

ASX Announcement 2023 Full Year Result.

24 August 2023



Judo Bank delivers 46% lending growth and 7x profit increase, as it reaches halfway to metrics at scale

Financial Highlights	FY23 Result	FY22 Result	FY23 vs FY22
Gross loans and advances (\$bn)	8.9	6.1	↑ 46%
Deposits (\$bn)	6.0	4.1	↑ 46%
Profit before tax (\$m)	107.5	15.6	↑ 7x
Cost to income ratio	54%	76%	↓ 22%
Return on equity	5.1%	0.7%	↑ 4.4%
Underlying net interest margin	3.53%	2.79%	↑ 74 bp

Judo Capital Holdings Limited (ASX:JDO) ("Judo Bank" or "Judo") today announced FY23 Profit Before Tax (PBT) of \$107.5 million, a sevenfold increase on its FY22 pro forma PBT of \$15.6 million.

Judo Bank has achieved or exceeded all of its FY23 guidance metrics, with Gross Loans and Advances (GLA) today exceeding \$9 billion, and Underlying Net Interest Margin (NIM) of 3.53%, up 74 basis points.

Judo has also continued to strengthen its funding position. The bank has grown its term deposit base to \$6.0 billion, up \$1.9 billion. The bank has also grown its wholesale funding capacity, and now has \$3.0 billion in committed warehouse capacity, providing significant flexibility to fund continued lending growth and repay the RBA's Term Funding Facility by June 2024.

Judo Bank's strong FY23 result reaffirms the competitive advantage of its unique, pure-play relationship-led SME banking business model.

Judo is now halfway to achieving its key business metrics at scale, which includes a lending book of \$15 billion to \$20 billion, with the benefits of scale inherent in Judo's specialist business model now becoming increasingly evident.

CEO Commentary.

Judo Bank's CEO, Joseph Healy, said in FY23, Judo delivered another year of strong financial and operational performance, and the bank remains on track to deliver its key business metrics at scale.

"FY23 has been another year of strong financial and operational performance for Judo and we are very pleased to once again deliver on the targets we set for ourselves. We are on a clear path to becoming a scale player in Australian banking, with a vision to become a world-class SME business bank.

"Our loan book has grown by \$3 billion, or 46%, to over \$9 billion today. The continued growth of our business has produced a profit before tax of \$108 million, a sevenfold increase. We have achieved profitability faster than any other challenger bank we know of, in just four years from receiving our banking licence.

"Reaching \$9 billion is a clear milestone for the company as it represents the halfway mark towards achieving our at scale loan book of \$15 billion to \$20 billion. We continue to run our own race and execute the strategy we set out in 2016 and confirmed in late 2021 at the time of our IPO.

"We have also established an incredibly strong funding base. In addition to our growing Term Deposit book which today sits at over \$6 billion, we have exceeded our original target of \$2.5 billion of committed warehouse capacity. With a further \$500 million committed facility successfully executed in July-23, we now have \$3 billion in warehouse capacity, most of which remains undrawn, giving us a huge amount of flexibility for our business ahead of repaying the Term Funding Facility by June 2024.

"We continue to grow the business and in the past 12 months, we have grown our two new specialist lending teams for the health and agriculture sectors and established a presence in four new locations – Bunbury, Orange, Rockhampton, and Albury – taking our total number of locations around Australia to 18.

"We are proud to hire among the best bankers in the market and empower them to make decisions, and we believe our team and unique culture is what sets us apart from our competitors. We are very proud to have received several accolades this year that reflect this differentiation and our consistently high team engagement.

"We have made significant progress with our technology, including the rollout of digital banking for lending customers, as well as building a new data platform to enable our data strategy. We will continue investing in technology to provide our relationship bankers with the functionality they need to best serve our customers. These investments are also central to improving the unit economics of our business, and to achieving a CTI approaching 30% when we reach scale.

"Our clear strategy and relationship-led operating model are creating a sustainable and competitive advantage for Judo, regardless of the challenges of the current operating environment. Our relationship-based approach to lending becomes more relevant in times of uncertainty, enabling us to stay close to customers and to proactively mitigate any emerging risks in our portfolio. It is near impossible for the incumbent banks to replicate our model and the experience we provide our customers is clearly resonating, reflected in our market leading net promoter score of +65.

"We continue to stay close to our customers, and Judo's asset quality remains robust. While we have seen an increase in our 90+ days past due and impaired customers, it is off a very low base, and our current levels remain well below the sector average.

"With a clear strategy, an industry leading team, a strong risk culture, and an unwavering focus on our customers, Judo remains on track and on target, committed to executing against our strategy and plans for growth," said Mr Healy.

FY24 Outlook.

SMEs have managed through one of the most challenging operating environments in decades and continue to hold up better than expected. SME liquidity and balance sheets remain strong, as does the outlook for business investment. The Australian economy remains resilient, however there are some ongoing risks from the impact of high interest rates and inflation, with some sectors likely to be more impacted than others.

Judo believes periods of economic uncertainty reinforce the value of its relationship-based SME banking proposition. This will underpin continued growth in the loan book and progress towards the key business metrics at scale, whilst also ensuring prudent management of the bank's existing customer base.

Judo remains highly confident in achieving its vision of building a world-class SME business bank. At-scale, Judo's unique pure-play specialist model will deliver a sector leading ROE in the low to mid-teens.

Investor Conference Call.

Chief Executive Officer, Joseph Healy, and Chief Financial Officer, Andrew Leslie, will host an investor conference call at 10.30am AEDT on 24 August 2023, to present Judo Bank's 2023 Full Year Result.

Dial-in details are available on the website www.judo.bank/full-year-result-2023 or via the ASX.

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Authorised for release by the Judo Board.

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