

ASX Announcement 2024 Half Year Result.

20 February 2024



Judo Bank delivers strong 1H24 profit and disciplined lending growth

Financial Highlights	1H24 Result	2H23 Result	1H24 vs 2H23
Gross loans and advances (\$bn)	\$9.7bn	\$8.9bn	↑ 9%
Deposits (\$bn)	\$6.9bn	\$6.0bn	↑ 16%
Profit before tax (\$m)	\$67.4m	\$54.3m	↑ 24%
Cost to income ratio	53%	54%	↓ (1%)
Return on equity	6.0%	5.1%	↑ 0.9%
Net interest margin	3.02%	3.34%	↓ (32bps)

Following the Trading Update provided on 23 January 2024, **Judo Capital Holdings Limited** (ASX:JDO) ("Judo Bank" or "Judo" or "Bank") today provided its full financial results for the six months ended 31 December 2023 (1H24).

Judo achieved 1H24 Profit Before Tax (PBT) of \$67m, up 24%.

Judo's net lending growth of ~\$800m for the half represents approximately three times system business credit growth.

Front book lending margins also increased, with average gross lending margin on new lending at 464bps in the Dec-23 quarter, up from 390bps in the Jun-23 quarter, demonstrating that as a pure-play, specialist SME bank with a small market share, Judo is agile and responds quickly to changing market dynamics.

The improvement in lending margins also highlights Judo has a clear pathway to sustainable net interest margin (NIM) of over 3%, a key driver of the Bank's target to deliver an at-scale return on equity (ROE) in the low to mid-teens.

Judo continued to strengthen its funding position over the half. The Bank has grown its term deposit (TD) base to \$6.9bn, up from \$6bn. Judo has also continued to execute its strategy to refinance the RBA's Term Funding Facility (TFF) and is on track to complete repayment by June this year.

During the half, Judo continued diversification of its capital and funding, successfully completing its inaugural AT1 and Term Securitisation transactions. Judo remains well capitalised, with Core Equity Tier 1 of 16.2% at Dec-23, the highest of all Australian-listed banks.

CEO Commentary.

Judo Bank's CEO, Joseph Healy said today's result showed that as an agile, pure-play, specialist bank, Judo is able to dynamically balance growth and margins within existing risk settings.

"Our half year result once again demonstrates our consistent execution against our long-term strategy. We have grown prudently while delivering an improvement in our front book lending margins, within our risk appetite, all in what continues to be an uneven and uncertain operating environment.

"The impact of higher interest rates is still working through the economy. Our approach to lending remains dynamic, with lending appetite for different sectors regularly reviewed.

"Our focus is on lending to SMEs that value Judo's high-touch, premium service proposition. We have been cautious about lending to businesses that are susceptible to reduced discretionary consumer spending and weakening asset values. We are very pleased with our expansion into the regions and will build on the great inroads we have made in agri business and healthcare lending.

"We saw strong improvement in our front book lending margins in the December quarter, which reflects our disciplined approach to achieving appropriate risk-reward economics.

"Our well-established deposit franchise is going from strength to strength, with \$1bn of new TD inflows this half, taking our total TD balance to \$6.9bn. TDs are the core of our funding strategy, which alongside our significant committed warehouse funding capacity, will be used to fund lending growth and repay the RBA's TFF.

"At the same time as driving above-system lending and deposit growth, we have continued investing in our core systems and platforms to continue scaling the bank.

"Our experienced relationship bankers will remain close and support customers who are finding the current environment challenging, to help them through their recovery. At the same time, we will continue supporting Australia's entrepreneurial small and medium sized businesses to capitalise on opportunities.

"We are managing this bank dynamically, balancing margins, growth and risk given the prevailing economic environment. Size and specialisation are our key advantages, which we will continue to leverage to achieve optimal risk reward economics.

"We remain committed and on track to achieve our goal of being a world class SME business bank, that delivers ROE in the low to mid-teens, continued above-system lending growth, and market leading net promoter and engagement scores," said Mr Healy.

Outlook

Judo has provided FY24 guidance, described in the table below.

Beyond FY24, assuming economic conditions stabilise, Judo expects GLA growth to accelerate. Judo is targeting profit growth of 15% or higher in FY25.

FY24 Guidance

Metric	Detail	FY24 Target
GLA	Prudent approach to managing growth and margins within risk appetite	\$10.5bn – 10.7bn
NIM	NIM in 2H24 of 2.70% – 2.80% impacted by TFF refi; Trough NIM in 2H24	2.85% – 2.90%
CTI	Disciplined investment in scaling the bank	55% – 57%
COR	Continued increases in provisioning and write offs	\$65m – \$70m
PBT	2H24 PBT of \$40m - \$45m	\$107m – \$112m

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 20 February 2024, to present Judo Bank's 2024 Half Year Result.

Dial-in details are available on the website www.judo.bank/half-year-result-2024 or via the ASX.

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Authorised for release by the Judo Board.

Media Enquiries:

Casey Van Liessum
0403 119 671
casey.vanliessum@judo.bank

Investor Relations:

Andrew Dempster
0497 799 960
andrew.dempster@judo.bank