

ASX Announcement.

23 October 2023

Judo launches inaugural Capital Notes offer

Judo Capital Holdings Limited (ASX: JDO) (**Judo**) today announced an offer of new perpetual, subordinated, and unsecured securities called Judo Capital Notes (**Capital Notes**), to raise approximately \$75 million, with the ability to raise more or less (the **Offer**).

Capital Notes are being issued to raise Additional Tier 1 Capital for Judo Bank Pty Ltd (**Judo Bank**), the sole operating subsidiary of Judo, as part of Judo's strategic plan to further develop and diversify its funding and capital sources.

The Offer is a long-planned element of Judo's capital management strategy, as flagged at the bank's FY23 results release in August. It follows the successful completion of Judo's inaugural capital-relief securitisation transaction in September.

Judo continues to hold elevated levels of capital to enable ongoing lending growth, and reported a CET1 ratio at Jun-23 of 16.7%, well above required regulatory levels. The proposed issue of Capital Notes is consistent with Judo's approach to proactively optimise its capital structure over time.

Capital Notes are hybrid securities, with similar features to those frequently issued by other Australian banks, and are designed to pay discretionary, non-cumulative Distributions inclusive of any franking credits attached. As Judo is now a significant payer of Australian tax, its ability to frank Distributions also means Capital Notes are a cost-effective source of funding for the bank.¹

The Offer is expected to open on 31 October 2023 and will comprise:

- an Institutional Offer made to certain Institutional Investors invited by the Arranger; and
- a Broker Firm Offer made to certain Australian resident clients of Syndicate Brokers who are either a Wholesale Investor or a Retail Investor within the Capital Notes Target Market and have received personal advice from a qualified financial adviser, which is described in more detail below.

Capital Notes are expected to be quoted and tradable on the Australian Securities Exchange (**ASX**) under the code 'JDOPA'.

Capital Notes have a Face Value of \$100. Applications must be for a minimum of 50 Capital Notes (\$5,000) and, in multiples of 10 Capital Notes (\$1,000) thereafter.

Further details on how to apply for Capital Notes, including who is eligible to apply, are provided below.

Key features of Capital Notes

The key features of Capital Notes include:

- Capital Notes are perpetual, subordinated and unsecured notes to be issued by Judo. Judo is authorised by the Australian Prudential Regulation Authority (**APRA**) as the non-operating holding company (**NOHC**) of Judo Bank;
- Capital Notes are designed to pay discretionary, non-cumulative, floating rate Distributions on a quarterly basis (subject to no Payment Condition existing and Judo's absolute discretion);
- Distributions may be unfranked, partially franked or fully franked. If a Distribution is paid and it is not fully franked, the amount of the scheduled cash Distribution will be increased to compensate the Capital Noteholder for the unfranked component;

¹ A worked example of the financial impact of a Distribution is included later in this ASX release.

- The Distribution Rate will be the sum of the BBSW plus the Margin, multiplied by $(1 - \text{Tax Rate}^2)$;
- The Margin will be determined under the Bookbuild and is expected to be in the range of 6.25% - 6.50% per annum, which is consistent with the bank's FY24 planning assumptions. The Margin will not change for the term of Capital Notes;
- Judo may elect to Convert, Redeem or Resell all or some Capital Notes that are outstanding on 16 February 2029, 16 May 2029, 16 August 2029 or 16 November 2029, or on the occurrence of a Tax Event or Regulatory Event. Conversion, Redemption or Resale is subject to the satisfaction of certain conditions (including APRA's prior written approval);
- Capital Notes will Convert into a variable number of Judo Ordinary Shares on 16 November 2031³ provided the Mandatory Conversion Conditions are met on that date. If any of the Mandatory Conversion Conditions are not met on that date, then the Mandatory Conversion Date will be the next Distribution Payment Date on which the conditions are met; and
- Judo must Convert all Capital Notes if an Acquisition Event occurs, subject to certain conditions.

Further information about the Offer

Full details of the Offer, including the terms of Capital Notes, are set out in the Prospectus lodged with the Australian Securities and Investments Commission (ASIC) and ASX today.

The Prospectus is available to Australian investors at www.judo.bank/capital-notes/ or by calling the Judo Capital Notes Offer Information Line.

Capital Notes are complex securities and involve different risks than a simple debt or ordinary equity security. Capital Notes are not suitable for all investors. Investors should read and consider the Prospectus in full before deciding whether to invest in Capital Notes. Judo strongly recommends that investors seek personal advice from a licensed adviser, which takes into account their particular investment objectives and circumstances, before deciding whether to participate in the Offer.

Capital Notes are unsecured and subordinated. They are not deposit liabilities of any member of Judo or any of its controlled entities, and are not protected accounts under the Banking Act.

Barrenjoey Markets Pty Limited has been appointed as Arranger and Joint Lead Manager for the Offer. E&P Corporate Advisory Pty Limited, Morgans Financial Limited and Westpac Institutional Bank (a division of Westpac Banking Corporation) have also been appointed as Joint Lead Managers for the Offer. The Joint Lead Managers and any brokers invited by the Joint Lead Managers to participate in the Broker Firm Offer are referred to as the Syndicate Brokers.

Restrictions on the distribution of Capital Notes

In October 2021, the new Australian Design and Distribution Obligations (DDO) legislation came into effect. The DDO legislation imposes obligations regarding the design and distribution of financial products offered to retail investors (including Capital Notes).

Judo has made a Target Market Determination in accordance with its obligations under the DDO legislation, which outlines the class of retail investors which comprise the Target Market for Capital Notes and the conditions relating to the distribution of Capital Notes. The Target Market Determination can be accessed at www.judo.bank/capital-notes/. Under the Target Market Determination, Applications under the Broker Firm Offer can only be made through a Syndicate Broker by investors who satisfy certain eligibility criteria.

² The Tax Rate is currently 30%.

³ Due to the Business Day Convention, the Scheduled Mandatory Conversion Date is deferred from 16 November 2031 to 17 November 2031.

How to apply

Applications under the Broker Firm Offer must be submitted through a Syndicate Broker, and you should contact your Syndicate Broker for instructions on how to apply once the Offer opens.

A replacement Prospectus containing the Margin, is expected to be made available on www.judo.bank/capital-notes/ on and from 31 October 2023, when the Offer is expected to open.

The Broker Firm Offer is expected to close at 5:00pm (Sydney time) on 10 November 2023.

Indicative timetable

Key dates for the Offer	Date
Lodgement of the Prospectus with ASIC	23 October 2023
Bookbuild to determine the Margin commences	23 October 2023
Announcement of the Margin by	31 October 2023
Lodgement of the replacement Prospectus with ASIC	31 October 2023
Opening Date for the Broker Firm Offer	31 October 2023
Closing Date for the Broker Firm Offer	5.00pm (Sydney time) on 10 November 2023
Settlement Date	15 November 2023
Issue Date	16 November 2023
Capital Notes commence trading on ASX (normal settlement basis)	17 November 2023
Holding Statements to be despatched by	23 November 2023

Key dates for Capital Notes	Date
First quarterly Distribution Payment Date	16 February 2024
Scheduled Optional Conversion Dates	16 February 2029, 16 May 2029, 16 August 2029 and 16 November 2029
Scheduled Optional Redemption Dates	16 February 2029, 16 May 2029, 16 August 2029 and 16 November 2029
Scheduled Optional Resale Dates	16 February 2029, 16 May 2029, 16 August 2029 and 16 November 2029
Scheduled Mandatory Conversion Date	16 November 2031 ⁴

Dates may change

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

Judo, the Arranger and the Joint Lead Managers may, at their discretion, agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice or accepting late Applications, whether generally or in particular cases, or withdrawing the Offer at any time before Capital Notes are issued.

⁴ Due to the Business Day Convention, the Scheduled Mandatory Conversion Date is deferred from 16 November 2031 to 17 November 2031.

Financial impact of a Distribution on Capital Notes – a worked example

As shown below, to the extent a Distribution is franked, the effective cash margin over BBSW is reduced⁵.

Metric	bps ⁶	Calculation	Description
Equivalent unfranked Distribution Rate	1,045 bps	= BBSW + Margin = 420 bps ⁷ + 625 bps <i>(illustrative rounded figures)</i>	The total Distribution received by Capital Noteholders, comprised of cash and franking credit components.
Less franking credit component (assuming fully franked)	(314 bps)	= Equivalent unfranked Distribution Rate × Tax Rate ⁸ = 1,045 bps × 30%	Represents the franking credits received by Capital Noteholders. This does not impact Judo's income statement when a Distribution is paid.
Cash component	731 bps	= Equivalent unfranked Distribution Rate – franking credit component = 1,045 bps – 314 bps	Represents the cash received by Capital Noteholders from Judo. This is reflected in Judo's income statement when a Distribution is paid.
Cash component over BBSW (net effective impact)	311 bps	= Cash component – BBSW = 731 bps – 420 bps	Judo Bank prices both its lending and funding as a margin over BBSW. In this example, the net effective impact or cash cost for Judo of the issue of Capital Notes is 311 bps over BBSW (assuming a fully franked Distribution).

⁵ This example is for illustrative purposes only and assumes a fully franked Distribution. Whether a Distribution will be fully or partially franked, or not franked at all, is subject to a number of factors including Judo's available franking account balance. As at 30 June 2023, Judo's balance of franking credits available for subsequent reporting periods was \$36 million. Capital Noteholders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution. Capital Noteholders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Capital Noteholder. See Section 5.2.17 of the Prospectus for further information.

⁶ Rounded to the nearest basis point.

⁷ This example assumes a BBSW of 420 bps for illustrative purposes. The BBSW was 422 bps on 20 October 2023 (rounded to the nearest basis point). The Distribution Rate is a floating rate and will fluctuate with changes in the BBSW.

⁸ This example assumes a Tax Rate of 30% and a fully franked Distribution. See Sections 2.1.4 and 2.1.5 of the Prospectus for further information.

Definitions

Capitalised terms in this release have the meaning given to them in the Prospectus.

For any enquiries in relation to the Offer or an Application, please visit www.judo.bank/capital-notes/ or call the Judo Capital Notes Offer Information Line on 1800 754 866 (Monday to Friday 8:30am to 5:30pm, Sydney time). Applicants may also contact their Syndicate Broker.

Disclaimer

The information in this announcement does not constitute financial product advice and has been prepared without considering your investment objectives, financial situation, or particular needs. If any part of the Prospectus is unclear, investors should seek guidance from a financial adviser or other professional adviser.

THIS ANNOUNCEMENT, THE PROSPECTUS AND ANY OTHER MATERIALS RELATING TO THE OFFER ARE NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES.

This announcement does not constitute an offer of any securities for sale or issue. No action has been taken to register or qualify Capital Notes or otherwise permit a public offering outside Australia. In particular, this announcement does not constitute an offer of securities for sale in the United States. Neither Capital Notes or Ordinary Shares have been or will be registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any state or jurisdiction of the United States and may not be offered, sold or resold, directly or indirectly, in the United States or to, or for account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and the securities laws of any other state or jurisdiction of the United States.

Authorised for lodgement with ASX by Yien Hong, Company Secretary.

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