

Latitude Cybercrime Update

26 May 2023

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Bob Belan
Managing Director & CEO

Paul Varro
Chief Financial Officer

March-23 Cyber Attack...Recap and Update



What happened:

- Unusual activity was detected in our IT systems
- Threat actor obtained privileged credentials via a third-party vendor to access our systems
- Personal information of approximately 7.9m customers, past customers and applicants was exfiltrated, including:
 - ~7.9m driver licence numbers
 - Personal details such as name, address, telephone and date of birth
 - Income and expense information used to assess ~900,000 loan applications, including ~308,000 bank account numbers (*but not passwords*) and ~143,000 credit card and credit card account numbers (*but not card expiry or CVC*), the majority of which are expired or closed
- A further ~6.1m partial records compromised
- A ransom demand was received and declined

How we responded:

- Immediate action taken to contain the attack
- IT platforms taken offline
- Enterprise-wide password resets
- External cyber-security experts engaged to work alongside our own teams
- Relevant authorities notified, including the Australian Cyber Security Centre, Australian Federal Police and regulators
- Cyber-insurers notified
- Contacting all affected individuals
- Dedicated support offered to affected individuals via our comprehensive Customer Care Program
- Completed extensive platform assurance reviews before regular business operations were gradually restored over 5-6 weeks
- No suspicious activity has been observed in our systems since Thursday 16 March 2023
- Commercial operations now fully restored

Go forward:

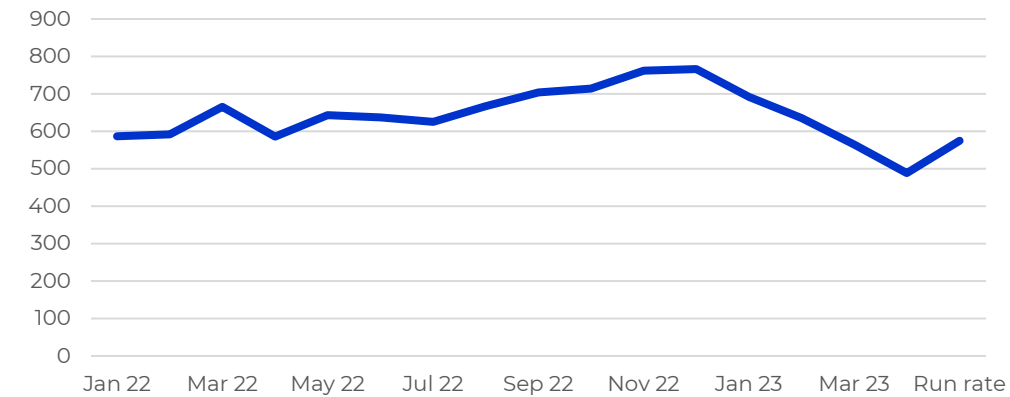
- Forensic review of the incident continues
- Incident response plan focused on:
 - **REBOUND** to surpass previous business momentum
 - **REMEDiate** affected customers, past customers and applicants via our comprehensive Customer Care Program
 - **REBUILD** trust through new strategic plan to reach full potential
- Continue to fully cooperate with regulator investigations and law enforcement
- We are still assessing the anticipated total cost of this incident, including the cost of the support and remediation provided to customers

Key metric trends



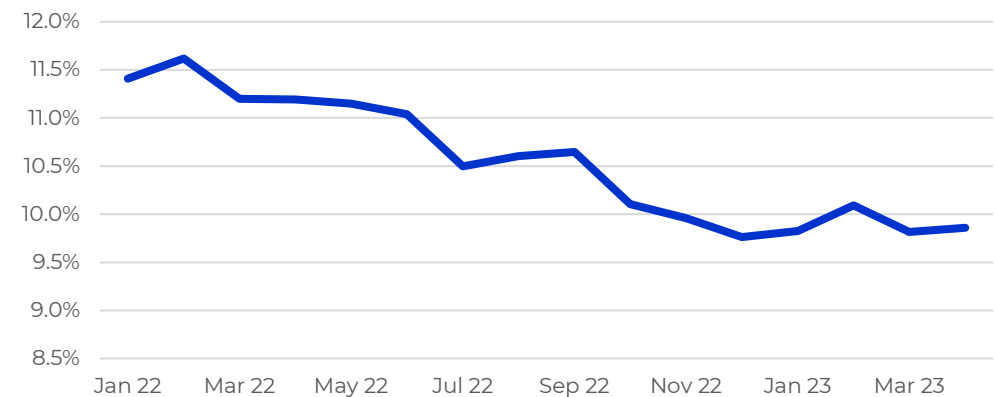
Monthly group volume...

\$m



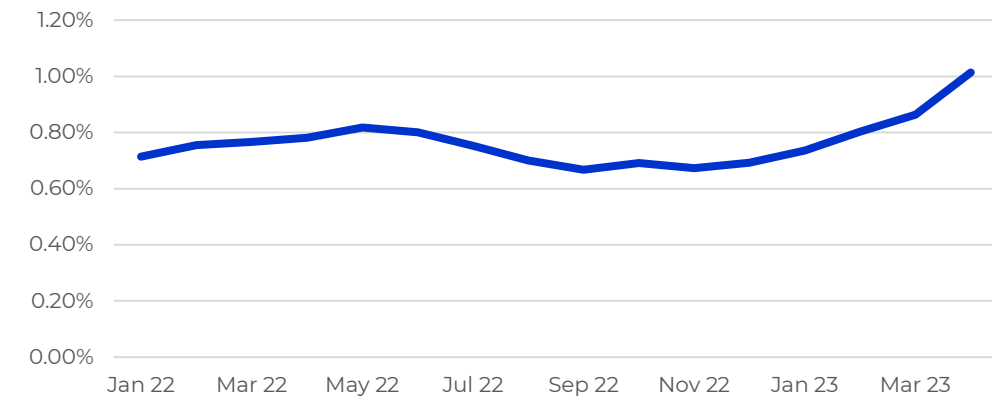
Monthly group net interest margin...

% of average gross receivables (AGR)



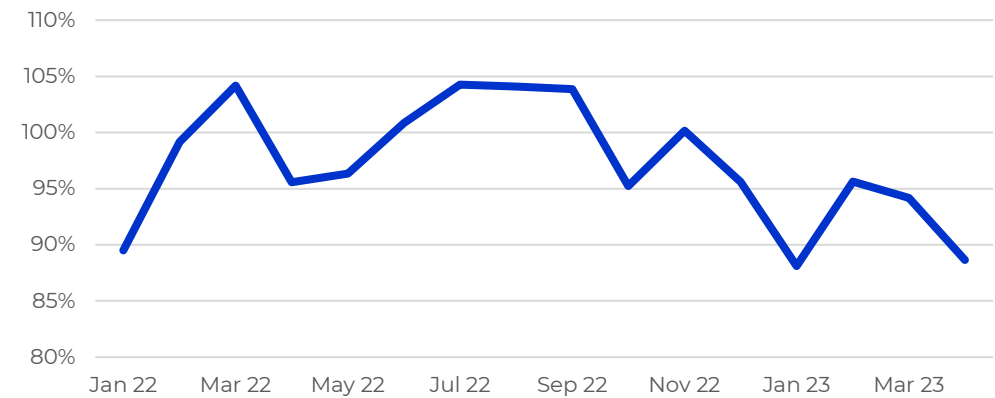
Monthly group delinquencies (90+ days past due)...

% Accounts 90+ days past due



Monthly group repayment rate...

Excluding credit cards & BNPL, expressed as annualised rate



1H23 and FY Financial impacts



- **Volume:** We expect 1H23 volume to be in the range of \$3.3-\$3.6 billion.
- **Receivables:** We expect 1H23 receivables to be in the range of \$6.1-\$6.3 billion.
- **Net Interest Margin:** We expect 1H23 to be in the range of 9.6% to 9.8%.
- **Asset Quality:** Group 90 days past due have increased to 1.01% as at 30 April 2023, increasing the current net charge off run rate to ~3.30% with the consequent temporary disruptions to collection systems and processes. Provision for Credit Losses are expected to increase to ~4.20%.
- **Direct Non-Recurring Costs:** We expect to incur costs of approximately \$7m in 1H23 (*post-tax*) related to the business disruption (*containment & remediation*) associated with the cyber-attack.
 - A \$46m (post tax) provision is anticipated to be raised, largely for customer remediation costs, it does not include the potential for regulatory fines, class actions, future system enhancements or an assumption of insurance proceeds.
- **1H23 dividend:** Is yet to be declared by the board. However, given the expected 1H23 statutory earnings and a resulting TER back within the 6-7% target range, it is unlikely that Latitude will declare a dividend for the six months to 30 June 2023.
- **Cash NPAT for FY23:** Will be impacted by 1H earnings reductions (Cash NPAT of \$5-10m), interrupted originations & collections, our current expectation of FY Cash NPAT to be in the range of \$15-25m.

Thank you

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