fahour's employment immediately and without notice.

In certain circumstances, Mr Fahour will be subject to restraints after termination of his employment for a period of up to 12 months (as detailed in his employment agreement).

6.2.5 Chief Financial Officer

Adrienne Duarte is employed in the position of CFO and has entered into an employment agreement with Latitude Financial Services Australia Holdings Pty Ltd. Details of Ms Duarte's annual remuneration arrangements are outlined below.

TFR	STI	LTI	TTR
A$750,000	A$562,500	A$562,500	A$1,875,000
40%	30%	30%	100%

Note: The STI and LTI arrangements will be effective for the performance period commencing 1 January 2021. Information on the Pre-Completion Equity Plan in which Ms Duarte participates is provided in Section 6.3.2.

A. Total fixed remuneration

Under the terms of her employment, Ms Duarte is entitled to receive annual TFR of A$750,000 (inclusive of base salary and statutory superannuation contributions).

B. Short-term incentive

For the performance period commencing from 1 January 2021, Ms Duarte is eligible under her employment agreement to receive an STI with an annual target STI opportunity of approximately 75% of TFR (up to a maximum of 125% of target STI opportunity for outperformance), subject to the achievement of performance conditions and continued employment with Latitude. To the extent the performance conditions are met, and Ms Duarte remains employed with the Company, approximately 67% of the STI is payable in cash and approximately 33% will be delivered in equity (deferred STI component). The deferred STI component will be delivered as Restricted Shares, with 50% vesting approximately 12 months after allocation, and the remaining 50% vesting approximately 24 months after allocation.

From 1 January 2022, it is intended that 50% of Ms Duarte's STI will be delivered in cash and 50% will be delivered in Restricted Shares (with 50% vesting approximately 12 months after allocation, and the remaining 50% vesting approximately 24 months after allocation).

C. Long-term incentive

For the performance period commencing from 1 January 2021, Ms Duarte is also eligible to receive an LTI under the LTIP, and may be granted awards at the discretion of the Board. Further details of the LTIP, including the key terms and conditions applicable to the grant of awards to Ms Duarte (e.g. the vesting period and performance conditions), are outlined in Section 6.3.1.

In respect to the 2021 LTI component of her remuneration, the Company intends to grant Ms Duarte, as soon as possible after Listing (and, in any event, no later than 12 months from Listing), Rights equivalent to her 2021 LTI grant value of approximately A$562,500, being approximately 75% of TFR. The number of Rights to be granted to Ms Duarte will be determined by dividing her 2021 LTI grant value by the reference price for a Share (being the VWAP of a Share over the five Trading Days prior to the grant date). Subject to Ms Duarte's continued employment with Latitude, the 2020 LTI award may vest to the extent the Company's:

- ROE meets or exceeds the ROE targets set by the Board over the relevant period – applicable to 50% of Rights granted; and
- Growth in cash EPS meets or exceeds targets set by the Board over the relevant period – applicable to 50% of the Rights granted.

Subject to meeting the applicable ROE and EPS performance conditions, the 2021 LTI award may vest after a three-year performance period (comprising of the 2021, 2022 and 2023 Financial Years). To the extent the ROE or EPS performance hurdles are not met over the performance period, the relevant portion of awards will lapse.

There is no re-testing of performance in respect of either performance condition. To the extent the ROE or EPS performance hurdles are met over the performance period and Rights vest, 50% of Shares allocated in respect of vested Rights will be subject to a 12-month holding period (during which time the Shares cannot be disposed of).

D. Limited recourse loan

Ms Duarte was provided with a limited recourse loan in connection with her subscription under the Pre-Completion Equity Plan referred to in Section 6.3.2. On unwind of the Pre-Completion Equity Plan, the net balance of the associated loan will be repaid. There will be no outstanding loan to Ms Duarte from the Company (or any other member of the Latitude Group) at Completion.

E. Other information

In addition to the remuneration detailed above, Ms Duarte is entitled to a retention payment of A$325,000 on 1 January 2022 (or earlier at the discretion of the Board) conditional on her continued employment on 31 December 2021.

Upon Listing, Ms Duarte will be subject to a minimum shareholding requirement under which she will be expected to hold Shares equivalent in value to at least 50% of her TFR. The new policy will be phased in over 3 to 5 years from the date of Listing to allow executives time to transition to the minimum shareholding requirement.

The Board has the ability to impose malus and/or clawback in respect of STI and LTI awards granted to Ms Duarte, including the lapsing or forfeiture of unvested awards, to ensure that no unfair benefit is obtained under the incentive arrangements as a result of an act which, in the Board's opinion:

- Constitutes fraud, dishonesty or gross misconduct;
- Brings the Company (or any other member of the Latitude Group) into disrepute;
- Is in breach of Ms Duarte's obligations to Latitude (including compliance with any applicable Latitude policy);
- Does not adhere to Latitude's values or risk framework; or
- Has the effect of delivering strong Company performance in a manner which is unsustainable or involves unacceptably high risk, and results or is likely to result in a detrimental impact on Company performance in the longer term.

Under her employment agreement, Ms Duarte may receive additional benefits, including car parking and an additional week of annual leave (covered by the Take 5 policy).

Ms Duarte's employment may be terminated by either the Company or Ms Duarte providing at least six months' notice, in writing, before the proposed date of termination. In certain circumstances (including serious misconduct), Latitude may terminate Ms Duarte's employment immediately and without notice.

In certain circumstances, Ms Duarte will be subject to restraints after termination of her employment for a period of up to six months (as detailed in her employment agreement).

6.2.6 Other key management personnel

Other key management personnel are employed by Latitude Financial Services Australia Holdings Pty Ltd (in Australia) or Latitude Financial Services Limited (in New Zealand) and have entered into individual employment agreements. Excluding the Managing Director and CEO, and CFO, details of the aggregate annual remuneration arrangements for the remaining five key management personnel are outlined below:

TFR	STI	LTI	TTR
A$3,075,000	A$2,306,250	A$2,306,250	A$7,687,500
40%	30%	30%	100%

Note: The STI and LTI arrangements will be effective for the performance period commencing 1 January 2021. Details of the STI opportunity for 2021 are outlined below. Information on the Pre-Completion Equity Plans in which other key management personnel participate is provided in Section 6.3.2.

A. Total fixed remuneration

Under their individual employment agreements, other key management personnel are entitled to receive annual TFR packages (inclusive of base salary and statutory superannuation contributions).

B. Short-term incentive/long-term incentive

For the performance period commencing from 1 January 2021, other key management personnel are eligible under their employment agreements to receive an STI with an annual target STI opportunity of approximately 75% of TFR (up to a maximum of 125% of target STI opportunity for outperformance), subject to the achievement of performance conditions (and continued employment with Latitude). To the extent the performance conditions are met, approximately 67% of the STI is payable in cash and approximately 33% will be delivered in equity (deferred STI component). The deferred STI component will be delivered as Restricted Shares, with 50% vesting approximately 12 months after allocation, and the remaining 50% vesting approximately 24 months after allocation.

From 1 January 2022, it is intended that 50% of the STI will delivered in cash and 50% will be delivered in Restricted Shares (with 50% vesting approximately 12 months after allocation, and the remaining 50% vesting approximately 24 months after allocation). It is the Board's intention that Shares required to deliver the deferred STI component will be purchased on-market.

Other key management personnel are also eligible, at the Board's discretion, to receive a grant of LTI awards.

C. Other information

Upon Listing, other key management personnel will be subject to a minimum shareholding requirement under which they will be expected to hold Shares equivalent in value to at least 50% of individual TFR. The new policy will be phased in over three to five years from the date of Listing to allow key management executives time to transition to the minimum shareholding requirement.

The employment of other key management personnel may be terminated by either the Company or the individual providing at least six months' notice, in writing, before the proposed date of termination. In certain circumstances (including serious misconduct), Latitude may terminate the individual's employment immediately and without notice.

In certain circumstances, other key management personnel will be subject to restraints after termination of their employment for a period of up to 12 months (as detailed in the individual's employment agreement).

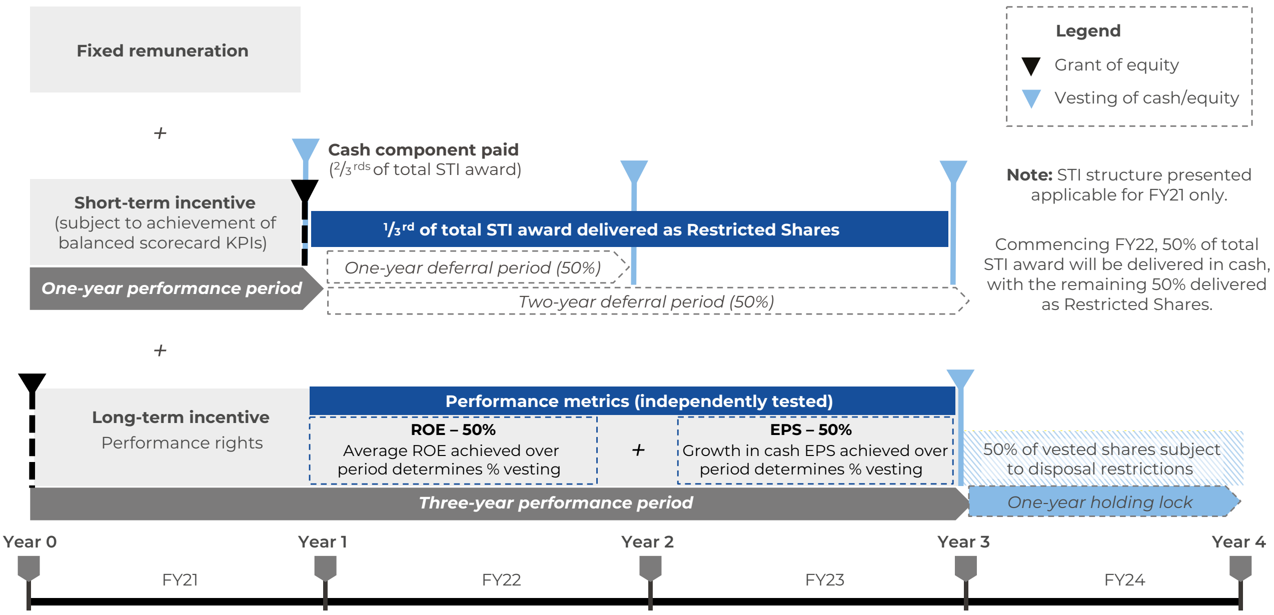
6.3 Employee incentive arrangements

6.3.1 Latitude Equity Plan

The Company has established the LEP to assist in the motivation, retention and reward of key management personnel and other senior leaders. The LEP is designed to align participants' interests with the interests of Shareholders by providing participants the opportunity to receive Shares through the granting of Restricted Shares and Rights in respect of the deferred STI and LTI components of remuneration. The LEP also provides for cash awards to be made in respect of the STI component.

In addition to the Managing Director and CEO, and the CFO, five key management personnel will be offered Rights in respect of the 2021 LTI award. The number of 2021 LTI awards granted will be determined as soon as possible after Listing based on the reference price (VWAP of a Share over the five trading days prior to the grant date). The number of Restricted Shares in respect of the deferred component of the 2021 STI will be determined in early 2022, based on the STI awards earned for FY21.

Subject to Board discretion in respect of particular awards, the graphic below summarises the 2021 remuneration framework applicable to the key management personnel who will participate in the LEP (refer below for key terms of the Rights and Restricted Shares granted under the LEP):



Awards granted under the LEP will only vest where the conditions (if any) determined by the Board, and advised to the participant, have been satisfied. Vesting conditions may include the participant remaining employed by Latitude for a particular period of time (i.e. the vesting period) and the applicable performance conditions being met.

Following the initial grant of Rights under the LTIP, to be made as soon as possible after Listing, the Board may determine to offer additional awards under the LEP on similar or different terms and/or operate different equity incentive schemes for employees over time.

Under the LEP rules, there is no cap on the number of equity securities that can be granted.

However, the maximum number of equity securities proposed to be issued under the LEP for the purposes of setting a ceiling on the number of equity securities approved to be issued under and for the purposes of ASX Listing Rule 7.2 Exception 13(a) in the three years following the date of the Prospectus is 1.51% of issued capital, being 22,621,723 equity securities based on the number of securities currently on issue.

This maximum number is not intended to be a prediction of the actual number of equity securities to be issued under the LEP. An issue of securities above this maximum number will only be able to be made without shareholder approval under Listing Rule 7.1 if the Company has sufficient placement capacity available at the time under Listing Rule 7.1.

The key terms of the LEP and the proposed grant of Rights and Restricted Shares in respect of the deferred STI and LTI components of remuneration for 2021 are set out in the table below.

Feature	Key terms of the Rights and Restricted Shares granted under the LEP
Eligibility	• Eligibility to participate in the LEP and the number of Rights and Restricted Shares offered to each participant will be determined by the Board. An Executive Director may participate in the LEP; however, Non-Executive Directors will not be eligible to participate in the LEP.
Offers under the LEP	• Under the rules of the LEP, cash awards, Rights and Restricted Shares (collectively known as '**Awards**') may be offered to eligible participants in respect of their STI, deferred STI, LTI and other components of remuneration respectively from time to time. • Terms and conditions of offers will be set at the Board's discretion and will appear in individual offer documents.
Grants of Awards	**Rights** • Participants are granted Rights, which are rights to acquire Shares at no cost, subject to the satisfaction of specific vesting conditions. Subject to meeting the vesting conditions, Rights will be automatically exercised (at no cost) and the participant will be allocated an equivalent number of Shares or Restricted Shares (i.e. on a one-for-one basis). **Restricted Shares** • Participants are allocated Restricted Shares, which are Shares that are subject to a restriction on disposal such that the participant cannot deal in (i.e. sell or transfer) the Restricted Shares until the end of the relevant vesting period. The Company will implement such arrangements (including holding the Restricted Shares in an employee share trust) as it determines necessary to enforce this restriction. If the vesting conditions are not met, the Restricted Shares will generally be forfeited.
Vesting periods of Awards	**2021 deferred STI component** • The initial grant of deferred STI Restricted Shares to be made following finalisation of the full-year results for FY21 (expected to be in or around March 2022) will have vesting periods commencing on the date of grant and ending on: – The day following release of full-year results for FY22 (expected to be in or around March 2023) in respect of 50% of the Restricted Shares; and – The day following release of full-year results for FY23 (expected to be in or around March 2024) in respect of 50% of the Restricted Shares. • Although the LEP provides the Board with flexibility to determine different vesting periods for each award of Restricted Shares, it is expected that future deferred STI awards will have similar one-year and two-year vesting periods. • The Board also retains the flexibility to determine that a different proportion of the STI award should be delivered as Restricted Shares. From 1 January 2022, it is intended that 50% of the STI will be delivered in cash and 50% will be delivered in Restricted Shares (subject to the vesting periods outlined above). **2021 LTI** • Subject to Board discretion in respect of particular awards, the initial grant of Rights determined as soon as possible after Listing will have vesting/performance periods commencing on 1 January 2021 and ending on 31 December 2023. • The LEP provides the Board with flexibility to determine different performance/vesting periods for each award of Rights. However, it is expected that future LTI grants will have three-year performance/vesting periods.

<table>
<tr><th>Feature</th><th>Key terms of the Rights and Restricted Shares granted under the LEP</th></tr>
<tr><td>Vesting conditions of Awards</td><td>
2021 deferred STI component

Restricted Shares will vest subject to the participant remaining employed by the Company until the end of the relevant vesting period.

2021 LTI

Rights will vest subject to the participant remaining employed by the Company until the end of the relevant vesting period, and satisfaction of performance conditions. The performance conditions will be tested over the performance period and must be satisfied in order for Rights to vest.
The performance conditions for the initial grant of Rights as soon as possible following Listing are as follows:
ROE hurdle: 50% of Rights may vest subject to a performance condition based on the Company's average ROE over the performance period; and
EPS hurdle: 50% of Rights may vest subject to a performance condition based on the Company's growth in cash EPS over the performance period.
The Board can adjust the performance conditions in exceptional circumstances to ensure participants are neither advantaged nor disadvantaged by matters outside management's influence that materially affect the Company's performance. Further details of the two performance conditions are outlined below.

</td></tr>
<tr><td>Performance conditions for Rights – ROE hurdle</td><td>
2021 LTI

The percentage of LTI awards subject to the ROE hurdle that vest, if any, will be based on the Company's average ROE performance achieved over the performance period relative to the average of annual ROE targets set by the Board, as set out in the following vesting table:

<table>
<tr><th>ROE achieved over the performance period</th><th>% of LTI Awards subject to the ROE hurdle that vest</th></tr>
<tr><td>At or above maximum ROE targets</td><td>100%</td></tr>
<tr><td>Between threshold and maximum ROE targets</td><td>Straight-line pro-rata vesting between 50% and 100%</td></tr>
<tr><td>At threshold ROE targets</td><td>50%</td></tr>
<tr><td>Below threshold ROE targets</td><td>0%</td></tr>
</table>

The ROE hurdle for each LTI award will be set by the Board prior to the grant of the award, taking into account the Company's budget and forecasts for the performance period. The ROE hurdle for the 2021 LTI awards will be disclosed in the Company's 2021 Remuneration Report within the 2021 Annual Report.
Any Rights that remain unvested at the end of the performance period due to the ROE performance targets not being achieved will lapse immediately.

</td></tr>
</table>

<table>
<tr><th>Feature</th><th>Key terms of the Rights and Restricted Shares granted under the LEP</th></tr>
<tr><td>Performance conditions of Awards – EPS hurdle</td><td>

2021 LTI

- The percentage of LTI awards subject to the EPS hurdle that vest, if any, will be based on the Company's aggregate cash EPS achieved over the performance period, relative to the aggregate of annual cash EPS targets set by the Board, as set out in the following vesting table:

<table>
<tr><th>Growth in cash EPS achieved over the performance period</th><th>% of LTI Awards subject to the EPS hurdle that vest</th></tr>
<tr><td>At or above maximum EPS growth targets</td><td>100%</td></tr>
<tr><td>Between threshold and maximum EPS growth targets</td><td>Straight-line pro-rata vesting between 50% and 100%</td></tr>
<tr><td>At threshold EPS growth targets</td><td>50%</td></tr>
<tr><td>Below threshold EPS growth targets</td><td>0%</td></tr>
</table>

- The cash EPS targets for each Financial Year will be set by the Board at the outset of each year, taking into account the Company's budget and forecasts for the relevant year. The threshold and maximum EPS growth targets for 2021 will be disclosed in the Company's 2021 Remuneration Report within the 2021 Annual Report.
- Any Rights that remain unvested at the end of the performance period due to the EPS performance targets not being achieved will lapse immediately.

</td></tr>
<tr><td>Restrictions on dealing of Awards</td><td>

- A participant must not sell, transfer, encumber, hedge or otherwise deal with unvested Awards except with prior approval of the Board or in certain circumstances by force of law.

2021 deferred STI component

- Following vesting and cessation of applicable disposal restrictions, no disposal restrictions apply to Shares held by participants, other than the restrictions that apply under the Company's share trading policy.

2021 LTI

- Subject to Board discretion in respect of particular awards, following vesting, 50% of Shares allocated in respect of vested Rights will be subject to a 12-month holding period (during which time the Shares cannot be disposed of). Following cessation of applicable disposal restrictions (i.e. at the end of the 12-month holding period), no disposal restrictions apply to Shares held by participants, other than the restrictions that apply under the Company's share trading policy.

</td></tr>
<tr><td>Cessation of employment</td><td>

- If a participant ceases employment due to misconduct or on summary dismissal for cause, any unvested Awards will lapse (unless the Board determines otherwise). Unvested Awards will normally also lapse if a participant ceases employment due to voluntary resignation.
- In all other circumstances, unvested Awards will remain on foot and, where applicable, be subject to the original performance conditions and vesting period, unless the Board exercises its discretion to apply a different treatment. Any Rights which vest at the end of the original vesting period will be automatically exercised at the vesting date.

</td></tr>
</table>

Feature	Key terms of the Rights and Restricted Shares granted under the LEP
Change of control impact on Awards	• In the event of a takeover or change of control, or other event which the Board determines should be treated as a change of control, the treatment of unvested Awards will be as follows: – Restricted Shares granted in respect of the deferred STI component will vest in full (and disposal restrictions will cease to apply); and – Rights granted in respect of the LTI component will vest pro-rata for time and performance (as determined by the Board in its discretion at the time of the change of control event), subject to Board discretion to determine an alternative treatment.
Capital restructures	• In the event of a capital restructure, subject to the ASX Listing Rules, the Board may adjust the number of Awards issued pursuant to an offer under the LEP as the Board deems appropriate.
Employee share trust	• The Company may establish an employee share trust to assist with the operation of the LEP, including holding of Restricted Shares on behalf of participants and facilitating the provision of Shares to participants when Rights are exercised.
Other terms for Rights	• Rights granted under the LEP may be satisfied in either Shares (where the applicable exercise price is paid, if any) or an equivalent cash amount, as determined by the Board normally at the time the Rights are automatically exercised. • Rights do not carry any dividends or voting rights prior to vesting.
Other terms for Restricted Shares	• In general, Restricted Shares will rank equally in all respects with other Shares (i.e. participants will have dividend and voting rights even while Restricted Shares are subject to vesting conditions and restrictions on disposal).
Malus/clawback	• The LEP contains provisions which give the Board the ability to impose malus/clawback, including the lapsing of unvested Rights or forfeiture of Restricted Shares, to ensure that no unfair benefit is obtained by a participant as a result of an act which, in the Board's opinion: – Constitutes fraud, dishonesty or gross misconduct; – Brings the Company (or any other member of the Latitude Group) into disrepute; – Is in breach of an individual's obligations to Latitude (including compliance with any applicable Latitude policy); – Does not adhere to Latitude's values or risk framework; or – Has the effect of delivering strong Company performance in a manner which is unsustainable or involves unacceptably high risk, and results or is likely to result in a detrimental impact on Company performance in the longer term.

6.3.2 Pre-Completion Equity Plans

In addition to their remuneration described above, certain Management Shareholders are participants in the Pre-Completion Equity Plans currently operated by Latitude.

Participants in the Pre-Completion Equity Plans were provided with limited recourse loans in connection with their subscription for equity under the plan. On unwind of the Pre-Completion Equity Plans (to occur prior to Completion), the net balance of the associated loans will be repaid. There will be no outstanding loans from the Company (or any other member of the Latitude Group) in relation to the Pre-Completion Equity Plans at Completion.

Shares acquired by the Executive Shareholders in connection with the unwind of the Pre-Completion Equity Plans will be subject to voluntary escrow arrangements described in Section 9.8.2.

6.4 Corporate governance

This Section 6.4 explains how the Board oversees the management of the Company's business. The Board is responsible for the overall corporate governance of the Company, including providing leadership and strategic guidance for the Company and its related entities. The Board monitors the operational and financial position and performance of Latitude and oversees the implementation of Latitude's strategic objectives, including approving operating budgets and significant expenditure. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return and sustaining the growth and success of Latitude.

The Board seeks to ensure that Latitude is properly managed to protect and enhance Shareholder interests, and that the Company and its Directors, officers and personnel operate in an environment of appropriate corporate governance. The Board has created a framework for managing Latitude, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Latitude's business and which are designed to promote the responsible management and conduct of Latitude.

The Company is seeking listing on the ASX. The ASX Corporate Governance Council has published the Corporate Governance Principles and Recommendations ('**ASX Recommendations**') for entities listed on the ASX in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. Under the ASX Listing Rules, the Company will be required to provide a corporate governance statement in its annual report or a URL of the page on its website where a corporate governance statement is located, disclosing the extent to which it has followed the ASX Recommendations in the reporting period. If the corporate governance statement is not provided in its annual report, the Company must also give the ASX a copy of its corporate governance statement at the same time as it gives its annual report to the ASX.

Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. The Company intends to comply with all of the ASX Recommendations from the time of Listing, with the exception of the following:

- ASX Recommendation 2.1 regarding the existence of a nomination committee, which is discussed in Section 6.4.3;
- ASX Recommendation 2.4 regarding a majority of independent Directors on the Board, which is discussed in Section 6.4.1.2;
- ASX Recommendation 7.1 regarding a majority of independent Directors on the Risk Committee, which is discussed in Section 6.4.3; and
- ASX Recommendation 8.1 regarding a majority of independent Directors on the Remuneration & People Committee, which is discussed in Section 6.4.3.

6.4.1 Board of Directors

6.4.1.1 Composition of the Board

The Board is comprised of six Non-Executive Directors (three of whom are independent, including the Chairman), and one Executive Director, being the Managing Director and CEO. Detailed biographies of the Directors are provided in Section 6.1.1.

6.4.1.2 Independence of the Board

Each Director must bring an independent view and judgement to the Board and must declare all actual or potential conflicts of interest on an ongoing basis. Any issue concerning a Director's ability to properly act as a Director must be discussed at a Board meeting as soon as practicable.

The Board considers an independent Director to be a Non-Executive Director who is not a member of Management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent and unfettered exercise of their judgement. The Board has adopted a definition of independence that is based on the definition set out in the ASX Recommendations. The Board will consider the materiality of any given relationship on a case-by-case basis.

The Board considers that each of Michael Tilley, Mark Joiner and Alison Ledger is free from any interest, position, association or relationship that might influence or reasonably be perceived to influence, the independent exercise of the Director's judgement and that each of them is able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

Ahmed Fahour is considered by the Board not to be independent on the basis that he is the Managing Director and CEO of the Company. In addition, Scott Bookmyer, James Corcoran and Beaux Pontax (each a Shareholder Representative Director) are not currently considered by the Board to fulfil the role of independent Director.

Accordingly, upon Listing, the Board will not consist of a majority of independent Directors as recommended in ASX Recommendation 2.4. Despite this, the Board has considered the Company's immediate requirements as it transitions to an ASX-listed company and is satisfied that the composition of the Board reflects an appropriate range of corporate memory, independence, skills and experience for the Company after Listing. The Board has formally considered the independence of each of Scott Bookmyer, James Corcoran and Beaux Pontak. It has concluded for each of these Directors that their relationships as shareholder representatives does not compromise their ability to bring an independent judgement to bear on matters before the Board.

The Board believes that each of the Shareholder Representative Directors brings objective and unbiased judgement to the Board's deliberations and, additionally, that each of the Shareholder Representative Directors will make invaluable contributions to Latitude through their deep understanding of its business and the industry in which it operates.

The Board will regularly review the independence of each Director, and any subsequent Directors appointed, in light of interests disclosed to the Board and will disclose any change to the ASX, as required by the ASX Listing Rules.

6.4.2 Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out the roles and responsibilities of the Board, which include:

- Culture and responsible decision-making (e.g. setting Latitude's values and standards of conduct, promoting ethical and responsible decision-making and monitoring its compliance with legal and regulatory requirements):
  - Strategy and performance (e.g. setting the strategy objectives of Latitude and approving major corporate initiatives);
  - Oversight of Management (e.g. overseeing Management's implementation of Latitude's objectives and approving executive remuneration packages);
  - Risk management and compliance (e.g. overseeing the enterprise risk management framework to ensure that material financial and non-financial risks are identified, and monitoring Latitude's risk culture);
  - Oversight of financial and capital management (e.g. approving accounting policies, monitoring financial results and determining the dividend policy of Latitude);
  - Information technology (e.g. overseeing Latitude's IT and data strategy, and monitoring IT operational performance);
  - People and diversity (e.g. approving Latitude's material people-related policies and overseeing executive succession planning);

  - Board nominations (e.g. reviewing the appropriate size and composition of the Board and its committees, and overseeing the implementation of a Director induction programme and ensuring that there are appropriate opportunities for Directors to develop and maintain their skills); and
  - Security holders (e.g. promoting effective engagement with security holders in providing them with appropriate information and monitoring the Company's process for making timely and balanced disclosure of all material information);
- The role and responsibilities of the Chairman and company secretary;
- The delegations of authority of the Board to the committees of the Board, the CEO and other management of the Company;
- The membership of the Board, including in relation to the Board's composition and size, and the process of selection and re-election of Directors, independence of Directors and conduct of individual Directors;
- Board processes, including how the Board meets; and
- The Board's performance evaluation processes, including in respect of its own performance, and the performance of the Board committees, individual Directors and the leadership team.

The Board will review the Company's Board Charter from time to time, and make amendments, as necessary. A copy of the Company's Board Charter will be made available on the Company's website.

6.4.3 Board committees

The Board may from time to time, establish appropriate committees to assist in the discharge of its responsibilities. As set out below, the Board has established four standing committees to facilitate and assist the Board in fulfilling its responsibilities. The Board may also establish other committees from time to time, to assist in the discharge of its responsibilities.

In accordance with the ASX Recommendations and ASX Listing Rules, the Audit Committee comprises at least three Non-Executive Directors, a majority of whom are independent, and an independent chair who is not the Chairman of the Board.

The Remuneration & People Committee, Risk Committee and Technology Committee will each comprise at least three Non-Executive Directors and an independent chair who is not the Chairman of the Board.

However, each of these committees will not initially be made up of a majority of independent Directors as required by ASX Recommendations 7.1 (with respect to the Risk Committee) and 8.1 (with respect to the Remuneration & People Committee). There is no specific recommendation that the Technology Committee have a majority of independent Directors. The Board has considered the Company's immediate requirements as it transitions to an ASX-listed company and is satisfied that the composition of the Board and its committees reflects an appropriate range of, skills, diversity and experience for the Company after Listing to enable it to discharge its duties and responsibilities effectively.

The Company acknowledges ASX Recommendation 2.1 that the Company have a nomination committee, and notes that the Board will not initially establish a separate nomination committee. The Board will itself be responsible for nomination responsibilities, including succession and ensuring that the Board has an appropriate balance of skills, knowledge, experience, independence and diversity to enable it to perform its role effectively.

Executive succession planning will also be addressed by the Remuneration & People Committee. The Board believes that it will be able to discharge these responsibilities and deal effectively with Board composition and succession issues, without a separate committee undertaking this function. The Board will review these arrangements periodically, having regard to the Board's renewal programme and workload.

Each committee has the responsibilities described in the relevant committee charter adopted by the Company (each of which has been prepared having regard to the ASX Recommendations). Copies of the charters for the above committees will be made available on the Company's website.

Committee	Roles and responsibilities	Initial composition
Audit Committee	• Responsible for monitoring and advising the Board on Latitude's financial reporting framework. • Key roles of this committee include overseeing: 1. The adequacy of Latitude's corporate reporting processes and the integrity of the Company's accounting and financial statements; 2. Latitude's external audit processes, including the appointment, independence, management and removal of the Company's external auditor; 3. Latitude's internal audit processes, including appointment of the head of internal audit and audit planning; and 4. Latitude's tax risk and tax governance arrangements.	• Mark Joiner (Chair, independent Non-Executive Director) • Alison Ledger (independent Non-Executive Director) • James Corcoran (Non-Executive Director, Shareholder Representative Director)
Remuneration & People Committee	• Responsible for monitoring and advising the Board on appropriate people and remuneration strategies and policies consistent with business requirements. • Key roles of this committee include: 1. Overseeing the development and implementation of Latitude's people and culture strategy; 2. Reviewing and evaluating the Company's occupational health and safety policies and procedures and monitoring occupational health and safety incidents; 3. Overseeing Latitude's diversity and inclusion strategy, policy and performance; 4. Overseeing the Company's remuneration arrangements and incentive schemes; and 5. Overseeing the Company's executive succession planning.	• Alison Ledger (Chair, independent Non-Executive Director) • Scott Bookmyer (Non-Executive Director, Shareholder Representative Director) • Beaux Pontak (Non-Executive Director, Shareholder Representative Director)

Committee	Roles and responsibilities	Initial composition
Risk Committee	• Responsible for monitoring and advising the Board on Latitude's risk management responsibilities under Latitude's policies, plans and programmes, and the law. • Key roles of this committee include overseeing: 1. Latitude's enterprise-wide risk management; 2. Risk and risk-related activities, including the adequacy of controls established by senior management to identify and manage areas of potential risk and to safeguard the assets of Latitude; 3. Compliance with legal and regulatory requirements and Latitude's policies and codes of conduct; and 4. Treasury performance and related risks.	• Mark Joiner (Chair, independent Non-Executive Director) • James Corcoran (Non-Executive Director, Shareholder Representative Director) • Beaux Pontak (Non-Executive Director, Shareholder Representative Director)
Technology Committee	• Responsible for monitoring and advising the Board on related matters. • Key roles of this committee include overseeing: 1. IT and data strategy, including reviewing technology-related policies and monitoring significant emerging technology and trends; 2. Significant technology-related investment, including reviewing IT projects and recommending technology-related investments for Board approval, and monitoring the progress of significant technology-related projects; 3. Latitude's cybersecurity programme and IT risk management; and 4. IT operational performance, including the performance of third-party system and service providers.	• Alison Ledger (Chair, independent Non-Executive Director) • Scott Bookmyer (Non-Executive Director, Shareholder Representative Director) • Beaux Pontak (Non-Executive Director, Shareholder Representative Director)

6.4.4 Corporate governance policies

The Company has also adopted the following policies, each of which has been prepared having regard to the ASX Recommendations and will be made available on the Company's website. The Company's corporate governance policies will continue to be reviewed regularly and will continue to be developed and refined as required to meet the needs of the Company.

6.4.4.1 Disclosure and Communication Policy

From Listing, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to immediately disclose to the ASX any information concerning Latitude which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Board has adopted a Disclosure and Communication Policy, to take effect from Listing, which establishes procedures aimed at ensuring that Directors, Management and other staff are aware of and fulfil their obligations in relation to the timely disclosure of material price sensitive information. Under the Disclosure and Communication Policy, the Company has established a Disclosure Committee, comprised of the Company Secretary, the CEO, the CFO and the Head of Investor Relations. The responsibilities of the Disclosure Committee include ensuring that the Company complies with its disclosure obligations and has the relevant procedures in place, making decisions on information to be disclosed to the market, seeking to ensure that announcements are made in a timely manner and are not misleading, and monitoring disclosure processes and reporting.

6.4.4.2 Trading Policy

The Board has adopted a Trading Policy, to take effect from Listing, which explains the prohibited type of conduct in relation to dealings in securities under the Corporations Act and is intended to establish a best-practice procedure in relation to Directors', officers', key management personnel's, employees', contractors' and their families and associates' dealings in Shares.

The Trading Policy sets out the restrictions that apply to dealing with Company securities (as defined in the policy) including 'prohibited periods', during which certain designated persons are generally not permitted to deal with securities, along with a procedure under which designated persons are required to submit a request and obtain written confirmation prior to dealing in securities outside the prohibited periods.

The policy further provides that Directors, certain restricted employees and their connected persons must not deal in the Company's securities on a short-term or speculative trading basis, or enter into transactions which limit the economic risk related to a person's remuneration. The policy also sets out a process for maintaining the confidentiality of relevant information.

6.4.4.3 Conduct policies

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a number of policies which, together, set standards of conduct in relation to the operation of the Company. These policies are to be followed by the Board along with all employees, officers, contractors, consultants and other persons that act on behalf of the Company and associates of the Company. The framework of policies includes, among others, the following policies:

- Code of Conduct;
- Concern Raising Whistleblower Policy;
- Conflicts of Interest Policy;
- Drug and Alcohol Policy;
- Environment, Health and Safety Policy;
- External Privacy and Credit Reporting Policy;
- Financial Crime Compliance Policy;
- Fraud Management Policy;
- Gift and Entertainment Policy;
- Managing Performance and Conduct Policy;
- Records and Information Management Policy; and
- Workplace Behaviour Policy.

These and other associated policies set out the Company's approach to various matters including obligations to act honestly, fairly, professionally and respectfully; conflicts of interest; appropriate use of the Company's property; anti-bribery and giving or acceptance of gifts; dealings with politicians and government officials in the context of the giving or acceptance of gifts; confidentiality; privacy; discrimination, bullying, harassment and vilification; health and safety of employees; insider trading; and whistleblower protections; and compliance with laws and regulations in respect of these matters.

6.4.4.4 Diversity Policy

The Board has formally approved a Diversity Policy in order to, among other matters, provide a framework by which the Company will support and facilitate an environment of diversity and inclusion across the organisation.

The Board will establish measurable objectives for diversity and inclusion, including gender, at all levels of the Company and will include in the annual report each year a summary of the Company's progress towards achieving the measurable objectives set under the Diversity Policy for the year to which the annual report relates and details of the measurable objectives set under the Diversity Policy for the subsequent Financial Year.

6.4.4.5 Risk management

The Board is responsible for overseeing and approving the Company's enterprise risk management framework. The Company has also established an Enterprise Risk Management Committee which will assist the Board's Risk Committee and Board in overseeing the implementation of an effective system of risk management. For further detail, refer to Section 3.1.

7 | Details of the Offer and How to Apply

7 Details of the Offer and How to Apply

7.1 Description of the Offer[82]

This Prospectus relates to the offer for sale of approximately 76.9 million Shares by SaleCo at an Offer price of A$2.60 per Share ('**Offer Price**').

The Shares subject to the Offer under this Prospectus will represent approximately 7.7% of the total Shares on issue upon Completion. The Offer is expected to raise gross proceeds of approximately A$200.0 million.

As part of the Restructure and the associated unwind of the Pre-Completion Equity Plans (as described in Sections 9.4 and 6.3.2 respectively), the Selling Shareholder, Minority Investors and Management Shareholders will, in aggregate, hold approximately 81.9% of the total Shares on issue at Completion. Certain of these Shares will be issued by the Company under this Prospectus after the Prospectus Date and prior to Completion. Refer to Section 7.2 for further details of these shareholdings.

Following Completion, the total number of Shares on issue will be 1,000.0 million Shares. All Shares will, once issued, rank equally in all respects with each other. A summary of the rights and liabilities attaching to the Shares is set out in Section 7.12.

The Offer is made on the terms, and subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- The **Institutional Offer** which is an offer to Institutional Investors in Australia, and certain other jurisdictions, made under this Prospectus;
- The **Broker Firm Offer** which is open to Australian resident retail and sophisticated non-institutional investors who have received an allocation of Shares from a participating Broker; and
- The **Employee Offer** which is open to Eligible Employees in Australia only.

No general public offer of Shares will be made under the Offer.

The allocation of Shares between the Institutional Offer and the Broker Firm Offer (and to participants within the Institutional Offer and the Broker Firm Offer) was determined by the Company and SaleCo, following engagement with the Existing Investors, after having consulted with the Joint Lead Managers, having regard to the allocation policies outlined in Sections 7.4.2 and 7.5.5 respectively.

The Offer (other than the Employee Offer) has been underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement is set out in Section 9.10.

7.1.2 Purpose of the Offer and Listing

The purpose of the Offer and Listing is to:

- Allow the Existing Investors to realise a portion of their investment in Latitude;
- Provide a market for the Shares and increase the liquidity of the Shares;
- Provide an opportunity for others to invest in Latitude; and
- Provide Latitude with access to the public equity capital markets, which will improve its financial flexibility to pursue further growth opportunities.

7.1.3 Use of funds

All Shares to be sold under the Offer will be sold by and transferred from SaleCo. The Offer is expected to raise gross proceeds of approximately A$200.0 million. The net proceeds of the Offer, after the deduction of certain fees and expenses, will be paid to SaleCo and ultimately distributed to the Existing Investors.

The Selling Shareholder will be responsible for the payment of all transaction costs associated with the Offer.

No proceeds of the Offer will be received by the Company.

82 Figures in this Prospectus relating to the size of the Offer, the amount of proceeds of the Offer and final shareholdings (unless otherwise stated) are approximate figures taking into account the impact of the Institutional Offer and the Broker Firm Offer only. The size of the Offer and the final Offer Proceeds are likely to be higher, and certain final shareholdings adjusted, based on the number of Shares finally allocated to Eligible Employees under the Employee Offer subsequent to the Prospectus Date. The total number of Shares on issue in the Company will not change.

7.1.4 Profits from continuing operations

For the purposes of ASX Listing Rule 1.2.6, the Directors have made enquiries and confirm that, as at the Prospectus Date, nothing has come to the attention of the Directors to suggest that the Company is not continuing to earn profit from continuing operations up to the Prospectus Date.

7.2 Shareholding structure

Details of the Company's ownership structure as at the Prospectus Date and on Completion are set out below.

	Shares held at the Prospectus Date		Shares expected to be held on Completion	
Shareholder	**million**	**%**	**million**	**%**
Selling Shareholder	438.4	100.0%	663.7	66.4%[83]
Non-Executive Directors	–	–	4.4	0.4%
Ahmed Fahour	–	–	2.7	0.3%
Other Management Shareholders	–	–	9.4	0.9%
Shinsei	–	–	99.5	9.95%
Minority Investors	–	–	143.4	14.3%
New Shareholders	**–**	**–**	**76.9**	**7.7%**[84]
Total	**438.4**	**100.0%**	**1,000.0**	**100.0%**

As at the Prospectus Date, the Selling Shareholder is owned jointly by the Existing Investors. Immediately after Completion, the Selling Shareholder will continue to be owned jointly by the Existing Investors. As a result of the Offer and certain steps associated with the Restructure, Deutsche Bank will hold 25.9%, Värde Partners will hold 32.9% and KKR will hold 41.2% of the Selling Shareholder.

At Completion, approximately 67.0% of the Shares will be subject to voluntary escrow arrangements. Refer to Section 9.8 for further information. In the opinion of the Company, the Company will have a free float at the time of Listing of no less than 20% of the Shares on issue at that time.

7.2.1 Control implications of the Offer

Post Listing, the Existing Investors, through their holdings in the Selling Shareholder, will hold an interest of approximately 66.4% in the Company and as such will control the Company (as defined in section 50AA of the Corporations Act).

Refer to Section 9.8 for the arrangements to apply between the Company and the Selling Shareholder after Completion and Section 5.2.19 for the risks associated with the Selling Shareholder retaining a controlling interest.

83 This represents the anticipated shareholding of the Selling Shareholder on Completion, taking into account the impact of the Institutional Offer and the Broker Firm Offer only. The Selling Shareholder's final shareholding is likely to be lower based on the number of Shares finally allocated to Eligible Employees under the Employee Offer subsequent to the Prospectus Date (refer to Section 7.6).

84 This represents the anticipated shareholding of the New Shareholders on Completion, taking into account the impact of the Institutional Offer and the Broker Firm Offer only. The final shareholding of New Shareholders is likely to be higher based on the number of Shares finally allocated to Eligible Employees under the Employee Offer subsequent to the Prospectus Date (refer to Section 7.6).

7.3 Key terms and conditions of the Offer

What is the type of security being offered?	• Shares, being fully paid ordinary shares in the capital of the Company
What are the rights and liabilities attached to the Shares being offered?	• A description of the Shares, including the rights and liabilities attached to them, is set out in Section 7.12
What is the price of Shares under the Offer?	• All Successful Applicants under the Offer will pay the Offer Price, being A$2.60 per Share
What is the Offer Period?	• The key dates, including details of the Offer Period relating to each component of the Offer, are set out on page 4 • The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AET • The Company and SaleCo, after having consulted with the Joint Lead Managers, reserves the right to change any and all of the times and dates of the Offer without notice in its absolute discretion including (subject to the ASX Listing Rules and the Corporations Act) to close the Offer early, to extend the Offer Period relating to any component of the Offer and to accept late Applications, either generally or in particular cases, in each case without notifying any recipient of this Prospectus or any Applicants • The Company or SaleCo may cancel or withdraw the Offer before allocation and transfer of Shares to Successful Applicants has occurred, in each case without notifying any recipient of this Prospectus or any Applicants • If the Offer is cancelled or withdrawn before the allocation and transfer of Shares to Successful Applicants, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act • No Shares will be issued or transferred on the basis of this Prospectus later than the Expiry Date
What are the cash proceeds to be raised?	• Approximately A$200.0 million is expected to be raised under the Offer if it proceeds
Is the Offer underwritten?	• Yes. The Joint Lead Managers have underwritten the Offer (other than the Employee Offer) pursuant to the Underwriting Agreement. Details are provided in Section 9.10
Who are the Joint Lead Managers?	• The Joint Lead Managers are Credit Suisse, Jefferies and Merrill Lynch
What is the minimum and maximum application size under the Offer?	• The minimum Application under the Broker Firm Offer is A$2,000 of Shares in aggregate. There is no maximum Application size under the Broker Firm Offer • The minimum Application under the Employee Offer is A$2,000 of Shares in aggregate. There is no maximum Application size under the Employee Offer • The Company and SaleCo reserve the right to reject or scale back any Applications in their absolute discretion (after having consulted with the Joint Lead Managers) • For more information, refer to Section 7.5.3

What is the allocation policy?	• The allocation of Shares between the Institutional Offer and the Broker Firm Offer (and to participants within the Institutional Offer and the Broker Firm Offer) was determined by the Company and SaleCo, following engagement with the Existing Investors, after having consulted with the Joint Lead Managers and having regard to the allocation policies outlined in Sections 7.4.2 and 7.5.5 respectively • In respect of the Broker Firm Offer, each Broker will decide how it allocates Shares among its Australian resident retail and sophisticated non-institutional clients, and it (and not the Company, SaleCo or the Joint Lead Managers) will be responsible for ensuring that clients who have received an allocation from it receive the relevant Shares • In respect of the Employee Offer, Eligible Employees who validly apply for Shares are guaranteed to receive a minimum allocation of A$2,000 of Shares (rounded down to the nearest whole Share). The allocation of any additional Shares to Eligible Employees is at the absolute discretion of the Company and SaleCo • The allocation of Shares under the Institutional Offer (including to broker sponsored bids) was determined by the Company and SaleCo, following engagement with the Existing Investors, after having consulted with the Joint Lead Managers and having regard to the allocation policies outlined in Sections 7.4.2 • The Company and SaleCo may in their absolute discretion, after having consulted with the Joint Lead Managers, reject any Application, or allocate fewer Shares to a Successful Applicant than the number of Shares or the equivalent dollar amount applied or bid for
When will I receive confirmation that my Application has been successful?	• It is expected that initial holding statements will be despatched to Successful Applicants by standard post on or about 26 April 2021
When will I receive a refund?	• Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies they have paid, will be made as soon as practicable after Completion • For more information, refer to Section 7.5.8
Will the Shares be quoted on the ASX?	• The Company will apply to the ASX for its admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code "LFS"). It is anticipated that quotation will initially be on a conditional and deferred settlement basis • The transfer of Shares and therefore Completion is conditional on the ASX approving this application. If permission is not granted for the official quotation within three months after the Prospectus Date (or any later date permitted by law), the Offer may be withdrawn and all Application Monies received by the Company will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act • Latitude will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time

When are the Shares expected to commence trading?	• It is expected that trading of the Shares on the ASX will commence on or about 20 April 2021, initially on a conditional and deferred settlement basis • If the Offer is withdrawn after Shares have commenced trading on a conditional and deferred settlement basis, all contracts for the sale of the Shares on the ASX will be cancelled and any Application Monies received would be refunded as soon as possible (without interest) • Conditional trading will continue until the Company has advised the ASX that Settlement has occurred, which is expected to be on or about 21 April 2021 • Trading on the ASX on a normal settlement basis is expected to commence on or about 22 April 2021 • If Settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of Applications will be cancelled and of no further effect, and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through the ASX participating organisations during the conditional trading period will be cancelled and of no effect • It is the responsibility of each Successful Applicant to confirm their holding before trading in Shares by contacting their Broker or the Latitude IPO Offer Information Line, or by reviewing their holding statement. Successful Applicants who sell Shares before they receive an initial statement of holding do so at their own risk • The Company, SaleCo, the Existing Investors, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell or trade Shares before receiving an initial holding statement, even if such person received confirmation of allocation from the Latitude IPO Offer Information Line or confirmed their allocation through a Broker • For more information, refer to Section 7.10.3
Are there any escrow arrangements?	• Yes. Details are provided in Section 9.8
Has any ASIC relief or ASX waiver or confirmation been sought, obtained or relied on?	• Yes. Details are provided in Section 9.17
Are there any brokerage, commission or stamp duty considerations?	• No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer
Are there any tax considerations?	• Summaries of certain Australian tax consequences of participating in the Offer and investing in the Shares are set out in Section 9.14 • The tax consequences of any investment in the Shares will depend upon an Applicant's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest

What should you do with any enquiries?	• All enquiries in relation to this Prospectus should be directed to the Latitude IPO Offer Information Line on 1300 218 194 (within Australia) or +61 3 9415 4055 (outside Australia) from 8:30am to 5:00pm (AET), Monday to Friday during the Offer Period (excluding public holidays) • All enquiries in relation to the Broker Firm Offer should be directed to your Broker • All enquiries in relation to the Institutional Offer should be directed to the Joint Lead Managers • If you have any questions about whether to invest in the Company, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser, tax adviser or other independent professional adviser before deciding whether to invest

7.4 Institutional Offer

7.4.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors to bid for Shares in the Institutional Offer.

The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer.

The Institutional Offer comprised:

- An invitation to Institutional Investors in eligible jurisdictions to bid for Shares, made under the Prospectus; and
- An invitation to Brokers who elected to bid for Shares under the Institutional Offer on behalf of Australian resident retail or sophisticated non-institutional clients, made under this Prospectus.

7.4.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Company and SaleCo, following engagement with the Existing Investors, after having consulted with the Joint Lead Managers. The Company and SaleCo had absolute discretion regarding the basis of allocation.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers.

The allocation policy was influenced by, but not constrained by, the following factors:

- The price and number of Shares bid for by particular Applicants;
- The timeliness of the bid by particular Applicants;
- The Company's desire for an informed and active trading market in Shares following Listing;
- The Company's desire to establish a wide spread of institutional Shareholders;
- The overall anticipated level of demand under the Broker Firm Offer and Institutional Offer;
- The size and type of funds under the management of particular Applicants;
- The likelihood that particular Applicants will be long-term Shareholders;
- Any credit risk presented by the Applicant having regard to the amount of its bid; and
- Any other factors that the Company, SaleCo and the Joint Lead Managers considered appropriate.

7.5 Broker Firm Offer

7.5.1 Who may apply in the Broker Firm Offer

The Broker Firm Offer is open to Australian resident retail and sophisticated non-institutional clients of Brokers who have a registered address in Australia and who have received an invitation from a Broker to acquire Shares under this Prospectus, and are not in the United States.

No general public offer of securities will be made under the Offer, other than through the ability of the public to apply through the Broker Firm Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation.

You should contact your Broker to determine whether you can receive an allocation of Shares from them under the Broker Firm Offer.

7.5.2 How to apply for Shares under the Broker Firm Offer

If you have received an invitation to apply for Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Your Broker can also provide you with a copy of the Prospectus and a Broker Firm Offer Application Form, or you can download a copy at www.latitudeipo.com.au.

Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Broker Firm Offer Application Form and Application Monies are received before 5:00pm (AET) on 16 April 2021 or any earlier closing date as determined by your Broker. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer opens at 9:00am (AET) on the Opening Date and is expected to close at 5:00pm (AET) on the Closing Date. The Company and SaleCo may elect to close the Broker Firm Offer or any part of it early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible after the Offer opens. Please contact your Broker for instructions.

If you are an Investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your invitation to participate in the Broker Firm Offer. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form.

If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser, tax adviser or other independent professional adviser before deciding whether to invest.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

None of Latitude, SaleCo, the Existing Investors, the Share Registry or the Joint Lead Managers take any responsibility for any acts or omissions committed by your Broker in connection with your Application.

7.5.3 Minimum and maximum Application size

The minimum Application size under the Broker Firm Offer is A$2,000 of Shares in aggregate.

There is no maximum Application size under the Broker Firm Offer; however, the Company and SaleCo reserve the right to not accept Applications in the Broker Firm Offer that are from persons they believe may be Institutional Investors or to reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer which are for more than A$250,000 of Shares (after having consulted with the Joint Lead Managers).

The Company and SaleCo may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in their absolute discretion in compliance with applicable laws.

7.5.4 Payment methods for Applications under the Broker Firm Offer

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.5.5 Allocation policy under the Broker Firm Offer

The allocation of Shares between the Broker Firm Offer and the Institutional Offer was determined by the Company and SaleCo, following engagement with the Existing Investors, after having consulted with the Joint Lead Managers.

Shares which have been allocated to Brokers for allocation to their Australian resident retail and sophisticated non-institutional clients will be transferred to the Applicants nominated by those Brokers (subject to the right of the Company and SaleCo, in their absolute discretion having consulted with the Joint Lead Managers to reject or scale back Applications). It will be a matter for the Brokers to determine how they allocate Shares among their clients, and they (and not the Company, SaleCo or the Joint Lead Managers) will be responsible for ensuring that clients who have received a firm allocation from them receive the relevant Shares.

7.5.6 How to confirm your allocation

Applicants under the Broker Firm Offer should contact their Broker to confirm their allocation.

Initial holding statements will be dispatched to Successful Applicants by standard post on or about 26 April 2021. If you sell Shares before receiving a holding statement, you do so at your own risk, even if you confirmed your allocation through the Broker from whom you received your allocation or obtained details of your holding from the Latitude IPO Offer Information Line. See also Section 7.10.3.

7.5.7 Acceptance of Applications under the Broker Firm Offer

An Application in the Broker Firm Offer is an offer by the Applicant to SaleCo to apply for the number of Shares specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement Prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant under the Broker Firm Offer may not be varied and is irrevocable.

An Application may be accepted by the Company or SaleCo in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. The Company and SaleCo reserve the right to decline any Application if they believe any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application. The Company and SaleCo also reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Broker Firm Offer will be transferred Shares at the Offer Price. Acceptance of an Application will give rise to a binding contract, conditional on settlement and quotation of Shares on the ASX on an unconditional basis.

7.5.8 Application Monies

The Company and SaleCo reserve the right to decline any Application in whole or in part, without giving any reason.

Application Monies received under the Broker Firm Offer will be held in a special purpose bank account until Shares are transferred to the Successful Applicants. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the Australian dollar amount applied for, will receive a refund (without interest) of all or part of their Application Monies, as applicable. No refunds solely pursuant to rounding will be provided.

Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by SaleCo.

7.6 Employee Offer

7.6.1 Who may apply in the Employee Offer

The Employee Offer is open to Eligible Employees in Australia only.

Eligible Employees will receive a personalised invitation to apply for Shares under the Employee Offer. Eligible Employees should read the invitation and this Prospectus carefully and in their entirety before deciding to apply under the Employee Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser, tax adviser, or other professional adviser before deciding whether to invest.

7.6.2 How to apply for Shares under the Employee Offer

Eligible Employees will receive a personalised invitation to apply for Shares under the Employee Offer. Eligible Employees will be offered the opportunity to apply for Shares at the Offer Price, being A$2.60 per Share.

Eligible Employees who wish to apply for Shares under the Employee Offer must apply for Shares online by visiting www.latitudeipo.com.au. Eligible Employees must comply with the instructions on their personalised invitation.

7.6.3 Minimum and maximum Application size

Applications under the Employee Offer may be for a minimum of A$2,000 of Shares and in multiples of A$500 worth of Shares thereafter.

7.6.4 Payment methods for Applications under the Employee Offer

Payment must be made in Australian dollars via BPAY®.

Application Monies must be received by the Share Registry by 5:00pm (AET) on 16 April 2021.

When an Applicant is completing their BPAY® payment, they should make sure they use the specific Biller Code and their unique CRN provided on the online Application Form. If they do not use the correct CRN, their Application will not be recognised as valid.

It is the Applicant's responsibility to ensure that payments are received by 5:00pm (AET) on 16 April 2021. Applicants should be aware that their financial institution may implement earlier cut-off times with regard to electronic payment, and they should therefore take this into consideration when making payment. The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY® before 16 April 2021 arising as a result of, among other things, processing of payments by financial institutions.

7.6.5 Allocation policy under the Employee Offer

Eligible Employees will receive a guaranteed minimum allocation of A$2,000 of Shares (rounded down to the nearest whole Share based on the Offer Price), subject to Completion. Shares issued under the Employee Offer will be in addition to the 76.9 million Shares available under the Institutional Offer and the Broker Offer[85].

The aggregate number of Shares issued under the Employee Offer will not exceed A$2 million worth of Shares (rounded down to the nearest whole Share based on the Offer Price). Eligible Employees may apply for a greater number of Shares; however, such Applications may be subject to scale-back depending on the extent to which there are excess Shares available as a result of Eligible Employees not taking up their guaranteed minimum allocation under the Employee Offer.

The Company and SaleCo have absolute discretion regarding the allocation of Shares to Applicants in the Employee Offer and may reject an Application, or allocate fewer Shares than the number applied for, or the equivalent dollar amount applied for (subject to the guaranteed minimum allocations).

If you are allocated a lesser number of Shares than the amount you applied for, SaleCo will refund the difference between the Application Monies received and Application Monies payable for the number of Shares issued to you (without interest).

85 The number of Shares allocated to Eligible Employees under the Employee Offer will not impact the total number of Shares on issue at Completion – rather, the shareholding of the Selling Shareholder on Completion will be reduced by the number of Shares allocated to Eligible Employees under the Employee Offer.

For personal use only

7.7 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- Agreed to have become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- Acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- Declared that all details and statements in their Application Form are complete and accurate;
- Declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- Acknowledge that, except as required by law, once the Company, SaleCo, the Joint Lead Managers, the Share Registry or a Broker receives an Application Form for the Broker Firm Offer, it may not be withdrawn;
- Applied for the Australian dollar amount of Shares shown on the front of their Application Form;
- Agreed to being allocated and transferred the number of Shares equivalent to the Australian dollar amount applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- Authorised the Company, SaleCo, the Joint Lead Managers, the Co-Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for the Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- Acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- Acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s) and that it does not take into account the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s);
- Declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- Acknowledged and agreed that the Offer may be withdrawn by the Company or SaleCo or may otherwise not proceed in the circumstances described in this Prospectus; and
- Acknowledged and agreed that if Listing or Completion does not occur for any reason, the Offer will not proceed.

Each Applicant in the Broker Firm Offer and Institutional Offer will be taken to have represented, warranted and agreed the acknowledgements under Section 7.8, as well as the below:

- It understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable state securities laws;
- It is not in the United States;
- It has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- It will not offer, sell, transfer or resell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from or not subject to the registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

7.8 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue this Prospectus. It is the responsibility of any Investor to ensure compliance with the laws of any country (outside Australia) relevant to their Application.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable US securities laws.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants as set out in the confirmation of allocation letter distributed to it.

7.9 Discretion regarding the Offer

The Company or SaleCo may withdraw the Offer at any time before transfers of Shares to Successful Applicants under the Offer have occurred. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company and SaleCo, in consultation with the Joint Lead Managers, also reserve the right to close the Offer (or any part of it) early, extend the Offer (or any part of it), accept late Applications (either generally or in particular cases), reject any Application, or allocate to any Applicant fewer Shares than those applied for.

7.10 ASX listing, registers and holding statements, and conditional and deferred settlement trading

7.10.1 Application to the ASX for the Listing and quotation of Shares

The Company will apply to the ASX within seven days of the Prospectus Date for admission to the Official List and quotation of the Shares on the ASX. The Company's ASX code is expected to be "LFS".

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If the Company does not make such an application within seven days after the Prospectus Date, or if permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer may be withdrawn and all Application Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to certain conditions (including any waivers obtained by the Company from time to time).

7.10.2 CHESS and issuer sponsored holdings

The Company will apply to participate in the ASX's Clearing House Electronic Subregister System ('**CHESS**') and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent an initial holding statement that sets out the number of Shares that have been transferred to them. This statement will also provide details of a Shareholder's Holder Identification Number for CHESS holders or, where applicable, the Securityholder Reference Number of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.10.3 Conditional and deferred settlement trading and selling Shares on-market

It is expected that the Shares will commence trading on the ASX on or about 20 April 2021, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications and bids will be conditional on the ASX agreeing to quote the Shares on the ASX, and on Settlement. Trades occurring on the ASX before Settlement will be conditional on Settlement occurring.

If the Offer is withdrawn before Shares have commenced trading on an unconditional basis, all contracts for the sale of the Shares on the ASX will be cancelled and any Application Monies received will be refunded as soon as practicable (without interest).

Conditional and deferred settlement trading will continue until the Company has advised the ASX that (i) certain transfers to Minority Investors associated with the Restructure have completed and (ii) Settlement has occurred under the Offer, which is expected to be on or about 21 April 2021. Trading on the ASX is expected to commence on a normal settlement basis (i.e. on a T+2 basis) on or about 22 April 2021.

If completion of the applicable Restructure steps and Settlement have not occurred within 14 days (or such longer period as the ASX allows) after the day the Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of Applications and bids will be cancelled and of no further effect. All Application Monies received will be refunded to Applicants (without interest). In these circumstances, all purchases and sales made through the ASX participating organisations during the conditional trading period will be cancelled and of no effect.

Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies they have paid, will be made as soon as practicable after Completion.

It is the responsibility of each Applicant to confirm their holding before trading in Shares by contacting their Broker or the Latitude IPO Offer Information Line, or by reviewing their holding statement. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. To the maximum extent permitted by law, the Company, SaleCo, the Existing Investors, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell or trade Shares before receiving their initial holding statement, even if such person received a confirmation of allocation from the Latitude IPO Offer Information Line or confirmed their allocation with their Broker.

7.11 Underwriting arrangements

The Company, SaleCo, the Selling Shareholder and the Joint Lead Managers have entered into an underwriting agreement dated 30 March 2021 pursuant to which the Joint Lead Managers have agreed, subject to certain conditions and termination events, to act as joint lead managers and bookrunners for, and to manage, the Offer, and to underwrite subscriptions for the Institutional Offer and Broker Firm Offer.

A summary of the terms of the Underwriting Agreement, including the termination provisions, is provided in Section 9.10.

7.12 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

7.12.1 Voting at a general meeting

At a general meeting of the Company, every Shareholder who is eligible to vote and is present in person or by proxy, representative or attorney has, on a poll, one vote for each Share held by the Shareholder and one vote on a show of hands.

7.12.2 Meetings of members

Each Shareholder is entitled to receive notice of, attend, and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

7.12.3 Dividends

The Board may determine or declare that a dividend is payable, fix the amount and the time for payment and authorise the payment or crediting by the Company to, or at the direction of, each Shareholder entitled to that dividend.

Refer to Section 4.9 for further information in respect of the Company's proposed dividend policy.

7.12.4 Transfer of Shares

Subject to the Constitution and the ASX Listing Rules, Shares may be transferred by a proper transfer effected in accordance with the operating rules of a relevant clearing and settlement facility or by any other method of transfer which is required or permitted by the Corporations Act and the ASX.

If permitted by the ASX Listing Rules, the Board may request the operator of a relevant clearing and settlement facility to apply a holding lock to prevent transfer of shares in the Company from being registered, or otherwise refuse to register a transfer of shares. The Board must refuse to register a transfer of shares when required to do so by the ASX Listing Rules or where the transfer is in breach of the ASX Listing Rules or a restriction agreement.

7.12.5 Issue of further Shares

Subject to the Corporations Act, the ASX Listing Rules and any special rights conferred on holders of any shares or class of shares, the Directors may issue, allot and cancel, or dispose of, Shares on terms determined from time to time by the Directors. The Directors' power under the Constitution includes the power to grant options over unissued Shares. The Company may also issue preference shares, and convert issued shares into preference shares, provided certain rights of preference shareholders are as set out in the Constitution or as otherwise approved by a resolution of the Company in accordance with the Corporations Act.

7.12.6 Winding up

Without prejudice to the rights of the holders of shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among shareholders in kind the whole or any part of the Company's property; and for that purpose, set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between shareholders or different classes of shareholders.

7.12.7 Non-marketable parcels

Where the Company complies with the relevant procedure outlined in the Constitution, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

7.12.8 Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, the Company may buy shares in the Company on terms and at times determined by the Board.

7.12.9 Variation of class rights

At Completion, the Company's only class of securities on issue will be Shares. The rights attached to any class of shares may be varied in accordance with the Corporations Act.

7.12.10 Dividend reinvestment programme

Subject to the ASX Listing Rules, the Directors may establish a plan under which Shareholders may elect to reinvest cash dividends paid by the Company on such terms and conditions as the Directors think fit. The Directors have no current intention to establish a dividend reinvestment programme.

7.12.11 Directors – appointment and rotation

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum number of Directors is 10 unless determined otherwise by the Company in a general meeting. Directors are elected at general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding a Managing Director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or three years, whichever is longer. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, provided the total number of Directors does not exceed the prescribed maximum, who will then hold office until the conclusion of the next annual general meeting of the Company.

7.12.12 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. Subject to the ASX Listing Rules, in the case of an equality of votes on a resolution, the chairperson of the meeting does not have a casting vote in addition to a deliberative vote.

The Directors may pass a resolution without a Directors' meeting being held if all of the Directors entitled to vote on the resolution have consented to the resolution by signing a document that sets out the terms of the resolution and contains a statement to the effect that the Director is in favour of the resolution.

7.12.13 Directors – remuneration

The Directors, other than a Managing or Executive Director, will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in a general meeting. The current maximum aggregate sum is A$2.2 million per annum, with the initial remuneration of the Non-Executive Directors set out in Section 6.2.2.2. Any change to that maximum aggregate sum needs to be approved by Shareholders. Pursuant to the Constitution, Directors may also be paid all reasonable travelling, accommodation and other expenses incurred by them when travelling to or from meetings of the Directors or any committee of the Directors or when otherwise engaged on the business of the Company.

7.12.14 Indemnities

The Company, to the extent permitted by law, will indemnify any person who is or has been a director, and may indemnify any person who is or has been an officer, of the Company or subsidiary of the Company against any liability incurred by that person in that capacity (including liabilities incurred by that person as a director or officer of a subsidiary of the Company), and legal costs incurred by that person in that capacity (including such legal costs incurred by that person as a director or officer of a subsidiary of the Company). The Company may enter into an agreement with any director or officer of the Company to give effect to those matters outlined in this paragraph.

The Company, to the extent permitted by law, may pay a premium for a contract insuring a person who is or has been a director or officer of the Company or a subsidiary of the Company against liability incurred by that person in that role.

7.12.15 Amendment

The Constitution may be amended only by special resolution passed by at least three quarters of the votes cast by Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

8 Investigating Accountant's Report

8 Investigating Accountant's Report

KPMG Transaction Services
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
Australian Financial Services Licence No. 246901
Tower Two
Collins Square
727 Collins Street
Melbourne Vic 3008

GPO Box 2291U
Melbourne Vic 3001
Australia

ABN: 43 007 363 215
Telephone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
DX: 30824 Melbourne
www.kpmg.com.au

The Directors
Latitude Group Holdings Ltd
Latitude SaleCo Limited
each of:
800 Collins Street
Docklands VIC 3008
Australia

30 March 2021

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("**KPMG Transaction Services**") has been engaged by Latitude Group Holdings Limited (formerly KVD Australia HoldCo Pty Ltd) (ACN 604 747 391) (the "**Company**") and Latitude SaleCo Limited (ACN 625 845 874) ('**SaleCo**') to prepare this report for inclusion in the Prospectus to be dated 30 March 2021 ("Prospectus"), and to be issued by the Company and SaleCo, in connection with the proposed initial public offering of shares in the Company ("**the Transaction**").

Expressions defined in the Prospectus have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Prospectus.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical financial information disclosed in the Prospectus.

The pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001* (Cth).

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of the Company (the responsible party) included in the Prospectus.

The pro forma historical financial information has been derived from the combined historical financial information of the Company and Latitude Financial Services Limited ('**LFSL**'), after adjusting for the effects of pro forma adjustments described in section 4.2.2 of the Prospectus. The pro forma financial information consists of the Company's:

- pro forma consolidated historical balance sheet as at 31 December 2020 as set out in table 30 of section 4.4.1 of the Prospectus;
- pro forma consolidated historical income statements for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 as set out in table 21 of section 4.3.1 of the Prospectus; and
- pro forma consolidated historical cash flows for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 as set out in table 34 of section 4.5.1 of the Prospectus.

(along with the related notes set out in section 4.13 of the Prospectus, collectively the "**Pro Forma Historical Financial Information**").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4.2.2 of the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, and/or cash flows.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the event(s) or transaction(s) described in Section 4.2.2 on the

Company's financial position as at 31 December 2020 and the Company's financial performance and cash flows for the periods ended 31 December 2018, 31 December 2019 and 31 December 2020. As part of this process, information about the Company's financial position, financial performance and cash flows has been extracted by the Company from the general purpose combined financial statements of the Company and LFSL (and their respective controlled entities) for the years ended 31 December 2018, 31 December 2019 and 31 December 2020.

The general purpose combined financial statements of the Company and LFSL (and their respective controlled entities) for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the directors of the Company and LFSL relating to those financial statements were unqualified and included an emphasis of matter paragraph which highlights the basis of preparation of those accounts.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in section 4.2 of the Prospectus.

As stated in section 4.2 of the Prospectus the stated basis of preparation is:

- the extraction of historical financial information from the audited general purpose combined financial statements of the Company and LFSL (which aggregate the separately audited consolidated financial statements of the Company and LFSL), comprising the:

  - combined historical income statements for the years ended 31 December 2018, 31 December 2019 and 31 December 2020; and

  - combined historical cash flows for the years ended 31 December 2018, 31 December 2019 and 31 December 2020; and

  - the combined historical balance sheet as at 31 December 2020;

  (together the "**Combined Historical Financial Statements**"); and

- the application of pro forma adjustments, determined in accordance with Australian Accounting Standards and the Company's accounting policies, to the historical combined balance sheet as at 31 December 2020 to illustrate the effects of the Transaction and other transactions, as described in section 4.4.1 of the Prospectus, as if the Transaction and other transactions had occurred on 31 December 2020; and

- the application of pro forma adjustments, determined in accordance with Australian Accounting Standards and the Company's accounting policies, to the historical combined income statements and cash flows for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 to illustrate the effects of the Transaction and other transactions on the Company, as described in sections 4.3.4 and 4.5.2 of the Prospectus as if the Transaction had occurred on 1 January 2018.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures we performed were based on our professional judgement and included:

Combined Historical Financial Information

- consideration of work papers, accounting records and other documents relating to the Combined Historical Financial Information, including those dealing with the extraction of the Combined Historical Financial Information from the general purpose Combined Historical Financial Statements of the Group for the years ended 31 December 2018, 31 December 2019 and 31 December 2020, and consideration of the acceptability of the accounting policies and the time frame covered;

Pro forma adjustments:

- consideration of the pro forma adjustments described in the Prospectus;
- enquiry of Directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information; and
- a review of accounting policies adopted by the Company for consistency of application in the preparation of the pro forma adjustments.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of the Company and SaleCo are responsible for the preparation of the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Pro Forma Historical Information.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in section 4 of the Prospectus, comprising:

- the pro forma consolidated historical income statements of the Company for the years ended 31 December 2018, 31 December 2019 and 31 December 2020;
- the pro forma consolidated historical statements of cash flows of the Company for the years ended 31 December 2018, 31 December 2019 and 31 December 2020; and
- the pro forma consolidated historical balance sheet of the Company as at 31 December 2020,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 4.2.2 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Company's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Transaction, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of the Company, LFSL and their controlled entities and from time to time, KPMG also provides the Company, LSFL and their controlled entities with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to section 4.2.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

Paul Guinea
Authorised Representative

KPMG

KPMG Financial Advisory Services (Australia) Pty Ltd

ABN 43 007 363 215
Australian Financial Services Licence No. 246901

Financial Services Guide

Dated October 2020

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and Paul Guinea as an authorised representative of KPMG Transaction Services, authorised representative number 001245044 (**Authorised Representative**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted;
- The services KPMG Transaction Services and its Authorised Representative are authorised to provide;
- How KPMG Transaction Services and its Authorised Representative are paid;
- Any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG Transaction Services have in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services.

This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;

- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units,

to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Latitude Group Holdings Limited (formerly KVD Australia HoldCo Pty Ltd (ACN 604 747 391) and Latitude SaleCo Limited (ACN 625 845 874) (the "Company") to provide general financial product advice in the form of a Report to be included in Prospectus (Document) prepared by the Company in relation to the initial public offering of shares in the Company (Transaction).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive, and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services $1,325,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative [is/is not] a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 56 55 62

Facsimile: (03) 9613 6399

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover in accordance with section 912B of the *Corporations Act 2001(Cth)*.

Contact details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Paul Guinea

C/O KPMG
PO Box H67
Australia Square
NSW 1213

Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

9 | Additional Information

9 Additional Information

9.1 Registration

The Company was registered in Victoria, Australia on 15 June 2015 as a proprietary company limited by shares. It was converted to a public company limited by shares on 16 March 2021.

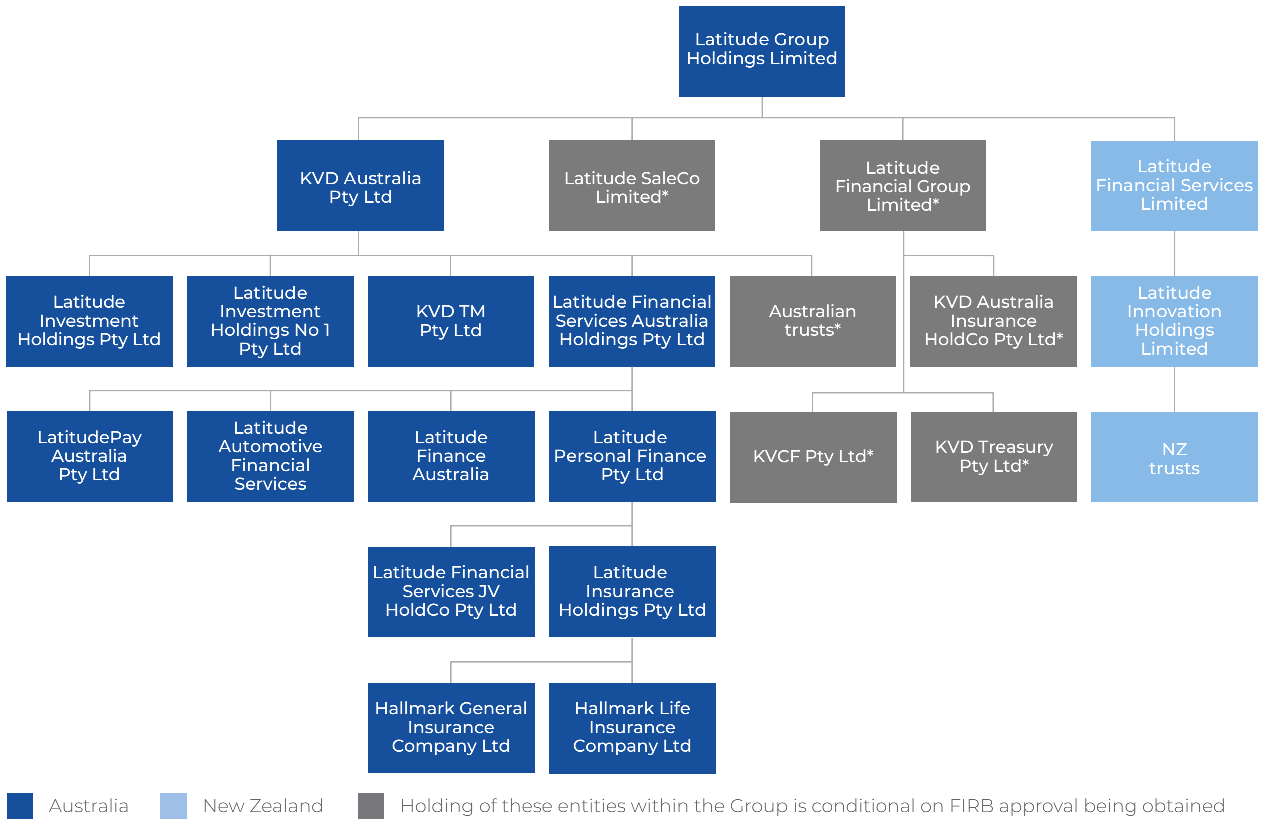
SaleCo was incorporated in Victoria, Australia on 30 April 2018 as a public company limited by shares. The sole shareholder of SaleCo is Michael Tilley. The directors of SaleCo are Michael Tilley, Mark Joiner and Alison Ledger.

9.2 Company tax status and Financial Year

The Company will be taxed in Australia at the corporate tax rate. The Company's Financial Year ends on 31 December annually.

9.3 Corporate structure

The below chart sets out the proposed structure of the Group following completion of the Restructure described in Section 9.4.



Note: The structure chart depicts the Latitude entities that are material to the operations of Latitude. As at the Prospectus Date, entities marked with an asterisk (*) are held outside the Group and are expected to be transferred into the Group pursuant to Restructure steps which are proposed to complete (subject to FIRB Approval) post Completion. These steps and associated interim arrangements are described in further detail in Section 9.4. There are also other Latitude entities which are not included in this structure chart which are no longer material to the operations of Latitude and in respect of which Latitude proposes to commence liquidation or deregistration proceedings prior to or following the Offer.

The role of the key entities is as follows:

- **Latitude Group Holdings Limited** – The listed entity, and the holding company of the Group;
- **Latitude Financial Services Australia Holdings Pty Ltd** – The primary operating entity (and employer) in Australia;
- **Latitude Finance Australia** – The originator of Instalments products and credit cards in Australia;
- **Latitude Personal Finance Pty Ltd** – The originator of personal loans in Australia;
- **Latitude Automotive Financial Services** – The originator of motor loans in Australia;
- **LatitudePay Australia Pty Ltd** – The originator of the payments product, LatitudePay, in Australia;
- **Latitude Financial Services Limited** – The primary operating entity, employer and originator of payments, Instalments and Lending products in New Zealand;
- **Latitude Innovation Holdings Limited** – The originator of the payments product, Genoapay, in New Zealand;
- **KVD TM Pty Ltd** – The trust manager of the Australian trusts;
- **Australian trusts and NZ trusts** – The special purpose trusts established as funding vehicles for the Term Securitisation and Warehouse Facilities (discussed further in Section 9.11.2);
- **Hallmark Life Insurance Company Ltd** – The licensed provider of the life insurance component of the Hallmark Insurance products offered in Australia and New Zealand; and
- **Hallmark General Insurance Company Ltd** – The licensed provider of the general insurance component of the Hallmark Insurance products offered in Australia and New Zealand.

9.4 Restructure and other arrangements with related parties

9.4.1 Restructure

As at the Prospectus Date, the Selling Shareholder, a Singapore company owned jointly by the Existing Investors, is the ultimate holding company of Latitude.

The Company, the Selling Shareholder and the Existing Investors have entered into and undertaken a series of arrangements to implement a Restructure, in order to achieve the corporate structure as set out in Section 9.3. Prior to the Prospectus Date, the Restructure steps included the transfer of the New Zealand operating entity Latitude Financial Services Limited and the beneficial interest in the New Zealand warehouse trusts to the Company and the termination of shareholder loan and services arrangements between Latitude and the Existing Investors.

Between the Prospectus Date and Completion:

- The Management Shareholders will receive Shares as part of the unwind of the Pre-Completion Equity Plans; and
- Certain Minority Investors will realise their economic interest in Latitude through receipt of Shares.

The transfer of Shares to Minority Investors is expected to occur during the period of conditional and deferred settlement trading of Shares.

As at Completion, the following material elements of the Restructure are expected to remain pending, subject only to the receipt of FIRB Approval:

- The Company has entered into an agreement to acquire Latitude Financial Group Limited, an entity incorporated as part of the Company's terminated IPO process in 2019 which has remained dormant and which as at the Prospectus Date is wholly owned by Michael Tilley. Completion of this sale is conditional on FIRB Approval. As at the Prospectus Date, this entity holds a 100% interest in KVD Australia Insurance HoldCo Pty Ltd and KVD Treasury Pty Ltd, both dormant entities which hold no assets, as well as a 100% interest in KVCF. KVCF is a non-operating entity which holds as its sole asset the Group's trademark registrations. The consideration under the sale agreement is nominal and only title and capacity warranties are provided by the vendor. In order to ensure that the Company has the full benefit of Latitude's trademarks following Completion, KVCF and Latitude Financial Services Australia Holdings Pty Ltd have entered into a trademark licence agreement under which KVCF has granted Latitude Financial Services Australia Holdings Pty Ltd a perpetual, exclusive, sub-licensable, worldwide, assignable licence to use the Group's trademarks; and

- KVD Australia has entered into an agreement to acquire the legal and beneficial interests in the Australian warehouse trusts from the Existing Investors (or related entities of those parties). The consideration under the sale agreement is nominal and only title and capacity warranties are provided by the vendors. Completion of this sale is conditional on FIRB Approval. In order to ensure that the Company obtains the full economic benefit of the Australian warehouse trusts following Completion, the current holders of the legal and beneficial interests of the warehouse trusts have unconditionally and irrevocably assigned to the Company the present and future rights to the income (and associated distribution entitlements) attaching to those interests from and after 1 January 2021.

Latitude will seek FIRB Approval for the Restructure steps described above as soon as practicable following Completion.

If FIRB Approval is obtained, Latitude Financial Group Limited will be transferred to the Company and the legal and beneficial interests in the Australian warehouse trusts will be transferred to the Company as soon as reasonably practicable upon receipt of the approval. If FIRB does not provide approval for these transfers, the contractual arrangements described above will remain in place to ensure that the Company retains both the right to use the Group's trademarks held by KVCF and the economic benefit of the Australian warehouse trusts which form part of the business at all times following Completion. There is therefore not expected to be any negative impact on the Group if FIRB Approval is not obtained.

As noted in Section 4.4.1, as part of the Restructure, Latitude has settled existing shareholder loans using cash and equity, and acquired amounts owed to the Selling Shareholder relating to unpaid distributions on Residual Income Units using cash, securitised notes and the establishment of an A$84.5 million Deferred Settlement arrangement with the Selling Shareholder. In connection with and for the duration of that Deferred Settlement arrangement, Latitude has agreed to continue to provide certain information relating to its financial position, corporate structure, ownership and risk compliance systems to the Selling Shareholder and the Selling Shareholder has agreed to provide certain information about it and the Existing Investors to Latitude to assist the parties in meeting Australian and foreign regulatory requirements.

There may also be further Restructure steps undertaken following Completion that will involve the liquidation of certain dormant entities and the intra-group transfer of other entities.

Following these steps, it is anticipated that the final Group structure will be represented by the structure chart in Section 9.3.

9.4.2 Arrangements with Deutsche Bank

Deutsche Bank is a current financier and investor under the Warehouse Facilities and Term Securitisations (the terms of which are described further in Section 9.11.2). After Completion, Deutsche Bank will continue to be a financier and investor under these Warehouse Facilities and Term Securitisations. These arrangements are, and will continue to be on, arm's length commercial terms.

Deutsche Bank has also acted as a Co-Lead Manager in relation to the Offer. Deutsche Bank has received no fees or commission in this role.

9.4.3 Indemnity of SaleCo and the Selling Shareholder by the Company

The Company has entered into arrangements under which it indemnifies each of SaleCo and its directors, and the Selling Shareholder and its affiliates and each of their respective directors, officers and employees, and each of their respective heirs, executors, successors and assigns ('**Indemnified Parties**') for certain liabilities, including liabilities relating to:

- Information contained in this Prospectus and any materials distributed in connection with the Offer, and any misleading, deceptive, untrue or allegedly untrue statement in this Prospectus or such materials, as well as the distribution of this Prospectus and the making of the Offer;
- A breach by the Company or any other member of the Group or any of their affiliates of an agreement, arrangement or obligation in respect of this Prospectus or the Offer;
- Any third party claims related to the operation by the Company or any other member of the Group or any of their affiliates of any past, current or future businesses, irrespective of when the facts giving rise to the claim arose; and
- Any failure by the Company, any other member of the Group or any other person to pay, perform or otherwise properly discharge any liability of the Company or any other member of the Group or any of their affiliates, whether prior to or after Completion.

The Company will ensure (and procure that each member of the Group ensures) that no claim is made by the Company or any other member of the Group against an Indemnified Party, and provide a release in relation to any act, omission, fact, or matter occurring or failing to occur on or before Completion.

The indemnity provided by the Company is subject to limitations. This includes where losses arise as a result of fraud, wilful misconduct or conduct not in good faith and, with respect to the Selling Shareholder, where any losses arise as a result of a statement or omission contained in this Prospectus attributable to the Selling Shareholder, as a result of the implementation of the Restructure steps in certain circumstances or where such loss is recoverable by Latitude from the Selling Shareholder.

9.5 Sale of Shares by SaleCo

SaleCo is a special purpose vehicle that has been established to enable the Selling Shareholder to sell Shares.

The Selling Shareholder has executed a deed in favour of SaleCo under which it will irrevocably offer to sell Shares to SaleCo free from encumbrances and third-party rights, conditional upon the commencement of conditional and deferred settlement trading of Shares on the ASX.

The Shares that SaleCo obtains from the Selling Shareholder will be transferred to Successful Applicants. The price payable by SaleCo to the Selling Shareholder for these Shares is the Offer Price.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the deeds described above. The sole shareholder of SaleCo is Michael Tilley. The directors of SaleCo are Michael Tilley, Mark Joiner and Alison Ledger. The Company has indemnified SaleCo and the directors and shareholder of SaleCo for any loss which SaleCo or the directors or shareholder of SaleCo may incur as a consequence of the Offer.

Following Completion, SaleCo will be acquired by Latitude and subsequently deregistered.

9.6 Investment by Shinsei

The Selling Shareholder has entered into a sale and purchase agreement with Shinsei (‘**Shinsei SPA**’).

Shinsei is a large diversified financial group with both banking and non-banking business divisions. Prior to entry into the Shinsei SPA, Shinsei had no relationship with the Company, the Selling Shareholder or the Existing Investors in relation to the Company.

Pursuant to the Shinsei SPA, Shinsei has agreed to acquire a 10% share interest in the Company (as noted in Section 7.2) from the Selling Shareholder, in two tranches.

The first tranche will involve the sale and purchase of a 9.95% share interest in the Company. As part of this investment, Shinsei will acquire a 5% share interest in the Company at a price of A$3.00 per Share (representing an implied value of the Company of A$3 billion) and a 4.95% share interest in the Company at the Offer Price. There are no conditions to Shinsei’s purchase that are outstanding as at the Prospectus Date and it is currently anticipated that completion of the sale and purchase of Shinsei’s share interest will occur before Completion.

It is Shinsei’s current intention to acquire a second tranche of Shares under the Shinsei SPA after Completion to increase its share interest in the Company to 10%. However, Shinsei will require FIRB Approval in order to further increase its share interest in the Company to 10% or more. The Shinsei SPA contemplates the purchase by Shinsei from the Selling Shareholder of a further 0.05% share interest in the Company, which is conditional on FIRB Approval. If FIRB Approval is obtained, Shinsei will acquire (on the day that is 15 business days after the date on which FIRB Approval is obtained (or a later date to allow for market cleansing)) the 0.05% share interest at the Offer Price. FIRB Approval has not been sought by Shinsei as at the Prospectus Date.

It is Shinsei’s intention that, were it to acquire a 10% share interest, it would seek the appointment of a nominee director to the Board. In this respect, the Company and Shinsei have entered into a Relationship Deed on the terms described in Section 9.9.2.

9.7 Description of the Syndicate

The Joint Lead Managers to the Offer are Credit Suisse, Jefferies and Merrill Lynch.

The Co-Lead Managers are Bell Potter, Commonwealth Securities, Deutsche Bank, Escala Partners and Ord Minnett.

9.8 Escrow arrangements

At Completion, approximately 67.0% of the Shares will be subject to voluntary escrow arrangements.

Shareholders	Number of Escrowed Shares (on Completion) (in millions)	Percentage of Escrowed Shares (on Completion) (%)
Selling Shareholder	663.7[86]	66.4%[87]
Ahmed Fahour	2.7	0.3%
Other Executive Shareholders[88]	3.7	0.4%
Total	**670.0**	**67.0%**

The specific terms of the Escrow Deeds for the various Escrowed Shareholders are set out in Sections 9.8.1 and 9.8.2. The common terms of the Escrow Deeds for the Escrowed Shareholders are set out in Section 9.8.3.

9.8.1 Terms of Escrow Deed for the Selling Shareholder

Approximately 66.4% of the Shares on issue at Completion will be held by the Selling Shareholder and be subject to escrow arrangements (being the 'Escrowed Shares' of the Selling Shareholder set out in Section 9.8).

The Selling Shareholder has entered into an Escrow Deed with the Company which, subject to customary exceptions set out in Section 9.8.3, prevents the Selling Shareholder from dealing with its Escrowed Shares until:

- (**first release**) in respect of such number of Escrowed Shares held by the Selling Shareholder (up to a maximum of 10% of total Shares on issue) as are required to facilitate eligibility for inclusion of the Company in the S&P/ASX300 index, on or after 4:15pm on the Trading Day following the day on which the Company releases its financial results for the half year ending 30 June 2021 to the ASX ('**First Release**');
- (**further release**) in respect of 50% of the Escrowed Shares held by the Selling Shareholder following the First Release, on or after 4:15pm on the Trading Day following the day on which the Company releases its annual financial results for the year ending 31 December 2021 to the ASX; and
- (**final release**) in respect of the remaining Escrowed Shares held by the Selling Shareholder, the start of trading on the second Trading Day after the date on which the Company releases its financial results for the half year ending 30 June 2022 to the ASX.

A portion of the Escrowed Shares may also be released from escrow early under the Escrow Deed to facilitate the Selling Shareholder:

- complying with its obligations to transfer a further 0.05% share interest to Shinsei pursuant to the Shinsei SPA (refer to Section 9.6); and
- selling a parcel of Shares to a strategic investor (being an investor who will, following the sale and purchase, hold, and intends to continue to hold, a share interest in the Company of at least 10% for the term of the Escrow Deed).

Under the Escrow Deed, the Selling Shareholder must provide the Company with full details of any changes to its voting power in the Company.

86 The details of the Shares to be held by the Selling Shareholder on Completion referred to above do not include any Shares Deutsche Bank or an affiliate may be allocated under the Offer on an arm's length basis in the ordinary course of its asset management or equities business activities.

87 This represents the anticipated shareholding of the Selling Shareholder on Completion, taking into account the impact of the Institutional Offer and the Broker Firm Offer only. The Selling Shareholder's final shareholding is likely to be lower based on the number of Shares finally allocated to Eligible Employees under the Employee Offer subsequent to the Prospectus Date (refer to Section 7.6).

88 Shares of Ahmed Fahour, Adrienne Duarte and other Executive Shareholders are to be issued on or about Completion pursuant to the Pre-Completion Equity Plans described in Section 6.3.2.

9.8.2 Terms of Escrow Deeds for Executive Shareholders

Approximately 0.6% of the Shares on issue at Completion will be held by the Executive Shareholders and be subject to escrow arrangements.

Ahmed Fahour has agreed to enter into an Escrow Deed with the Company which, subject to the customary exceptions set out in Section 9.8.3, prevents him from dealing with his Escrowed Shares until the start of trading on 1 November 2022.

Each of the other Executive Shareholders have agreed to enter into an Escrow Deed with the Company which, subject to the customary exceptions set out in Section 9.8.3, prevent those Executive Shareholders from dealing with their Escrowed Shares until:

- (**initial release**) in respect of 50% of the Escrowed Shares held by each of the Executive Shareholders at Completion, on or after 4:15pm on the Trading Day falling 30 days after the day on which the Company releases its annual financial results for the year ending 31 December 2021 to the ASX; and
- (**final release**) in respect of the remaining Escrowed Shares held by the Executive Shareholders, the start of trading on the second Trading Day after the date that falls 30 days after the date on which the Company releases its financial results for the half year ending 30 June 2022 to the ASX.

9.8.3 Common terms of Escrow Deeds for Escrowed Shareholders

The restriction on dealing is broad and includes, among other things, selling, assigning, transferring, or otherwise disposing of the Escrowed Shares, entering into an option which would enable or require the Escrowed Shares to be sold, assigned, transferred, or otherwise disposed of, creating, writing, taking, closing out or terminating any derivative or similar interest in the Escrowed Shares, creating or agreeing to create or permit a security interest over the Escrowed Shares, or agreeing or agreeing to offer to do any of the above.

However, during the escrow periods described above, the Escrowed Shareholders are permitted to deal in their Escrowed Shares in the following manner:

- (**security interest**) to grant a security interest over any or all of their Escrowed Shares to a bona fide third party financial institution, provided that the security interest does not in any way constitute a direct or indirect disposal of the economic interest, or decrease the economic interest that the Escrowed Shareholder has, in any of its Escrowed Shares (with the documentation for the security interest making it clear that the Escrowed Shares remain in escrow and subject to the terms of the relevant Escrow Deed);
- (**court order**) pursuant to a court order compelling the Escrowed Shares to be disposed of or a security interest to be granted over them;
- (**insolvency or bankruptcy**) pursuant to the winding up, deregistration or insolvency of the Escrowed Shareholder (if the Escrowed Shareholder is an entity) or the bankruptcy of the Escrowed Shareholder (if the Escrowed Shareholder is a natural person);
- (**takeover bid**) to allow the acceptance of an offer made under a takeover bid provided holders of not less than 50% of the non-escrowed Shares have accepted the offer and the takeover bid is unconditional (or conditional only on "prescribed occurrences") or all conditions to the takeover bid have been satisfied or waived;
- (**bid acceptance facility**) to allow an Escrowed Shareholder to tender any of their Escrowed Shares into a bid acceptance facility established in connection with a takeover bid;
- (**reorganisation**) to allow the transfer or cancellation of Escrowed Shares as part of an equal access share buy-back, pro-rata capital return, pro-rata reduction of capital or other similar reorganisation, a merger being implemented by way of a scheme of arrangement or a pro-rata acquisition of share capital which has received all necessary approvals; or
- (**death or incapacity**) if the Escrowed Shareholder is a natural person, if that Escrowed Shareholder dies or becomes incapacitated.

If for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with a takeover bid, bid acceptance facility or reorganisation as described above, the escrow restrictions in the Escrow Deeds will continue to apply and the holding lock will be reapplied to all Escrowed Shares that are not transferred or cancelled for the remainder of the escrow periods described above.

9.9 Post-Completion arrangements with the pre-Completion shareholders in the Company

9.9.1 Selling Shareholder Relationship Deed

The independent Directors have approved the Company entering into a Relationship Deed with the Selling Shareholder ('**Selling Shareholder Relationship Deed**') to govern the relationship between the Company and the Selling Shareholder while the Selling Shareholder holds Retained Shares (being Shares held directly by the Selling Shareholder which are initially subject to escrow arrangements whether or not those Shares remain subject to escrow). The Selling Shareholder Relationship Deed will commence on Completion and have the following key terms:

- The Selling Shareholder may nominate:
  - three Directors to the Board for so long as the Selling Shareholder holds, in the aggregate, Retained Shares which represent at least 30% of the Shares on issue;
  - two Directors to the Board for so long as the Selling Shareholder holds, in the aggregate, Retained Shares which represent at least 20% of the Shares on issue; and
  - one Director to the Board for so long as the Selling Shareholder holds, in the aggregate, Retained Shares which represent at least 10% of the Shares on issue.

  The Selling Shareholder may change nominees following the procedures contained in the Selling Shareholder Relationship Deed;
- If the Selling Shareholder has a right to nominate a Director to the Board, that Director may appoint an alternate director on an ad hoc basis;
- The fees payable to a nominee Director will be the same as the fees payable to other Directors;
- The parties to the Selling Shareholder Relationship Deed agree to certain procedures for the management of conflicts of interest; and
- If the Selling Shareholder is a deemed "controller" of the Company for the purposes of the Corporations Act, the Company will provide market disclosure (subject to certain conditions) to facilitate a disposal of Shares by the Selling Shareholder during certain time periods.

The Selling Shareholder Relationship Deed automatically terminates if the Selling Shareholder ceases to hold Retained Shares equal to at least 10% of the Shares on issue following Completion.

9.9.2. Shareholders Agreement

Post Completion of the Offer, the Selling Shareholder will continue to be owned by the Existing Investors.

The Existing Investors will be parties to arrangements in respect of the exercise by the Selling Shareholder of its rights:

- to nominate one or more directors to the Board of the Company for so long as the Selling Shareholder has such a right under the Selling Shareholder Relationship Deed;
- to exercise voting rights attached to the Shares in respect of which the Selling Shareholder is the registered holder; and
- to exercise or take up a right attached to a Share in respect of which the Selling Shareholder is the registered holder.

9 Additional Information

9.9.3 Shinsei Relationship Deed

The Company and Shinsei have entered into a Relationship Deed ('**Shinsei Relationship Deed**') to govern the relationship between the Company and Shinsei while Shinsei holds Shares comprising 10% or more in the capital of the Company. The Shinsei Relationship Deed has the following key terms:

- Shinsei may nominate one Director to the Board for so long as Shinsei holds Shares which represent at least 10% of the Shares on issue. Shinsei may change nominees following the procedures contained in the Relationship Deed;
- If Shinsei has a right to nominate a Director to the Board, that Director may appoint an alternate director on an ad hoc basis;
- The fees payable to a nominee Director will be the same as the fees payable to other Directors; and
- The parties to the Shinsei Relationship Deed agree to certain procedures for the management of conflicts of interest.

The Shinsei Relationship Deed will automatically terminate if Shinsei ceases to hold Shares equal to at least 10% of the Shares on issue following Completion.

9.10 Underwriting Agreement

The Company, SaleCo, the Selling Shareholder and the Joint Lead Managers have entered into an Underwriting Agreement.

The Offer is being managed by the Joint Lead Managers pursuant to the Underwriting Agreement. The Joint Lead Managers have agreed to act as joint lead managers and bookrunners for, and to manage, the Offer. The Joint Lead Managers have also agreed to severally underwrite the Institutional Offer and the Broker Firm Offer on the terms of the Underwriting Agreement (the Employee Offer is not underwritten).

To the extent that any discretion needs to be exercised by the Company or SaleCo under the Underwriting Agreement, that will only occur following engagement with the Selling Shareholder.

9.10.1 Fees, costs and expenses

If the Offer has not been withdrawn and the Underwriting Agreement has not been terminated, the Selling Shareholder has agreed to pay an underwriting, management and settlement fee to the Joint Lead Managers in agreed proportions equal to:

- an aggregate of 2.75% of the Institutional Offer proceeds (exclusive of GST) (being the total number of Shares offered under the Institutional Offer multiplied by the Offer Price); and
- an aggregate of 0.75% of the non-Institutional Offer proceeds (exclusive of GST) (being the total number of Shares sold under the Broker Firm Offer and the Employee Offer multiplied by the Offer Price).

There will also be a discretionary fee pool of up to A$8.0m (in aggregate). This discretionary fee can be paid by the Selling Shareholder (at SaleCo's instruction) in any proportion to the Joint Lead Managers, or not be paid, at the sole discretion of the Selling Shareholder.

Refer to Section 6.2.1 for further details regarding the interests of the Joint Lead Managers.

In addition to the fees described above, the Selling Shareholder has agreed to pay or reimburse the Joint Lead Managers for certain reasonable out of pocket costs and expenses, including legal expenses and travel costs, incurred by the Joint Lead Managers in connection with the Offer.

The Selling Shareholder will also pay any commission and fees due to the Co-Lead Managers to the Offer. Other than Deutsche Bank who will receive no commission or fees in its role as Co-Lead Manager, each Co-Lead Manager will be paid:

- an upfront fee of A$150,000;
- an incentive fee of up to A$400,000; and
- a commission equal to 1.50% of the Broker Firm Offer proceeds referable to that Co-Lead Manager.

9.10.2 Termination events and withdrawal of the Offer

SaleCo may withdraw the Offer, and SaleCo and the Company may withdraw this Prospectus and certain other Offer documents, by SaleCo making a decision to do so at any time prior to the date of Settlement of the Offer and if it does so SaleCo, the Company and the Selling Shareholder may terminate the Underwriting Agreement.

Each Joint Lead Manager may, at any time before all of the Shares have been transferred by SaleCo under the Offer, terminate its obligations under the Underwriting Agreement without cost or liability to that Joint Lead Manager, on the occurrence of one or more customary termination events, including (among others):

- (**disclosures**) a statement in this Prospectus or certain other Offer documents is or becomes false, misleading or deceptive (including by omission) or likely to mislead or deceive (including having regard to sections 710, 711 and 716 of the Corporations Act);
- (**supplementary prospectus**) the Company and SaleCo issue, or in the relevant Joint Lead Manager's reasonable opinion, become required to issue a supplementary prospectus under section 719(1) of the Corporations Act;
- (**index fall**) the S&P/ASX 200 Index published by ASX is at any time more than 15% below its level as at 5:00pm on the business day immediately preceding the date of the Underwriting Agreement and remains below that level for three consecutive business days before the date of Settlement;
- (**unable to transfer**) the Shares are unable to be transferred within the required time;
- (**change in management**) the Company's Chairman, CEO or CFO vacate their office or resign or change their position;
- (**prosecution**) the Company's Chairman, CEO or CFO is charged with an indictable offence, or is disqualified from managing a corporation under Part 2D.6 of the Corporations Act, or a government agency commences any public action, or announces that it intends to take such action, against the Company or SaleCo or the Company's Chairman, CEO or CFO;
- (**fraud**) the Company or any of its directors or officers engage, or have engaged in any fraudulent conduct or activity whether or not in connection with the Listing or the Offer;
- (**insolvency**) the Company or another member of the Latitude Group is or becomes, or is likely to become, insolvent;
- (**timetable**) the Offer timetable up to and including Settlement is delayed by more than five business days, other than in limited circumstances;
- (**regulatory acts**) certain regulatory approvals required to conduct the Offer are withdrawn, revoked or amended in an adverse manner or certain regulatory actions are taken;
- (**listing approval and quotation**) the Company's admission to the Official List or the quotation of all of the Shares on the ASX is refused or not granted;
- (**escrow**) any Escrow Deed of the Selling Shareholder or the Executive Shareholders (once entered into) ceases to be valid, binding and enforceable, is terminated or rescinded or materially altered or materially breached;
- (**Shinsei SPA**) the Shinsei SPA ceases to be valid, binding and enforceable, is terminated or rescinded or materially altered or materially breached;
- (**Restructure**) one or more of certain Restructure agreements are terminated, rescinded, materially altered or materially breached, or the Restructure becomes incapable of being implemented substantially in the manner described in this Prospectus;
- *(**provision of information**) certain information supplied by or on behalf of the Company to the Joint Lead Managers in relation to the Latitude Group or the Offer is or becomes false, misleading or deceptive or likely to mislead or deceive, including by way of omission;

- *(**new circumstances**) there occurs a new circumstance that arises after this Prospectus is lodged, that would have been required to be included in this Prospectus if it had arisen before lodgement;
- *(**prosecution**) any director or officer of the Company or SaleCo is charged with an indictable offence;
- *(**breach**) the Company or SaleCo defaults on one or more of its obligations or breaches one of its representations, warranties or undertakings under the Underwriting Agreement;
- *(**hostilities**) there is an outbreak or a major escalation of hostilities (whether war is declared or not) involving any one or more of Australia, New Zealand, the United States or the United Kingdom, or the declaration by any of these countries of a war;
- *(**change of law**) there is introduced into the Parliament of the Commonwealth of Australia or any State of Australia or the New Zealand Parliament a law, or there is any announcement that such a law will be introduced, except where such law is announced prior to the date of the Underwriting Agreement; and
- *(**disruption in financial markets**) any of the following occurs:
  - trading in all securities quoted or listed on the ASX, the New York Stock Exchange or the London Stock Exchange is suspended or limited in a material respect for two or more consecutive days (or a substantial part of two or more consecutive days) on which that exchange is open for trading; or
  - a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries.

The termination events marked with an asterisk (*) will only give rise to a right to terminate if, in the bona fide reasonable opinion of the relevant Joint Lead Manager, the event:

- has, or is likely to have, a materially adverse effect on the success of the Offer or the ability of the Joint Lead Managers to market, promote or settle the Offer; or
- has given, or is likely to give rise to, a material liability for that Joint Lead Manager under the Corporations Act or any other applicable law, or to a material contravention by that Joint Lead Manager of, or that Joint Lead Manager being involved in a contravention of, the Corporations Act or any other applicable law.

9.10.3 Conditions, representations, warranties and undertakings

The Underwriting Agreement contains certain customary representations, warranties and undertakings provided by the Company, SaleCo and the Selling Shareholder (as applicable) to the Joint Lead Managers, as well as customary conditions precedent.

The representations, warranties and undertakings relate to matters such as the conduct of the Company and SaleCo (including in respect of disclosure and compliance with applicable laws and the ASX Listing Rules), the Company's business, litigation, licences, insurance and information in this Prospectus.

The Company has undertaken that it will not, without the prior consent of the Joint Lead Managers (which may not be unreasonably withheld or delayed), at any time after the date of the Underwriting Agreement and up to 90 days after Completion, allot or agree to allot or indicate in any way that it may or will allot or agree to allot any equity securities or securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of the Company or any other member of the Group from time to time, other than:

- pursuant to the Offer, the Underwriting Agreement or any employee share plan, non-underwritten dividend reinvestment programme or bonus share plan, or as contemplated by the Restructure; or
- as otherwise contemplated in this Prospectus.

A number of standard representations and warranties are also given by each Joint Lead Manager to the Company and SaleCo.

9.10.4 Indemnity and guarantee

Subject to certain exclusions, the Company undertakes to keep the Joint Lead Managers and certain of their respective affiliated parties indemnified from and against, and hold them harmless from and against, all losses paid or required to paid to a third party relating to or arising out of or in connection with, directly or indirectly, the Listing or the Offer and/or the appointment of each Joint Lead Manager under the Underwriting Agreement.

The Company has guaranteed the obligations of SaleCo to each Joint Lead Manager, including the indemnity (which is also guaranteed for certain of the Joint Lead Managers' respective affiliated parties).

9.11 Material contracts

9.11.1 Harvey Norman, Amart and JB Hi-Fi/The Good Guys

Latitude has entered into commercial agreements with Harvey Norman Holdings Limited ('**Harvey Norman**'). Latitude has also entered into agreements with Harvey Norman® franchisees, Amart Furniture Pty Ltd ('**Amart**'), JB Hi-Fi Group Pty Ltd ('**JB Hi-Fi**') and The Good Guys Discount Warehouse (Australia) Pty Ltd ('**The Good Guys**') (collectively, the '**Merchant Partners**') under which Latitude provides credit facilities to the customers of these Merchant Partners as described further below.

Under the Merchant Partner agreements, Latitude provides interest free payment options to customers purchasing products from the Merchant Partners, both in-store and online.

9.11.1.1 Service fee

Latitude generates revenue by charging each Merchant Partner a service fee for supplying credit to the Merchant Partner's customers. The service fee is calculated as a percentage of each transaction made through Latitude's products. If a customer does not make necessary repayments within stipulated interest free periods under the terms of their arrangement, then Latitude will also charge the customer interest on the credit provided to that customer.

9.11.1.2 Exclusivity

Latitude has exclusivity arrangements with Harvey Norman® in Australia and with Harvey Norman Stores (N.Z.) Pty Ltd ('**Harvey Norman NZ**') in New Zealand.

- In New Zealand, Harvey Norman NZ operates through corporate stores and has conferred exclusivity benefits on Latitude in relation to the promotion and provision of credit facilities.
- In Australia, subsidiaries of Harvey Norman Holdings Limited grant separate franchises to independent franchisees to use certain intellectual property of Harvey Norman Holdings Limited or its related entities to conduct the retail business of the franchisee in Australia pursuant to a franchise agreement ('**Harvey Norman Franchisees**'). Each Harvey Norman Franchisee is independently owned and operated and carries on its business at one of the 195 Harvey Norman® complexes ('**Harvey Norman Complexes**') throughout Australia. Latitude has a right of first refusal to provide a consumer interest free product to Harvey Norman Franchisee customers who purchase goods or services from certain Harvey Norman Franchisees at each Harvey Norman Complex in Australia.

The agreement with Amart contains an exclusivity provision that requires Amart to ensure its retailers only promote Latitude credit facilities in Australia for purchases above a certain transaction value. Amart is not to promote the credit facilities of a competitor except for unregulated credit facilities below a certain transaction value or if the customer has declined or refused Latitude credit facilities or informs Amart that it already has a competitor credit facility and wishes to use that.

The agreement with JB Hi-Fi/The Good Guys contains an exclusivity provision under which JB Hi-Fi/The Good Guys agree not to promote similar credit facilities of a competitor of Latitude which offer promotional interest free terms for purchases with a transaction value above a certain transaction value in JB Hi-Fi/The Good Guys stores (subject to allowing existing customers to use their existing competitor credit products if they wish to do so).

9.11.1.3 Term and termination

The Harvey Norman Holdings Limited agreement expires on 1 December 2025.

The Amart agreement expires on 31 August 2023. It may be terminated by Amart within 45 days of Latitude changing the service fee charged under the agreement by more than 75bps during any rolling 12-month period. Further, Amart can also terminate the agreement if:

- Following a performance review, Amart believes that changes to Latitude's business have had a material adverse effect on Amart's business;
- Amart's approval percentage falls by a substantial amount in each of three consecutive months and such falls have a material adverse effect on the volume of Amart's sales in those months, leading to a performance review; or
- Changes in responsible lending laws/ASIC guidelines prohibit or discourage Latitude's exclusivity to provide Amart customers with credit facilities under the agreement.

The agreement with JB Hi-Fi/The Good Guys commenced on 1 July 2018 and has an initial term of four years. Thereafter, the agreement will continue until terminated by either party on 30 days' written notice. Further, JB Hi-Fi/The Good Guys may terminate the agreement if Latitude commits a material breach of its obligations under the agreement and fails to remedy the breach, becomes insolvent or unilaterally varies any provision of the agreement in certain circumstances.

9.11.2 Term Securitisations and Warehouse Facilities

The Australian and New Zealand Warehouse Facility and Term Securitisation arrangements are governed by a number of material contracts including:

- **Master trust or trust deeds:** These documents provide for the creation of special purpose trusts as Funding Vehicles which are established to enter into the applicable Warehouse Facility or Term Securitisation arrangements. The trustee of each Funding Vehicle is a professional trustee company independent of Latitude. These documents also provide the terms of the entitlements of the beneficiaries of each Funding Vehicle and, in particular, the beneficiaries' entitlements to residual income. Following completion of the Restructure (including those steps proposed to occur post Completion of the Offer, subject to FIRB Approval as set out in Section 9.4.1), Latitude will be sole beneficiary of these Funding Vehicles. Section 9.4.1 also describes the arrangements under which Latitude will be entitled to residual income in the period before FIRB Approval is obtained;
- **Origination and sale documents:** These documents govern the terms and conditions under which Latitude transfers loan assets into a Funding Vehicle (refer to Section 9.11.2.1 for more detail);
- **Management documents:** These documents govern the terms and conditions under which Latitude is appointed to manage and direct the respective Funding Vehicles in carrying on their day-to-day business. The manager receives fees in exchange for the provision of those services (refer to Section 9.11.2.2 for more detail);
- **Servicing documents:** These documents govern the terms and conditions under which Latitude is appointed to service the assets of the respective Funding Vehicles by interfacing with customers (as applicable) and collecting payments under the receivables. The servicer receives fees in exchange for the provision of those services (refer to Section 9.11.2.3 for more detail); and
- **Term Securitisation and Warehouse Facility specific agreements:** These documents contain the terms, conditions and other arrangements specific to the relevant Term Securitisation or Warehouse Facility, including:
  - Funding facility documents entered into with funders for Warehouse Facilities, liquidity facilities, back-up servicer agreements or note issuance and subscription documents entered into with dealers for the placement of notes in connection with Term Securitisations;
  - Security trust deeds and security documents, which establish the security over the asset pool, and establish a security trust for the benefit of the Funding Vehicle's creditors; and
  - Hedging arrangements.

9.11.2.1 Origination and sale documents

The origination and sale documents establish the terms on which Latitude may transfer assets into a particular Funding Vehicle.

For Term Securitisations, Latitude will give representations and warranties in respect of the origination and sale of the relevant assets to the relevant Funding Vehicle, including as to whether the assets comply with the eligibility criteria applicable to the Term Securitisation and that the transactions are enforceable and in compliance with law and Latitude's policies. For Warehouse Facilities, Latitude will give representations and warranties as to matters including the enforceability of the transactions but if assets do not meet the eligibility criteria, they will cease to form part of the borrowing base that is able to be funded by that Warehouse Facility.

In the event of a breach of these requirements, Latitude may be obliged to repurchase or find alternative funding for (including by way of subscribing for notes issued by) a Funding Vehicle in an amount equal to the unpaid balance of the relevant assets.

9.11.2.2 Management documents

The terms of the management documents set out Latitude's obligations as manager of the relevant Funding Vehicles and circumstances or defaults following the occurrence of which (and any applicable grace period) Latitude may be required to cease acting as the manager of the Funding Vehicle. These include (but are not limited to):

- Latitude becomes insolvent;
- Latitude ceases to maintain its necessary authorisations and this has a material adverse effect in relation to the Warehouse Facility or Term Securitisation; or
- Certain breaches of Latitude's obligations or representations under the applicable transaction documents occur and this has a material adverse effect in relation to the Warehouse Facility or Term Securitisation.

If the manager is forced to retire in these circumstances, a replacement manager will be appointed to the Funding Vehicle and be entitled to the relevant fees.

In addition to Latitude's replacement as manager following default, the occurrence of such events (and any applicable grace period) would typically have other consequences under the transaction documentation, which may include, depending on the transaction, an 'amortisation' event or an event of default.

Latitude as manager of a Funding Vehicle provides various representations and warranties in relation to its role as manager, including as to the enforceability of its obligations and its compliance with applicable laws. Latitude as manager of a Funding Vehicle also typically gives limited indemnities in relation to the accuracy of disclosure documents prepared by it in connection with Term Securitisations.

9.11.2.3 Servicing documents

The terms of the servicing documents set out Latitude's obligations as servicer of the asset pool for the relevant Warehouse Facility or Term Securitisation and circumstances or defaults following the occurrence of which (and any applicable grace period) Latitude may be required to cease acting as the servicer of the Funding Vehicle. These include (but are not limited to):

- It becomes insolvent;
- It ceases to maintain its necessary authorisations and this has a material adverse effect in relation to the Warehouse Facility or Term Securitisation; or
- Certain breaches of its obligations or representations under the applicable transaction documents occur and this has a material adverse effect in relation to the Warehouse Facility or Term Securitisation.

In addition to Latitude's replacement as servicer following default, the occurrence of such events (and any applicable grace period) would typically have other consequences under the transaction documentation, which may include, depending on the transaction, an 'amortisation' event.

A third-party service provider has entered into arrangements with the Funding Vehicles to act as back-up servicer and step into the role in the event of the removal of Latitude as servicer. The back-up servicer or any replacement servicer upon appointment as servicer, will be entitled to the relevant fees.

Latitude as servicer of the asset pool also typically gives indemnities in respect of any losses arising from events or breaches of its obligations as servicer (which include the servicing of the asset pool in accordance with applicable law and Latitude's servicing policies) or representations which result in a servicer termination event.

9.11.2.4 Funding terms

The funding documents for the Warehouse Facilities and Term Securitisations contain the terms and conditions of the funding provided by the funders pursuant to those arrangements, including interest and repayment terms, the criteria that must be satisfied by assets in the asset pool and certain performance triggers (such as gross loss rates and net interest margins) which, if breached, may lead to an 'amortisation' event, and/or net interest being diverted to pay down third-party funders under the relevant Warehouse Facility or Term Securitisation.

In addition, the funding documents for Warehouse Facilities contain a number of additional terms dealing with the availability of those facilities to fund new assets on an ongoing basis as discussed below.

The key funding terms for Latitude's Warehouse Facilities are summarised below:

Commitment	Committed funding for the facilities is provided by a range of Australian and international banks and professional institutional investors. Drawing under the facilities is subject to certain conditions. For example, the external notes cannot be above a certain percentage of the trust's borrowing base (which is predominantly comprised of the balance of eligible receivables); the percentages range from 87.5% to 95%. Latitude provides first loss funding to support the trusts by subscribing to the most junior notes in the capital structure; the junior notes range from 12.5% to 5% of the capital structure.
Funding costs	These comprise the cost of establishing and managing the warehouses (including fees payable periodically to service providers (e.g. the trustee, the servicer, the back-up servicer and the trust manager)), plus the cost of the funding provided to the warehouses, which is made up of: • A variable market reference rate as its base rate (e.g. the one-month BBSY) plus a margin for each note class (which may be renegotiated at the end of the revolving period as part of the process of renewing the funding facility and, in some cases, may increase to a predetermined level if the facility is not extended or certain other events occur); • Certain fees payable to the financiers; and • Certain fees, margins and other rates payable to support facility and hedging providers (e.g. liquidity facilities and interest swap transactions).
Limited recourse to Latitude	Funders of Latitude's Warehouse Facilities take credit risk on the receivables and have limited recourse back to Latitude. Apart from the exposure that Latitude has to each Warehouse Facility and Term Securitisation relating to the junior notes that it holds, the recourse of the financiers to Latitude is limited to claims related to breaches of its obligations or warranties made in relation to the transactions and assets and in relation to the limited indemnities described above.
Residual income	Following the Restructure (refer to Section 9.4.1), Latitude will receive the income and fees generated (if any) in respect of the receivables funded by the Warehouse Facilities less the cost of financing and establishment, operational and funding costs described above, except to the extent that cash flow is used for other purposes including: • Making up for losses where there are unrecoverable amounts from debtors; or • Helping to repay the funding in the event a warehouse is not extended, or default or certain other trigger events occur.

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9.11.2.4.1 Term and availability

Latitude's Warehouse Facilities typically have a revolving period of three to five years following the date of the first drawdown of the facility where they are able to originate new receivables. This initial revolving period may then be extended by agreement between Latitude and the relevant financiers.

Latitude can direct the trustee to request the funders under the Warehouse Facilities to extend the revolving period of the facility for a further period. The funders can typically agree to or decline the extension of the Warehouse Facilities at their absolute discretion.

9.11.2.4.2 Conditions precedent to further funding

The availability of funding from financiers under a Warehouse Facility to fund the acquisition of new assets is subject to a number of conditions precedent. The material conditions precedent typically include the following, some of which may be outside the control of Latitude:

- Compliance by Latitude with its obligations and representations under the applicable transaction documents;
- The additional funding will not cause the total funding provided to exceed the limit specified for the relevant Warehouse Facility (including with reference to a borrowing base and advance rate); and
- The absence of certain events, including 'amortisation' events, potential events of default or events of default under the relevant Warehouse Facility.

Provided no relevant 'amortisation' event has occurred, certain facilities also permit Latitude to use collections received from assets funded in those facilities to acquire new assets for those facilities.

9.11.2.4.3 'Amortisation' events

The revolving period during which Latitude may request further funding under Warehouse Facilities may terminate early upon the occurrence of certain prescribed 'amortisation' events (in addition to upon the occurrence of certain other events such as events of default). The 'amortisation' events (howsoever defined) typically include triggers which may relate to gross loss rates and net interest margins of the current portfolio, and may also include other events outside the control of Latitude. The relevant events are tested periodically. Other events may include:

- Where required credit support levels are not sufficient;
- The non-compliance by Latitude with its obligations or its giving of representations in various capacities under the transaction documents; and
- The removal of the relevant Latitude entity as manager or servicer, where that entity has not been replaced in accordance with the transaction documents.

Under an 'amortisation' event in respect of a Warehouse Facility, the obligation of lenders to provide any further funding is terminated, the interest rates accruing on the notes may increase and there will be no residual income available to Latitude from the trust and in some cases no income may be applied from the trust to pay interest payments on junior ranking notes held by Latitude until senior ranking debtors are repaid or the event is remedied.

Term Securitisations may also contain 'amortisation events' (or 'excess spread traps'), which are typically limited to triggers relating to gross loss rates and net interest margins. As no further funding can be provided under Term Securitisations, an 'amortisation event' will usually result in income from the assets being applied to repay principal on the external notes before being available to pay any interest on the junior ranking notes held by Latitude and there may accordingly be no residual income available to Latitude from the trust.

9.11.3 Debt facilities

The Company and Latitude Financial Services Limited have entered into a legally binding commitment document with a major international bank ('**Lender**') to provide secured syndicated three-year revolving credit facilities ('**New Banking Facilities**'), with effect from (and conditional upon) Completion.

The key terms of the New Banking Facilities are summarised below.

Feature	Description
Amount	The New Banking Facilities comprise a multi-currency revolving credit facility of A$160 million and a separate tranche of US$41 million. The New Banking Facilities are available to be used for general corporate purposes (including to fund working capital requirements, initial seed capital for new securitisation trusts or acquisitions and joint ventures) with the USD tranche to be used to refinance existing letters of credit provided as collateral for access to Schemes.
Interests and fees	Interest is payable at BBSY, BKBM or LIBOR (as applicable) plus a margin. The New Banking Facilities also attract customary upfront and undrawn commitment fees.
Conditions precedent	The availability of funding under the New Banking Facilities will be conditional upon confirmation that Shares will be listed on the ASX as contemplated by the Offer and other conditions precedent which are customary for facilities of the nature of the New Banking Facilities.
Guarantees and security	The New Banking Facilities will be guaranteed by Latitude, subject to certain customary exceptions such as excluding securitisation and regulated entities which, in aggregate, contribute at least 90% of consolidated PBTDA (profit before tax, depreciation and amortisation, as more comprehensively defined in the New Banking Facilities) and gross assets of Latitude ('**Obligors**'). The 90% threshold is calculated by excluding the securitisation and regulated entities from both the numerator and denominator. Each Obligor will also grant a security over its assets and undertaking (other than certain excluded property) to secure the New Banking Facility.
Repayments	All amounts outstanding under the New Banking Facilities are repayable in full on its maturity date. Voluntary prepayments under the New Banking Facilities may be made (subject to certain minimum payment amounts and notice requirements) and redrawn. There are no mandatory prepayment events except for "review events" (described below).
Financial Covenants	The New Banking Facilities will contain customary financial covenants which are tested semi-annually.
Restriction on dividends and other distributions	The Obligors will undertake not to (i) make, declare or pay a dividend to the Company's shareholders or (ii) make any payments with respect to hybrid instruments, while an event of default under the New Banking Facility is continuing.
Other terms	The New Banking Facilities also contain customary representations and warranties, undertakings, events of default. A breach of a financial covenant or these other terms, which are not remedied within any applicable grace period, will be an event of default under the New Banking Facilities and will, among other consequences, enable the lenders to accelerate repayment under, and terminate the New Banking Facilities, as well as enforce security over Latitude.
Review events	The New Banking Facilities contain customary review events, including for a change of control where a person (other than a director, shareholder or affiliate of the Company immediately prior to the IPO) acquires control of the Company, the Company is de-listed or otherwise removed from the official list of the ASX or the Shares are suspended from trading on the ASX for 10 consecutive business days (subject to certain exclusions). If a review event occurs, the lender may trigger a period of good faith consultation and negotiations to agree appropriate amendments to the finance documents to allow the New Banking Facilities to continue. If agreement cannot be reached, then the lender may elect to exit the New Banking Facilities in which case the Company will need to arrange repayment of the lender's position.

9.12 Employee Share Acquisition Plan

The Company intends to establish an Employee Share Acquisition Plan ('**ESAP**') to recognise the contribution of its employees and provide them with the opportunity to become shareholders in the Company. The Company intends to establish an ESAP, with the following key terms, and make an Employee Gift Offer, as soon as practicable following the Prospectus Date, and before the Completion Date.

Feature	Key terms of the Shares allocated under the ESAP
Eligibility	Eligibility to participate in the Employee Gift Offer will be subject to the following eligibility conditions at the date of grant: • The employee is employed by the Company, or a subsidiary of the Company, under a permanent contract of employment (and their employment commenced on or before 31 December 2020); • The employee has not given, or been given, notice of termination of their employment; • The employee is not eligible to participate in the Company's LTIP; and • The employee is not a director of the Company.
Offers under the ESAP	Under the ESAP, eligible employees will be provided with the opportunity to acquire Shares up to the value of A$1,000 at no cost ('**Employee Gift Offer**'). Shares granted under the Employee Gift Offer will be allocated to participating eligible employees following the purchase of those Shares on-market by the Company. In general, Shares granted under the Employee Gift Offer will rank equally in all respects with other Shares (i.e. participants will have dividend and voting rights even while Shares are subject to restrictions on disposal).
Allocation of Shares	The number of Shares allocated to an eligible employee will be calculated as the maximum whole number of Shares that can be acquired without exceeding A$1,000 in value, based on the VWAP of a Share over the five Trading Days prior to the date on which the Shares are allocated to participating eligible employees.
Disposal restriction on Shares	Shares allocated to an eligible employee under the ESAP in respect of the Employee Gift Offer cannot generally be disposed of for a period of three years from the date of allocation ('**Restriction Period**'). During the Restriction Period, an eligible employee must not sell, transfer, encumber, hedge or otherwise deal with Shares except with prior approval of the Board or in certain circumstances by force of law. The Company will implement such arrangements (including holding the Shares in an employee share trust) as it determines necessary to enforce the disposal restrictions.
Cessation of employment	Where a participant ceases employment with the Company or a subsidiary of the Company during the Restriction Period, the Shares will be retained by the participant and disposal restrictions will cease to apply.
Other ESAP terms	The ESAP contains provisions to adjust the number of Shares held by eligible employees pursuant to the ESAP (before the expiry of the Restriction Period referred to above) to take into account the effect of any capital reconstruction, rights issue or bonus issue by the Board. In the event of a takeover or change of control, or other event which the Board determines should be treated as a change of control, the Board, having regard to the applicable tax provisions, may determine that disposal restrictions that apply to Shares should cease to apply. The Board may terminate or suspend the operation of the ESAP at any time in its absolute discretion.
Employee share trust	The Company will establish an employee share trust to assist with the operation of the ESAP, including holding of Shares on behalf of participants.

Under the ESAP rules, there is no cap on the number of equity securities that can be granted.

While it is anticipated that all Shares allocated under the ESAP will be satisfied through on-market purchases by Latitude, for the purposes of setting a ceiling on the number of equity securities approved to be issued under and for the purposes of ASX Listing Rule 7.2 Exception 13(a) in the three years following the Prospectus Date only, the maximum number of equity securities proposed to be transferred or issued under the ESAP is 0.05% of issued capital, being 748,718 equity securities based on the number of securities currently on issue.

This maximum number is not intended to be a prediction of the actual number of equity securities to be transferred or issued under the ESAP. An issue of securities above this maximum number will only be able to be made without shareholder approval under ASX Listing Rule 7.1 if the Company has sufficient placement capacity available at the time under ASX Listing Rule 7.1.

9.13 Litigation and claims

The Company may be involved from time to time in disputes or other claims, and litigation with current or former customers. These disputes may lead to legal and other proceedings, and may cause the Company to suffer additional costs. As at the Prospectus Date, there are currently no material claims or threatened claims on foot against the Company or any of its subsidiaries.

9.14 Taxation considerations

This Section 9.14 does not constitute financial product advice as defined in the Corporations Act and is confined to Australian taxation issues only. Taxation is only one of the matters you need to consider when making a decision about your investments. You should consider taking advice from a licensed adviser, before making a decision about your investments.

The following tax comments are based on the tax laws in Australia in force as at the Prospectus Date. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor or relied upon as tax advice. During the period of ownership of the Shares by investors, the taxation laws of Australia, or their interpretation, may change. The precise implications of ownership or disposal will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian tax resident individuals, complying superannuation entities, trusts, partnerships and corporate investors that hold their Shares on capital account. These comments do not apply to non-resident investors, investors that hold Shares on revenue account or as trading stock, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the *Income Tax Assessment Act 1997* (Cth) which have made elections (i.e. to apply the fair value or reliance on financial reports methodologies).

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9.14.1 Dividends paid on Shares

9.14.1.1 Australian tax resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend.

Such investors should only be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, the investor should be entitled to a tax refund equal to the excess.

To the extent that the dividend is unfranked, the investor will generally be taxed at their prevailing marginal rate on the dividend received (with no tax offset).

9.14.1.2 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

9.14.1.3 Corporate investors

Corporate investors are also required to include both the dividend and the associated franking credit in their assessable income. Corporate investors are then entitled to a tax offset up to the amount of the franking credit attached to the dividend.

An Australian tax resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credits attached to the distribution received. This will allow the corporate investor to pass on the franking credits to its investor(s) on the subsequent payment of franked dividends.

Excess franking credits received by corporate investors will not give rise to a refund entitlement for a company, but can be converted into carry forward tax losses instead.

9.14.1.4 Exempting credits

Dividends which have exempting credits attached and which are paid by the Company to Australian tax resident shareholders are generally treated as unfranked dividend in the hands of the investor. The amount of the dividend shall be included in the assessable income of the investor.

9.14.1.5 Shares held at risk

The benefit of franking credits can be denied where an investor is not a 'qualified person', in which case the investor will not need to include the amount of the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, an investor is required to hold Shares 'at risk' for more than 45 days continuously (which is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend) in order to qualify for franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A$5,000.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for the continuous 45-day period as above but within the period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

There are specific integrity rules that prevent taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of 'dividend washing' or certain other arrangements. Shareholders should consider the impact of these rules given their own personal circumstances.

9.14.1.6 Withholding tax

While this Section 9.14 is not intended to address the tax implications for investors who are not Australian tax residents generally, unfranked dividends derived by non-resident investors should be subject to non-resident dividend withholding tax, unless exempt. Franked dividends should not be subject to non-resident dividend withholding tax.

9.14.2 Disposal of Shares

Most Australian tax resident investors will be subject to Australian CGT on the disposal of their Shares. Some investors may hold their Shares on revenue account as trading stock, or be subject to the Taxation of Financial Arrangements regime. These investors should seek their own professional advice in respect of the consequences of a disposal of Shares.

An investor will derive a capital gain on the disposal of Shares where the capital proceeds received on disposal exceed the CGT cost base of the Shares. The CGT cost base of the Shares is broadly the amount paid to acquire the Shares plus any transaction/incidental costs.

A CGT discount may be available on the capital gain for individual investors, certain trustee investors (but not when they are assessed) and investors that are complying superannuation entities provided the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and certain trusts is 50% and for complying superannuation entities is 33⅓%. In relation to trusts, the CGT discount rules are complex, but the discount may flow through to presently entitled beneficiaries of the trust.

An investor will incur a capital loss on the disposal of their particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

If an investor derives a net capital gain in a year, this amount is, subject to the comments below, included in the investor's assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject to corporate investors satisfying certain rules relating to the recoupment of carried forward losses.

9.14.3 Tax file number ('TFN') and Australian Business Number ('ABN')

Resident investors may, if they choose, notify the Company of their TFN, ABN or a relevant exemption from withholding tax with respect to dividends. In the event the Company is not so notified, tax will automatically be deducted at the highest marginal rate, in addition to where relevant, the Medicare levy from dividends.

Resident investors may be able to claim a tax credit in respect of any tax withheld on dividends in their tax returns. An investor is not required to quote their TFN to the Company.

An investor who holds Shares as part of an enterprise may quote its ABN instead of its TFN.

9.14.4 Goods and services tax ('GST')

The acquisition, redemption or disposal of the Shares by an Australian resident (registered for GST) will be an input taxed financial supply, and therefore is not subject to GST.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor (registered for GST) may not be entitled to claim full input tax credits in respect of GST on expenses incurred relating to the acquisition, redemption or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own tax advice on the impact of GST in their own particular circumstances.

9.14.5 Stamp duty

No stamp duty should be payable by investors on the acquisition of Shares.

Investors should seek their own tax advice as to the impact of stamp duty in their own particular circumstances.

9.15 Ownership restrictions

The sale and purchase of Shares in Australia are regulated by Australian laws and laws in other countries in which the Company operates that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.15 contains a general description of these laws.

9.15.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company, either themselves or through an associate.

9.15.2 *Foreign Acquisitions and Takeovers Act 1975* (Cth)

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) ('**FATA**') applies to acquisitions of shares and voting power in a company, of 20% or more by a single foreign person and its associates ('**Substantial Interest**'), or 40% or more by two or more unassociated foreign persons and their associates ('**Aggregate Substantial Interest**'). Where a foreign person holds a Substantial Interest in the Company or foreign persons hold an Aggregate Substantial Interest in the Company, the Company itself will be a 'foreign person' for the purposes of the FATA.

Where an acquisition of a Substantial Interest or an Aggregate Substantial Interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either provided notice under the FATA that there is no objection to the proposed acquisition or a statutory period has expired without the Federal Treasurer objecting ('**FIRB Approval**'). An acquisition of a Substantial Interest or an Aggregate Substantial Interest meeting certain criteria may also lead to divestment orders unless FIRB Approval has been obtained.

In addition, in accordance with the FATA, acquisitions of a direct interest in an Australian company by foreign government investors and their associates are required to be notified to the Federal Treasurer for prior FIRB Approval, irrespective of value. Under the FATA, a 'direct interest means any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company (or offshore entity with Australian assets), an interest of at least 5% in the entity or business if the person who acquires the interest has entered a legal arrangement relating to the businesses of the person and the entity or business, or any interest where the acquirer obtains potential influence or control over the target investment.

The Foreign Acquisitions and Takeovers Regulation made under the FATA provides an exemption to the requirement to notify under the FATA and obtain FIRB Approval where the *Financial Sector Shareholdings Act 1998* (Cth) also applies to the proposed acquisition. However, the exemption does not apply where the acquirer is a foreign government investor and its associates.

9.15.3 *Financial Sector Shareholdings Act 1998* (Cth)

Under the *Financial Sector Shareholdings Act 1998* (Cth), a person (including a company) must not acquire an interest in an Australian financial sector company (which includes a general insurance or life insurance company such as Hallmark General Insurance Company Ltd and Hallmark Life Insurance Company Ltd and the non-operating holding company of a life insurance company such as Latitude Insurance Holdings Pty Ltd) where the acquisition would take that person's voting power (which includes the voting power of the person's associates) in the financial sector company to more than 20% of the voting power of the financial sector company without first obtaining approval from APRA. Even if a person has less than 20% of the voting power, APRA has the power to declare that a person has practical control of that company and, by applying for an order from the Federal Court of Australia, may require the person to relinquish that control.

9.15.4 *Overseas Investment Act 2005* (NZ)

The *Overseas Investment Act 2005* (NZ) ('**Overseas Investment Act**') may require prior approval to be obtained from the Overseas Investment Office (NZ) or Ministers for any transaction in which an overseas person (which includes a body corporate that is incorporated outside New Zealand or is 25% or more held by overseas persons), or an associate of an overseas person, within the meaning of the Overseas Investment Act, acquires (either alone or together with its associates) a 25% or more ownership or control interest in the Company, or increases an existing more than 25% ownership or control interest in the Company. Failure by an investor to obtain the correct approval before acquiring interests in the Company where it is required by the Overseas Investment Act may result in penalties including monetary penalties and/or orders from a court to dispose of the investor's interests in the Company.

9.15.5 *Insurance (Prudential Supervision) Act 2010* (NZ)

The *Insurance (Prudential Supervision) Act 2010* (NZ) ('**IPSA**') requires a person to notify the Reserve Bank of New Zealand ('**RBNZ**') of a proposed transaction if, as a result of the proposed transaction, that person would become a holding entity or obtain control of a licensed insurer (such as Hallmark Insurance).

A person will be a holding entity of Hallmark Insurance if one or more of the entities comprising Hallmark Insurance becomes a subsidiary of that person. A person will obtain control of one or more of the entities comprising Hallmark Insurance if that person, whether alone or together with one or more 'specified persons' (within the meaning set out in the IPSA) has the power, directly or indirectly, to exercise or control the exercise of 50% or more of the voting rights in one or more of the entities comprising Hallmark Insurance.

Upon receipt of a notification, the RBNZ must determine whether it will remain satisfied that the relevant Hallmark Insurance entity continues to meet each of the criteria that entitle it to hold a licence to carry on insurance business if the proposed transaction was to take effect. If the RBNZ does not give its approval and the proposed transaction takes effect, or if a person fails to provide the required notification, the RBNZ may cancel the relevant Hallmark Insurance entity's licence and direct the relevant Hallmark Insurance entity to arrange to assign its liabilities to another licensed insurer (with the RBNZ's approval under the IPSA).

9.16 Foreign selling restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia only to the extent permitted below.

New Zealand

This document and the information contained in or accompanying this document:

- Are not, and are under no circumstances to be construed as, an offer of Shares to any person who requires disclosure under Part 3 of the *Financial Markets Conduct Act 2013* (NZ) ('**FMC Act**'); and
- Are not a product disclosure statement or disclosure document under the FMC Act and do not contain all the information that a product disclosure statement or disclosure document is required to contain under New Zealand law.

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the FMC Act. The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- Is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- Meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- Is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- Is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act;
- Is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act (and who has provided the necessary certification); or
- In other circumstances where there is no contravention of the disclosure requirements of the FMC Act.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong ('**SFO**'). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purposes of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore ('**SFA**'), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United States

The Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. The Shares will only be offered and sold in the United States to dealers or other professional fiduciaries organized or incorporated in the United States that are acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US persons and for which they exercise investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act and in compliance with Regulation S.

9.17 Regulatory relief

9.17.1 ASIC exemptions and relief

The Company has obtained ASIC relief in a manner consistent with ASIC Class Order 14/1000 relating to the provision of Shares to Eligible Employees under the Latitude Equity Plan and the ESAP.

9.17.2 ASX waivers, relief and confirmations

The Company has applied to the ASX for the following ASX Listing Rule waiver and confirmations:

- Confirmation that the Company's structure and operations post-Restructure will be suitable for listing for the purposes of ASX Listing Rule 1.1, Condition 1;
- Confirmation that the constitution of the Company is consistent with the ASX Listing Rules for the purposes of ASX Listing Rule 1.1, Condition 2;
- Confirmation that Shares held by certain subsets of investors will form part of the free float for the purposes of ASX Listing Rule 1.1, Condition 7 and will not be "restricted securities" for the purposes of ASX Listing Rule 9;
- Confirmation that the Company will satisfy the profit test and that the financial information included in this Prospectus is sufficient for the purposes of ASX Listing Rule 1.1, Condition 9, ASX Listing Rule 1.2 and ASX Listing Rule 1.17;
- Confirmation that Shares issued to certain parties under the Restructure steps will not be taken into account for the purposes of determining the Company's placement capacity under ASX Listing Rule 7.1;

- Confirmation that shareholder approval under ASX Listing Rules 10.1, 10.11 and 10.14 is not required in connection with certain issues and acquisitions of Shares under the Restructure steps (including the unwind of the Pre-Completion Equity Plans);
- A waiver of ASX Listing Rule 10.14 in connection with the proposed long-term incentive arrangements under the Latitude Equity Plan described in Sections 6.3.1 (and associated confirmations that ASX Listing Rules 10.11 and 10.15.2 do not apply);
- Confirmation that the summary of the terms of the LEP set out in Section 6.3.1 and the description of the ESAP set out in Section 9.12 satisfy the requirements of Exception 13 of ASX Listing Rule 7.2 such that the restrictions on the issue of ordinary securities set out in ASX Listing Rule 7.1 do not apply; and
- Confirmation that the Company may undertake conditional and deferred settlement trading of the Shares, subject to certain conditions to be approved by the ASX.

9.18 Consents

Each of the parties listed in this Section 9.18 to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the parties listed below has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the statements in this Prospectus that are specified below in the form and context in which the statements appear:

- Credit Suisse has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Joint Lead Manager in the form and context in which it is named;
- Jefferies has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Joint Lead Manager in the form and context in which it is named;
- Merrill Lynch has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Joint Lead Manager in the form and context in which it is named;
- Bell Potter has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Co-Lead Manager in the form and context in which it is named;
- Commonwealth Securities has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Co-Lead Manager in the form and context in which it is named;
- Deutsche Bank has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Co-Lead Manager in the form and context in which it is named;
- Escala Partners has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Co-Lead Manager in the form and context in which it is named;
- Ord Minnett has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Co-Lead Manager in the form and context in which it is named;
- King & Wood Mallesons has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Australian legal adviser to the Company in relation to the Offer in the form and context in which it is named;
- KPMG Transaction Services has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Investigating Accountant in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of the Investigating Accountant's Report in the form and context in which it is included;

- KPMG has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as auditor to the Company in the form and context in which it is named;
- Ernst & Young has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as taxation advisor to the Company in the form and context in which it is named;
- Computershare has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Computershare has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry; and
- Kantar Insights Australia Pty Ltd has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

9.19 Costs of the Offer

The costs of the Offer (including Restructure and Listing costs) will be borne by the Selling Shareholder.

9.20 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Victoria, Australia and each Applicant for Shares under this Prospectus and each bidder for Shares submits to the exclusive jurisdiction of the courts of Victoria, Australia.

9.21 Statement of directors

This Prospectus is authorised by each Director and each director of SaleCo. Each Director and each director of SaleCo have consented to the lodgement of this Prospectus with ASIC and the issuance of this Prospectus, and have not withdrawn that consent.

10 Significant Accounting Policies

10 Significant Accounting Policies

10.1 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the '**functional currency**').

10.1.1 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined income statement. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign exchange gains and losses are presented in the combined income statement on a net basis within other operating income or other expenses.

10.1.2 Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each combined balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each combined income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

10.2 Principles of consolidation

10.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Non-controlling interests in the results and net investment of subsidiaries are shown separately in the combined income statement, combined statement of changes in net investment and combined balance sheet respectively.

10.3 New and amended standards

10.3.1 New and amended standards adopted

Other amended standards

Other amended Standards that became effective for the Financial Year ended 31 December 2020 did not have a material impact on the Group.

10.3.2 New standards and interpretations not yet adopted

The following standards have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. The Group expects to adopt these on their effective dates.

IFRS 17 Insurance Contracts ('**IFRS 17**') is effective for Financial Years commencing on or after 1 January 2023. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The Group is currently assessing the impact of the new requirements on the Group's Insurance business.

10.4 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Interest is applied to the gross carrying value of a financial asset unless the asset is credit impaired, in which case it is applied to the net carrying value.

10.4.1 Revenue from customer loans

Interest income on loans is recognised using the effective interest method. The effective interest method is a way of calculating the amortised cost using the effective interest rate ('**EIR**') of the financial asset or financial liability. The EIR is a rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Loan origination fees and costs are deferred over the life of the loan and are recognised as an adjustment of the yield. Unless included in the EIR calculation, fees and commissions are recognised on an accruals basis when the service has been provided and all other loan-related costs are expensed as incurred.

Fair value adjustments in relation to acquisition date fair value measurement of loan receivables recorded as a result of business combinations are amortised and included as part of interest income over the estimated customer repayment period. The amortisation period is accelerated when the remaining fair value adjustment is determined to be less than 10% of the original amount.

10.4.2 Insurance premium revenue

Premium revenue comprises amounts charged to policyholders (direct premium) for insurance contracts, excluding stamp duties and taxes collected on behalf of third parties, including GST. Premium revenue is recognised in the profit or loss with the incidence of the pattern of risk. Generally, the premium is earned according to the passing of time, but where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk. Premium for unclosed business (business written close to reporting date where attachment of risk is prior to reporting date and there is insufficient information to accurately identify the business) is brought to account based on previous experience with due allowance for any changes in the pattern of new business and renewals. The unearned portion of premium is recognised within unearned premium liability in the combined balance sheet.

10.5 Goods and services tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the combined balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

10.6 Taxation

For the purposes of the Combined Historical Financial Statements, income tax is accounted as follows:

- For the Australian tax consolidation group, being KVDAH and its Australian subsidiaries, on the basis as detailed in the tax consolidation legislation policy below; and
- The Australian tax consolidation Group is aggregated with Latitude Financial Services Limited and its New Zealand subsidiaries in accordance with the principles as described in the Basis of Preparation.

10.6.1 Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, based on amounts expected to be paid to the tax authorities.

10.6.2 Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, that, at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to settle the liability simultaneously. Current and deferred tax is recognised in the combined income statement except to the extent that it relates to items recognised in other comprehensive income or directly in net investment. In this case, the tax is also recognised in other comprehensive income or directly in net investment respectively.

10.6.3 Tax consolidation legislation (Australian parent and Group only)

KVD Australia Holdco Pty Ltd, which is the parent of the Australian Group and its wholly-owned controlled entities have implemented the tax consolidation legislation from December 2015. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, KVD Australia Holdco Pty Ltd. The entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set-off in the consolidated financial statements. The head and controlled entities in the tax consolidated group account for their own current and deferred tax accounts. These tax amounts are measured as if each entity in the tax consolidation group was a separate taxpayer with the group. In addition to its own current and deferred tax amounts, the Australian parent company also recognises the current tax liabilities (assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the Australian parent company for any current tax payable assumed. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of the Financial Year. The funding amounts are recognised as intercompany receivables. Where a member of the income tax consolidated group recognises a taxable loss, the funding amount is nil with no compensation for the tax losses, unless the member is subject to prudential regulation by the Australian Prudential Regulation Authority, in which case the regulated entity will be compensated for its tax losses. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the agreement are recognised as an equity contribution to (or distribution from) wholly-owned tax consolidation entities.

10.6.4 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

10.6.5 Distributions

In accordance with the relevant Trust Constitution, the Trustee distributes income from structured trusts of the Group to a unit holder which is a non-controlled related party of the Group. These distributions have been treated as distributions to a non-controlling interest. Following the Restructure, Latitude will be the sole beneficiary of these Trusts and will hold all entitlements to residual income.

10.7 Classification – Financial assets and liabilities

10.7.1 Amortised cost

Debt instruments are measured at amortised cost if both the following conditions apply:

- The instrument is held to collect contractual cash flows, rather than being sold prior to contractual maturity to realise fair value changes; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

10.7.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, restricted cash and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

10.7.3 Loans and other receivables

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group did not intend to sell immediately or in the near term. Loans and advances are amounts due from customers in the ordinary course of business. They are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost, using the effective interest method, net of any provision for doubtful debts.

10.7.4 Trade and other liabilities

These amounts represent liabilities for goods and services provided to the Group prior to the end of the Financial Year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

10.7.5 Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs and subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

10.8 Fair value through profit or loss ('FVPL')

The Group may choose to designate, at initial recognition, a financial asset or a financial liability at FVPL if it eliminates or reduces an accounting mismatch. Equity investments are measured at FVPL unless the Group has elected to measure them as FVOCI below.

10.8.1 Financial assets backing insurance liabilities

Financial assets backing insurance liabilities are measured at fair value through profit or loss, with gains and losses being recognised through profit or loss.

10.9 Fair value through other comprehensive income ('FVOCI')

10.9.1 Other financial assets

The Group may elect to measure its non-traded equity instruments at FVOCI, with only dividend income being recognised in profit or loss.

10.10 Loss provisioning

10.10.1 Provision for losses on loans and advances

Loss provisioning is based on a three-stage approach to measuring expected credit losses ('**ECLs**') for loans and advances which is based on the change in credit quality of financial assets since initial recognition:

- **Stage 1:** Where there has been no significant increase in the risk of default since origination, reserves reflect the portion of the lifetime ECL from expected defaults in the following 12 months;
- **Stage 2:** For assets where there has been a significant increase in risk since origination but are not credit impaired, a lifetime ECL is recognised; and
- **Stage 3:** For assets deemed as credit impaired, a lifetime ECL is recognised.

The Group determines that a significant increase in risk occurs when an account is more than 30 days delinquent since origination. Exposures are assessed as credit impaired where the Group determines that an account is in default, being an account that is either 90 days or more past due or it is an account identified as bankrupt, deceased or fraudulent or any account in litigation or in hardship. ECLs are derived from probability-weighted estimated loss measures taking account of possible outcomes, the time value of money and current and future economic conditions. Customer loans are grouped on the basis of shared credit risk characteristics and lending type, by product category. As asset quality deteriorates an exposure will move through ECL stages. As asset quality improves, an asset that was previously assessed as a significant increase in credit risk that had lifetime ECL, may in subsequent periods revert back to Stage 1.

Modified loans comprise financial assets under a hardship arrangement or those in the process of litigation. When a flag indicator is removed from the account of a modified financial asset, signalling the end of the modification arrangement, then the loss allowance for the financial asset will revert to being measured at an amount equal to Stage 1 12-month ECL if the financial asset is less than 30 days past due and is not flagged as bankrupt, deceased, fraud, hardship or litigation status. ECL for a previously modified financial asset can subsequently be remeasured at an amount equal to lifetime ECL when the delinquency is between 30 and 89 days past due (Stage 2), or when the delinquency is greater than or equal to 90 days past due, or is flagged as bankrupt, deceased, fraud, hardship or litigation status (Stage 3).

Loans and advances from customers are written off when they are deemed non-collectable at a portfolio level, or at an earlier date depending on customer status. Subsequent recoveries of loans from legal enforcement relating to an amount previously charged off are set off against loan impairment expenses in the combined statement of profit or loss and other comprehensive income.

10.11 Derivative financial instruments (The Group continues to apply hedge accounting under AASB 139)

Derivatives are classified as FVPL unless they are designated hedging instruments. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges). The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. It also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values of cash flows on hedged items.

10.11.1 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in net investment. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in net investment at that time remains in net investment and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in net investment is immediately reclassified to profit or loss.

10.11.2 Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not quality for hedge accounting are recognised immediately in profit or loss within other operating income.

10.12 Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

10.13 Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets and represents the excess of the cost paid over the fair value of the net identifiable assets acquired at the date of acquisition.

10.14 Customer relationships and distribution agreements

Separately acquired customer contracts and distribution agreements are shown at historical cost. Those acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Customer contracts are amortised on a straight-line basis over 5-9 years and distribution agreements are amortised on a straight-line basis over 1-9 years.

10.15 Software

Software relates to IT projects and associated system expenditure that does not result in the acquisition of physical hardware, including software licence acquisitions, upgrades to software platforms, applications and internal functions and network configuration, including internally generated development costs. Software is amortised on a straight-line basis over 1-5 years, or in the case of a licenced intangible, straight line over the licence period.

An intangible asset is recognised if it is probable that the associated future economic benefits will flow to the Group and the cost can be measured reliably where the following criteria are met: it is technically feasible to complete the software so that it will be available for use; it can be demonstrated how the software will generate probable future economic benefits; adequate technical, financial and other resources to complete the development and to use or sell the software are available, and the expenditure attributable to the software during its development can be reliably measured. Any other costs associated with maintaining software are recognised as an expense as incurred.

10.16 Development activities

Capitalised development costs are recorded as software intangible assets and amortised on a straight-line basis from the point at which the asset is ready for use, over the useful life of the intangible. Each phase of a project is considered separately to determine the useful life of the project. Development expenses that do not meet the criteria as software above is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

10.17 Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

10.18 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease and recognises a right-of-use asset and a lease liability at the commencement date.

The Group recognises a right-of-use asset initially at cost, comprising the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle or restore the underlying asset, or restore the site on which it is located. The asset is subsequently depreciated using the straight line method and reduced by impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or at the Group's incremental borrowing rate if this is not readily determined. Lease payments included in the measurement of the lease liability comprise:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the rate at commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is subsequently adjusted for interest and lease payments made.

The Group's policy is to apply lease accounting to all non low-value leases that are for greater than a 12-month period. For short term or low-value items to which this exemption is applied, lease payments are recognised as an expense over the lease term.

10.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

10.20 Employee benefit obligations

Short-term obligations: Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term employee benefit obligations – Long service leave: These are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the combined balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

10.21 Equity-based payments

The fair value of units granted under equity based compensation benefits is recognised as employment expenses in the combined income statement with a corresponding increase in net investment. The fair value is recognised at grant date and recognised over the period during which the party becomes unconditionally entitled to the instruments. The fair value is independently determined using an option-granting model as measured at the grant date which includes the terms and conditions of the instruments. The fair value of the instruments granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number and value of instruments that are expected to become exercisable. The equity-based payment expense recognised each year takes into account the most recent estimate.

10.22 Insurance liabilities

Profits of the Insurance business are brought to account on a margin on services ('MoS') basis. Under MoS, profit (the excess of premium received and investment earnings over claims and expenses including amortised acquisition costs) is recognised as fees are received and services are provided to policyholders. Profit is deferred to the balance sheet when fees have been received but the service has not been provided. Costs associated with the acquisition of policies are deferred on the balance sheet and charged to the profit or loss over the period that the policy will generate profits. Insurance contract liabilities are valued using a method that approximates to the projection method and the liability for outstanding claims is subject to an annual actuarial review.

10.23 Insurance claims

Claims incurred relate to the provision of services and bearing of risks and is treated as an expense. The liability for outstanding claims covers the expected future payments for claims including IBNR and IBNER claims and the anticipated direct and indirect costs of settling these claims. Actuarial methods are used by a qualified person to estimate the value of outstanding claims where generally this involves analysing available past experience to determine expected future payments. The provision for the outstanding claims liability also contains a risk margin to reflect the inherent uncertainty in the central estimate. The risk margin increases the probability that the net liability is adequately provided for, to a 90% confidence level.

10.24 Outward reinsurance and reinsurance recoveries

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated at the reporting date as deferred reinsurance expense. Reinsurance recoveries and other recoveries receivable on paid claims, reported claims not yet paid and IBNR's are recognised as revenue.

10.25 Assets backing insurance liabilities

The Insurance business has established a target capital to ensure assets are available to meet insurance liabilities. Financial assets designated at fair value through profit or loss are initially recognised at fair value, excluding transaction costs, which are expensed in the combined income statement in the period in which they arise. Financial assets are subsequently measured at fair value at each reporting date with realised and unrealised gains and losses arising from changes in the fair value recognised in the combined income statement in the period in which they arise. Short term deposits are carried at the face value of the amounts deposited as their carrying amounts approximate their fair value. Unlisted fixed interest securities are recorded at amounts based on valuations using rates of interest equivalent to the yields obtainable on comparable investments at the end of the reporting period.

10.26 Unexpired risk liability

Provision is made for unexpired risks arising from general insurance business where the expected value of claims and expenses attributed to the unexpired periods of policies in force at the end of the reporting period exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision for unexpired risk is calculated separately by reference to separate classes of business, which are managed together, after taking into account the relevant investment return. Unexpired risk liability, if any, remaining after writing off deferred acquisition costs is recognised immediately in the combined income statement.

11 Appendices

11 Appendices

11.1 Reconciliations of the Combined Historical Income Statements to the Pro Forma Historical Income Statements on a line-by-line basis

Table 46: FY18 – Combined to pro forma historical income statement reconciliation

(All amounts million)	Combined FY18	Changes in capital structure	Changes in accounting standards	Transaction and historical IPO costs	Employee remune-ration plans	MEP and related expenses
Interest income	1,135.7	–	–	–	–	–
Interest expense	(363.2)	81.3	(2.9)	–	–	–
Net interest income	772.5	81.3	(2.9)	–	–	–
Other operating income	56.8	–	–	–	–	–
Net insurance income	60.2	–	–	–	–	–
Total other operating income	117.0	–	–	–	–	–
Total operating income	**889.5**	**81.3**	**(2.9)**	**–**	**–**	**–**
Loan impairment expense	(253.4)	–	–	–	–	–
Employee benefit expense	(173.0)	–	–	–	(7.9)	2.3
Other expenses	(262.3)	6.3	10.8	28.2	–	–
Depreciation and amortisation expense	(68.8)	–	(11.7)	–	–	–
Total operating expenses	(504.2)	6.3	(0.9)	28.2	(7.9)	2.3
Distribution to trust beneficiaries	(74.5)	74.1	–	–	–	–
PBT (before significant items)	**57.5**	**161.8**	**(3.8)**	**28.2**	**(7.9)**	**2.3**
Significant items	–	–	–	–	–	–
Amortisation of acquisition intangibles and structural changes	–	–	–	–	–	–
Profit/(loss) before income tax	**57.5**	**161.8**	**(3.8)**	**28.2**	**(7.9)**	**2.3**
Income tax (expense)/benefit	(13.2)	–	–	–	–	–
NPAT from continuing operation	**44.3**	**161.8**	**(3.8)**	**28.2**	**(7.9)**	**2.3**
NPAT from discontinued operations	–	–	–	–	–	–
NPAT	**44.3**	**161.8**	**(3.8)**	**28.2**	**(7.9)**	**2.3**

Discontinued operations	Other discontinued arrangements	Incremental public company costs	Reclassification of Operating Expenditure	Tax effect of adjustments	Total pro forma adjustments	Significant items	Amortisation of acquisition intangibles and structural changes	Pro forma FY18
(4.3)	–	–	–	–	(4.3)	–	20.0	1,151.3
1.0	–	–	–	–	79.5	–	11.9	(271.8)
(3.3)	–	–	–	–	75.1	–	31.9	879.5
(0.6)	–	–	(11.8)	–	(12.4)	–	–	44.4
–	–	–	–	–	–	–	–	60.2
(0.6)	–	–	(11.8)	–	(12.4)	–	–	104.6
(3.9)	**–**	**–**	**(11.8)**	**–**	**62.7**	**–**	**31.9**	**984.1**
0.4	–	–	–	–	0.4	–	–	(253.0)
–	(2.9)	(2.3)	–	–	(10.8)	–	–	(183.8)
0.8	9.3	(7.7)	11.8	–	59.6	24.4	–	(178.3)
–	–	–	–	–	(11.7)	–	48.2	(32.4)
0.8	6.4	(10.1)	11.8	–	37.1	24.4	48.2	(394.5)
0.4	–	–	–	–	74.5	–	–	–
(2.3)	**6.4**	**(10.1)**	**–**	**–**	**174.7**	**24.4**	**80.0**	**336.7**
–	–	–	–	–	–	(24.4)	–	(24.4)
–	–	–	–	–	–	–	(80.0)	(80.0)
(2.3)	**6.4**	**(10.1)**	**–**	**–**	**174.7**	**–**	**–**	**232.2**
–	–	–	–	(48.9)	(48.9)	–	–	(62.1)
(2.3)	**6.4**	**(10.1)**	**–**	**(48.9)**	**125.8**	**–**	**–**	**170.1**
–	–	–	–	–	–	–	–	–
(2.3)	**6.4**	**(10.1)**	**–**	**(48.9)**	**125.8**	**–**	**–**	**170.1**

Table 47: FY19 – Combined to pro forma historical income statement reconciliation

(All amounts million)	Combined FY19	Changes in capital structure	Changes in accounting standards	Transaction and historical IPO costs	Employee remune-ration plans	MEP and related expenses
Interest income	1,205.6	–	–	–	–	–
Interest expense	(362.0)	79.0	–	–	–	–
Net interest income	843.6	79.0	–	–	–	–
Other operating income	36.6	–	–	–	–	–
Net insurance income	51.0	–	–	–	–	–
Total other operating income	87.7	–	–	–	–	–
Total operating income	**931.2**	**79.0**	**–**	**–**	**–**	**–**
Loan impairment expense	(248.9)	–	–	–	–	–
Employee benefit expense	(190.6)	–	–	–	(7.9)	10.0
Other expenses	(283.0)	6.6	–	11.8	–	–
Depreciation and amortisation expense	(82.8)	–	–	–	–	–
Total operating expenses	(556.3)	6.6	–	11.8	(7.9)	10.0
Distribution to trust beneficiaries	(103.5)	103.5	–	–	–	–
PBT (before significant items)	**22.6**	**189.1**	**–**	**11.8**	**(7.9)**	**10.0**
Significant items	–	–	–	–	–	–
Amortisation of acquisition intangibles and structural changes	–	–	–	–	–	–
Profit/(loss) before income tax	**22.6**	**189.1**	**–**	**11.8**	**(7.9)**	**10.0**
Income tax (expense)/benefit	(5.0)	–	–	–	–	–
NPAT from continuing operation	**17.6**	**189.1**	**–**	**11.8**	**(7.9)**	**10.0**
NPAT from discontinued operations	1.8	–	–	–	–	–
NPAT	**19.4**	**189.1**	**–**	**11.8**	**(7.9)**	**10.0**

Discon-tinued operations	Other discon-tinued arrange-ments	Incremental public company costs	Reclassi-fication of Operating Expenditure	Tax effect of adjust-ments	Total pro forma adjust-ments	Significant items	Amorti-sation of acquisition intangibles and structural changes	Pro forma FY19
–	–	–	–	–	–	–	–	1,205.6
–	–	–	–	–	79.0	–	24.7	(258.2)
–	–	–	–	–	79.0	–	24.7	947.3
–	–	–	–	–	–	–	–	36.6
–	–	–	–	–	–	–	–	51.0
–	–	–	–	–	–	–	–	87.7
–	**–**	**–**	**–**	**–**	**79.0**	**–**	**24.7**	**1,035.0**
–	–	–	–	–	–	–	–	(248.9)
–	–	(2.3)	–	–	(0.2)	–	–	(190.8)
–	–	(7.7)	–	–	10.7	91.2	–	(181.2)
–	–	–	–	–	–	–	48.4	(34.4)
–	–	(10.1)	–	–	10.5	91.2	48.4	(406.3)
–	–	–	–	–	103.5	–	–	–
–	**–**	**(10.1)**	**–**	**–**	**193.0**	**91.2**	**73.1**	**379.8**
–	–	–	–	–	–	(91.2)	–	(91.2)
–	–	–	–	–	–	–	(73.1)	(73.1)
–	**–**	**(10.1)**	**–**	**–**	**193.0**	**–**	**–**	**215.6**
–	–	–	–	(52.2)	(52.2)	–	–	(57.2)
–	**–**	**(10.1)**	**–**	**(52.2)**	**140.7**	**–**	**–**	**158.4**
(1.8)	–	–	–	–	(1.8)	–	–	–
(1.8)	**–**	**(10.1)**	**–**	**(52.2)**	**138.9**	**–**	**–**	**158.4**

Table 48: FY20 – Combined to pro forma historical income statement reconciliation

(All amounts million)	Combined FY20	Changes in capital structure	Changes in accounting standards	Transaction and historical IPO costs	Employee remune-ration plans	MEP and related expenses
Interest income	1,058.1	–	–	–	–	–
Interest expense	(278.6)	75.8	–	–	–	–
Net interest income	779.5	75.8	–	–		–
Other operating income	21.4	–	–	–	–	–
Net insurance income	22.5	–	–	–	–	–
Total other operating income	43.9	–	–	–	–	–
Total operating income	**823.4**	**75.8**	**–**	**–**	**–**	**–**
Loan impairment expense	(208.8)	–	–	–	–	–
Employee benefit expense	(202.0)	–	–	–	(7.9)	27.4
Other expenses	(234.6)	6.2	–	10.1	–	–
Depreciation and amortisation expense	(92.9)	–	–	–	–	–
Total operating expenses	(529.5)	6.2	–	10.1	(7.9)	27.4
Distribution to trust beneficiaries	(104.3)	104.3	–	–	–	–
PBT (before significant items)	**(19.3)**	**186.3**	**–**	**10.1**	**(7.9)**	**27.4**
Significant items	–	–	–	–	–	–
Amortisation of acquisition intangibles and structural changes	–	–	–	–	–	–
Profit/(loss) before income tax	**(19.3)**	**186.3**	**–**	**10.1**	**(7.9)**	**27.4**
Income tax (expense)/benefit	(9.5)	–	–	–	–	–
NPAT from continuing operation	**(28.8)**	**186.3**	**–**	**10.1**	**(7.9)**	**27.4**
NPAT from discontinued operations	(3.7)	–	–	–	–	–
NPAT	**(32.6)**	**186.3**	**–**	**10.1**	**(7.9)**	**27.4**

11.2 Exchange rates

Amounts translated from NZ$ have been converted at the average exchange rates (for income statements and cash flows) and spot exchange rates (for balance sheet items) set out in Table 49 below.

Table 49: Exchange rates

AUD:NZD	FY18	FY19	FY20
Spot rate at period end	0.9507	0.9604	0.9359
Average rate applied to income statement and cash flow	0.9233	0.9466	0.9436

Discon-tinued operations	Other discon-tinued arrange-ments	Incremental public company costs	Reclassi-fication of Operating Expenditure	Tax effect of adjust-ments	Total pro forma adjust-ments	Significant items	Amorti-sation of acquisition intangibles and structural changes	Pro forma FY20
–	–	–	–	–	–	–	–	1,058.1
–	–	–	–	–	75.8	–	24.8	(178.0)
–	–	–	–	–	75.8	–	24.8	880.1
–	–	–	–	–	–	–	–	21.4
–	–	–	–	–	–	10.3	–	32.7
–	–	–	–	–	–	10.3	–	54.1
–	**–**	**–**	**–**	**–**	**75.8**	**10.3**	**24.8**	**934.2**
–	–	–	–	–	–	–	–	(208.8)
–	–	(2.3)	–	–	17.3	–	–	(184.8)
–	–	(7.7)	–	–	8.6	52.4	–	(173.5)
–	–	–	–	–	–	–	48.3	(44.6)
–	–	(10.1)	–	–	25.9	52.4	48.3	(402.9)
–	–	–	–	–	104.3	–	–	–
–	**–**	**(10.1)**	**–**	**–**	**206.0**	**62.7**	**73.1**	**322.6**
–	–	–	–	–	–	(62.7)	–	(62.7)
–	–	–	–	–	–	–	(73.1)	(73.1)
–	**–**	**(10.1)**	**–**	**–**	**206.0**	**–**	**–**	**186.7**
–	–	–		(49.1)	(49.1)	–	–	(58.6)
–	**–**	**(10.1)**	**–**	**(49.1)**	**156.9**	**–**	**–**	**128.1**
3.7	–	–	–	–	3.7	–	–	–
3.7	**–**	**(10.1)**	**–**	**(49.1)**	**160.6**	**–**	**–**	**128.1**

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Term	Definition
1H	The six-month period between 1 January and 30 June
1H18	The half year ended 30 June 2018
1H19	The half year ended 30 June 2019
1H20	The half year ended 30 June 2020
1H21	The half year ending 30 June 2021
1Q19	The quarter ended 31 March 2019
1Q20	The quarter ended 31 March 2020
2H	The six-month period between 1 July and 31 December
2H19	The half year ended 31 December 2019
2H20	The half year ended 31 December 2020
2H21	The half year ending 31 December 2021
2Q19	The quarter ended 31 March 2019
2Q20	The quarter ended 31 March 2020
3Q19	The quarter ended 30 September 2019
3Q20	The quarter ended 30 September 2020
4Q19	The quarter ended 31 December 2019
4Q20	The quarter ended 31 December 2020
AAS or **Australian Accounting Standards**	The accounting standards (as defined in section 9 of the Corporations Act) as they apply to Latitude
AASB	Australian Accounting Standards Board
AASB 17	AASB 17 Insurance Contracts
ABN	Australian Business Number
ABS	Asset-backed securities
ACCC	Australian Competition and Consumer Commission
ACN	Australian Company Number
Acquisition	The acquisition of the Latitude business from GE in November 2015
ADI	Authorised deposit-taking institution
AET	• Australian Eastern Daylight Time before 3:00am on 4 April 2021; or • Australian Eastern Standard Time after 3:00am on 4 April 2021, as the context requires
AFCA	Australian Financial Complaints Authority

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Term	Definition
AFSL	Australian financial services licence issued under the Corporations Act
AGC	Australian Guarantee Corporation
Aggregate Substantial Interest	Has the meaning given in Section 9.15.2
AGR	Average gross receivables
Amart	Amart Furniture Pty Ltd (ABN 65 009 810 324)
AML	Anti-money laundering
AML/CTF	Anti-money laundering/counter-terrorism financing
API	Application programming interface
Apple	Apple Pty Ltd (ABN 46 002 510 054)
Applicant	A person who submits an Application
Application	An application to subscribe for Shares offered under the Offer
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies	The amount of money accompanying an Application Form submitted by an Applicant
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASIC Act	*Australian Securities and Investments Commission Act 2001* (Cth)
ASIC Report 622	ASIC Report 622 ('Consumer credit insurance: Poor value products and harmful sales practices')
ASIC Report 672	ASIC Report 672 ('Buy now pay later: An industry update')
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange that it operates, as the context requires
ASX Listing Rules	The official Listing Rules of the ASX, as amended or waived from time to time
ASX Recommendations	The fourth edition of the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council
ASX Settlement Operating Rules	The ASX Settlement Operating Rules of ASX Settlement Pty Limited (ACN 008 504 532)
ATO	Australian Taxation Office
AUD, **A$** or **$**	The currency of Australia
AUSTRAC	Australian Transaction Reports and Analysis Centre
Awards	Has the meaning given in Section 6.3.1

Term	Definition
B2B2C	Business-to-business-to-consumer
Banking Royal Commission	The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry established on 14 December 2017
BBSW	The Bank Bill Swap Rate in Australia as administered by the ASX
BBSY	The Bank Bill Swap Bid Rate in Australia as administered by the ASX
BDM	Business development manager
BEAR	Banking Executive Accountability Regime
Bell Potter	Bell Potter Securities Limited (ABN 25 006 390 772)
Big Ticket	A buy now pay later product enabling purchases of items up to A$10,000 in select segments
BKBM	The Bank Bill Benchmark Rate in New Zealand as administered by the New Zealand Financial Markets Association
BNPL	Buy now, pay later
BNPL Code	Has the meaning given in Section 2.5.1
Board	The board of Directors
bps	Basis points
Broker	Any ASX participating organisation, Co-Lead Manager appointed by Latitude to act as a participating broker to the Broker Firm Offer
Broker Firm Offer	The offer of Shares under this Prospectus to Australian resident retail and sophisticated non-institutional clients of Brokers who have received an allocation of Shares from their Broker, as set out in Section 7.5
Broker Firm Offer Application Form	The Application Form for the Broker Firm Offer
Call Option	Has the meaning given in Section 6.2.2.5B
Cash NPAT	Profit/(loss) after income tax after adding back the post-tax impact of Significant items and Amortisation of acquisition intangibles and structural changes
CCCFA	*Credit Contracts and Consumer Finance Act 2003* (NZ)
CCI	Consumer credit insurance
CCR	Comprehensive Credit Reporting
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGT	Capital gains tax
Champion/Challenger Testing	The process through which new challenger credit strategies are trialled and compared against the current credit strategies in place (champion) by parallel testing on a random cohort

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Term	Definition
CHESS	Clearing House Electronic Subregister System, operated under the Corporations Act
Closing Date	The date on which the Offer is expected to close, being 16 April 2021 in respect of the Broker Firm Offer and the Employee Offer. This date may be varied without notice
Closing Market Price	Has the meaning given in Chapter 19 of the ASX Listing Rules
Co-Lead Managers	One or all of Bell Potter, Commonwealth Securities, Deutsche Bank, Escala Partners and Ord Minnett
COFI	*Financial Markets (Conduct of Institutions) Amendment Bill* (NZ)
Combined Historical Balance Sheet	The combined historical balance sheet of KVDAH and LFSL as at 31 December 2020
Combined Historical Cash Flows	The combined historical cash flows of KVDAH and LFSL for FY18, FY19 and FY20
Combined Historical Financial Information	Together, the: • Combined Historical Balance Sheet; • Combined Historical Cash Flows; and • Combined Historical Income Statements
Combined Historical Financial Statements	The general purpose combined financial statements of KVDAH and LFSL for FY18, FY19 and FY20. Refer to Section 4.2.2 for the basis of preparation
Combined Historical Income Statements	The combined historical income statements of KVDAH and LFSL for FY18, FY19 and FY20
Commonwealth Securities	Commonwealth Securities Limited (ABN 60 067 254 399)
Company or **KVDAH**	Latitude Group Holdings Limited (ABN 83 604 747 391), formerly known as KVD Australia HoldCo Pty Ltd
Completion	The completion of the Offer, being the date on which Shares are transferred by SaleCo to Successful Applicants in accordance with the terms of the Offer
Completion Date	The date Completion occurs
Computershare	Computershare Investor Services Pty Ltd (ABN 48 078 279 277)
Constitution	The constitution of the Company, as amended or replaced from time to time
Corporations Act	*Corporations Act 2001* (Cth)
Cost to income ratio	The ratio of operating expenses to operating income, excluding net fair value unwind (refer to Note 12 in the Glossary of Financial Table Notes), amortisation of transaction costs (refer to Note 14 in the Glossary of Financial Table Notes) and changes in capital structure and changes in accounting standards (refer to Section 4.3.4)
Council	Financial Services Council
CR	Credit risk
Credit Suisse	Credit Suisse (Australia) Limited (ABN 94 007 016 300)

Term	Definition
CTF	Counter-terrorism financing
D&O policy	Directors' and officers' liability insurance policy
Deutsche Bank	Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162)
Directors	The directors of the Company
DSM	Has the meaning given in Section 2.3.4
EGM	Executive General Manager
Eligible Employees	Employees of the Latitude Group who are resident in Australia and receive an invitation to apply for Shares under the Employee Offer
Employee Gift Offer	Has the meaning given in Section 9.12
Employee Offer	The offer of Shares under this Prospectus to Eligible Employees in Australia, as set out in Section 7.6
EPS	Earnings per share
ESAP	Has the meaning given in Section 9.12
Escala Partners	Escala Partners Pty Ltd (ABN 74 155 884 236)
Escrow Deeds	The voluntary escrow deeds entered into by the Company and each of the Escrowed Shareholders described in Section 9.8
Escrowed Shareholders	The Selling Shareholder and the Executive Shareholders
Escrowed Shares	The Shares described in Section 9.8
Executive Directors	Directors who are executives
Executive Shareholders	The members of the Latitude leadership team described in Section 6.1.2, each of which is proposed to receive Shares pursuant to the Pre-Completion Equity Plans as part of the Restructure
Existing Investors	KKR, Värde Partners and Deutsche Bank
Expiry Date	The date on which this Prospectus expires, being the date which is 13 months after the Prospectus Date
Exposure Period	The seven-day period after the Prospectus Date, which may be extended by ASIC by up to a further seven days, during which an Application must not be accepted
FAR	Financial Accountability Regime
FATA	*Foreign Acquisitions and Takeovers Act 1975* (Cth)
Financial Information	The Financial Information relating to Latitude as set out in Section 4.1
FinTech	Financial technology
FIRB	Foreign Investment Review Board
FIRB Approval	Has the meaning given in Section 9.15.2

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Term	Definition
FMA	Financial Markets Authority of New Zealand
FMC Act	*Financial Markets Conduct Act 2013* (NZ)
FSLAA	*Financial Services Legislation Amendment Act 2019* (NZ)
FTE	Full-time equivalent
Funding Vehicle	A special purpose vehicle, typically a trust or an 'orphan' special purpose vehicle, established to fund and hold financial assets as part of the Warehouse Facility or Term Securitisation scheme
FY or **Financial Year**	The financial year ended or ending 31 December
FY16	Financial Year ended 31 December 2016
FY18	Financial Year ended 31 December 2018
FY19	Financial Year ended 31 December 2019
FY20	Financial Year ended 31 December 2020
FY21	Financial Year ending 31 December 2021
FY22	Financial Year ending 31 December 2022
FY23	Financial Year ending 31 December 2023
GDP	Gross domestic product
GE	• The General Electric Company and its subsidiaries, including GE Capital Finance Australasia Pty Ltd; or • GE Finance and Insurance Ltd, as the context requires
GFC	The period of extreme stress in global financial markets and banking systems between mid 2007 and early 2009, as defined by the Reserve Bank of Australia
Glossary of Financial Table Notes	Glossary of Financial Table Notes as described in Section 4.13
Group	KVDAH and LFSL and each of their controlled entities
GST	Goods and services tax
GWP	Gross written premium as described in Section 4.6.1.1
Hallmark Insurance	Hallmark Life Insurance Company Ltd (ABN 87 008 446 884) in respect of the issuance of life insurance or Hallmark General Insurance Company Ltd (ABN 82 008 477 647) in respect of the issuance of other forms of insurance, or both, as the context requires
Harvey Norman	Harvey Norman Holdings Limited (ABN 54 003 237 545)
HEM	Household Expenditure Measure

Term	Definition
Historical Financial Information	Together, the: • Combined Historical Financial Information; and • Pro Forma Historical Financial Information
Historical Shareholder loans	The loans entered into between KVD Australia and LFSL and the Existing Investors (or their related entities) under which certain funding facilities are made available
HR	Human resources
IBNER	Incurred but not enough reported
IBNR	Incurred but not reported
IFRS	International Financial Reporting Standards
IFRS 9	IFRS 9 *Financial Instruments*
IFRS 16	IFRS 16 *Leases*
Indemnified Parties	Has the meaning given in Section 9.4.3
Instalments	Latitude's instalments product offerings, as described in Section 2.3.1
Institutional Investors	Investors who are persons that: • If in Australia, are wholesale clients under section 761G of the Corporations Act and either 'professional investors' or 'sophisticated investors' under sections 708(11) and 708(8) of the Corporations Act; • If in New Zealand, are persons who are an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act, persons who meet the investment activity criteria within the meaning of clause 38 of schedule 1 of the FMC Act, persons who are large within the meaning of clause 39 of Schedule 1 of the FMC Act, or persons who are a governmental agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or • Are persons to whom offers and issues or transfers of Shares under the Offer can be made without lodgement, registration or approval with or by a government agency (other than one with which the Company and SaleCo, in their absolute discretion, are willing to comply)
Institutional Offer	The offer of Shares under this Prospectus to Institutional Investors to acquire Shares, as set out in Section 7.4
Internal Bureau	A proprietary tool that combines customer data on repayment behaviour and transactional history
Investigating Accountant	KPMG Transaction Services
Investigating Accountant's Report	The report of the Investigating Accountant set out in Section 8
Investor	A person considering the Offer
IPO	Initial public offering
IPSA	*Insurance (Prudential Supervision) Act 2010* (NZ)

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Term	Definition
JB Hi-Fi	JB Hi-Fi Group Pty Ltd (ABN 37 093 114 286)
Jefferies	Jefferies (Australia) Pty Ltd (ABN 76 623 059 898)
JobKeeper	The JobKeeper payment scheme set up by the Australian Government to support businesses significantly affected by COVID-19
JobSeeker	The JobSeeker payment scheme set up by the Australian Government to support certain categories of unemployed persons or people who are sick or injured and unable to do their usual work
Joint Lead Managers	One or all of Credit Suisse, Jefferies and Merrill Lynch
Kiwibank	Kiwibank Limited
KKR	KKR Clarendon Holdings L.P., a special purpose vehicle established to hold interests in KVDS, wholly owned by funds and investment vehicles managed and/or advised by Kohlberg Kravis Roberts & Co. L.P. or its affiliates
KPMG Transaction Services	KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd)
KVCF	KVCF Pty. Ltd. (ABN 35 604 754 412)
KVD Australia	KVD Australia Pty Ltd (ABN 37 604 634 157)
KVDS	KVD Singapore Pte Ltd
L-Money	Has the meaning given in Section 1.1
L-Pay	Has the meaning given in Section 1.1
Latitude	• As at the Prospectus Date, means the Company, its wholly-owned subsidiaries and LFSL; • As at Completion, means the Company and its wholly-owned subsidiaries; or • At any time, means the business trading under that name, as the context requires
Latitude 2.0	Has the meaning given in Section 2.1.3
Latitude Equity Plan or **LEP**	The Latitude Equity Plan, being the LTIP and the short-term incentive plan collectively, as described in Section 6.3.1
Latitude IPO Offer Information Line	Within Australia: 1300 218 194 Outside Australia: +61 3 9415 4055 8:30am until 5:00pm (AET), Monday to Friday (excluding public holidays)
Lending	Latitude's lending product offerings, as described in Section 2.3.1
LFSL	Latitude Financial Services Limited
LIBOR	London Inter-Bank Offered Rate
Life Code	Has the meaning given in Section 5.2.1.3
Listing	The admission of the Company to the official list of the ASX

Term	Definition
Long-Term Incentive Plan or **LTIP**	Has the meaning given in Section 6.2.4
LTI	Long-term incentive
Luxury Escapes	Luxury Escapes Travel Pty Ltd (ABN 16 150 650 927)
Management	The senior management team of the Company as described in Section 6.1.2
Management Shareholders	Certain Directors and current and former management employees of the Company who are proposed to receive Shares pursuant to the Pre-Completion Equity Plans as part of the Restructure
Merrill Lynch	Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795)
Minority Investors	Certain investors who, as at the Prospectus Date, have an economic interest in Latitude via the Selling Shareholder or the Existing Investors and who are anticipated to realise this economic interest through receipt of Shares pursuant to the Restructure
National Credit Code or **NCC**	Schedule 1 to the NCCP Act
NCCP Act	*National Consumer Credit Protection Act 2009* (Cth)
New Zealand Life Insurer Review	Has the meaning given in Section 5.2.1.3
Non-Executive Directors	Directors who are not executives
NPAT	Net profit after tax
NPS	Net Promoter Score
NZD or **NZ$**	The currency of New Zealand
Offer	The offer of Shares under this Prospectus
Offer Period	The period from 9:00am (AET) on the Opening Date to 5:00pm (AET) on the Closing Date
Offer Price	A$2.60 per Share
Official List	The official list of the ASX
Opening Date	The date on which the Broker Firm Offer and the Employee Offer will open, being Monday, 12 April 2021
Ord Minnett	Ord Minnett Limited (ABN 86 002 733 048)
Overseas Investment Act	*Overseas Investment Act 2005* (NZ)
PAYG	Pay as you go
PBT	Profit before tax

12 Glossary

For personal use only

Term	Definition
PcP	Prior comparative period. PcP changes both in $ terms and as a % reflect a favourable movement if positive and unfavourable movement if negative
Plenti	Plenti RE Limited (ABN 57 166 646 635)
POS Exemption	The exemption from the NCC relating to point of sale introducers contained in sections 23 and 23A of the NCCP Act, which facilitates the sale of Latitude's products at the stores of its merchant partners without the requirement for its merchant partners to be licensed
Pre-Completion Equity Plans	The equity plans in place prior to Completion as described in Section 6.3.2
Pro Forma Historical Balance Sheet	The pro forma consolidated historical balance sheet of Latitude as at 31 December 2020
Pro Forma Historical Cash Flows	The pro forma consolidated historical cash flows for Latitude for FY18, FY19 and FY20
Pro Forma Historical Financial Information	Together, the: • Pro Forma Historical Balance Sheet; • Pro Forma Historical Cash Flows; and • Pro Forma Historical Income Statements
Pro Forma Historical Income Statements	The pro forma consolidated historical income statements of Latitude for FY18, FY19 and FY20
Prospectus	This document and any replacement or supplementary prospectus in relation to this document
Prospectus Date	The date on which a copy of this Prospectus was lodged with ASIC, being 30 March 2021
RAI or **Risk adjusted income**	Risk adjusted income, calculated as described in Section 4.2.3.4
RAS	Latitude's risk appetite statement
RBNZ	Reserve Bank of New Zealand
RCSA	Risk and Control Self-Assessments
Regulatory Event	Has the meaning given in Section 9.10.2
Responsible Lending Code	The Responsible Lending Code issued by the Minister of Commerce and Consumer Affairs under section 9G of the CCCFA and as amended in June 2017
Restricted Shares	Shares in the Company which are granted (or allocated) to participants of Awards and which are subject to a restriction on disposal such that the participant cannot deal in the Shares until the end of the relevant vesting period
Restriction Period	Has the meaning given in Section 9.12
Restructure	The restructure as described in Section 9.4.1

Term	Definition
Retained Shares	Shares in the Company held directly or indirectly by Existing Investors (or an affiliate) which were initially subject to escrow arrangements whether or not they remain subject to escrow
Rights	Rights entitling their holder to Shares if certain conditions are met that may be awarded by the Company under and in accordance with the terms of the Latitude Equity Plan
RIU	Residual income unit
ROE	Return on equity
RPI	Repayment protection insurance
SaleCo	Latitude SaleCo Limited (ABN 74 625 845 874)
Samsung	Samsung Electronics Australia Pty Ltd (ABN 63 002 915 648)
Scheme	The credit card scheme for Mastercard or Visa, as applicable
Selling Shareholder	KVD Singapore Pte Ltd
Selling Shareholder Relationship Deed	The Relationship Deed entered into on or about the Prospectus Date between the Selling Shareholder and the Company
Settlement	The settlement of the Offer under the Underwriting Agreement
Share Registry	Computershare
Shareholder	A registered holder of a Share
Shareholder Representative Director	Each of Scott Bookmyer, James Corcoran and Beaux Pontak
Shares	Fully paid ordinary share in the capital of the Company
Shinsei	Shinsei Bank, Limited
Shinsei Relationship Deed	The Relationship Deed entered into on 10 March 2021 between Shinsei and the Company
Shinsei SPA	The sale and purchase agreement between the Selling Shareholder and Shinsei as described in Section 9.6
SocietyOne	SocietyOne Australia Pty Limited (ABN 44 151 627 977)
STI	Short-term incentive
Substantial Interest	Has the meaning given in Section 9.15.2
Successful Applicant	An Applicant who is transferred Shares under the Offer
Taxation of Financial Arrangements	The regime as described in Division 230 of the *Income Tax Assessment Act 1997* (Cth)
TE	Tangible Equity
TE to net receivables	Has the meaning given in Section 3.8.5

12 Glossary

Term	Definition
Term Securitisation	An arrangement under which a pool of financial assets is sold to a Funding Vehicle which funds those financial assets in the capital markets through an issue of limited-recourse debt securities having a legal final maturity similar to the expected term of the financial assets in the pool, including ABS
TFN	Tax file number
TFR	Total Fixed Remuneration
The Good Guys	The Good Guys Discount Warehouse (Australia) Pty Ltd (ABN 48 004 880 657)
Trading Day	Has the meaning given in Chapter 19 of the ASX Listing Rules
TTR	Total Target Remuneration
Underwriting Agreement	The underwriting agreement dated on or about the Prospectus Date between the Company, SaleCo, the Selling Shareholder and the Joint Lead Managers
US Securities Act	*United States Securities Act of 1933*, as amended
Värde Partners	Vatpo Investments Pte. Ltd, a special purpose vehicle established to hold interests in KVDS, wholly owned by funds and investment vehicles for which Värde Partners, Inc. is the ultimate general partner
VFN	Variable Funding Note
VWAP	Volume weighted average price
Warehouse Facility	An arrangement under which financial assets are originated in the name of, or sold to, a Funding Vehicle which funds those financial assets through a limited recourse facility provided by funding banks and/or other investors. These assets may be sold to another Funding Vehicle pursuant to a Term Securitisation
WIP	Work in progress
YoY	Year on year

Latitude Group Holdings Limited

ABN 83 604 747 391

Broker Code

Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in Latitude Group Holdings Limited ('**Company**') under the Broker Firm Offer on the terms set out in the Prospectus dated 30 March 2021 and any relevant supplementary or replacement Prospectus (if applicable) ('**Prospectus**'). You may apply for a minimum of A$2,000 worth of Shares. This Application Form and your Application Monies must be received by your Broker by the deadline set out in their offer to you. The Corporations Act 2001 (Cth) ('**Corporations Act**') prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus (whether in paper or electronic form).

This Application Form does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. In particular, the Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the '**US Securities Act**'), or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable US securities laws.

If you are in doubt as to how to deal with this Application Form, please contact your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully and in full before applying for Shares. Capitalised terms not defined in this Application Form have the meaning given to them in the Prospectus.

A **I/We apply for**

B **I/We lodge full Application Monies**

A$.

Shares in Latitude Group Holdings Limited or any lesser number of Shares which may be allocated to me/us.

C **Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)**

Title or Company Name Given Name(s) Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

NOT FOR USE

D **Enter the postal address - include State and Postcode**

Unit Street Number Street Name or PO Box/Other information

City/Suburb/Town State Postcode

E **Enter your contact details**

Contact Name

Telephone Number - Business Hours

( )

F **CHESS Participant**

Holder Identification Number ('**HIN**')

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

G **Payment details - Please follow the payment instruction provided to you**

Drawer	Cheque or Bank Draft Number	BSB Number	Account Number	Amount of Cheque / Bank Draft
				A$

Cheques, bank drafts or money orders should be drawn up according to the instructions given by your Broker.

By submitting this Application Form:

- I/we declare, represent and warrant that this Application Form is complete and lodged in accordance with the Prospectus, and confirm that details provided by me/us are complete and accurate;
- I/we make the acknowledgements, declarations, representations and warranties set out in Section 7.7 of the Prospectus and this Broker Firm Offer Application Form and declare that all declarations, details and statements made by me/us are complete and accurate;
- I/we agree to be bound by the Constitution of the Company and the terms of the Offer and agree to the issue and/or transfer to me/us of any number of Shares equal to or less than the number indicated in section A above which may be issued and/or transfered to me/us pursuant to the Prospectus; and
- I/we warrant that I am/we are an Australian resident retail client(s) of participating Brokers who have a registered address in Australia and have received an invitation from a Broker to acquire Shares under the Prospectus.

See overleaf for completion guidelines ➔

How to complete this Broker Firm Offer Application Form

Please complete all relevant sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross referenced to each section of the Application Form.

A Number of Shares applied for
Enter the number of Shares you wish to apply for. The minimum Application amount is A$2,000 worth of Shares. You may be issued Shares for the amount you apply for or a lesser amount.

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares in Step A by the Offer Price of A$2.60.

C Applicant Name(s)
Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System ('**CHESS**') participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

F CHESS
The Company participates in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares issued to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on issue, you will be sponsored by the Company and allocated a Securityholder Reference Number ('**SRN**').

G Payment
Please follow the payment instruction provided to you.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates carefully and in full. By lodging the Application Form, the Applicant agrees that this Application for Shares in the Company is upon and subject to the terms of the Prospectus and the Constitution of the Company, agrees to take any number of Shares that may be issued and/or transferred to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form. All dollar amounts referred to in the Application Form are Australian dollar amounts.

Lodgement of Application
If you are a Broker Firm Offer Applicant, you must return your Application Form and Application Monies to your Broker (unless your Broker instructs you otherwise). The Broker Firm Offer opens at 9:00am (AET) on Monday, 12 April 2021 and is expected to close at 5:00pm (AET) on Friday 16 April 2021 (but the offer period may be extended or varied as set out in the Prospectus). Broker clients should complete and lodge their Application Form with the Broker from whom they received their invitation to acquire Shares under this Prospectus. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out in the Application Form. Your Broker must receive your completed Application Form and Application Monies in time to arrange settlement on your behalf by the closing date for the Broker Firm Offer. You must not return this Application Form to the Share Registry. Neither Computershare Investor Services Pty Limited ('**CIS**') nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means. None of the Company, Latitude, SaleCo, the Existing Investors, the Selling Shareholder, the Share Registry or the Joint Lead Managers take any responsibility for any acts or omissions of your Broker in connection with your Application. If you have any enquiries concerning your Application Form, please contact your Broker.

Privacy Notice
The personal information you provide on this form is collected by CIS, as registrar for the Company, for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the Company may authorise CIS on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the Company for whom we maintain securities registers or to third parties upon direction by the Company where related to the Company's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

Correct forms of registrable title(s)
Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
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Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
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Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Latitude Group Holdings Limited

ABN 83 604 747 391

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F CHESS Participant

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- I/we declare, represent and warrant that this Application Form is complete and lodged in accordance with the Prospectus, and confirm that details provided by me/us are complete and accurate;
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- I/we agree to be bound by the Constitution of the Company and the terms of the Offer and agree to the issue and/or transfer to me/us of any number of Shares equal to or less than the number indicated in section A above which may be issued and/or transfered to me/us pursuant to the Prospectus; and
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Correct forms of registrable title(s)
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Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
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Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

Corporate Directory

Issuer's registered office
800 Collins Street
Docklands, VIC 3008

Joint Lead Managers
Credit Suisse, Jefferies and Merrill Lynch

Australian legal adviser
King & Wood Mallesons

Offer information line
1300 218 194 (within Australia)
+61 3 9415 4055 (outside Australia)
8:30am until 5:00pm (AET) Monday to Friday

Investigating Accountant
KPMG Transaction Services

Auditor
KPMG

Share Registry
Computershare

Offer website
www.latitudeipo.com.au

Corporate website
www.latitudefinancial.com.au

LATITUDE