PROSPECTUS

Initial Public Offering of Shares.

Joint Lead Managers

Barrenjoey
citi
CREDIT SUISSE
Goldman Sachs

Legal Adviser

ashurst

judobank
Judo Capital Holdings Limited
ACN 612 862 727

Important notices and disclaimers.

Offer

This Prospectus is issued by Judo Capital Holdings Limited ACN 612 862 727 (**we, us, our, Judo** or **Company**) and Judo Capital SaleCo Limited ACN 653 674 698 (**SaleCo**) for the purposes of Chapter 6D of *the Corporations Act 2001* (Cth) (**Corporations Act**). The Offer contained in this Prospectus is an initial public offering (**Offer**) to acquire fully paid ordinary shares in the Company (**Shares**). See **Section 8** for further information on the Offer.

Lodgement and listing

This Prospectus is dated 14 October 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 after the Prospectus Date for admission of the Company to the Official List and quotation of its Shares on the ASX. None of ASIC, ASX nor 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 (**Expiry Date**). No Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Not investment advice

The information contained in this Prospectus is not financial product advice, has been prepared as general information only and does not take into account your personal circumstances, investment objectives, financial situation, tax position or particular needs.

It is important that you read this Prospectus carefully, and in its entirety, before deciding whether to invest in the Shares. If you have any questions, these should be directed to your relevant advisers.

In particular, you should consider the assumptions underlying the Financial Information in **Section 5** and the risk factors in **Section 6** that could affect the business, financial condition and the financial performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether or not to invest in the Shares. There may be other risk factors in addition to the risks in **Section 6** that should be considered in light of your personal circumstances.

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 any return on investment in Shares made pursuant to this Prospectus.

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

Financial Information presentation

Section 5 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 5**.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the commentary contained in **Section 5** and the risk factors set out in **Section 6**.

Investors should note that certain financial data included in this Prospectus is not recognised under the Australian Accounting Standards and is classified as 'non-IFRS financial information' under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information' (**RG 230**). The Company and SaleCo consider that non-IFRS information provides useful information to users in measuring the financial performance and condition of the Company. The non-IFRS financial measures do not have standardised meanings under the Australian Accounting Standards and therefore may not be completely comparable to similarly titled measures presented by other entities, nor should they be interpreted as an alternative to other financial measures determined in accordance with the Australian Accounting Standards. Investors are cautioned therefore not to place undue reliance on any non-IFRS financial information and ratios in this Prospectus.

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest $0.1 million unless stated otherwise. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Forward-looking statements

This Prospectus contains forward-looking statements that are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends', 'likely', 'targets', 'predicts', 'projects', 'forecasts' and other similar words that involve risks and uncertainties. The Forecast Financial Information included in **Section 5** of this Prospectus is an example of forward-looking statements. Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company. The Forecast Financial Information and the forward-looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in **Section 6**, the general and specific assumptions set out in **Sections 5.8.4** and **5.8.5** respectively, the sensitivity analysis set out in **Section 5.9** and other information contained in this Prospectus.

The Directors cannot, and do not, give 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 such forward-looking statements. The Company does not intend to update or revise forward-looking statements, or to publish 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.

Industry and market data

This Prospectus, including the Industry Overview in **Section 2** and the Company Overview in **Section 3**, uses market data and third-party estimates and projections relating to markets, market sizes, market shares, market segments, market positions and other industry data pertaining to the industries, segments and end-markets in which Judo operates (**Industry and Market Data**). The Company has obtained significant portions of this information from market research prepared by third parties. Where indicated by specific attribution to DBM Consultants, such data is based on a market study the Company commissioned from DBM Consultants.

The information contained in forecasts and reports of third parties, including DBM Consultants, includes assumptions, estimates and generalisations that we believe to be reliable, but we cannot warrant or guarantee the completeness of such information.

Investors should note that the Industry and Market Data is inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. There is no assurance that any of the third-party estimates or projections contained in this information will be achieved. The Industry and Market Data has not been independently verified and neither Judo nor the Joint Lead Managers can give any assurances to the accuracy or completeness of this information or the underlying assumptions used in generating this information. Industry assumptions, forecasts and estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in **Section 6**.

Statements of past performance

This Prospectus includes information regarding past performance of the Company and prospective investors should be aware that past performance is not, and should not be relied upon as being, indicative of future performance.

Disclaimers

Barrenjoey, Citi, Credit Suisse and Goldman Sachs have acted as the Joint Lead Managers to the Offer. As set out in **Section 8**, 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 and the 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 that 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 their 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 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. These include (without limitation) securities trading and brokerage activities and 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 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 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.

In connection with the Offer, one or more investors may elect to acquire an economic interest in the Shares (**Economic Interest**), instead of subscribing for or acquiring the legal or beneficial interest in those Shares. Any Joint Lead Manager (or its affiliates) may, for its own account, write derivative transactions with those investors relating to the Shares to provide the Economic Interest, or otherwise acquire Shares in connection with the writing of such derivative transactions in the Offer and/or the secondary market. As a result of such transactions, any Joint Lead Manager (or its affiliates) may be allocated, subscribe for or acquire Shares in the Offer and/or the secondary market, including to hedge those derivative transactions, as well as hold long or short positions in such Shares. These transactions may, together with other shares in the Company acquired by a Joint Lead Manager or its affiliates in connection with its ordinary course sales and trading, principal investing and other activities, result in the Joint Lead Manager or its affiliates disclosing a substantial holding and earning fees.

Selling restrictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful 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 the Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia (including electronically) 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.

This Prospectus has not been filed, registered nor approved in any jurisdiction outside Australia. In particular, this Prospectus may not be distributed to, or relied upon by, persons in the United States. The Shares have not been, and will not be, registered under the *United States Securities Act of 1933* (**U.S. Securities Act**), as amended, or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, pledged or transferred directly or indirectly in the United States, except in a transaction exempt from, or not subject to, registration under the U.S. Securities Act and applicable U.S. state securities laws.

For details of selling restrictions that apply to the Offer and the sale of Shares in certain jurisdictions outside Australia, please refer to **Section 8**.

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven-day period after the Prospectus Date (**Exposure Period**). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). The purpose of the Exposure Period is to enable the 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 deficiencies will 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 the Exposure Period. No preference will be given to Applications received during the Exposure Period.

Applications

Applications may be made only during the Offer Period by completing an Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form, which may be downloaded in its entirety from **www.ipo.judo.bank**.

The website, and its contents, 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 the Prospectus, together with an Application Form. 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.

Refer to **Section 8** for further information regarding the details of the Offer.

Prospectus availability

During the Exposure Period, an electronic version of this Prospectus, without an Application Form, will be available at **www.ipo.judo.bank** to Australian investors only. Application Forms will not be made available until after the Exposure Period has expired.

During the Offer Period, this Prospectus is available in electronic form at **www.ipo.judo.bank**. The Offer constituted by this Prospectus in electronic form at **www.ipo.judo.bank** is available only to persons within Australia. The Prospectus is not available to persons in other jurisdictions (including the United States) in which it may not be lawful to make such an invitation or offer. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

You may, before the Offer Period expires, obtain a paper copy of this Prospectus free of charge by calling the Offer Information Line on 1800 754 866 between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays).

No cooling-off rights

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

Shares are not deposits or protected accounts and are not guaranteed

Investments in Shares are an investment in Judo and may be affected by the ongoing performance, financial position and solvency of Judo. Shares are not deposit liabilities or protected accounts of Judo for the purposes of the depositor protection provisions in Division 2 of Part II of the *Banking Act 1959* (Cth) (**Banking Act**) or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act and are not guaranteed or insured by any Australian government, government agency or compensation scheme.

Defined terms and abbreviations

Some words and expressions used in this Prospectus have defined meanings, which are explained in the Glossary or are defined in the context in which they appear. Unless otherwise stated, a reference to time in this Prospectus is to Sydney time. Unless otherwise stated, references to dates or years are calendar year references.

Privacy

By completing an Application Form to apply for Shares, you are providing personal information to the Company through the Share Registry, which is contracted by or on behalf of the Company to manage Applications. The Company, SaleCo and the Share Registry on its behalf, may collect, hold and use that personal information in order 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. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

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, SaleCo and the Share Registry may not be able to process or accept your Application.

Your personal information 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 members, agents and service providers and to SaleCo, Judo Bank Pty Ltd (ACN 615 995 581) and its subsidiaries for any of the purposes outlined in Judo's privacy policy on the basis that they deal with such information in accordance with the privacy policy and applicable laws. Where practical, Judo will use reasonable commercial efforts to ensure third parties to whom we disclose your personal information are subject to confidentiality requirements in relation to that information. Judo generally avoids offshore hosting and servicing of customer information and does not generally disclose your personal information and credit information to overseas recipients. However, Judo may do so if reasonable steps have been taken to ensure the overseas recipient does not breach the Australian Privacy Principles in relation to that information. Judo is not required to take such steps if:

- we reasonably believe that the overseas recipient is subject to a law, or binding scheme, that has the effect of protecting the information in a way that, overall, is at least substantially similar to the way the Australian Privacy Principles protect the information, and you can take action to enforce the law or scheme; or
- you have consented to such an arrangement; or
- it is otherwise required or authorised by law.

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 Company's register of members;
- the Joint Lead Managers in order to assess your Application;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;

- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. The information contained in the register of members must remain there even if that person ceases to be a Shareholder. Information contained in the register of members is also used to facilitate dividend payments (if any) and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company, its subsidiaries and SaleCo with legal and regulatory requirements. An Applicant has a right to gain access to and correct the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. You may be required to pay a reasonable charge to the Share Registry to access your personal information. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory of this Prospectus. If any of your information is not correct or has changed, please contact the Share Registry or the Company to update the information. In accordance with the requirements of the Corporations Act, information on the register of members will be accessible to certain members of the public. You can obtain a copy of the Company's privacy policy by visiting the Company's website **www.judo.bank/privacy-policy**. It is recommended that you obtain a copy of this privacy policy and read it carefully before making any investment decision.

By submitting an Application, you agree that we may communicate with you in electronic form or contact you by telephone in relation to the Offer.

If you are not satisfied with how the Company manages your personal information, please refer to the Company's privacy policy for details on how to register a complaint and how the Company will deal with such a complaint. The Company can also be contacted on:

Phone: 13JUDO
Email: complaints@judo.bank
Mail: Privacy Officer
PO Box 636, South Melbourne Vic 3205

Photographs and diagrams

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.

Company website

The Company maintains a website at **www.ipo.judo.bank**. Any references to documents included on the Company's website are for convenience only, and information contained in or otherwise accessible through this, or a related website, is not a part of this Prospectus nor incorporated into this Prospectus by reference.

Investigating Accountant's Report and Financial Services Guide

The provider of the Investigating Accountant's Report is required to provide Australian retail clients with a financial services guide (**Financial Services Guide**) in relation to its independent review under the Corporations Act. The Investigating Accountant's Report and Financial Services Guide are provided in **Section 9**.

Intellectual Property

This Prospectus includes our registered and unregistered trademarks. All other trademarks, tradenames and service marks appearing in this Prospectus are the property of their respective owners and their use is not intended to represent sponsorship or approval of, or association with, us or this Offer.

Questions

If you have any questions in relation to the Offer, please call the Offer Information Line on 1800 754 866 between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays). Instructions on how to apply for Shares are set out in **Section 8** 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 accountant, financial adviser, Broker, lawyer or other professional adviser before deciding whether to invest in the Company.

This Prospectus is important and should be read in its entirety.

Contents

Key Offer Information.

Key dates

Prospectus Lodgement Date	Thursday, 14 October 2021
Retail Offer Opening Date	Friday, 22 October 2021
Retail Offer Closing Date	Tuesday, 26 October 2021
Commencement of trading of Shares on the ASX (on a conditional and deferred settlement basis)	Monday, 1 November 2021
Settlement	Tuesday, 2 November 2021
Completion (allotment and transfer of Shares)	Wednesday, 3 November 2021
Expected commencement of trading of Shares on the ASX (on a normal settlement basis)	Wednesday, 3 November 2021
Expected dispatch of holding statements	Friday, 5 November 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 by 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 Australian Eastern Standard Time.

Key offer statistics

Key Offer statistics	
Offer Price	$2.10 per Share
Offer Price/pro forma book value as at 30 June 2021[1]	1.70x
Total number of Shares on issue at Completion of the Offer[2]	1,103.5 million
Market capitalisation using the Offer Price	$2,317 million
Total proceeds under the Offer[2]	$653 million
– Proceeds from issue of primary Shares[2]	$344 million
– Proceeds from sale of secondary Shares	$309 million
Total number of Shares available under the Offer	313.5 million
– Primary Shares[2]	166.2 million
– Secondary Shares	147.3 million
Total number of Shares available under the Offer/total number of Shares on issue at Completion of the Offer[2]	28.4%

Notes:

1. Pro forma book value is Judo's statutory total equity as at 30 June 2021 adjusted for additional capital issued post 30 June 2021 and the impact of the Offer.
2. Excludes any Shares issued to Eligible Discount Offer Employees under the Employee Discount Offer.

How to invest

Applications for Shares can only be made by completing and lodging an Application Form.

Instructions on how to apply for Shares are set out in **Section 8** and on the back of the Application Form.

Questions

Please call the Offer Information Line on 1800 754 866 between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are uncertain as to whether Judo is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, financial adviser, accountant or other independent and qualified professional adviser before deciding whether to invest.

Letter from the Chairman.

14 October 2021

Dear Investor,

On behalf of the Board of Directors, I am pleased to offer you the opportunity to become a Shareholder in Judo Capital Holdings Limited, the parent company of Judo Bank Pty Ltd (collectively, **Judo**).

Judo is Australia's first fully-fledged challenger bank and the only bank exclusively dedicated to servicing Small and Medium Enterprises (**SMEs**). Our purpose is to be the most trusted SME business bank in Australia.

We see our role in supporting Australian SMEs as critical, and we are proud to have already provided over $4.15 billion of aggregate funding to the SME sector (at 30 September 2021). SMEs are the lifeblood of the Australian economy, accounting for 40% of Australia's private sector employment and 35% of sales and service income (based on the Australian Bureau of Statistics definition of an SME being a business that employs 5–199 employees).[1] Despite this, Australian SMEs are underserved by the Australian banking sector – many SMEs have experienced difficulties in accessing credit, and the sector has seen a number of industry-wide trends and legacy issues that date back many years.

Through our relationship-centric lending model, we bring the focus back to the customer and seek to build deep and trusted relationships with Australian SMEs that the big banks simply can't replicate.

This is a key driver of Judo's significant growth since our launch in March 2018. In the year ending June 2021 alone, our SME lending book grew over 97% to $3.5 billion. The Board and management team expect our strong performance to carry on as we continue to build our reputation and capture more of the $605 billion total addressable SME lending market, thereby creating vital and substantial competition in the Australian banking sector.

Underpinning this business model and strong growth is a management team with deep sector expertise, and a culture of robust risk management that is entrenched in everything we do.

Having raised approximately $1.2 billion in equity funding from leading Australian and global institutional investors and family offices, we believe it is now appropriate for the business to transition to the public markets, to provide additional financial flexibility and support the continued execution of our growth strategy. We are excited to provide others with the opportunity to invest in Judo.

The Offer size of $653 million comprises a $344 million primary capital raising, with the remaining $309 million allowing Existing Shareholders an opportunity to realise part of their investment in the Company. The $250 million net proceeds from the primary capital raising retained by Judo will provide additional regulatory capital to support our loan book growth. On Completion, investors participating in the Offer are expected to apply for 28.2% of the Shares, with the remainder being held by the Existing Shareholders. As set out in **Section 10.8**, there are a number of escrow-related commitments associated with the holdings of Existing Shareholders.

This Prospectus contains detailed information about the Offer and the financial and operating performance, and outlook, for Judo. As with all companies, Judo is subject to a range of company-specific, industry and general risks. These include the evolving regulatory landscape for Australian financial services companies, risks associated with information technology and cybersecurity, changes in consumer preferences, macroeconomic conditions and the COVID-19 pandemic, as well as our access to, and cost of, funding. The material risks associated with investing in Judo are detailed in **Section 6.** I encourage you to read this Prospectus carefully, in its entirety, before making any investment decision.

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

Pete

Peter Hodgson
Chairman

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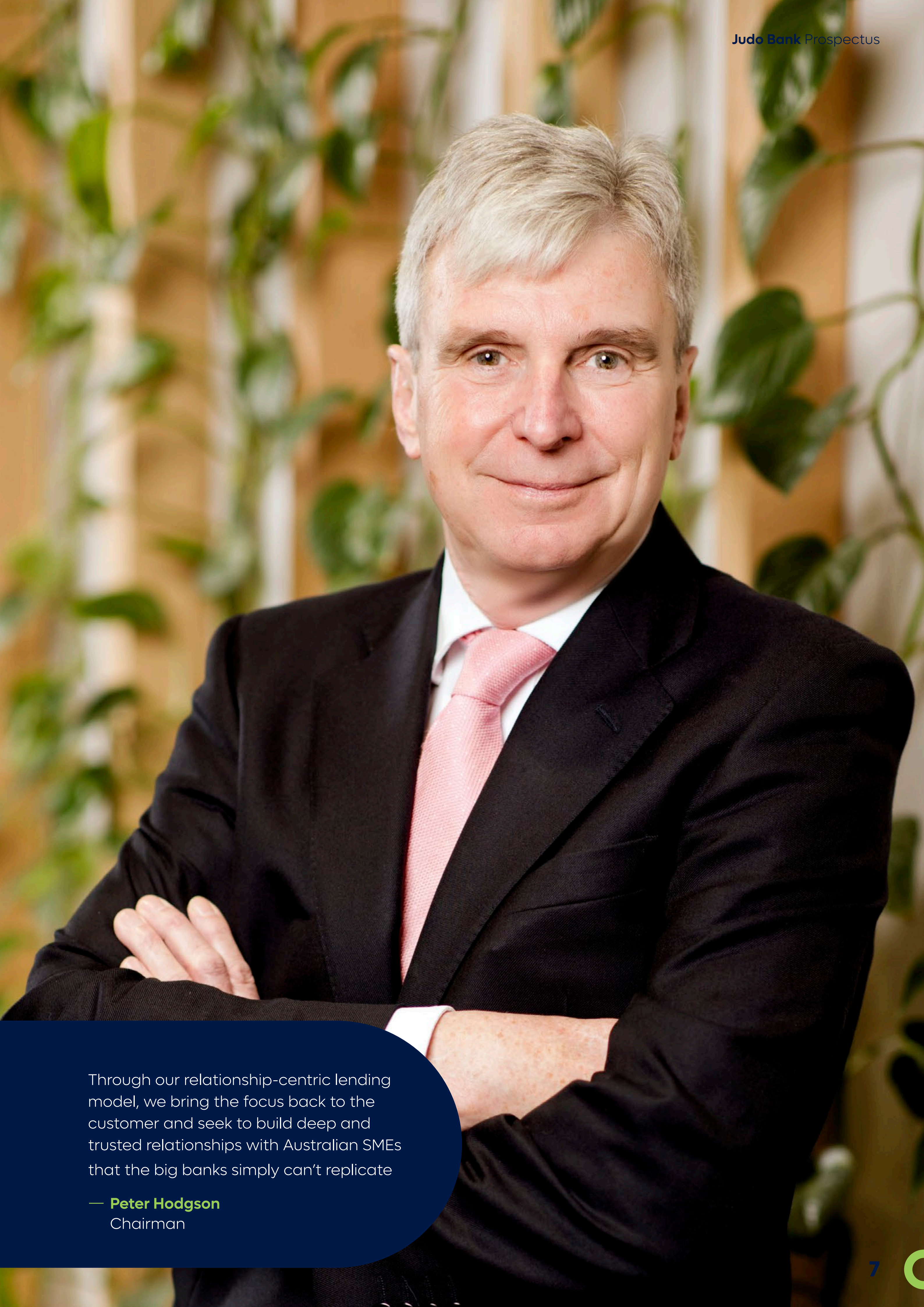
[1] Source: Australian Bureau of Statistics, 81550DO007_201920 Australian Industry, 2019–20 (2021).



Through our relationship-centric lending model, we bring the focus back to the customer and seek to build deep and trusted relationships with Australian SMEs that the big banks simply can't replicate

— **Peter Hodgson**
Chairman

Letter from the CEO.

14 October 2021

Dear Investor,

Some six years ago, a small group of colleagues and I started to explore the potential of building a distinctive SME challenger bank. We had long felt that SMEs were being 'left behind' by the Major Banks, as they prioritised other lending activities, industrialised their operating models and fundamentally diminished their relationship proposition in a market with no real competition. The craft of banking SMEs had fallen into a state of disrepair as the banking industry had lost its professional ethos.

After much planning and research, we came to the strong view that there is a role in Australia for a purpose-built relationship-centric bank, focusing exclusively on the SME market. A bank that believes in the traditional values of being close to your customer and applying sound credit judgement. In other words, 'SME banking as it used to be, SME banking as it should be'.

Judo's relationship-centric lending model is designed to ensure that our relationship bankers maximise the time they spend with our customers, not on legacy systems and processes, to enable fast turnaround times and deep, enduring customer relationships. We aim to employ only the best relationship bankers, assessed through rigorous testing, with a particular focus on credit assessment capabilities. Currently, the average industry experience of our relationship bankers is 15 years.

Since establishment, our emphasis has been on recruiting and investing in people who bring Judo's core values to life. We are a founder-led organisation and our management team has deep expertise with an average of over 25 years' experience in banking. Our employees are committed to The Banking and Finance Oath and to their professional development through the FINSIA-administered Chartered Banker qualification. The vast majority of our senior relationship bankers have the Chartered Banker accreditation. Our focus on our customers is evidenced by our market-leading Net Promoter Score (**NPS**) of +85[1] in an industry where single-digit NPS is considered aspirational.

Our relationship-centric lending model is supported by our legacy-free technology platform. Our cloud-based technology has been of benefit during COVID-19, as it has allowed the bank to function smoothly, and readily adapt to the new reality of remote working. We are excited about utilising and building on our existing technology platform to enhance our relationship-centric lending model as we continue to grow and add scale to our activities.

The significant operating leverage inherent in our legacy-free business model means we are well-positioned to meet the strong demand for our offering. We are excited about the continued expansion of our relationship banker network as well as our ongoing investment in technology and data to support the delivery of our core value proposition in even more effective and innovative ways.

In April 2019, Judo achieved a major milestone in being granted a full authorised deposit-taking institution licence by the Australian Prudential Regulation Authority (**APRA**). Being an APRA-regulated bank is a privilege and a responsibility. At Judo, we see banking as fundamentally about managing risk, and everyone is expected to be a risk manager. Risk management is treated as a core competency and is entrenched in everything we do – in how we think, talk and act.

As a public company, we will continue to be a purpose-led organisation and our guiding principles won't change, nor will our strategic focus. We will continue to focus on serving our customers, hiring and retaining the best talent, investing in a strong risk culture, developing the agility with which to grow and operate, and delivering a market-leading proposition to Australia's SME sector. We'll continue to strive to exceed our customers' expectations and deliver for all stakeholders.

We're excited about the opportunities the future will bring and we invite you to partner with us on our journey to achieve something truly extraordinary.

Joseph Healy
Chief Executive Officer

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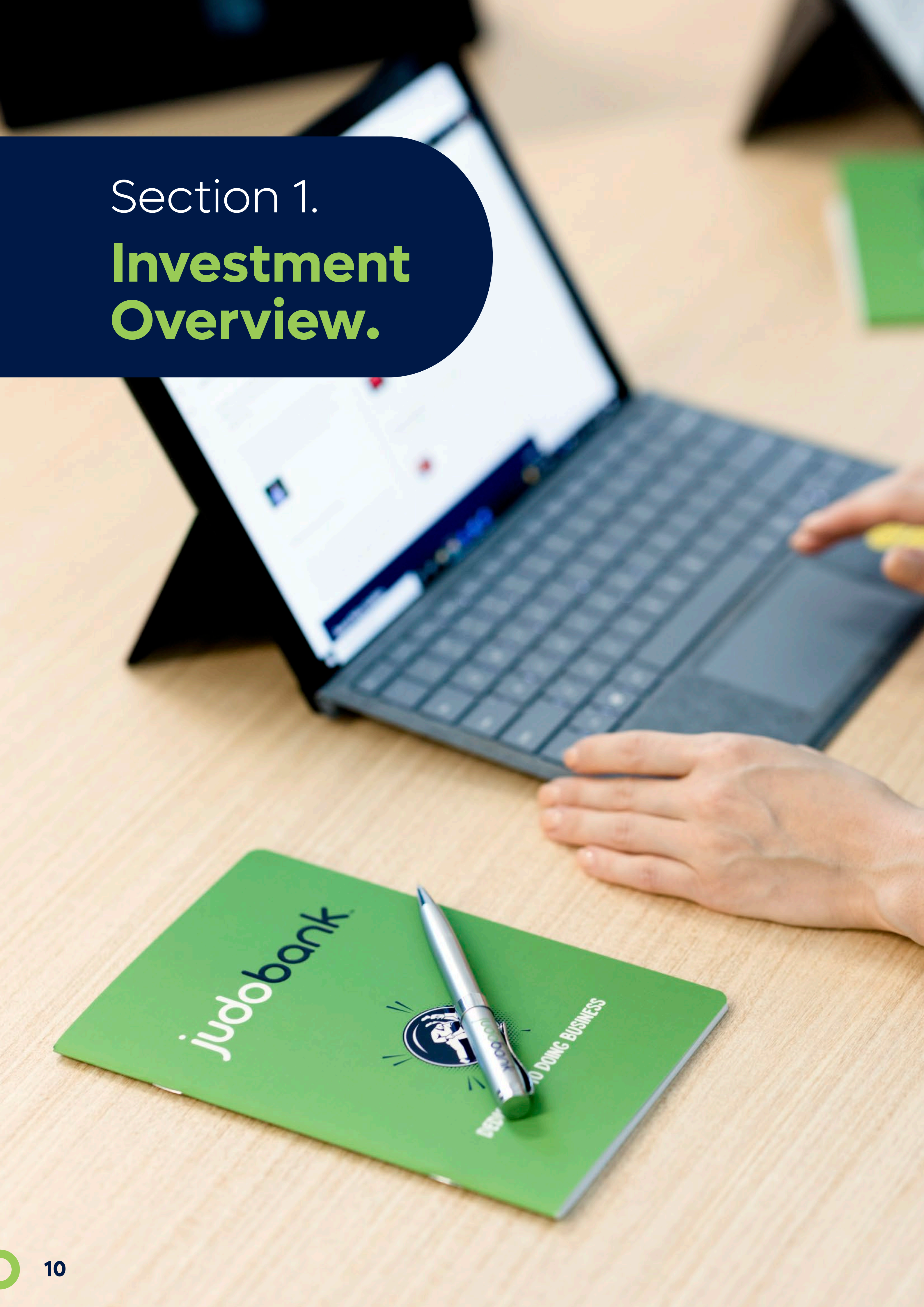
[1] NPS as at June 2021.

After much planning and research, we came to the strong view that there is a role in Australia for a purpose-built relationship-centric bank, focusing exclusively on the SME market. A bank that believes in the traditional values of being close to your customer

— **Joseph Healy**
Chief Executive Officer



Section 1.

Investment Overview.

1.1. Overview of Judo

Topic	Summary	For more information
Who are we?	• Judo is Australia's only bank dedicated exclusively to lending to Small and Medium Enterprises (**SMEs**). We are a founder-led organisation with a management team comprising experienced and credentialed business banking professionals with deep sector expertise. Our purpose is simple – to be the most trusted SME business bank in Australia.	Section 3.1
What is our history?	• Our business concept was first developed in 2015. We were built from the ground up by a team of deeply experienced and highly credentialed business banking professionals who have sought to redefine the craft of SME banking. • Since opening our first office in Melbourne in September 2016, and officially launching in March 2018, Judo has developed a national footprint. After achieving the first $100 million of loan book growth in early 2019, our book grew substantially within the first 12 months to $1 billion by January 2020. The second and third incremental billion dollars of growth were achieved within seven months and eight months, respectively. • Judo completed an initial seed funding round in late 2016, including a material equity investment from the management team, and has subsequently completed five successful equity raisings from the private market, bringing total private equity raised to $1.2 billion. Our equity raisings have set private capital raising records, attracting a broad register of highly sophisticated institutional global and domestic investors.	Section 3.1.3
What is our business operating strategy?	• Judo operates a relationship-centric lending model driven by our purpose to be the most trusted SME business bank in Australia. Central to our lending model is the provision of a relationship banking service to the SME economy, which is enabled by our legacy-free, digital, cloud-based technology architecture. Lending products are originated and distributed to SME Customers through direct and third-party channels and funded by deposits, wholesale debt and regulatory capital. • Deposits form the core of our funding strategy, and in a price-sensitive deposit market, we have the ability to increase or decrease flow as appropriate, to optimise volume and tenor.	Sections 3.2.1 and 3.2.2

Topic	Summary	For more information
What is our SME Customer Value Proposition (SME CVP)?	• Our SME CVP is underpinned by: ◦ **Relationship banker quality:** personalised service from highly capable, empowered and experienced in-market relationship bankers. ◦ **Value-add time:** we target 80% of relationship bankers' time spent on SME Customer activities, resulting in significantly more SME Customer contact, trust and deeper understanding. ◦ **Consistency of relationship:** SME Customers have a consistent, ongoing and accessible relationship with their Judo relationship banker. ◦ **Access to decision-maker(s) in market:** irrespective of the origination channel, the SME Customer deals directly with the decision-maker(s) in market, delivering more 'customer-oriented' solutions and a timelier approval process. ◦ **Effective approval processes:** streamlined lending origination combined with effective approval and credit processes delivers efficient turnaround times. • Our SME CVP is delivered through: ◦ **An SME focus:** a tailored SME offering that is relevant, reliable, responsive, streamlined and efficient. ◦ **Relationship banker portfolio size:** relationship banker portfolios are appropriately sized to deliver a higher level of personal service, deeper engagement, better solutions and higher value. ◦ **A simple product suite:** this allows for a streamlined process delivering valued outcomes for SME Customers. ◦ **Transparent and consistent credit risk decisioning:** based on an understanding of the SME business, generating higher certainty to SME Customers and brokers, and supporting a commensurate return for the level of risk taken. ◦ **A straightforward application process:** our straightforward application process for SME Customers delivers a better and more efficient SME Customer experience. • Our industry-leading Net Promoter Score (**NPS**) of +85 as at 30 June 2021 is evidence of our SME CVP.	Section 3.2.3.1

Topic	Summary	For more information
What is our Deposit Customer Value Proposition (Deposit CVP)?	• Our Deposit CVP is underpinned by: ◦ **Price competitiveness:** Judo's deposit products are competitively priced. ◦ **Key terms offered:** Deposit Customers can select fixed terms for three months to five years. ◦ **Efficient application and settlement:** our application and settlement process is undertaken through our online, direct platform or via trusted broker intermediaries. ◦ **Multiple Deposit Customer types:** Judo can service a wide range of Deposit Customer types, from individuals via our online channel to complex entities such as self-managed superannuation funds (**SMSFs**), corporates, charities and government bodies via our intermediaries. ◦ **Streamlined rollover experience:** this is demonstrated through our consistently high rollover rates, with the majority of Direct Retail Term Deposit Customers rolling over their deposits at term. ◦ **A Government guarantee:** as an authorised deposit-taking institution (**ADI**), Judo participates in the Financial Claims Scheme, which guarantees investors' deposits up to $250,000. • The quality of our Term Deposit offering has been recognised on numerous occasions, winning awards from multiple comparison sites.	Section 3.2.3.2
What is our revenue model?	• Judo generates revenue through receiving gross interest on lending products, establishment and facility fees, interest generated on holding liquid assets and other operating income. • This is offset by a number of direct costs, including interest expenses on funding sources, establishment and line fees paid, as well as brokerage and commissions paid to originate loans through our third-party channel.	Section 3.2.4
Who are our SME Customers?	• We target high-quality SMEs with lending needs that are met through our personalised relationship banking experience and simple product suite, and that are likely to deliver attractive risk-adjusted returns to Judo. • We generally target SMEs: ◦ with annual turnover of up to $100 million; ◦ located within a 200-kilometre radius of Australia's capital cities and major regional centres; ◦ with aggregated group loan exposures between $250,000 and up to $25 million;[1] and ◦ with operations across a variety of industries (currently excluding agriculture).	Section 3.3

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[1] Judo's maximum target single-customer exposure levels are $20 million at origination and $25 million for existing clients (allowing for increases to support an SME Customer's growth). Transactions above these single-exposure thresholds are considered outside of appetite and require elevated approval from the Chief Credit Officer to proceed. Senior and executive management have delegated discretions to approve limits up to $35 million. Approvals above exposure limits are subject to oversight by the Board Risk Committee. This enables transactional support for SME Customers while maintaining appropriate oversight of lending outside approved target appetite.

Topic	Summary	For more information
What lending products do we offer our SME Customers?	• Judo's lending product suite is tailored to address the needs of our target SME market. Our offering is straightforward to meet the typical core borrowing needs of SMEs, including cash flow and working capital management, capital expenditure, business development and expansion, and retirement of existing debt. • The current Judo lending product suite includes term Business Loans, Lines of Credit, Asset Finance and Bank Guarantees, covering lending product categories that make up approximately 80% of the SME lending market.[2] In addition, we also offer an SME Home Loan product to persons associated with new or existing SME Customers (such as shareholders, trustees, partners or directors), and we have recently extended this to our permanent employees.	Section 3.4
What is our relationship banker and analyst value proposition?	• An ongoing trend within the Australian SME market has been the role reduction of experienced SME bankers with strong technical and relationship management skills as high levels of process automation have led to the commoditisation of judgement-based roles. • Judo is capitalising on these levels of dissatisfaction experienced by some of the market's best business relationship bankers by building a differentiated employment brand in Australian SME banking, with a unique and tailored employment proposition: ◦ **Time spent on value-adding activities:** we aim for relationship bankers to spend approximately 80% of their time on SME Customer activities. ◦ **Aligned incentives:** we offer attractive remuneration, free from individual sales targets and associated sales-based remuneration, with equity-based and other incentives, which are aligned to Shareholder value creation. ◦ **Decision-making authority:** relationship bankers are empowered and have direct decision-making authority, with on-the-ground credit support from experienced risk professionals. ◦ **Limited bureaucracy:** reduced complexity and increased operational clarity foster faster and more consistent decision-making and a more agile, progressive and higher-performing culture. ◦ **Credit process:** timely, commercial and transparent decisions build deeper and more trusting relationships. ◦ **SME Customer management philosophy:** the relationship banker's success is fully aligned with market success, versus competing organisational imperatives. ◦ **Personal development philosophy:** we focus on customer delivery and excellence, personal value creation and greater fulfilment, and our relationship analysts represent a valuable development pool for the next generation of our relationship bankers.	Section 3.5

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[2] Source: DBM Consultants, 2021. Based on TAM product breakdown of the SME lending market, including unmet needs.

Topic	Summary	For more information
What is our relationship banker and analyst value proposition? continued	◦ **Place in the organisation:** our relationship bankers are equipped to grow, supported by strong education and coaching opportunities. ◦ **Organisational structure:** our flat structure encourages access to the Board, CEO and management, and our relationship bankers and analysts are an integral part of a focused and functional team.	Section 3.5
How do we originate our lending products?	• We maintain a multi-channel origination strategy, diversified across direct and third-party origination channels. We continue to focus our origination efforts through a panel of accredited third-party brokers, and directly to SMEs via our workforce of experienced relationship bankers. Irrespective of the origination channel, Judo's relationship bankers foster and maintain relationships directly with our SME Customers. Alignment of relationship bankers with third-party origination channels ensures optimal synergies are achieved for SME Customer service and delivery. The objective is that the SME Customer experience is the same, whether originated through the direct or the third-party channel. • Loans originated via the direct channel represented approximately 27% of the total loan book as at 30 June 2021. Over time, we aim to increase direct origination to around 50% of total originations, in line with expectations on overall industry channel mix, as brand awareness of Judo increases, and as our SME CVP is further established in the market.	Section 3.6
What are our funding sources?	• Judo has established diversified sources of funding in the form of deposits and a range of Warehouse Facilities to support its growth to date and provide a platform for the loan book's future growth. Additionally, we participate in the Reserve Bank of Australia's (**RBA's**) Term Funding Facility (**TFF**) program, which is a temporary policy response to the effects of COVID-19 and offers ADI participants fixed, low-cost, three-year funding at an interest expense of 0.10%. • As a regulated ADI, we are required to satisfy our regulatory capital requirements under the Australian Prudential Regulation Authority's (**APRA's**) Prudential Standards, informed by the Basel III capital framework. The primary objectives of the capital framework are to ensure adequate levels of loss-absorbing capital are on hand to withstand losses in times of stress and to mitigate against elements of risk relating to credit cycles, markets, business operations, liquidity and leverage.	Sections 3.7.1 and 3.7.3

Topic	Summary	For more information
What is our funding strategy?	- Judo has three key objectives with respect to funding: stability, diversity and effectiveness. Key elements of our funding strategy include: ∘ ensuring that actual and potential financial obligations can be met in a timely and cost-effective manner as and when they fall due; ∘ managing funding sources to reduce reliance on short-term funding sources and encourage long-term, stable funding as a structural indicator of balance sheet strength; and ∘ maintaining market, depositor and regulator confidence in our ability to meet our obligations, both in normal market conditions and in the event of extraordinary circumstances or market illiquidity.	Section 3.7.2
What is our deposit strategy?	- Deposits form the core of our funding strategy, with a long-term goal (post-repayment of the TFF) of 70–75% of total asset funding to be sourced through this channel. - We currently offer Term Deposits directly, and via intermediaries, to a wide range of Deposit Customers, including individuals, charities, universities, government bodies, SMSFs and corporates. - All deposits are Term Deposits, with no at-call accounts, with limited overlap between the SME Customer and Deposit Customer base. - Our deposit market expansion strategy focuses on continuing to develop additional deposit-gathering capabilities that will allow us to further penetrate the SMSF, business and intermediated deposit segments. We are undertaking technology initiatives to enable us to grow and expand our deposit book, improve product efficiency and service levels, and give us access to new parts of the market.	Section 3.7.3.1
What are the impacts of the TFF on Judo?	- In March 2020, as a direct response to the impact of COVID-19, the RBA announced the TFF with the purpose of reinforcing the benefits to the economy of a lower cash rate by reducing the funding costs of ADIs. - Our exclusive focus on SME business lending and strong origination momentum resulted in a significant TFF allocation, with $2.9 billion drawn at the end of the utilisation period. - The TFF offers Judo a significant cost of funding benefit (at an interest rate of 0.10%) relative to other debt, which is supportive of our net interest margin (**NIM**) trajectory. - The final date for repayment of the funding provided under the TFF is 30 June 2024. We intend to progressively repay this exposure through growing both deposits and wholesale funding.	Section 3.7.3.3

Topic	Summary	For more information
How do we leverage technology to enable our business?	• We appreciate the importance of technology in our ambition to deliver relationship-centric lending at scale. • Our technology strategy has been designed from the ground up, to architect and govern the delivery of technology-as-a-service from multiple Software-as-a-Service (**SaaS**) platform providers. • Initially, our technology focus was on establishing a technology platform to meet the needs of an early-stage lending and deposit-taking business. We have now evolved our strategy to pursue a technology platform, as we scale over the medium term, to enable continued appreciation of SME Customer NPS, and facilitate relationship banker efficiency, product growth at desired margins and cost-to-income targets. As part of this strategy, Judo is focused on digital platforms and the use of data and automation to enhance the products and services delivered by our people, processes and technology. • To facilitate our technology evolution, we are committed to making ongoing investments in technology.	Section 3.8
What are our 'people and culture' priorities?	• Our main 'people and culture' priorities are: ◦ **Culture:** a collaborative and cohesive culture will continue to be a differentiator for Judo as we continue to scale. ◦ **Talent:** talent selection and development has always been, and remains, a key focus for Judo. ◦ **Reward:** one of our core remuneration principles is to drive a long-term Shareholder mindset. Most employees are equity holders in Judo to align interests with Shareholders. ◦ **Efficiency and governance:** Judo's People Guidelines are a collection of policies and frameworks that address our modern and socially conscious workplace culture, values and benefits. • We strongly value an inclusive and diverse workforce and are committed to maintaining a flexible work environment where all employees are treated fairly and respectfully, are free to bring their whole selves to work and have equal access to opportunities to achieve success. As a listed company, the Board will include in the annual report for each financial year, a summary of our progress towards achieving our measurable diversity and inclusion objectives for the relevant financial year and the following financial year.	Section 3.9
How has COVID- 19 impacted Judo?	• Our strong performance throughout the COVID-19 pandemic has highlighted our competitive advantage. Our consistent, accessible and proactive presence in the market, low ratio of SME Customers per relationship banker and increased referrals, primarily via our broker network, have all underpinned a strong momentum for origination of new high-quality SME Customers. • The impacts from COVID-19 continue to evolve in Australia, including from state-based lockdowns occurring from mid-2021.	Section 3.10

Topic	Summary	For more information
What is our growth strategy?	• Judo has multiple levers to support continued loan book growth and market penetration through: ∘ **organic growth:** continue to increase market share in the Australian SME lending market; ∘ **enhanced product offerings:** continue to improve the SME Customer experience and meet additional SME needs; and ∘ **inorganic growth:** assess potential M&A opportunities. • Our organic loan book growth levers are: ∘ growing the loan book pipeline; ∘ increasing relationship bankers' productivity; and ∘ increasing our workforce of high-quality and in-market relationship bankers.	Section 3.11
What is our governance framework for managing risk?	• Judo seeks to manage the risks inherent in our business activities and operations through disciplined risk management. This is critical in any bank, and particularly one operating and growing in a dynamic environment. This approach is intended to enable us to identify the risks we want to take, apply appropriate controls to manage the risks and ensure an appropriate reward that reflects the level of risk both now and through the business cycle. • We are committed to ensuring that 'everyone is a risk manager' across all risks we face. Embedding risk management in our values, behaviours and decision-making processes helps to ensure that we always consider the appropriateness of the risks we take against our control environment and potential reward. • Our strategic risk management objectives are to achieve commensurate returns for the level of risk taken by: ∘ identifying and understanding our material risks; ∘ analysing and quantifying risks attached to the execution of our business plan; ∘ clearly defining our risk appetite, and ensuring appropriate tolerance thresholds and measures are in place; ∘ putting in place appropriate and effective frameworks and policies to support the identification and management of risk; ∘ ensuring everyone who joins Judo goes through risk training in our Risk Management Framework (**RMF**), and engages in continuous education; ∘ taking appropriate remedial action where weaknesses are identified in risk management practices; ∘ ensuring risk management capability, capacity and infrastructure are sufficient relative to our operations; and ∘ continuing to assess and develop our risk culture in support of our risk objectives.	Sections 4.1 to 4.7

Topic	Summary	For more information
What is our governance framework for managing risk? continued	• Risk governance is the architecture within which Judo manages risk. It is the structure and processes through which the Board seeks to fulfil its obligations and how accountability, responsibility and authority for risk management are delegated across the organisation. • One of the key elements of our risk culture is evidenced by our Risk Appetite Statement (**RAS**), which seeks to align our risk appetite with our value proposition, support the business growth objectives and establish the boundaries within which the business and growth are intended to be managed. • The Board is responsible for considering and approving our RMF and RAS and is supported by a number of sub-committees dedicated to specific risk areas, including the Board Risk Committee, the Board Audit Committee and the Board Remuneration and Nominations Committee.	Sections 4.1 to 4.7
What is our approach to credit assessment?	• Judo's core philosophy is that every SME is unique, and that relationships are built on deep understanding and trust. • Our relationship promise is that SME Customers deal directly with the decision-maker(s) in market, who are empowered to assess each application on its merits – the quality of the business and the people running it, within agreed industry and portfolio thresholds. • Within the guardrails provided by our RAS, we place an emphasis on the '4 Cs of Credit': character, capacity (or cash flow), capital (or equity) and collateral, in that order. Judo believes this contrasts with the banking industry overall, which has largely defaulted to the fourth 'C', collateral. • All new SME Customers (excluding Asset Finance transactions under \$500,000)[3] are taken through a formal credit request submission, which covers: 1. **Character:** management track record, experience, ability, integrity and willingness to repay. 2. **Capacity:** assessment of the cash drivers of an SME Customer regarding its ability to repay debt under sensitised scenarios. 3. **Capital:** balance sheet strength and debt-to-capital ratios. 4. **Collateral:** appropriate security based on lending policy and guidelines.	Section 4.8.1.3

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[3] Asset finance transactions under $500,000 are considered low risk based on the customer's risk grade and the equipment type and condition.

Topic	Summary	For more information
How does Judo manage credit risk?	• Our management of credit risk is defined by our Credit Risk Management Framework (**CRMF**). The CRMF contains our credit and risk principles for lending to SME Customers across a variety of industries, and forms part of our overall RMF. The CRMF supports our business strategies and performance objectives by defining our lending requirements and how key credit risks are identified, managed, monitored, mitigated and reported. Every employee at Judo is responsible for complying and operating in accordance with the CRMF. • We seek to manage credit risk by: ∘ establishing portfolio parameters that are in line with credit risk appetite; ∘ monitoring key metrics critical to portfolio management; ∘ implementing effective operating policies and procedures; ∘ maintaining clear guidelines on credit assessment, which we seek to embed across our policies and training; ∘ delegating our relationship bankers' lending authority limits based on individual experience and skill (within their designated authority, and in light of the guardrails set out in our RAS, relationship bankers are empowered to make credit decisions and respond quickly to SME Customer requests); ∘ development of stress testing and scenario analysis to assist with the identification and management of emerging credit risk; ∘ development of tools and models to assist with risk measurement, including an SME Customer risk grading system; ∘ reviewing and approving material credit risks related to new products, assessing appropriate product concentration limits, and undertaking ongoing monitoring and reporting; and ∘ monitoring and oversight by the Chief Risk Officer, Chief Credit Officer and second-line risk function.	Section 4.8.1
How does Judo manage other key risks?	• Judo additionally manages the following key risks: ∘ **Balance sheet and liquidity risk:** managing the capital risk, liquidity and funding risk, and interest rate risk in the banking book. ∘ **Operational risk:** managing the 'risk of running the business' is underpinned by a number of key components, including risk profile assessments, controls, breach and incident reporting, our RAS and Key Risk Indicators, scenario planning and horizon scanning, and maintaining operational risk capital. ∘ **Technology risk:** our technology and information security risk management ensures the operations, controls, compliance and audit processes are robust against the evolving landscape of these risks. ∘ **Outsourcing risk:** Judo tightly manages all providers through clear outsourcing guidelines and policies approved by the Board and implemented by senior managers.	Sections 4.8.2 to 4.8.7

Topic	Summary	For more information
How does Judo manage other key risks? continued	◦ **Compliance risk:** Judo has no tolerance for non-compliance with laws and regulations and has an appropriate reporting process in place to provide insights into compliance risk. • We also monitor several other risk sources, some of which are part of 'business as usual' activities, that have the potential to result in harm to Judo. These risks are monitored against the backdrop of the external, social, or political context we operate in. These include reputation risk and other externally driven risk sources.	Sections 4.8.2 to 4.8.7

1.2. Key features of the Australian SME banking industry

Topic	Summary	For more information
What market does Judo operate in?	• Judo operates in the Australian banking market. Banks play a central role in the Australian economy, holding the majority of the Australian financial system's assets and liabilities. • The Australian banking market is characterised by: ◦ resilient profitability throughout the cycle; ◦ strong capitalisation; ◦ high liquidity; and ◦ resilient asset quality. • These characteristics are underpinned by a robust regulatory framework. The primary regulators and government bodies that oversee ADIs include APRA, the Australian Securities and Investments Commission (**ASIC**), the Australian Transaction Reports and Analysis Centre (**AUSTRAC**), the RBA and the Treasury. • Banks provide lending and deposit products to retail and business customers. Business customers are typically segmented by size into micro businesses, SMEs, corporates and institutional customers. • Unlike other banks, which provide lending to multiple customer segments, Judo is Australia's only challenger bank focused exclusively on SMEs. • The Australian SME business lending sector is comprised of a number of industry participants including banks, non-bank lenders and financial technology (**FinTech**) companies: ◦ **Banks:** They typically offer a range of business lending products including secured term loans, overdraft facilities, invoice financing and credit cards. ◦ **Non-bank lenders:** They typically offer specialised lending products that may fall outside the traditional banking market. ◦ **FinTech or online lenders:** They use technology as a focal point of their business delivery model to address the financing needs of micro and small businesses. • Judo also uses direct and intermediated channels to provide Term Deposits to a wide range of customers, including individuals, charities, universities, government bodies, SMSFs and corporates.	Sections 2.2 and 2.3

Topic	Summary	For more information
How has SME lending evolved over time?	• Over the last decade, industrialisation of banking business models has included increased digitisation, automation and centralisation of many core customer activities. In some cases, this has led to a decline in traditional, in-person relationship banking provided to SMEs, which highly value direct access to a relationship banker with a strong understanding of their business and industry. The automation of the credit decisioning process and focus on collateral as a key lending criterion have also made it more challenging for SMEs to access finance. • At the same time, banks appear to have shifted their focus from business lending to home lending, which does not require the same level of in-person service compared to business lending. For example, 30 years ago, the business lending sector was larger than the home lending sector. However, over time, this relationship has reversed.[4] This is consistent with customer perceptions that business-related credit is difficult to access. • Historically, SME business lending has been originated through proprietary bank channels, such as branches and business bankers, with finance brokers almost exclusively focused on the home loan market. However, the commercial broker channel has seen strong growth in the last five years, partly driven by the decline of in-person relationship coverage offered to SMEs. As such, customer-facing commercial brokers have become an important origination channel within the SME lending sector and are a vital part of our business model. • These trends have further increased the unmet demand for funding within the SME sector. Market research conducted by East & Partners in 2020 indicates that the gap between the funding needs and the level of funding provided to SMEs (with a turnover of between $1 million and $50 million) is $119 billion.[5] This funding gap may have increased as Australian banks reduced their exposure to business lending by 6–10% during the COVID-19 pandemic.[6,7] • Over the last five years, the Commonwealth Government has implemented a comprehensive range of initiatives to promote economic growth, employment and business opportunities. It has also implemented policies to promote and support the SME sector. These include policies in relation to innovative finance and crowd-sourced equity funding; competition; taxation and business incentives; export financing; small business assistance; and funding initiatives such as the TFF to encourage SME business lending.[8]	Section 2.3.4

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[4] Source: RBA, D5 Bank Lending Classified by Sector (May 2021).

[5] Source: SME Banking Insights Annual Report, East & Partners (2021).

[6] Source: Pillar III regulatory disclosures. ANZ business lending includes Corporate only; CBA business lending incudes Corporate, SME corporate, SME retail and SME retail secured by residential mortgage; NAB business lending includes Corporate and Retail SME; Westpac business lending includes Corporate, Business lending and Small businesses. Exposure to businesses lending is calculated based on risk-weighted assets subject to IRB approach.

[7] Banks reduced their exposure to business lending by 6-10% between March 2020 and March 2021. Pillar III regulatory disclosures.

[8] Source: OECD Library, Australia, Key facts on SME financing (2020).

Topic	Summary	For more information
How has SME lending evolved over time? continued	• There have also been a number of recent regulatory developments to encourage new entrants, such as Judo, and support competition within the broader Australian banking market. These initiatives include increased accessibility to data, simplification of responsible lending obligations and increased flexibility of the bank capital framework. While these regulatory developments generally support new entrants and competition, in March 2021, APRA announced it would strengthen capital requirements for new participants seeking a banking licence and undertake greater supervision of new participants as they seek to establish themselves.	Section 2.3.4
What are the key characteristics of SME lending?	• The SME business lending market is large and highly profitable, driven by higher lending rates, lower risk-adjusted historical loss rates and higher levels of secured lending compared to other segments of business lending (such as lending to large corporates and institutions). • SME businesses account for 45% of all domestic business lending and approximately 50–60% of all domestic business lending revenue,[9] indicating a large market opportunity within the SME segment. • Additionally, over 90% of SME loans in Australia are secured, with the majority secured against real estate assets (including residential and commercial property). • The SME business lending market has a number of unique characteristics: ∘ There is a large variability between SMEs operating in different industries, with different business models, cash flow profiles and financing needs (such as working capital, capital expenditure and retirement of existing debt).[10] ∘ Unlike retail or large corporate lending, where credit and other information is generally available through credit agencies or public sources, lending to SMEs is subject to more information asymmetry, given the more limited information available on the borrower and the different structure and organisation of each SME. ∘ SME business lending tends to require specific industry, credit underwriting and servicing expertise. As a result, automated credit underwriting and 'low-touch' servicing models may be less effective. ∘ SMEs rank factors such as service, speed and trust above price considerations as reasons for choosing an alternative lender over an established financial institution.[11] ∘ SME business lending generally attracts a higher net interest margin than residential mortgage, corporate or institutional lending.	Section 2.3.1

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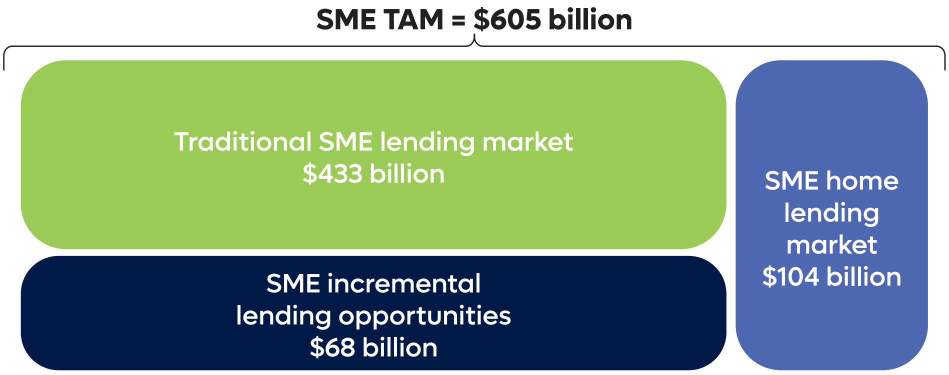
[9] Source: DBM Consultants analysis based on DBM Atlas data (lending and deposit balances) and bank annual reports (margin and revenue estimates).

[10] According to market research conducted by East & Partners in 2020, 69% of SMEs state that working capital is the primary purpose for sourcing new funds, followed by capital expenditure for plant and equipment (38%) and retirement of existing debt (32%). Respondents can nominate multiple purposes for borrowings.

[11] Source: RFi Group, SME Banking Insights Report (2021). Data as at March 2021.

Topic	Summary	For more information
What is the addressable SME lending market?	- The SME total addressable market (**SME TAM**) is estimated to be approximately $605 billion, consisting of the traditional SME lending market, SME incremental lending opportunities and the SME home lending market.[12] **Figure 1: SME TAM breakdown[13]**  - The traditional SME lending market is estimated to be $433 billion, representing the lending market available to providers of traditional business lending products. This excludes lending to micro businesses,[14] large businesses,[15] agri-businesses[16] and non-core products such as credit cards, debtor finance and trade finance. - As discussed above, many SMEs find it challenging to access finance from traditional lenders, resulting in a so-called 'funding gap' for SMEs. Based on the analysis undertaken by DBM Consultants,[17] the size of bankable incremental lending opportunities within the funding gap is estimated to be $68 billion. - Alongside business lending products, Judo offers home loans to support the residential property finance needs of our SME Customers as an ancillary product. The size of the home lending market for SME business owners is estimated to be $104 billion.[18]	Section 2.3.2

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[12] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

[13] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

[14] Lending to businesses whose total borrowings are less than $250,000, unless they hold asset finance of $50,000 or more.

[15] Lending of more than $35 million and/or to businesses with an annual turnover of more than $100 million.

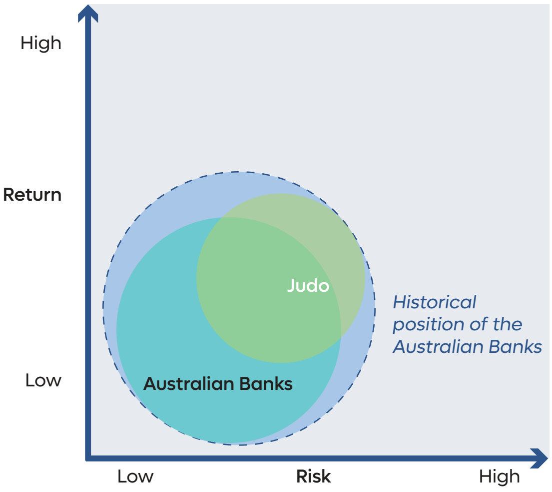
[16] Outside of asset finance facilities of over $50,000.

[17] Judo procured DBM Consultants, a specialist financial services research and insights consultancy, to conduct analysis based on publicly available RBA data and a proprietary DBM Consultants dataset.

[18] DBM Consultants estimate the size of the home lending market for SME business owners to be $107 billion which includes an estimated $3 billion in lending which overlaps with the SME incremental lending opportunities component of the SME TAM described above, implying a net SME home lending market size of $104 billion.

Topic	Summary	For more information
Who does Judo compete against?	• We operate in largely the same risk–return segment of the SME lending market as other Australian banks and non-bank lenders (excluding FinTech businesses, which tend to focus on a higher risk–return segment that is largely unsecured, short-duration and sub-$250,000 lending). • Historically, Australian banks operated within a wider risk–return segment of the market; however, following the general trend towards commoditisation and automation of credit processing within the industry (discussed below), Australian banks saw a gradual contraction in their risk–return appetite, with a greater focus on SME lending largely fully secured by property. This has resulted in a 'funding gap' or market failure, whereby SMEs with more complex credit profiles, or business structures that may require additional consideration, are somewhat neglected by traditional lenders. • Our market position incorporates both the lower risk-return segment currently occupied by the Australian banks, as well as the now somewhat neglected and higher return segment of the market that comprises SMEs with more complex credit profiles, using a higher-touch credit assessment as part of our relationship-centric offering.	Section 2.3.3

Figure 2: Illustrative view of strategic positioning of SME lenders[19]



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19. Source: Based on Judo management's view and is illustrative only.

Topic	Summary	For more information
How is the Australian banking industry regulated?	• The primary regulators and government bodies that oversee ADIs include: ∘ APRA, which is responsible for prudential regulation and supervision of ADIs; ∘ ASIC, which is the corporate, markets and financial services regulator responsible for market conduct and investor protection; ∘ AUSTRAC, Australia's financial intelligence agency, which is responsible for detecting, deterring and disrupting criminal abuse of the financial system to protect the community from serious and organised crime; ∘ RBA, which is responsible for maintaining the stability of the currency, full employment and Australia's economic prosperity; and ∘ Treasury, which is a central policy agency that provides economic analysis and authoritative policy advice on issues such as the economy, the budget, taxation, the financial sector, foreign investment, structural policies, superannuation, small business, housing affordability and international economic policy. • Australian financial institutions also have obligations to the Office of the Australian Information Commissioner and the Australian Financial Complaints Authority. • The regulatory landscape continues to evolve as regulators react to market occurrences and adjust their level of supervision and enforcement of the markets in which Judo operates. Overall, recent regulatory developments are generally supportive for new entrants and competition. Due to the particularly strong demand for credit within the SME sector given underservicing by the mainstream banks, the regulatory landscape has shifted towards facilitating a more tailored environment for lenders to provide credit to SMEs in a simpler, faster and more cost-efficient manner. As an ADI tailored towards providing credit to the SME sector, we believe we are well-positioned to capitalise on these regulatory tailwinds.	Section 2.5

1.3. Key financial metrics

Topic	Summary	For more information
What is our historical and forecast financial performance?	• A summary of selected Judo Pro Forma Historical Financial Information, Pro Forma Forecast Financial Information and key operating metrics is set out below. Investors should read this information in conjunction with the more detailed discussion of the Financial Information set out in **Section 5**, including the assumptions, management discussion and analysis and sensitivity analysis, as well as the investment risks set out in **Section 6** and other information contained in this Prospectus.	Section 5

Table 1. Selected Pro Forma Historical and Pro Forma Forecast Financial Information

	Pro forma historical[1]			Pro forma forecast[1]
$'000	**FY19**	**FY20**	**FY21**	**FY22F**
Net banking income[2]	1,356	28,256	89,796	162,300
Total operating expenses[3]	(31,554)	(59,744)	(86,943)	(126,341)
Net profit/(loss) before impairment[4]	**(30,198)**	**(31,488)**	**2,853**	**35,959**
Profit/(loss) after tax	**(23,096)**	**(38,098)**	**(4,991)**	**5,225**

Notes:

1. Pro Forma Historical and Pro Forma Forecast Financial Information included in this Prospectus have been prepared on the basis described in **Section 5.2**. The pro forma adjustments to Historical and Forecast Income Statements are provided in **Section 5.4.3**.
2. Net banking income is the sum of net interest income (**NII**) and other operating income, which includes non-interest income.
3. Total operating expenses includes employee benefits expense, information technology (**IT**) expense, marketing expense, occupancy expense, other expenses, and depreciation and amortisation.
4. Net profit/(loss) before impairment is net banking income less expenses, including depreciation and amortisation but excluding impairment on loans and advances, and treasury investments.

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What is our historical and forecast financial performance? continued</td><td>
Table 2. Selected key operating metrics
<table>
<tr><th></th><th colspan="3">Pro forma historical</th><th>Pro forma forecast</th></tr>
<tr><th>$‘000</th><th>FY19</th><th>FY20</th><th>FY21</th><th>FY22F</th></tr>
<tr><td>Loan book balance (end of period)</td><td>238,272</td><td>1,788,593</td><td>3,517,235</td><td>6,000,000</td></tr>
<tr><td>Net interest margin (%)[1]</td><td>0.53%</td><td>2.00%</td><td>2.09%</td><td>2.03%</td></tr>
<tr><td>Underlying NIM (%)[2]</td><td>0.53%</td><td>2.02%</td><td>2.59%</td><td>2.69%</td></tr>
<tr><td>Common Equity Tier 1 capital ratio (%)[3]</td><td>43.6%</td><td>23.1%</td><td>30.8%</td><td>19.5%</td></tr>
<tr><td>Losses ratio (%)[4]</td><td>–</td><td>–</td><td>–</td><td>n.a.</td></tr>
</table>
Notes:
1. Net interest margin is net interest income divided by the average of month-end closing balance of interest earning assets.
2. Underlying NIM is net interest margin adjusted to remove the impact of Judo’s preservation strategy in accessing the RBA’s TFF.
3. The Common Equity Tier 1 capital divided by total risk-weighted assets (RWAs).
4. The losses ratio is the write-off expense experienced over a period divided by the average loan balance for the period.
</td><td>Section 5</td></tr>
<tr><td>What is our dividend policy?</td><td>
• Judo is a high-growth business, and the current dividend policy as at the date of this Prospectus is to reinvest all cash flows and any excess capital generated by the Offer into the business to support and maximise future growth. Accordingly, we do not expect to pay any dividends to Shareholders in the near term following our listing on the ASX.
• Any future payment of dividends by Judo will be subject to the discretion of the Directors and will be a function of many factors including general business and economic conditions; financial results, including available profits; capital and future funding requirements; future business prospects; taxation considerations, including the level of franking credits available for distribution; any legal, contractual or regulatory restrictions on the payment of dividends by Judo; and any other factors the Directors may consider relevant.
• No assurances can be given by any person, including the Directors, about the payment or level of future dividends, or the level of franking on any such dividend. Please read the Forecast Financial Information set out in Section 5 as well as the investment risks set out in Section 6.
</td><td>Section 5.10</td></tr>
</table>

1.4. Key investment highlights

Topic	Summary	For more information
Dedicated to servicing the SME industry	• We are dedicated to servicing SMEs. • It is estimated that the Australian SME TAM is approximately $605 billion, consisting of the traditional SME lending market, SME home lending market and other SME incremental lending opportunities available to Judo. • As at 30 September 2021, our $4.15 billion loan book represented a small proportion of the SME TAM and our primary growth strategy is to continue to penetrate this market.	Section 2
Relationship-centric lending model enables deeper and stickier customer relationships	• We operate a relationship-centric lending model driven by our purpose to be the most trusted SME business bank in Australia. • Our shared value philosophy places customer service at its heart. • SME Customers have direct access to in-market decision makers, creating an experience with heightened responsiveness.	Sections 3.2 and 3.3
Straightforward products delivered by relationship bankers who understand lending customers' financing needs	• Our tailored lending product offering has been developed to be straightforward and integrated to meet the core borrowing needs of SMEs. • Our current product set services approximately 80% of the total addressable SME lending market opportunity in Australia.[20] • Consistent with our relationship-centric focus, our product strategy is based on the superior speed of our decision-making, and structuring of debt to meet customer needs rather than product features. • We are capitalising on the dissatisfaction experienced by some of the best business relationship bankers within the Australian SME market by building a differentiated employment brand in Australian SME banking, with a unique, tailored and contrasting employment proposition.	Sections 3.4 and 3.5
Multi-channel origination strategy gives us a platform to execute our growth ambitions	• We maintain a multi-channel origination strategy, diversified across direct and third-party origination channels. • Broker-originated SME lending is a large and growing component of the Australian SME credit market. We are unburdened by the legacy of an incumbent branch network or high-cost origination footprint and provide brokers with a service proposition that respects their success and position in the banking market. • Irrespective of the origination channel, our relationship bankers foster and maintain relationships directly with our SME Customers.	Section 3.6

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20. Source: DBM Consultants, 2021. Based on TAM product breakdown of the SME lending market, including unmet needs.

Topic	Summary	For more information
Sophisticated capital and treasury capability provides us with funding flexibility and scalability for growth	• Our lending products are funded by a term deposit–led approach, supported by Warehouse Facilities and our access to the RBA's TFF (at a 0.10% interest rate). • Our deposit strategy is of price-competitiveness in an elastic market, managing flow as appropriate to optimise volume and tenor while achieving a strong net interest margin.	Section 3.7
Business model with significant operating leverage as we scale	• We have multiple levers to scale, supporting continued loan book growth and market penetration. • Due to our success to date in rapidly attracting relationship bankers and our relatively short company history, our relationship banker workforce has scope to increase its utilisation, relative to current levels. • We appreciate the importance of technology in our ambition to deliver relationship-centric banking at scale. We are focused on the scale and cost-efficiency promise of technology, including to deliver data-driven and digital experiences for customers, relationship bankers and staff.	Sections 3.8 and 3.11
Risk management is a core competency and entrenched in everything we do	• We seek to manage the risks inherent in our business activities and operations through disciplined risk management. • This is critical in any bank and particularly one operating in a growing and dynamic environment. • Our approach is to identify the risks we want to take, apply appropriate controls to manage the risks, and ensure an appropriate reward that reflects the level of risk, both now and through the business cycle.	Section 4
Delivering strong growth and attractive business metrics at scale	• Our primary growth strategy is to continue to expand our market share in the Australian SME TAM, which has been estimated to be $605 billion. • This organic growth is underpinned by three key levers: growing our loan book pipeline; increasing our relationship banker productivity; and increasing the size of the workforce of high-quality relationship bankers. • This will be supplemented by enhancements to Judo's product offerings and potential inorganic growth opportunities. • Our ongoing growth is expected to deliver attractive business metrics at scale.	Sections 3.11 and 3.12

Topic	Summary	For more information
Management team with deep sector expertise, supported by a highly experienced Board	• We are fundamentally a founder-led business. • Our Management Board includes senior executive team members who have deep expertise, experience and skills across a diverse range of industries, including the four Major Banks and other large financial institutions, and is supported by a highly experienced Board. • Our key management will retain the majority of their ownership in Judo after the IPO and will be subject to an extended escrow period beyond the Prospectus forecast period, demonstrating commitment to the long-term success of Judo.	Section 7

1.5. Key risks

Topic	Summary	For more information
Compliance and regulatory risks	• We operate in a highly regulated industry sector and as a holder of an ADI licence, Australian Financial Services Licence (**AFSL**) and Australian Credit Licence (**ACL**), and as a lender and diversified financial institution, we are subject to specific laws, regulations and prudential standards overseen by regulators including APRA, ASIC and AUSTRAC. • Recent reforms have led to increased supervision and regulatory oversight, as well as more serious repercussions for contraventions, including larger penalties. This trend towards increased regulation, and increasingly severe penalties, could continue in future and be expanded to impact Judo further. • Judo's regulators have broad administrative and enforcement powers, including APRA's broad investigative and enforcement powers under the Banking Act. The current environment may see a shift in the nature of enforcement proceedings commenced by regulators. • Non-compliance with our regulatory obligations could result in risks to Judo including: (1) ceasing to be authorised or licensed to carry on our business or being subject to further conditions that may adversely impact our growth strategies and business; (2) being subject to penalties or other enforcement or class actions; (3) being subject to higher operational and compliance costs; (4) being subject to additional regulatory capital obligations; (5) being unable to recover fees, charges or interest; and (6) being required to refund amounts paid by customers or undertake other remediation activities.	Sections 6.2.1 to 6.2.4

Topic	Summary	For more information
Compliance and regulatory risks continued	• Compliance risk can also arise where we interpret our complex regulatory and compliance obligations and rights differently to regulators or a court. This risk is heightened in the period following the introduction of significant changes to regulations. • While we maintain a compliance management system designed to identify, assess and manage compliance risks, this system may not always have been, or continue to be, effective at all times. This could result in potential breaches of Judo's compliance obligations, as well as poor customer outcomes.	Sections 6.2.1 to 6.2.4
Competitive threats	• Judo operates in a market facing the risk of increasing levels of competition, including from new business or marketing models (such as less-regulated, non-bank entrants) and/or technology platforms. We also face competition from incumbent larger financial institutions, which may have greater scale and financial resources, stronger brand recognition, broader product offerings, more extensive distribution networks or aggressive pricing models. This competition could result in reduced revenue or operating margins, or loss of market share, which could have a material adverse impact on our business, reputation, future loan originations, operating and financial performance, financial condition and future prospects.	Section 6.2.5
Execution risk on initiatives and strategies	• We plan to continue to grow our loan book and increase our share of the Australian SME lending market through strategies described in **Section 3.11**. There is no guarantee that any or all of these growth strategies will be successfully implemented, deliver the expected returns or do so profitably or within expected timeframes. As a fast-growing company, any change to Judo's ability to achieve any or all of our growth strategies, or the market's perception of our ability to deliver growth to Shareholders, is likely to have a significant impact on our Share price and may adversely impact our business, operating and/or financial performance and/or growth.	Section 6.2.6
Reliance on distribution networks	• Aside from our own relationship bankers, who originate loans directly for Judo, our lending business materially depends on loan origination through our accredited business lending broker network, which includes brokers, aggregators and finance professionals. Additionally, a small number of aggregators account for over 25% of our loan originations. • There can be no guarantee or assurance that we will continue to be able to maintain our preferred status or relationships with these distributors, and a loss of or reduction in distributors may adversely impact our business, competitive advantage, reputation, operating and financial position and future growth prospects.	Section 6.2.7

Topic	Summary	For more information
Customer default and portfolio performance	• Our lending activities cover a range of sectors, customers and products, including business lending to SMEs and asset finance. As part of the normal course of business, we expect to incur some degree of financial losses across our lending portfolio and set aside provisions in anticipation of them. • There is a risk the level of Judo's provisioning may be insufficient to cover actual losses realised on our lending portfolio. This risk may arise from failures within our internal estimation processes, or due to events or developments that it would be unreasonable for our internal provisioning processes to anticipate. For example, the risk of credit-related losses has increased due to the ongoing impact of COVID-19. • An increase in the failure of customers to meet their obligations above the levels for which Judo has provisioned could result in a decrease in revenue, increase in expenses (including an increase in the cost of risk and funding costs) and/or a decrease in operating cash flows received. Any of these could have a material adverse impact on our business, financial condition, operating and financial performance, reputation, and availability and cost of funding as it may not be economically viable to pursue enforcement action in all cases. Credit losses can, and have, resulted in financial services organisations realising significant losses and, in some cases, failing altogether.	Section 6.2.8
Access to, and cost of, funding	• Judo's funding sources comprise a combination of securitisation facilities, a debt issuance program for Australian dollar medium-term notes, repurchase (**repo**) facilities and customer deposits. We rely on these sources to fund loan originations and, accordingly, have potential exposure to funding risks. • These risks include risks associated with Warehouse Facilities and term securitisations, our debt issuance program, the origination and/or retention of a sufficient volume of deposits to fund balance sheet growth, an adverse change in cost of funding margins and interest rate risk from ordinary business activities. • An adverse impact on, or loss of, one or more of our funding sources, without access to comparable or acceptable alternatives, may adversely impact our ability to originate new business (including on favourable terms) or to refinance expiring Warehouse Facilities, which may have a materially adverse impact on our business, financial condition, operating and financial performance, reputation, and availability and cost of funding.	Section 6.2.9

Topic	Summary	For more information
Access to, and cost of, funding continued	• Additionally, Judo is a participant in the RBA's TFF, which provides access to three-year funding (fixed at 0.10% per annum) to ADIs and provides a significant cost of funding benefit relative to other wholesale debt available to Judo. The TFF has a finite term, and the benefits will fully unwind by the end of the program (30 June 2024). As and when the TFF unwinds, there is a risk that Judo may be unable to secure funding from alternative funding sources on equivalent or commercially acceptable terms, which may materially adversely impact our cost of funding and, consequently, our financial condition and performance.	Section 6.2.9
Balance sheet and capital risks	• As an ADI, Judo is required to maintain adequate capital resources and liquidity prescribed by APRA. Depending on factors such as general macroeconomic conditions, current or future capital and/or liquidity requirements and/or changes in the methodology for calculating risk exposure or qualifying regulatory capital or liquidity requirements, we may be required to raise additional regulatory capital or hold additional liquidity buffers.	Section 6.2.10
Liquidity risk	• We are exposed to the risk that we may become unable to meet our financial commitments when they fall due, which could arise due to mismatches in cash flows. Liquidity may be impaired by an inability to access debt and capital markets, or to sell assets, or if Judo experiences unforeseen outflows of cash or collateral. Liquidity may also be impaired due to circumstances outside our control, such as general market disruptions, an operational problem that affects us or our trading clients or changes in credit spreads that are market driven, and potentially subject to unpredictable or volatile movements. • If economic conditions deteriorate or remain uncertain for a prolonged period, our funding costs may increase and this may limit our ability to replace maturing liabilities, which could adversely affect our ability to fund and grow our business. If our current sources of funding prove insufficient, we may be forced to seek alternative financing, which could include selling assets, including illiquid assets. • If we are unable to adequately manage our liquidity position, we may not meet our short-term financial obligations. APRA may also require us to hold more liquid assets as a proportion of liabilities, impose additional liquidity and/or more stable funding requirements or subject us to stress testing, which may result in higher funding costs and/or lower revenue.	Section 6.2.11

Topic	Summary	For more information
Credit rating	- At the date of this Prospectus, Judo has obtained a public external credit rating, which reflects an independent opinion on our creditworthiness. This credit rating can affect the cost and availability of Judo's funding and may be important to certain customers or counterparties when evaluating our products and services. - A future downgrade, or withdrawal of any credit rating obtained by Judo, could have an adverse effect on our funding costs, collateral requirements, liquidity, competitive position and access to capital markets. The extent and nature of these impacts would depend on various factors including the extent of any potential rating change, differences across agencies (split ratings) and whether competitors or the sector are also impacted.	Section 6.2.12
Information technology, cybersecurity and data risks	- Our ability to service our customers relies on the efficient and uninterrupted operation of our technology platform. This platform may, in whole or part, at any time, be subject to system failures, service outages, programming or human errors, natural disasters, fire, power outages or other events outside our control. Measures implemented by Judo to protect against such events may also be ineffective. Any failure could cause significant damage to our reputation, ability to make informed credit decisions or to effectively service our customer base, any of which may have a materially adverse impact on our operating and financial performance and/or growth. - If we fail to appropriately maintain or upgrade our IT systems, or any investment in new technology does not meet our expectations or keep pace with rapid technological change, consumer expectations or the regulatory environment, this may also negatively affect our business, reputation, operating and financial performance and/or growth, and expose Judo to regulatory sanctions. - As part of offering and promoting our products and services, we collect, process, handle and retain personal, sensitive, credit and confidential information regarding our customers and other personal information relating to our service providers, business partners and investors. We maintain data-sharing arrangements with our service providers, broker networks and other parties (such as government or regulatory bodies). - Any cybersecurity or data breach may cause significant damage to our reputation and ability to provide our products and services and to service customers, retain existing customers and attract new customers. Any of these events could have a materially adverse impact on our business, reputation, operating and financial performance and/or growth, and expose Judo to regulatory sanctions.	Sections 6.2.13 and 6.2.14

Topic	Summary	For more information
Reliance on outsourced service providers	• As a cloud-based bank, our business is highly dependent on arrangements with key outsourced providers, including legal services, credit reporting and payment systems providers, communications and IT suppliers, and other software and infrastructure providers. • We could face significant additional costs or business disruption if our providers fail to provide the agreed services in a timely, secure, professional, effective or reliable manner or our relationships are terminated, altered or affected by circumstances outside our influence or control; if our suppliers become subject to any information or data breach incident or other reputational issue; or if Judo is unable to execute or renew any required service contracts on commercially acceptable or favourable terms. • A number of the contracts with these suppliers may be terminated on short notice, service levels may be varied or suspended without our consent or the supplier may vary the terms of the agreement governing the service levels. Further, some contracts contain change of control provisions (noting that none are triggered by the Offer) that give the relevant supplier the right to terminate the contract. • While some of these services could be replaced quickly, other services may take a longer period of time. Accordingly, any change to the services or relationships that we rely on may have an adverse impact on our business, financial and operational performance, and future prospects.	Section 6.2.15
Retention of key management or employees	• Judo's success relies on our ability to attract and retain qualified and skilled members of the Board and senior management, and employees with specialist skills, including high quality relationship bankers. • Failure to retain key executives and members of the Board, or employees with the necessary specialist skills, may materially adversely impact our business, ability to drive and maintain an appropriate organisational culture, distributor relationships, and financial and operational performance and prospects. It may also lead to the loss of, or a change in, the conditions attached to one or more of our licences or authorisations.	Section 6.2.16
Risk governance framework failures	• There is a risk that our RMF is not properly implemented or supervised through our organisation and that we do not operate within our RAS, particularly as we seek to achieve rapid growth.	Section 6.2.17

Topic	Summary	For more information
Operational, conduct and business continuity risks	• Judo is exposed to significant operational, conduct and business risks, including from process, communications or systems errors, outsourced service provider or broker conduct, system failure, failure of security and/or physical infrastructure, human error, and product development, review or monitoring failures. Losses arising from these risks may include fines, penalties, loss or theft of funds, property or assets, legal costs, customer compensation, loss of Shareholder value, reputational loss, loss of life or injury to people, and loss of information. • Risks of this nature, and any failure of our internal controls, policies and processes to combat them, have the potential to materially adversely impact our reputation, ability to provide our products and services, ability to service customers in a timely manner and ability to retain existing customers and attract new customers, any of which could have a materially adverse impact on our business, operating and financial performance and/or growth, and expose Judo to regulatory sanctions or litigation.	Section 6.2.18
Reputation risk	• Judo's business and growth prospects rely heavily on our relationships, networks and reputation, to attract and retain customers and other business partners, sources of funding, talent, key stakeholders and suppliers. • Any factors that damage our reputation may give rise to reputational damage and potentially result in failure to win or retain customer relationships, maintain our funding program, and attract and retain employees, which could materially adversely affect our business, and operating and financial performance.	Section 6.2.19
Macroeconomic conditions and impacts of COVID-19	• As our business is located wholly in Australia, our performance depends on the state of the Australian economy, customer and investor confidence, and prevailing local market conditions, which in turn are impacted by events in the global economy. These conditions include global factors such as COVID-19 and market volatility, and local factors such as unemployment, interest rates, lack of income or wages growth, consumer sentiment, business investment, government spending and policies, exchange rates and inflation. Any one or more of these could affect the business and economic environment and, ultimately, the origination volume, future prospects and profitability of our business.	Sections 6.2.20 and 6.2.22

Topic	Summary	For more information
Macroeconomic conditions and impacts of COVID-19 continued	• In response to the COVID-19 pandemic, we established a range of measures designed to assist our customers. There can be no assurance that these will be sufficient to prevent or mitigate further hardship, or ensure the delivery of our products and services. There is a risk that Judo's financial position and prospects may be materially and adversely affected. These measures, and any future ones, while supporting our customers, may in turn negatively impact our financial performance and may result in Judo assuming a greater level of risk than we would have under ordinary circumstances, and our position and prospects may be materially and adversely affected as a result. It remains uncertain, at this stage, how Judo's lending portfolio or deposit book will be impacted.	Sections 6.2.20 and 6.2.22
Environmental and social risks	• As we expand, we could be exposed to financial losses or brand damage from the adverse impacts of environmental and social risks (including climate change–related risks impacting Judo, our customers, suppliers or the broader economy) or from failing to meet community or regulatory expectations in relation to environmental and social issues. • These risks, whether acute or chronic, may directly impact Judo and our customers through reputational damage, environmental factors, insurance risks and business disruption, and may have an adverse impact on financial performance (including through an increase in defaults in credit exposures, or an increased risk that Judo's assets could become impaired or higher risk over time). • Further, there is a risk that Judo may fail to keep pace with employee, customer, community or regulatory expectations, or fail to develop attractive products and services with an appropriate sustainability focus. Disruption is also likely to occur to our business or assets from any adjustment to a low-carbon economy, including through the nature and volume of regulatory policy or market-, technological- or community-led transition requirements. Any increased regulatory focus on Judo may also increase the risk of compliance breaches or litigation.	Section 6.2.21
Other risks	• Other risks specific to an investment in Judo include risks arising from insufficient insurance; risks related to Australian real estate markets or other markets; risks related to underpayment of wages and failure to comply with industry awards; risk of potential ligation against Judo; and insufficient insurance coverage. See **Section 6.2** for further details. • Additionally, an investment in Judo is subject to general risks of investment in any publicly listed company on the ASX, such as fluctuations in the price of Judo's securities with no direct correlation to our performance, changes to Australian accounting standards, and change in political and general business and economic conditions. See **Section 6.3** for further details.	Sections 6.2.23, 6.2.27 and 6.3

1.6. Key Offer statistics

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What are the key Offer statistics?</td><td>
<table>
<tr><th colspan="2">Key Offer statistics</th></tr>
<tr><td>Offer Price</td><td>$2.10 per Share</td></tr>
<tr><td>Offer Price/pro forma book value as at 30 June 2021[1]</td><td>1.70x</td></tr>
<tr><td>Total number of Shares on issue at Completion of the Offer[2]</td><td>1,103.5 million</td></tr>
<tr><td>Market capitalisation using the Offer Price</td><td>$2,317 million</td></tr>
<tr><td>Total proceeds under the Offer[2]</td><td>$653 million</td></tr>
<tr><td>– Proceeds from issue of primary Shares[2]</td><td>$344 million</td></tr>
<tr><td>– Proceeds from sale of secondary Shares</td><td>$309 million</td></tr>
<tr><td>Total number of Shares available under the Offer[2]</td><td>313.5 million</td></tr>
<tr><td>– Primary Shares[2]</td><td>166.2 million</td></tr>
<tr><td>– Secondary Shares</td><td>147.3 million</td></tr>
<tr><td>Total number of Shares available under the Offer/total number of Shares on issue at Completion of the Offer[2]</td><td>28.4%</td></tr>
</table>
Notes:
1. Pro forma book value is Judo’s statutory total equity as at 30 June 2021 adjusted for additional capital issued post 30 June 2021 and the impact of the Offer.
2. Excludes any Shares issued to Eligible Discount Offer Employees under the Employee Discount Offer.
</td><td>Section 8</td></tr>
</table>

1.7. Judo's Directors and senior executives

Topic	Summary	For more information
Who are our Directors?	As at the Prospectus Date, our Directors are: • Peter Hodgson – Independent Chairman • John Fraser – Independent Non-Executive Director • Manda Trautwein – Independent Non-Executive Director • Mette Schepers – Independent Non-Executive Director • Jennifer Douglas – Independent Non-Executive Director • David Hornery – Non-Executive Director • Geoffrey Lord – Independent Non-Executive Director[21] • Malcolm McHutchison – Non-Executive Director	Section 7.1
Who are our senior management?	• Joseph Healy – Chief Executive Officer • Chris Bayliss – Deputy CEO and Chief Financial Officer • Megan Collins – Chief People and Culture Officer • Lisa Frazier – Chief Operating Officer • Yien Hong – General Counsel and Company Secretary • Angelo Manos – Chief Relationship Officer • George Obeid – Chief Third-Party Officer • Kevin Ramsdale – Chief Marketing Officer • Frank Versace – Chief Risk Officer	Section 7.2

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[21] Geoffrey Lord has resigned with his resignation to take effect prior to Listing.

1.8. Significant interests of key people

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>Who are the Existing Shareholders, Minority Investors and the Selling Shareholder and what will their interest in the Company be before and after Completion?</td><td>
<table>
<tr><th></th><th colspan="2">Shares held at the Prospectus Date[1]</th><th colspan="2">Shares held on Completion</th></tr>
<tr><th>Shareholder</th><th>Million</th><th>%</th><th>Million</th><th>%</th></tr>
<tr><td>Prince Issuer Designated Activity Company[2]</td><td>144.3</td><td>17.7%</td><td>103.9</td><td>9.4%</td></tr>
<tr><td>Sing Glow Investment Pte Ltd[3]</td><td>108.0</td><td>13.2%</td><td>77.7</td><td>7.0%</td></tr>
<tr><td>Other shareholders</td><td>543.3</td><td>66.5%</td><td>509.9</td><td>46.2%</td></tr>
<tr><td>Directors, Management Board and employees[4]</td><td>21.8</td><td>2.7%</td><td>100.9</td><td>9.1%</td></tr>
<tr><td>Investors under the Offer</td><td>–</td><td>–</td><td>311.1</td><td>28.2%</td></tr>
<tr><td>Total</td><td>817.4</td><td>100.0%</td><td>1,103.5</td><td>100.0%</td></tr>
</table>
Notes:
1. These are A Class Shares which will convert into (ordinary) Shares on a one-for-one basis immediately prior to Completion.
2. Prince Issuer Designated Activity Company is managed by Bain Capital Credit LP.
3. Sing Glow Investment Pte Ltd is wholly-owned by GIC (Ventures) Private Limited. Sing Glow Investment Pte Ltd is managed by GIC Special Investments Private Limited, which is wholly-owned by GIC Private Limited.
4. Includes Shares issued under Employee Gift Offer but does not include any other Shares that may be acquired through the Offer.
</td><td>Section 8.5</td></tr>
</table>

Topic	**Summary**	**For more information**
What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?	On Completion, Directors are expected to hold 3.0% of the Shares. Details of Directors' interests in Shares and other securities are set out in **Section 7.3.1**.	Sections 7.3.1 and 7.3.2

	As at the Prospectus Date					**On Completion**	
Director[1]	**Shares[2]**	**Performance Rights**	**Warrants**	**Options**	**Pro forma interest in Shares[3]**	**Shares[4,5]**	
	#	**#**	**#**	**#**	**%**	**#**	**%**
Peter Hodgson	105,429	236	–	–	0.2%	2,374,979	0.2%
John Fraser	2,370,783	177	1,000,000	–	0.5%	4,596,755	0.4%
Manda Trautwein	353,449	10	–	–	0.0%	449,616	0.0%
Mette Schepers	101,429	10	–	–	0.0%	197,596	0.0%
Jennifer Douglas	–	–	–	–	–	–	–
David Hornery	2,176,170	2,648	200,000	–	2.9%	20,427,713	1.9%
Geoffrey Lord	1,244,602	177	1,000,000	2,000,000	0.5%	4,518,193	0.4%
Malcolm McHutchison	–	–	–	–	–	–	–
Total	**6,351,862**	**3,258**	**2,200,000**	**2,000,000**	**4.1%**	**32,564,852**	**3.0%**

Notes:

1. Directors may hold their interests in the securities shown above directly and indirectly through holdings by a family member, company or trust.
2. These are A Class Shares which will convert into (ordinary) Shares on a one-for-one basis immediately prior to Completion.
3. Provided for illustrative purposes only. Represents the effective interest in Shares prior to Completion, following the cashless exercise of the Warrants and Options and assuming the exercise of all of the 14,927 Performance Rights issued under the Management Incentive Plan (**MIP**) and Mirror Management Incentive Plan (**MMIP**).
4. Includes Shares issued to Directors as a result of Performance Rights, Warrants and Options that are exercised.
5. Does not include any other Shares that may be acquired by Directors (or their associated entities) through the Offer. Final Directors' shareholdings will be notified to ASX on Completion.

Topic	Summary	For more information

What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold? *continued*

On Completion, members of the Management Board are expected to hold 4.4% of the Shares. Details of the Management Board's interests in Shares and other securities are set out in **Section 7.3.1**.

Sections 7.3.1 and 7.3.2

	As at the Prospectus Date				On Completion	
Member of the Management Board[1]	**Shares**[2]	**Performance Rights**	**Warrants**	**Pro forma interest in Shares**[3]	**Shares**[4,5]	
	#	**#**	**#**	**%**	**#**	**%**
Joseph Healy	4,614,526	3,236	1,500,000	3.8%	34,183,130	3.1%
Chris Bayliss	750,000	1,412	550,000	1.5%	9,520,161	0.9%
Other members	201,133	645	60,000	0.7%	4,415,842	0.4%
Total	**5,565,659**	**5,293**	**2,110,000**	**5.9%**	**48,119,133**	**4.4%**

Notes:
1. Members of the Management Board may hold their interests in the securities shown above directly and indirectly through holdings by a family member, company or trust.
2. These are A Class Shares which will convert into (ordinary) Shares on a one-for-one basis immediately prior to Completion.
3. Provided for illustrative purposes only. Represents the effective interest in Shares prior to Completion, following the cashless exercise of the Warrants and Options and assuming the exercise of all of the 14,927 Performance Rights and Warrants issued under the MIP and MMIP.
4. Includes Shares issued to Management Board members as a result of Performance Rights that are exercised.
5. Does not include any Shares that may be purchased by members of the Management Board (or their associated entities) under the Offer.

Further details of the remuneration and fees payable to Directors and members of the Management Board are provided in **Sections 7.3.1** and **7.3.2.** Further details of the fees and interests of Advisers are provided in **Section 7.3.2.7.**

Will any Shares be subject to restrictions on disposal following Completion?

At Completion, approximately 53.1% of the Shares will be subject to voluntary escrow arrangements.

Sections 7.3.1.4, 7.3.2.6 and 10.6

Escrow Release Date	**Number of Escrow Shares (million)**	**Number of Escrow Shares (as a % of Shares on issue on Completion)**
Release of financial results for the financial year ending 30 June 2022	512.1	46.4%
First anniversary of the date of Listing	5.5	0.5%
Release of financial results for the financial year ending 30 June 2023	67.9	6.2%
Total	**585.6**	**53.1%**

1.9. Overview of the Offer

Topic	Summary	For more information
What is the Offer?	• The Offer is an initial public offering of new Shares by the Company and the sale of existing Shares by SaleCo. • The Offer is expected to raise total proceeds of $653 million. • The Company will issue approximately 163.8 million new Shares (excluding any Shares issued under the Employee Discount Offer) to raise total proceeds of approximately $344 million and up to 2.4 million new Shares under the Employee Gift Offer. • SaleCo will sell 147.3 million Existing Shares for total proceeds of $309 million.	Section 8.1
What is the price of Shares under the Offer?	• The Offer Price is $2.10 per Share. • Successful Applicants under the Offer will pay the Offer Price (other than for Shares under the Employee Discount Offer, for which the price is $1.90 on applications up to $10,000 (being 5,263 Shares), and for Shares offered under the Employee Gift Offer, for which no price is payable).	Section 8.1
Why is the Offer and listing being conducted?	• The Offer is being conducted to: ∘ allow Judo to support our regulatory capital requirements as our business continues to grow; ∘ allow existing securityholders to realise part of their investment in Judo via the Offer, and obtain future liquidity for Shares not sold into the Offer; ∘ broaden our Shareholder base and provide a liquid market for the Shares and an opportunity for other investors (beyond the Existing Shareholders) to invest in Judo; and ∘ provide Judo with the benefits of an increased brand profile that arises from being a publicly listed entity.	Section 8.3
What is the proposed use of the funds raised under the Offer?	**Sources and uses of funds:**	Section 8.4

Sources	$m	%
Judo Offer Proceeds[1]	344	53%
SaleCo Offer proceeds received by SaleCo from the sale of Existing Shares	309	47%
Total	**653**	**100%**

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What is the proposed use of the funds raised under the Offer? <i>continued</i></td><td>
<table>
<tr><th>Uses</th><th>$m</th><th>%</th></tr>
<tr><td>Judo
Increase in cash (to support regulatory capital requirements for future growth)[1]</td><td>250</td><td>38%</td></tr>
<tr><td>Costs of the Offer</td><td>30</td><td>5%</td></tr>
<tr><td>Acquisition and cancellation of Vested Performance Rights</td><td>64</td><td>10%</td></tr>
<tr><td>SaleCo
Payments to Selling Shareholders</td><td>309</td><td>47%</td></tr>
<tr><td>Total</td><td>653</td><td>100%</td></tr>
</table>
Note:
1. Excludes the proceeds from any Shares issued to Eligible Discount Offer Employees under the Employee Discount Offer.
</td><td>Section 8.4</td></tr>
<tr><td>Who is the Issuer of the Prospectus?</td><td>• Judo Capital Holdings Limited (ACN 612 862 727) and Judo Capital SaleCo Limited (ACN 653 674 698) are joint issuers of this Prospectus.</td><td></td></tr>
<tr><td>Who is SaleCo?</td><td>• Judo Capital SaleCo Limited (ACN 653 674 698) is a special purpose vehicle that was established to enable the Selling Shareholders to sell Shares.</td><td>Section 10.5</td></tr>
<tr><td>How is the Offer structured?</td><td>• The Offer comprises the Retail Offer and the Institutional Offer.
• The Retail Offer consists of the:
◦ Broker Firm Offer – which is open to Australian resident retail clients of participating Brokers who have received a firm allocation of Shares from their Broker (see Section 8.8); and
◦ Priority Offer – which is open to selected investors who have received an invitation from the Company to apply for Shares under this Prospectus (see Section 8.9); and
◦ Employee Discount Offer – which is open to Eligible Discount Offer Employees in Australia who have received an invitation from the Company to apply for Shares under the Employee Discount Offer under this Prospectus (see Section 8.10); and
◦ Employee Gift Offer – which is open to Eligible Gift Offer Employees who have received an invitation from the Company to apply for Shares under the Employee Gift Offer under this Prospectus (see Section 8.11).
• The Institutional Offer consisted of an offer to Institutional Investors in Australia and certain other jurisdictions around the world (other than the United States) made under this Prospectus (see Section 8.14).</td><td>Section 8.2</td></tr>
</table>

Topic	Summary	For more information
Will the Shares be quoted on the ASX?	• The Company will apply within seven days of the Prospectus Date for admission to the Official List and quotation of the Shares on the ASX. The Company's expected ASX code will be 'JDO'. Completion of the Offer is conditional on the issue and transfer of Shares to Successful Applicants. 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), 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.	Section 8.17
When can I sell my Shares on the ASX?	• It is expected that trading of the Shares on the ASX will commence on or about Monday, 1 November 2021, initially on a conditional and deferred settlement basis. • Normal settlement trading is expected to commence on or about Wednesday 3 November 2021, with holding statements dispatched to Shareholders on or about Thursday, 4 November 2021. It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk.	Section 8.19
Is the Offer underwritten?	• Yes, the Offer is underwritten (with the exception of the Employee Discount Offer and the Employee Gift Offer).	Section 10.6
Who are the Joint Lead Managers and Co-Lead Managers of the Offer?	• The Joint Lead Managers are Barrenjoey Advisory Pty Limited (**Barrenjoey**), Citigroup Global Markets Australia Pty Limited (**Citi**), Credit Suisse (Australia) Limited (**Credit Suisse**) and Goldman Sachs Australia Pty Ltd (**Goldman Sachs**). • The Co-Lead Managers are Bell Potter Securities Limited (**Bell Potter**), E&P Corporate Advisory Pty Limited (**E&P**) and Wilsons Advisory and Stockbroking Limited (**Wilsons**). • The Co-Manager is Commonwealth Securities Limited (**CommSec**).	Section 10.6
What is the allocation policy?	• The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by the Company, SaleCo and the Joint Lead Managers, as outlined in **Sections 8.8.5, 8.9.5, 8.10.5, 8.11.4** and **8.14**. • With respect to the Broker Firm Offer, it will be a matter for each Broker as to 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 an allocation from them receive the relevant Shares. • With regard to the Priority Offer, the Company and SaleCo have absolute discretion regarding the basis of allocation of Shares among Priority Offer Applicants and may reject an Application, or allocate fewer Shares than the dollar amount applied for.	Sections 8.8.5, 8.9.5, 8.10.5, 8.11.4 and 8.14

Topic	Summary	For more information
What is the allocation policy? continued	• With regard to the Employee Discount Offer, each Employee Discount Offer Applicant will receive a guaranteed minimum allocation of $2,000 worth of Shares and a maximum allocation of $10,000 at an issue price of $1.90 (being 5,263 Shares). Employee Discount Offer Applicants may apply for more than 5,263 Shares, but will pay the Offer Price on any additional Shares that are acquired. The final allocation of Shares to Employee Discount Offer Applicants at the Offer Price will be at our absolute discretion and Judo may reject an Application, or allocate fewer Shares than the dollar amount applied for. • With regard to the Employee Gift Offer, each Eligible Gift Offer Applicant will receive a guaranteed allocation of a fixed dollar value of Shares (rounded down to the nearest whole Share based on the Offer Price) set out in their personalised invitation, at the end of the Deferral Period.	Sections 8.8.5, 8.9.5, 8.10.5, 8.11.4 and 8.14
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.	Section 10.12
When will I receive confirmation that my Application has been successful?	• It is expected that initial holding statements will be dispatched to Successful Applicants by standard post on or about Friday, 5 November 2021.	Section 8.19.2
What is the minimum or maximum Application size under the Offer?	• Under the Broker Firm Offer, the minimum Application size is as directed by your Broker. There is no maximum Application size under the Broker Firm Offer. • Under the Priority Offer, the personalised invitation letter will indicate the maximum dollar amount of Shares that you may apply for. Applications for an amount less than the dollar amount specified on your personalised Priority Offer Application Form must be for a minimum of $10,000. • Under the Employee Discount Offer, the minimum Application size by an Eligible Discount Offer Employee under the Employee Discount Offer is $2,000 (being 1,053 Shares). The maximum Application size at $1.90 is $10,000 (being 5,263 Shares). Eligible Discount Offer Employees who wish to apply for more than 5,263 Shares will be able to, but will pay the Offer Price on those additional Shares. • Under the Employee Gift Offer, Employee Gift Offer Applicants will receive a guaranteed allocation of the fixed dollar value of Shares set out in their personalised offer invitation.	Sections 8.8.3, 8.9.3, 8.10.3 and 8.11.5

Topic	Summary	For more information
How can I apply?	• If you receive an invitation to apply for Shares from your Broker, or a personalised invitation to apply for Shares under the Priority Offer, Employee Discount Offer or Employee Gift Offer, you may apply by completing a valid Application Form and/or following the instructions provided to you by your Broker. • The Retail Offer opens at 9:00am (Sydney time) on Friday, 22 October 2021 and is expected to close at 5:00pm (Sydney time) on Tuesday, 26 October 2021. • Applications under the Priority Offer, Employee Discount Offer and Employee Gift Offer must be received by no later than 5:00pm (Sydney time) on Tuesday, 26 October 2021. • To the extent permitted by law, an Application under the Offer is irrevocable.	Sections 8.8.2, 8.9.2, 8.10.2 and 8.11.3
What are the restrictions applicable to foreign Investors?	• Certain ownership and selling restrictions apply in relation to the Offer. As set out in **Sections 10.10** and **10.12**, it is the responsibility of any investor to ensure compliance with the laws of any country outside Australia that are relevant to their Application.	Sections 10.10 and 10.12
Can the Offer be withdrawn?	• The Company and SaleCo may withdraw the Offer at any time before the issue and transfer of Shares to Successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).	Section 8.16
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 Offer Information Line on 1800 754 866 between 8:30am and 5:30pm (Sydney time), Monday to Friday (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, 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 or other independent professional adviser before deciding whether or not to invest in the Shares.	

Section 2.

Industry Overview.

2.1. Introduction

Launched in 2018 and granted a full authorised deposit-taking institution (**ADI**) banking licence by the Australian Prudential Regulation Authority (**APRA**) in April 2019, Judo is Australia's only challenger bank focused exclusively on SMEs. Judo was created to meet the needs of an underserviced customer base and we believe that our relationship-centric lending model enables deeper and stickier customer relationships.

The Australian banking sector in which Judo operates is one of the largest and most profitable sectors in the Australian economy, delivering leading returns globally. As at 31 March 2021, Australian banks had assets of more than $5.2 trillion, including over $3.4 trillion of outstanding loans.[1] This puts total bank assets at almost three times the size of the Australian economy, with outstanding loans at over 1.5 times Australia's annual gross domestic product (**GDP**).[2] As at 30 September 2021, the Australian listed banking sector made up approximately 32%[3] of the total market capitalisation of the S&P/ASX 50 and approximately 27% of the S&P/ASX 100.[4] The resilience of the Australian economy through multiple cycles over the last 25 years (including the 1997 Asian financial crisis, the bursting of the dot.com bubble in 2000, the 2008 Global Financial Crisis (**GFC**) and the ongoing COVID-19 pandemic) highlights the prudential strength and relative attractiveness of the Australian banking market. Financial systems in Australia and internationally have, to date, also been relatively resilient to the effects of the COVID-19 pandemic due to factors including their high levels of capital, significant holdings of liquid assets, ongoing profitability and the substantial policy support provided by the Australian Government, central bank and other regulators.[5]

Judo's target customer base, SMEs, is a crucial part of the Australian economy. As at 30 June 2020, SMEs in Australia account for approximately 40% of domestic private sector employment and contribute 35% of total domestic sales and service income.[6] The SME business lending market is large and highly profitable, driven by higher lending rates, lower risk-adjusted historical loss rates and higher levels of secured lending compared to other segments of business lending (such as lending to large corporates and institutions). While there are many smaller 'micro businesses' that sit outside the SME market and do not have material financing needs, DBM Consultants, a specialist financial services research and insights consultancy, estimates that:

- as at February 2021, there were approximately 675,000 SMEs in Australia, each with total borrowings of between $250,000 and $35 million.[7] These businesses are estimated to account for 45% of all domestic business lending and approximately 50–60% of all domestic business lending revenue;[8] and
- the size of the total addressable SME lending market in Australia is $605 billion.[9]

This section provides an overview of:

- the market structure, size and growth drivers of the Australian banking market (see **Section 2.2**);
- the SME lending market (see **Section 2.3**);
- the impact of the COVID-19 pandemic on the Australian economy, financial services and SMEs (see **Section 2.4**); and
- the current regulatory environment (see **Section 2.5**).

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1. Source: APRA, Quarterly Banking Statistics, March 2021 (released June 2021).
2. Source: Australian Bureau of Statistics, Australian National Accounts: National Income, Expenditure and Product (March 2021).
3. Source: Market Index, ASX 50 (September 2021). Market data as at 30 September 2021.
4. Source: Market Index, ASX 100 (September 2021). Market data as at 30 September 2021.
5. Source: RBA, The Australian and Global Financial Systems (April 2020).
6. Source: Australian Bureau of Statistics, 81550DO007_201920 Australian Industry, 2019-20 (2021).
7. Source: DBM Consultants, Australian SME Lending Opportunities (July-2021). Excludes Agri-businesses (except their asset finance holdings), borrowings related to Credit Cards, Debtor Finance, Trade Finance but includes asset finance customers with total borrowings greater than $50,000.
8. Source: DBM Consultants analysis based on DBM Atlas data (lending and deposit balances) and bank annual reports (margin and revenue estimates).
9. Source: DBM Consultants, Australian SME Lending Opportunities (July-2021). Excludes Agri-businesses (except their asset finance holdings), borrowings related to Credit Cards, Debtor Finance, Trade Finance but includes asset finance customers with total borrowings greater than $50,000.

2.2. Market structure, size and growth drivers of the Australian banking market

Judo is part of a sector that plays a central role in the Australian economy, with banks holding the majority of the Australian financial system's assets and liabilities. In order to operate a banking business in Australia, APRA must grant the company authority to do so. It is then referred to as an 'authorised deposit-taking institution' or ADI.

The main types of ADIs are:

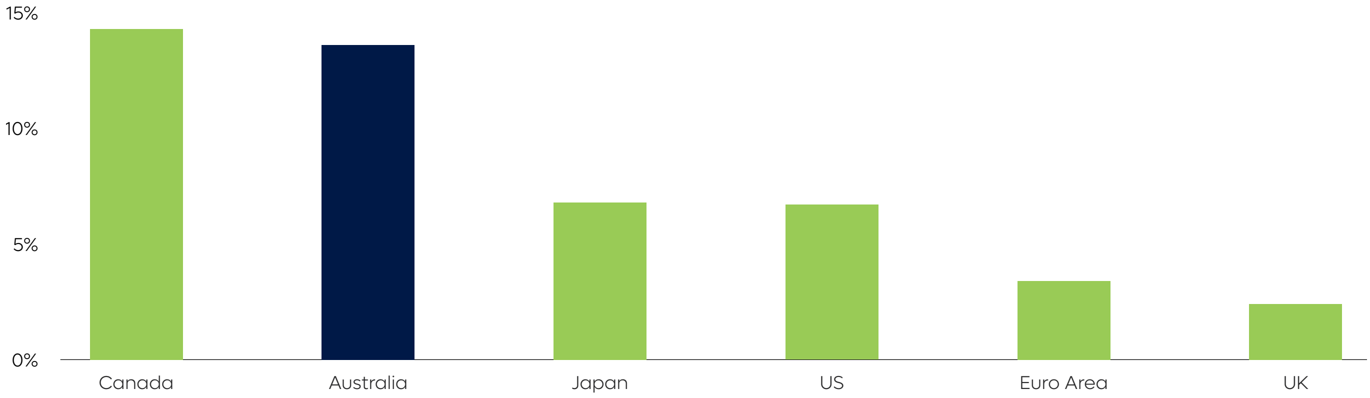
- banks;
- building societies;
- credit unions; and
- other (being ADIs that do not fall within any of the above categories).

The term 'bank' is legislatively defined by the *Banking Act 1959* (Cth) (**Banking Act**). Under sections 66 and 66A of the Banking Act, only companies that have been granted approval by APRA can refer to themselves as banks in Australia.

The four largest banks in Australia are the Commonwealth Bank of Australia (**CBA**), Westpac Banking Corporation (**Westpac**), ANZ Banking Group (**ANZ**) and the National Australia Bank (**NAB**). These banks are all listed on the ASX, have a combined market capitalisation of over $452 billion (as at 30 September 2021) and are collectively referred to as Australia's 'Major Banks'.

As demonstrated in **Figure 3**, the Major Banks have delivered an average return on equity (**ROE**) of approximately 13% per annum since 2008, making the Australian banking market one of the highest-performing banking markets globally. Part of this strong ROE outperformance may be explained by the structure of the market, with the Major Banks representing approximately 75% of market share based on gross loans and advances (**GLAs**) as at March 2021, as shown in **Figure 4**.

Figure 3: Large bank ROEs by country (average ROE since 2008)[10,11]



Other participants in the Australian banking market include smaller domestic banks such as Bank of Queensland (**BOQ**), Bendigo and Adelaide Bank and Suncorp Bank (collectively referred to as Australia's **Regional Banks**); Macquarie Bank; AMP Bank; Judo Bank; the offshore operations of major global retail banks; and a variety of not-for-profit building societies and credit unions. The Regional Banks tend to operate branch-based models in defined geographies with narrow product lines generally focused on retail and small business banking customers. The customer-owned banks do not typically offer SME products.

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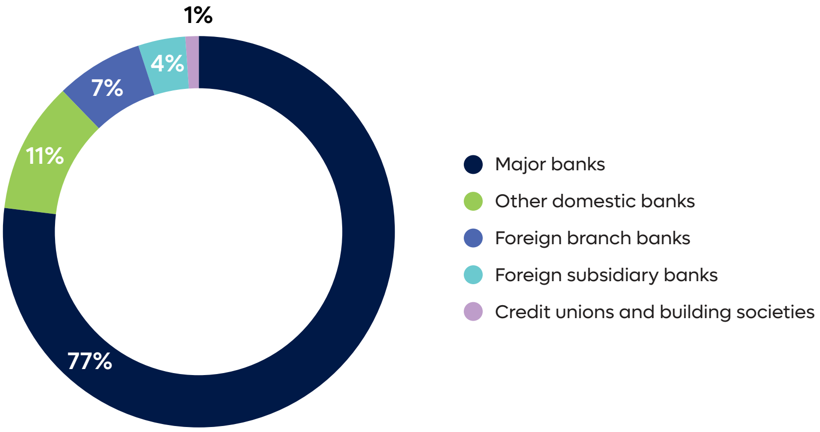
[10] Number of banks: Canada (6), Australia (4), Japan (4), US (12), Euro area (39) and UK (4).

[11] Source: RBA, The Global Financial Environment (October 2020). Historical averages are based on an approximation of RBA data.

Section 2.
Industry Overview

Since September 2004, there has been a 41% decline in the number of ADIs operating in Australia, largely as a result of consolidation activity in the credit union sector.[12] Over the last decade, only six financial institutions have been granted a full ADI banking licence by APRA, of which one was granted a licence in 2015 and the other five, including Judo, received their licences in 2019. Since 2019, APRA has revoked the banking licence of one of those newly licensed institutions and another has been acquired by a Major Bank.

Figure 4: Composition of different types of ADIs by gross loans and advances[13]



Over the last few years, the Australian banking market has seen the emergence of a number of new non-bank entrants that offer micro or unsecured lending products to retail clients, such as buy now pay later (**BNPL**) providers including Afterpay, Zip Co, Latitude Financial Services' LatitudePay and Humm Group, and SME-focused lenders such as Prospa Group, OnDeck and Moula. While BNPL providers in the retail segment have achieved significant growth, SME lenders in the micro or unsecured segment currently represent only a relatively small part of the overall business lending market.

Key characteristics of the Australian banking market include:

- **Resilient profitability throughout the cycle:** bank profitability and ROE were strong through the business cycle. The Australian Major Banks' average ROE was 13.6% per annum over the last 15 years.[14]
- **Strong capitalisation:** Australian banks' Common Equity Tier 1 (**CET1**) capital ratios are substantially above prudential minimum requirements, with more than half of the additional CET1 capital generated from retained earnings.
- **High liquidity:** Australian banks' liquidity coverage ratios have increased across the industry over the last two years, due to ample access to low-cost deposits. As at March 2021, the total deposit market size was $3.3 trillion (see **Section 2.2.2.1**).[15]
- **Resilient asset quality:** aggressive stress tests conducted by APRA suggest that Australian banks would remain sound in the event of significant economic deterioration. Consistent with this, the Reserve Bank of Australia's (**RBA**) stress testing model implies that it would take a recession comparable to the Great Depression for CET1 capital ratios to fall below 6%. **Figure 5** shows that business lending experienced low levels of bad debts (expressed as the 'net charge-off' ratio) historically and through the COVID-19 pandemic.

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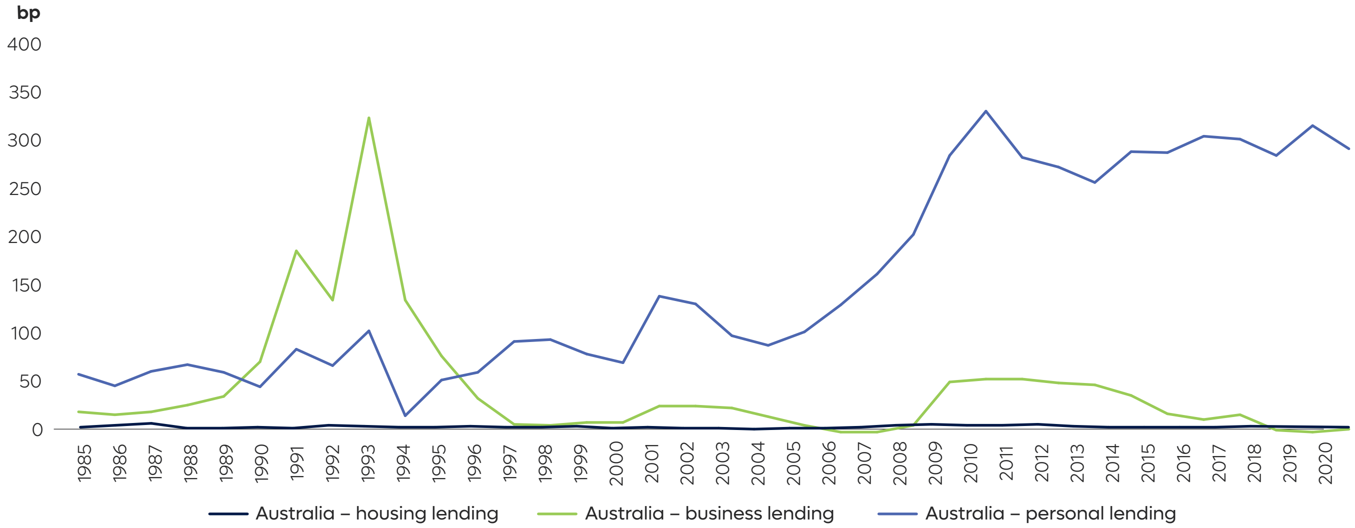
12. Source: APRA, Monthly ADI performance statistics, March 2021 (released June 2021).
13. Source: APRA, Quarterly ADI performance statistics, March 2021 (released June 2021).
14. Source: APRA, Quarterly ADI performance statistics, March 2021 (released June 2021).
15. Source: APRA, Quarterly ADI performance statistics, March 2021 (released June 2021).

Figure 5: Major Banks' domestic net charge-offs by product[16]



Note: Years above refer to banks' financial year. The Australian financial year starts on 1 July and ends on 30 June of the next year.

2.2.1 Lending market

The Australian lending market can be separated into two broad segments:

- **Business lending:** this is typically segmented by size (comprising micro, SME, corporate and institutional lending), with the Major Banks collectively accounting for 69% of all business lending. The combination of Macquarie Bank, ING Bank and the Regional Banks accounts for approximately 8% of all business lending; and
- **Retail lending:** this includes residential mortgages and unsecured personal lending. Following the GFC, the retail banking segment has benefited from a benign interest rate environment, which has delivered steady mortgage growth from rising property prices in capital cities.

There are a number of underlying drivers in the Australian lending market that have supported the increase in demand for credit, as outlined in **Table 3** below.

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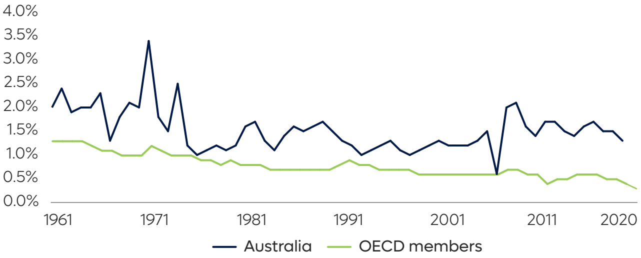
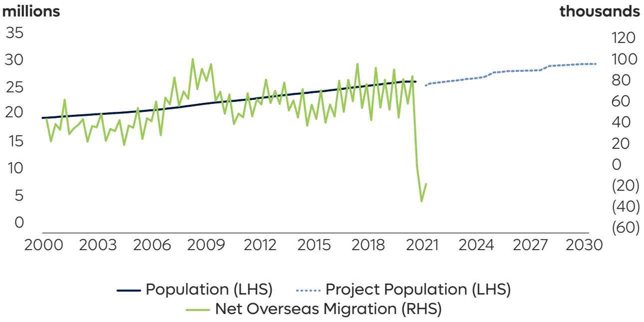
[16] Source: Analysis based on annual reports for ANZ, CBA, NAB and WBC over time.

Table 3. Key drivers of Australian lending

Key drivers	Description	Evidence
Solid population growth	• Australia's population growth has exceeded the median rate of all other member countries of the Organisation for Economic Co-operation and Development (**OECD**) since 1961 (with the exception of 2007).[17] • Between December 2000 and December 2020, Australia's population grew at a compound annual growth rate (**CAGR**) of 1.5% per annum.[18] • Historically, net overseas migration has accounted for approximately half of Australia's population growth, with new immigrants having more immediate needs for housing relative to the non-immigrant population. • Looking forward, the Australian Bureau of Statistics (**ABS**) forecasts that Australia's population will grow at a CAGR of 1.5% between 2017 to 2030.[19]	**Figure 6: Australian vs. OECD members' population growth[20]**  **Figure 7: Australian population (m) and net overseas migration ('000)[21]** 

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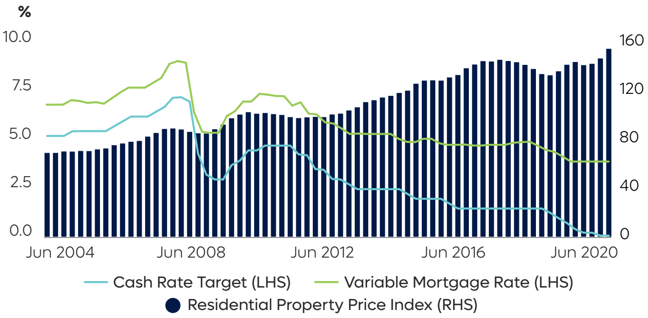
17. Source: The World Data Bank, Population growth (annual %) – OECD members (2019).
18. Source: Australian Bureau of Statistics, Australian Demographic Statistics (December 2020).
19. Source: Australian Bureau of Statistics, Australian Demographic Statistics (December 2020).
20. Sources: The World Data Bank, Population growth (annual %) – OECD members (2019). Australian Bureau of Statistics, Australian Demographic Statistics (December 2020).
21. Sources: Australian Bureau of Statistics, Australian Demographic Statistics (December 2020). Australian Bureau of Statistics, Population Projections, Australia (November 2018).

Key drivers	Description	Evidence
Low interest rates	• Australia is currently experiencing record low interest rates. • Interest rates on residential mortgages are a key driver of Australian residential mortgage market activity, as they directly impact the cost of a mortgage and therefore the amount a customer can borrow.[22] • Similarly, interest rates have a direct impact on the affordability of business borrowings. Many businesses, including SMEs, use residential property as collateral for borrowings and therefore are indirectly impacted by residential property market activity. • Further benefiting from the low interest rate environment, property prices positively impact asset security and the loan-to-value ratio.	**Figure 8: Interest rate (%) vs. residential property price index[23]** 

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22. Sources: RBA, Indicator Lending Rates – F5 (June 2020). RBA, Overnight cash rate (June 2021). Australian Bureau of Statistics, 6202.0 – Labour Force, Australia (June 2021). Australian Bureau of Statistics, 6416.0 – Residential Property Price Indexes: Eight Capital Cities (June 2021).
23. Sources: Australian Bureau of Statistics, Residential Property Price Index (March 2021). RBA, F5 Indicator Lending Rates (May 2021). RBA, F1 Interest Rates and Yields – Money Market (June 2021).

<table>
<tr><th>Key drivers</th><th>Description</th><th>Evidence</th></tr>
<tr>
<td>Strong economic growth and positive economic outlook</td>
<td>

- GDP growth in Australia has been largely positive over the last 28 years.[24] However, Australia entered its first quarter of negative growth in the three months to March 2020 and again to June 2020 as a result of the COVID-19 pandemic.[25]
- Since June 2020, GDP has returned to positive growth, reflecting easing of COVID-19 restrictions and recovery in the labour market. The level of economic activity in the March 2021 quarter was 0.8% above pre-pandemic levels of the December 2019 quarter.[26]
- Conditions in the labour market have continued to improve more quickly than previously anticipated. Employment and total hours worked in March 2021 were higher than before the COVID-19 pandemic, while the unemployment rate declined to 5.6% in March 2021.
- Since the initial impacts of the COVID-19 pandemic in 2020, Australia's inflation rate has largely continued at historically low levels (below the RBA's 2–3% target range).
- The recent outbreak of the Delta variant of COVID-19 has interrupted the recovery of the Australian economy; however, under the baseline scenario, the RBA expects GDP growth to return to slightly over 4% in 2022 and the unemployment rate to return to its downward trajectory, approaching 4% by the end of 2023.[27]

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Figure 9: Australian real GDP growth (seasonally adjusted) (%)[28]

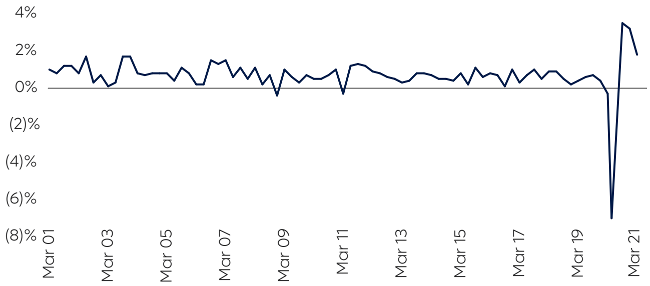
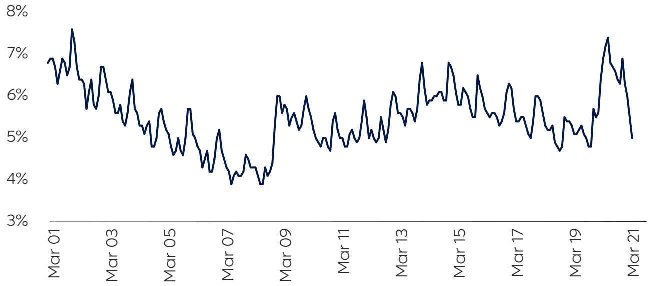


Figure 10: Australian unemployment rate (%)[29]



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[24] Source: IMF World Economic Outlook database, Australia (April 2020).

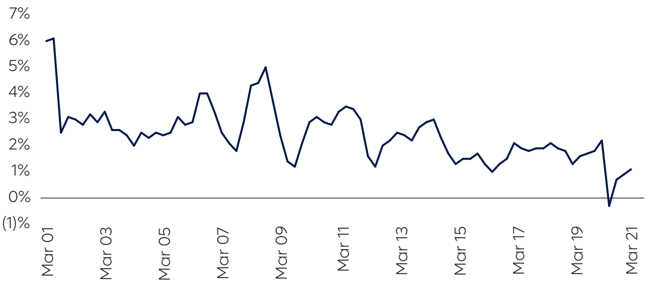
[25] Source: Australian Bureau of Statistics, 5206.0 – Australian National Accounts: National Income, Expenditure and Product (March 2021).

[26] Source: Australian Bureau of Statistics, 5206.0 – Australian National Accounts: National Income, Expenditure and Product (March 2021).

[27] Source: RBA, Statement on Monetary Policy (August 2021).

[28] Source: Australian Bureau of Statistics, 5206.0 – Australian National Accounts: National Income, Expenditure and Product (March 2021).

[29] Source: Australian Bureau of Statistics, 6202.0 – Labour Force, Australia (June 2021).

Key drivers	Description	Evidence
Strong economic growth and positive economic outlook continued	• While further large outbreaks of COVID-19 are possible, the need for extended lockdowns is expected to diminish as vaccination coverage has increased substantially in recent months, with approximately 28.1 million doses administered across Australia as at 30 September 2021.[30]	**Figure 11: Australian inflation rate (%)**[31] 

2.2.1.1 Business lending

Between 2010 and 2020, business lending grew 5.3% per annum, which was below pre-GFC levels.[32] This partly reflects a bias towards household mortgage lending by Australian banks, with business lending becoming a smaller portion of total lending over time (see **Figure 12**), consistent with customer perceptions that business-related credit is difficult to access.[33]

Figure 12: Business and housing lending, as a share of total lending (excluding government loans) (%)[34]

In general, Australian banks have seen their market share of business lending decline over time, falling from 82% in 2011 to 77% in 2021, primarily due to increased competition from international banks in the institutional lending segment (see **Figure 13**). As at May 2021, seven of the top 15 business lenders in the Australian market were international banks (see **Figure 14**).

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[30] Source: Australian Government Operation COVID Shield, COVID-19 Vaccine Roll-out (30 September 2021).

[31] Source: Reserve Bank of Australia, G1 Consumer Price Inflation (March 2021).

[32] Source: RBA, E1 Household and Business Balance Sheets (March 2021).

[33] Source: RBA, Australia's Economic Recovery and Access to Small Business Finance (March 2021).

[34] Source: RBA, D5 Bank Lending Classified by Sector (May 2021).

Figure 13: Market share of business lending by type of institution (%)[35]

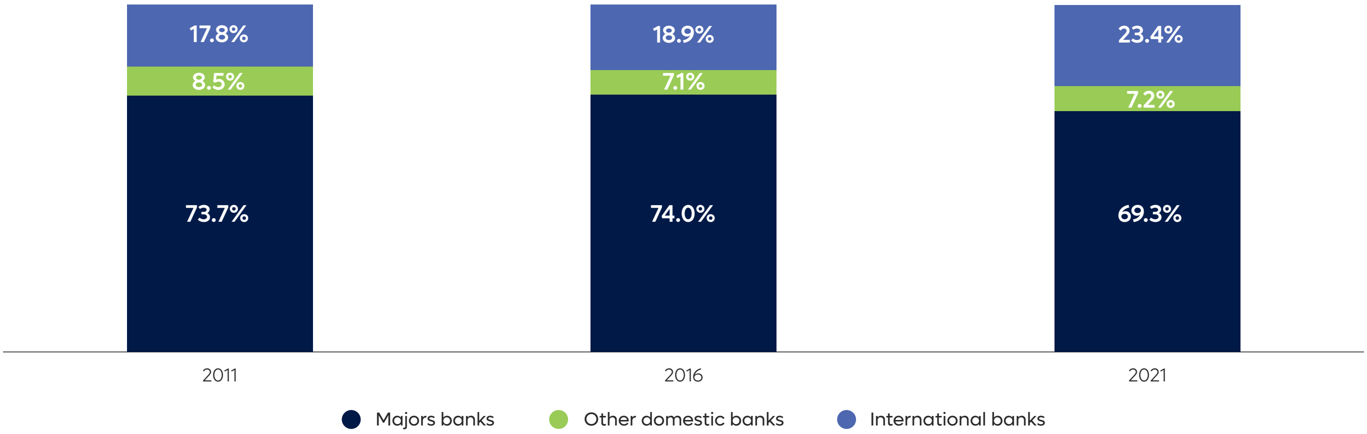
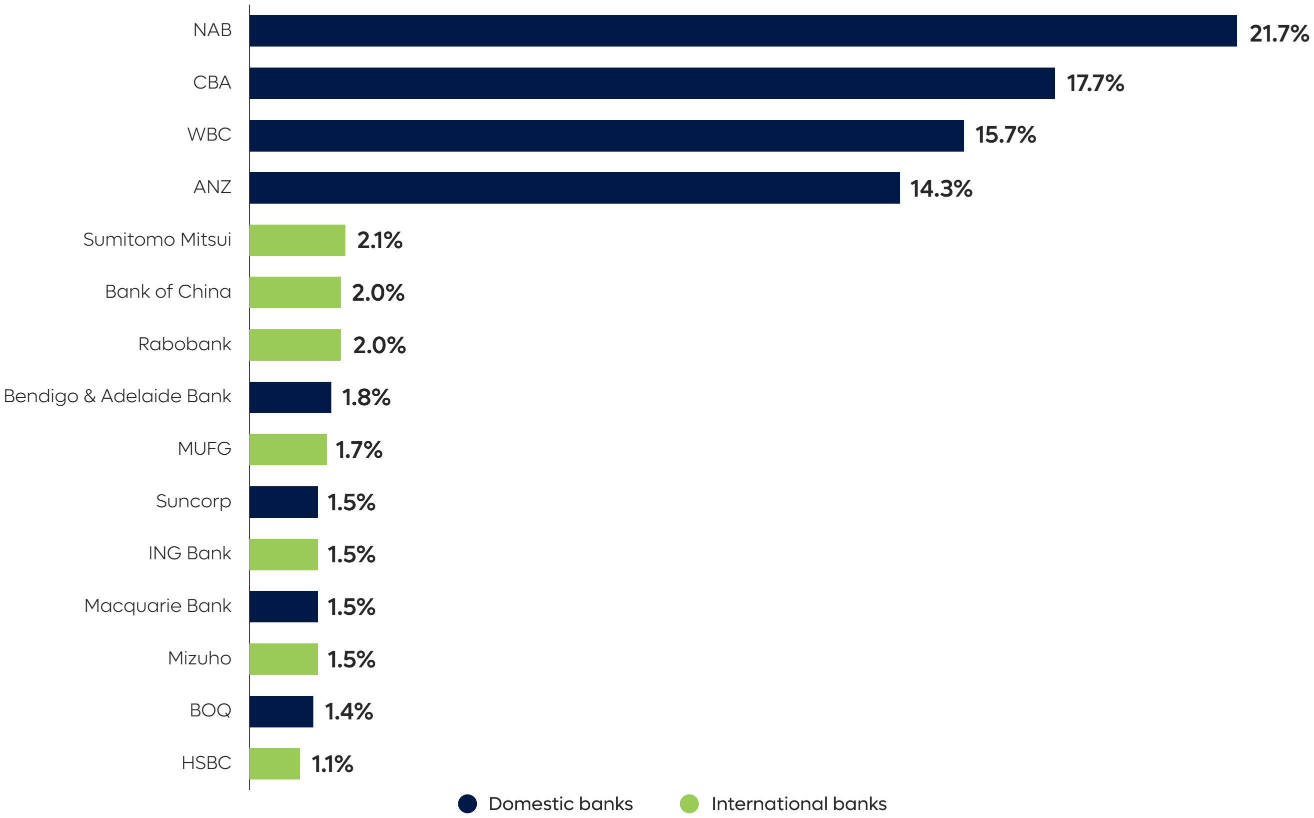


Figure 14: Top 15 players in the Australian business lending market (%)[36]



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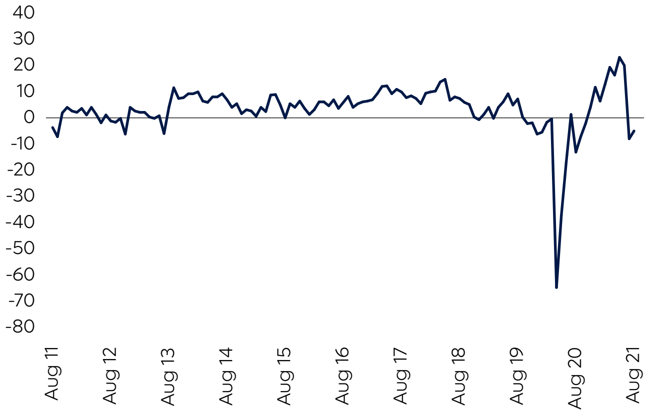
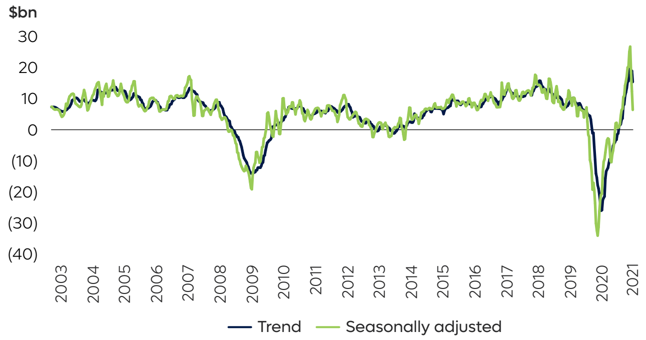
[35] Source: DBM Consultants analysis of APRA, Monthly Banking Statistics Back Series (31 May 2021).

[36] Source: DBM Consultants analysis of APRA, Monthly Banking Statistics Back Series (31 May 2021).

The Australian business lending market benefits from a number of drivers supporting a positive future outlook, as outlined in **Table 4** below.

Table 4. Key drivers of Australian business lending

Key drivers	Description	Evidence
Business confidence	• Demand for business lending is largely driven by business confidence, which has been positive for the majority of the past decade. • The NAB business confidence index fell to an all-time low of negative 66 in March 2020, reflecting the impacts of the COVID-19 pandemic. • However, by November 2020, the index had recovered to pre-pandemic levels, and continued to increase to an all-time high in April 2021, given the strong Australian economic recovery. However, the index has since retreated, reflecting the recent Delta variant outbreak and lockdowns across New South Wales and Victoria.	**Figure 15: NAB business confidence index (%)**[37] 
High level of business investment (capex)	• Investment in business operations is one of the primary drivers for business lending. • Investment, as measured by capital expenditure (**capex**), was at an exceptionally high level prior to the recent COVID-19 lockdowns, driven by strong business confidence. • This was partially explained by businesses rebounding from the decline in capex spend in 2020 as uncertainty peaked, and widespread shutdowns occurred during the COVID-19 pandemic. • However, given the recent lockdowns across New South Wales and Victoria, capex decreased in July 2021.	**Figure 16: Capex (net balance) ($ billion)**[38] 

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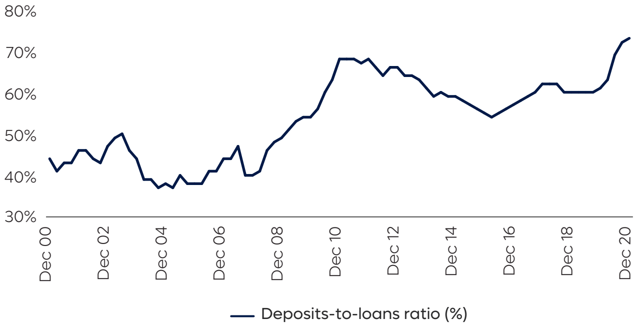
37. Source: Tradingeconomics.com analysis of National Australia Bank's business confidence index (August 2021).

38. Source: NAB, Monthly Business Survey (August 2021).

Key drivers	Description	Evidence
Low gearing of businesses	• Australian businesses have experienced a long-term trend of deleveraging, demonstrated by increasing cash holdings in proportion to debt (with a significant increase during the GFC). • As at December 2020, the business deposits-to-loans ratio was approximately 73%, with business deposits having grown at a CAGR of 10% since 2002. This may partly reflect the difficulty in obtaining business credit, highlighting the significant potential capacity for business credit.	**Figure 17: Business deposits-to-loans ratio (%)**[39] 

Australian business lending is also characterised by historically low loss ratios.[40] Major Banks' bad debts in relation to business loans (represented by the net charge-off ratio) have been declining since 2012 and were equal to 11 basis points or 0.11% in financial year (**FY**) 2020 (see **Figure 5** above).[41] Additionally, insolvency appointments have been declining for almost a decade and as at June 2021 were considerably below the historical average.[42] This trend further accelerated from 25 March 2020 to 28 February 2021, due to temporary changes made by the Australian Government to the bankruptcy and Corporations Regulations in response to the COVID-19 pandemic, aimed at reducing unnecessary insolvencies.[43]

Another important feature of the business lending market is that it generally has a more efficient operating model than the institutional or private banking segments, as evidenced by the lower cost-to-income ratio (**CTI ratio**).[44] While there are limited Australian precedents, this is illustrated by the overseas success of UK challenger banks such as OneSavings Bank, Aldermore and Shawbrook, which have a significant proportion of SME loans on their balance sheets and serve as a helpful proxy for the Australian business banking market. These challenger banks have achieved CTI ratios between 27% and 54%,[45] below cost-to-income levels observed among UK-based large global banks such as HSBC, NatWest Group, Barclays and Lloyds Banking Group, which have CTI ratios between 55% and 76%.[46] In comparison, the last reported CTI ratio for the Australian Major Banks was between 46% and 55%.[47]

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[39] Source: RBA, E1 Household and Business Balance Sheets (March 2021). Deposits are total deposits by non-financial corporations.

[40] Source: Analysis based on annual reports for ANZ, CBA, NAB and WBC over time.

[41] Source: Analysis based on annual reports for ANZ, CBA, NAB and WBC over time. The Australian financial year starts on 1 July and ends the next year on 30 June.

[42] Source: ASIC, Australian insolvency statistics (August 2021).

[43] Source: Corporations and Bankruptcy Legislation Amendment (Extending Temporary Relief for Financially Distressed Businesses and Individuals) Regulations 2020.

[44] Source: KPMG, Full Year 2020 Results Analysis (November 2020).

[45] Based on last reported CTI ratios of OneSavings Bank, Shawbrook and Aldermore.

[46] Based on FY20 CTI ratios of large universal banks (HSBC, NatWest Group, Barclays, Lloyds Banking Group) and retail focused challenger bank (Virgin Money).

[47] Based on last reported CTI ratios of ANZ, CBA, NAB and WBC.

2.2.1.2 Residential lending market

Alongside our business lending products, we offer home loans as an ancillary product to support the residential property finance needs of our SME Customers (see **Section 3.4.3**).

Australia has a strong tradition of home ownership, with rates of home ownership remaining fairly stable at approximately 70% of the population over the past few decades.[48] Applicants for home loans are generally classified as either owner-occupiers or investors. Home loans are typically for a term of 25–30 years, with the debt fully paid off at the end of the term and secured by a registered first mortgage over residential property. During the past 15 years, the home lending market has seen an increase in property investor activity, due in part to the relative stability of Australian residential real estate as an asset class and its historical growth profile, promoted through the growing popularity of self-managed superannuation funds, regulatory reforms, such as capital gains tax concessions, and an overall increase in general investment activity.[49]

As at June 2020, total residential mortgage loans in Australia were $1.9 trillion.[50] The Australian residential mortgage market has historically demonstrated consistent, strong growth with a CAGR of 6.4% in the total value of loans outstanding between May 2006 and May 2021.[51]

The Australian residential mortgage market is dominated by ADIs, which account for approximately 74% of the market, with the Major Banks collectively holding a 59% share of the total ADI market.[52] Other participants in the Australian residential mortgage market include non-bank lenders (or non-ADIs), including Firstmac, La Trobe, Liberty, Pepper Money and Resimac.

Lenders generally distribute mortgages either directly to consumers through a branch network, phone or digital channels or through intermediaries such as finance brokers, accountants, advisers or distribution partners. Between 2012 and 2020, the proportion of home loans settled by finance brokers increased from 44% to 60%.[53]

2.2.2 Banks' funding sources

Australian banks have access to a wide range of funding sources including retail and wholesale deposits, wholesale debt (including securitisation, long- and short-term senior debt) and equity (including core equity capital and hybrid capital instruments). The share of bank funding from deposits has been rising over the last decade. Excluding equity, approximately two-thirds of the Major Banks' funding comes from deposits. In contrast, the share of bank funding drawn from wholesale debt markets has declined over the years. Wholesale debt (including securitisation, long- and short-term senior debt) accounts for approximately one-third of the Major Banks' non-equity funding. As discussed in **Section 2.2**, banks can also obtain funding from the RBA's Term Funding Facility (**TFF**).

Funding costs

In 2020, in response to the COVID-19 pandemic, the RBA reduced the cash rate target to historically low levels and implemented other measures to lower the cost of funding for banks and support the supply of credit to households and businesses. Consistent with this, banks' debt funding costs and lending rates declined substantially during 2020.

The overnight cash rate declined 65 basis points or 0.65% from 0.75% to 0.1% over the period from January 2020 to June 2021. As a result of the RBA's policy measures, wholesale debt costs and retail and wholesale deposit rates also declined to historical lows.[54]

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[48] Source: Australian Bureau of Statistics, 6553.0 – Survey of Income and Housing, User Guide, Australia, 2017-2018 (July 2019).

[49] Source: RBA, Lending and Credit Aggregates – D2 (June 2021).

[50] Source: RBA, Lending and Credit Aggregates – D2 (June 2021).

[51] Source: RBA, Lending and Credit Aggregates – D2 (June 2021).

[52] Source: APRA, Quarterly ADI performance statistics, March 2021 (released June 2021).

[53] Source: Mortgage & Finance Association of Australia, Industry Intelligence Service Report, 8th edition, last four quarters.

[54] Source: RBA, Developments in Banks' Funding Costs and Lending Rates (March 2021).

The RBA's TFF also reduced banks' funding costs, broadly through the provision of low-cost funding to support lending and by reducing banks' need to issue more expensive long-term wholesale debt. Banks also reduced retail deposit rates during 2020, initially in response to the March 2020 policy easing, but also due to strong growth in the supply of funding, including deposits. The decline in these costs continue to flow through to banks' overall cost of funding, as fixed-rate deposit and other term funding mature and are replaced by funding at lower rates.

2.2.2.1 Deposit market

As at March 2021, the Australian banking system comprised total deposits of $3.3 trillion spread across term deposits, at-call and on demand accounts, and certificates of deposits (**CDs**).[55] Over the last decade, the Australian deposit market grew at 5.7% per annum.[56] The Major Banks hold approximately 77% market share, with the balance spread across approximately 140 other institutions including Regional Banks, other domestic banks, customer-owned banks and foreign banks.[57]

Deposits held with ADIs benefit from the Australian Government–backed safety net under the Financial Claims Scheme, which provides protection to deposit holders of up to $250,000 per account holder per ADI, in the unlikely event that one of these financial institutions fails.[58]

Competitive landscape

The Australian direct retail deposit market is very mature, with banks historically originating deposits through direct channels such as branches, call centres and websites. Over the last decade, however, various new entrants have successfully gained market share in the Australian deposit market without costly branch networks by focusing on digital channels. Such examples include international entrants such as ING Bank and Rabobank, home-grown banks such as UBank (a subsidiary of NAB) and ME Bank (recently acquired by BOQ) and, more recently, digital-only retail 'neobanks' such as 86400 (recently acquired by NAB) and Up. The success of these entrants demonstrates that a digital-led deposit-gathering model, without costly branch infrastructure and marketing spend, can make significant inroads into the traditional deposit base of the Australian banks. Research conducted by RFi Group further shows that over the last four years, the proportion of savings accounts opened via online channels has grown from 42% in September 2016 to 64% in September 2020. At the same time, the proportion of savings accounts opened through branches decreased from 41% to 28%.[59]

Deposit customers

The total deposit market consists of $2.5 trillion of Australian-resident deposits, of which $465 billion are deposits of Australian financial institutions, and $848 billion of non-resident deposits.[60]

Households provide more than 46% of total residents' deposits[61] and that proportion has been increasing.[62] Non-financial businesses contribute more than 29% of total residents' deposits.

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[55] Source: APRA, Quarterly ADI performance statistics, March 2021 (released June 2021).

[56] Source: APRA, Quarterly ADI performance statistics, March 2021 (released June 2021).

[57] Source: APRA, Quarterly ADI performance statistics, March 2021 (released June 2021).

[58] Source: APRA, Financial Claims Scheme (June 2021).

[59] Source: RFi Group, Consumer Insights – Savings and Term Deposits Report (2021).

[60] Source: APRA, Monthly ADI performance statistics, May 2021 (released June 2021).

[61] Resident is defined as having their centre of predominant economic assets (for example, principal place of residence or principal place of production) within Australia.

[62] Source: APRA, Monthly ADI performance statistics, May 2021 (released June 2021).

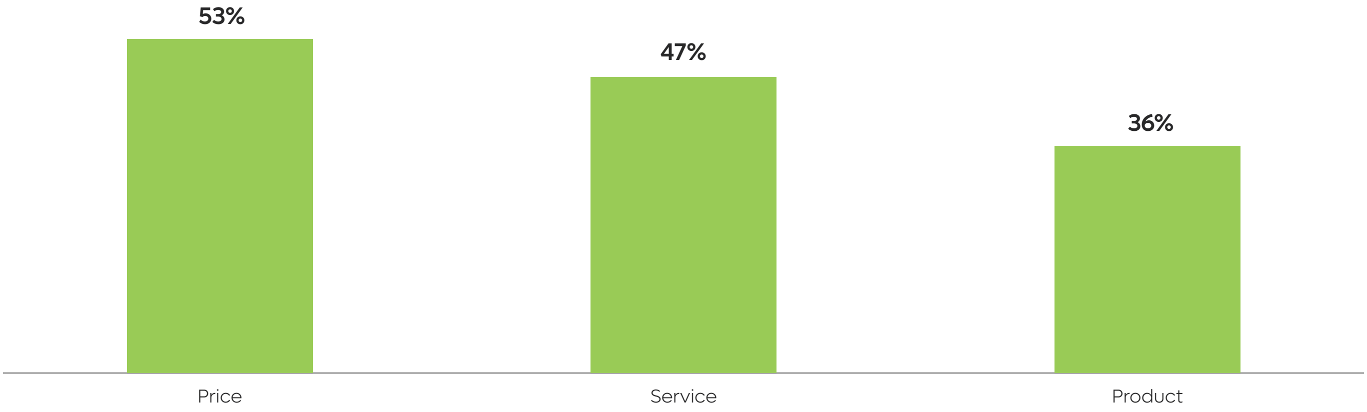
Deposit products and distribution

There are two main types of deposit products: at-call deposits or current accounts, and savings products.

- **At-call deposits or current accounts** are central to most retail customers' personal finance and typically define their primary relationships with a bank. Retail banks compete to be primary current account providers since these customers are likely to hold further products, such as mortgages, credit cards and loans, and are generally more loyal.
- **Savings products** allow customers to deposit cash and to receive interest on those funds at rates that are typically higher than funds held in a current account. There are two main types of savings products: fixed rate term deposits and variable rate savings accounts. Judo currently offers only fixed rate term deposits (refer to **Section 3.7.3.1** for further detail).

Unlike current accounts, where customers tend to develop long-term relationships with their provider, term deposits are simple, and therefore a relatively more commoditised financial product. In a survey conducted by DBM Consultants, 53% of respondents stated that price was the main reason for switching term deposit products or providers (see **Figure 18**).[63] Additionally, service and product features are also mentioned as significant factors, highlighting the importance of delivering a holistic value proposition.[64]

Figure 18: Deposit customers' main reason for switching banks and products (%)[65]



Distribution channels play an important role in the deposit market, particularly, digital channels. Digital adoption by consumers across all sectors has accelerated during the COVID-19 pandemic. Consumers identify convenience (for example, call-back options) and availability (for example, 24/7 webchat) as being the two most important benefits behind using digital. In Australia, as at May 2020, 32% of banking customers who identified face-to-face as their preferred channel prior to the COVID-19 pandemic stated they now prefer using digital channels.[66] As a result, banks with developed digital banking offerings are better placed to attract more deposits.[67]

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63. The 53% includes 24% of customers who indicated fees as the key reason for switching, 19% of customers who indicated rates and 10% of customers who indicated both fees and rates.
64. Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).
65. Source: DBM Consultants, Australian SME Lending Opportunities (July 2021). Respondents can nominate multiple reasons for switching.
66. Source: KPMG, Full Year 2020 Results Analysis (November 2020).
67. Source: KPMG, Full Year 2020 Results Analysis (November 2020).

Australia has a $799 billion term deposit market.[68] The majority of term deposits are held with the Major Banks.[69] While there is limited public information available to estimate the size of the contestable term deposit market, there is evidence to conclude that over the past decade, switching between the banks has significantly expanded as customers are able to more easily compare rates using price comparison websites and other aggregators. For example, in 2009, term deposits rolled over an average of five times before funds were withdrawn, while in 2011 this number declined to 3.5 times. It is likely that today, customers would find switching term deposit providers even easier given the growth in digital channels.

2.2.2.2 Other funding sources

Table 5. Other bank funding sources

Type of funding	Instrument	Description
Short-term debt	**Repurchase agreements**	• Repurchase agreements (**repos**) are financing instruments frequently used by holders of debt securities (such as banks or non-bank lenders) to fund their positions. A repo is an agreement between two parties under which one party sells a security to the other, with a commitment to buy back the security at a later date for a specified price. • Repos play an important role in assisting the smooth functioning of debt markets and are the main instrument used by the RBA to undertake its domestic market operations.
	Certificates of deposit and commercial paper	• CDs are generally issued by a bank and represent a savings certificate entitling the bearer to interest. They are guaranteed and can usually be sold in a highly liquid secondary market, but they cannot be cashed in before maturity. • Negotiable CDs (**NCDs**) are CDs with a minimum value of $100,000. NCDs are widely used by Australian banks to support liquidity and are typically sold to institutional investors.
Long-term debt	**Senior unsecured debt**	• Senior unsecured debt is a debt instrument that has no specific collateral backing from the borrower. In the event of a default, senior unsecured creditors are prioritised ahead of other unsecured creditors to the residual assets of the borrower that have not been used as collateral to satisfy any secured creditors and depositors.
	Covered bonds	• Covered bonds are debt securities issued by a bank and collateralised against a pool of assets that, in case of failure of the issuer, can cover claims at any point in time.

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[68] Source: APRA, Quarterly ADI performance statistics, March 2021 (released June 2021). Includes all term deposits with banks, credit unions and building societies.

[69] Source: APRA, Quarterly ADI performance statistics, March 2021 (released June 2021).

Type of funding	Instrument	Description
Securitisation	**Warehouses/term securitisation**	- Asset securitisation is the process of converting a pool of illiquid assets, such as residential mortgages or other type of loans, into tradeable securities. - The main asset class securitised in the Australian market is residential mortgages in the form of residential mortgage-backed securities. Other asset classes, such as auto and equipment receivables, help to provide a more diversified offering to investors. There has been a growing market for non-standard asset classes. - In 2018, the Australian Office of Financial Management (**AOFM**) established the $2 billion Australian Business Securitisation Fund to assist in financing SMEs (see **Section 2.2**).
	Self-securitisation	- In addition, the RBA's TFF allows banks to use the AAA/Aaa-rated notes from their self securitisation pools to access funding for up to three years through repurchase agreement with the RBA (see **Section 2.2**).
Capital instruments	**Tier 2**	- Tier 2 capital represents a supplementary layer of bank capital that to varying degrees, falls short of the quality of Tier 1 capital, but nonetheless contributes to the overall strength of an ADI and its capacity to absorb losses. - Tier 2 capital instruments include hybrid securities and certain types of subordinated term debt.
	Additional Tier 1	- Additional Tier 1 capital instruments include hybrid securities with certain loss-absorbing equity conversion features. - In the Australian domestic market, most hybrid investors are retail investors, with institutional investors making up a comparatively small segment of the market. However, hybrid securities are becoming more popular with institutional investors.

2.3. SME lending market

2.3.1 Features of the SME market

Characteristics of the market

SMEs are a critical part of the Australian economy, comprising 40% of private sector employment and 35% of sales and service income[70] (based on the ABS' definition of SMEs being businesses employing 5–199 employees). In 2018, the total value of SME business loans outstanding represented 21% of Australia's GDP, compared to only 8% of GDP in the UK and 3% of GDP in the US. This material difference between countries reflects the relative scale of the Australian SME sector and its importance to our economy.

Research undertaken by DBM Consultants estimates there are approximately 675,000 SMEs in Australia with total borrowings between $250,000 and $35 million.[71] These businesses account for 45% of all business lending in terms of loan value and 50% to 60% of all business lending revenue.[72] DBM Consultants estimates the size of the SME total addressable market (**SME TAM**) is $605 billion.[73]

The SME business lending market has several unique characteristics:

- There is a large variability between SMEs operating in different industries, with different business models, cash flow profiles and financing needs (such as working capital, capex and retirement of existing debt).[74]
- Unlike retail or large corporate lending, where credit and other information is generally available through credit agencies or public sources, lending to SMEs is subject to more information asymmetry, given the more limited information available on the borrower and the different structure and organisation of each SME business.
- SME business lending tends to require specific industry, credit underwriting and servicing expertise. As a result, automated credit underwriting and 'low-touch' servicing models may be less effective.
- SMEs rank factors such as service, speed and trust above price considerations as reasons for choosing an alternative lender over an established financial institution.[75]
- SME business lending generally attracts a higher net interest margin than residential mortgage, corporate or institutional lending.

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[70] Source: Australian Bureau of Statistics, 81550DO007_201920 Australian Industry, 2019-20 (2021).

[71] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021). Excludes Agri-businesses (except their asset finance holdings), borrowings related to Credit Cards, Debtor Finance, Trade Finance but includes asset finance customers with total borrowings greater than $50,000.

[72] Source: DBM Consultants analysis based on DBM Atlas data (lending and deposit balances) and bank annual reports (margin and revenue estimates).

[73] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021). Excludes Agri-businesses (except their asset finance holdings), borrowings related to Credit Cards, Debtor Finance, Trade Finance but includes asset finance customers with total borrowings greater than $50,000.

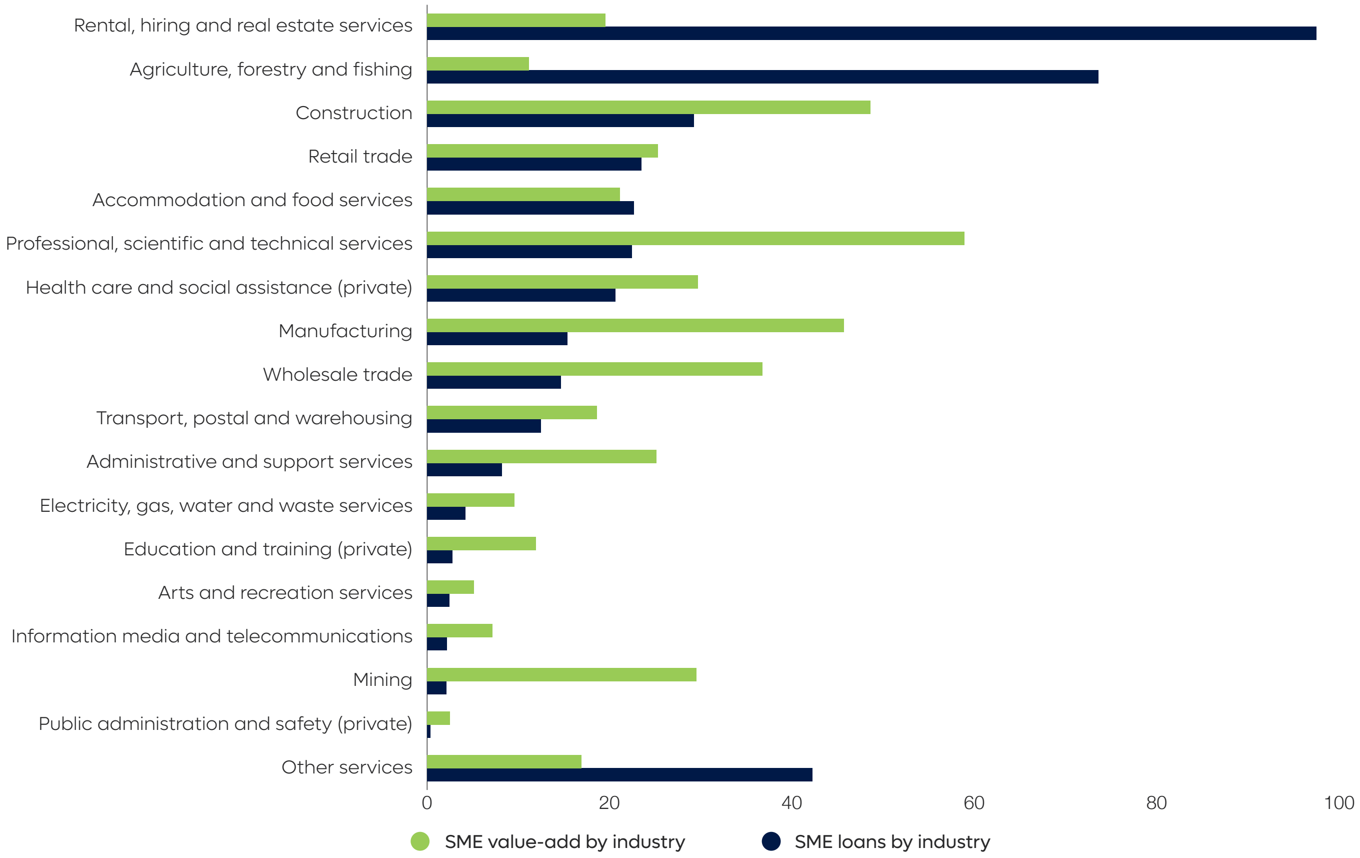
[74] According to market research conducted by East & Partners in 2020, 69% of SMEs state that working capital is the primary purpose for sourcing new funds, followed by capital expenditure for plant and equipment (38%) and retirement of existing debt (32%).

[75] Source: RFi Group, SME Banking Insights Report (2021). Data as at March 2021.

SMEs by industry

According to the ABS, between June 2019 and June 2020, SMEs added over $423 billion in value to the Australian economy. SMEs operating in the professional, scientific and technical services; construction; manufacturing; and wholesale trade industries were the main contributors by value added. In contrast, the breakdown of total SME lending by industry highlights rental, hiring and real estate services; agriculture, forestry and fishing; and construction businesses as the key borrowers.

Figure 19: SME value-add and SME loans outstanding by industry ($ billion)[76,77]



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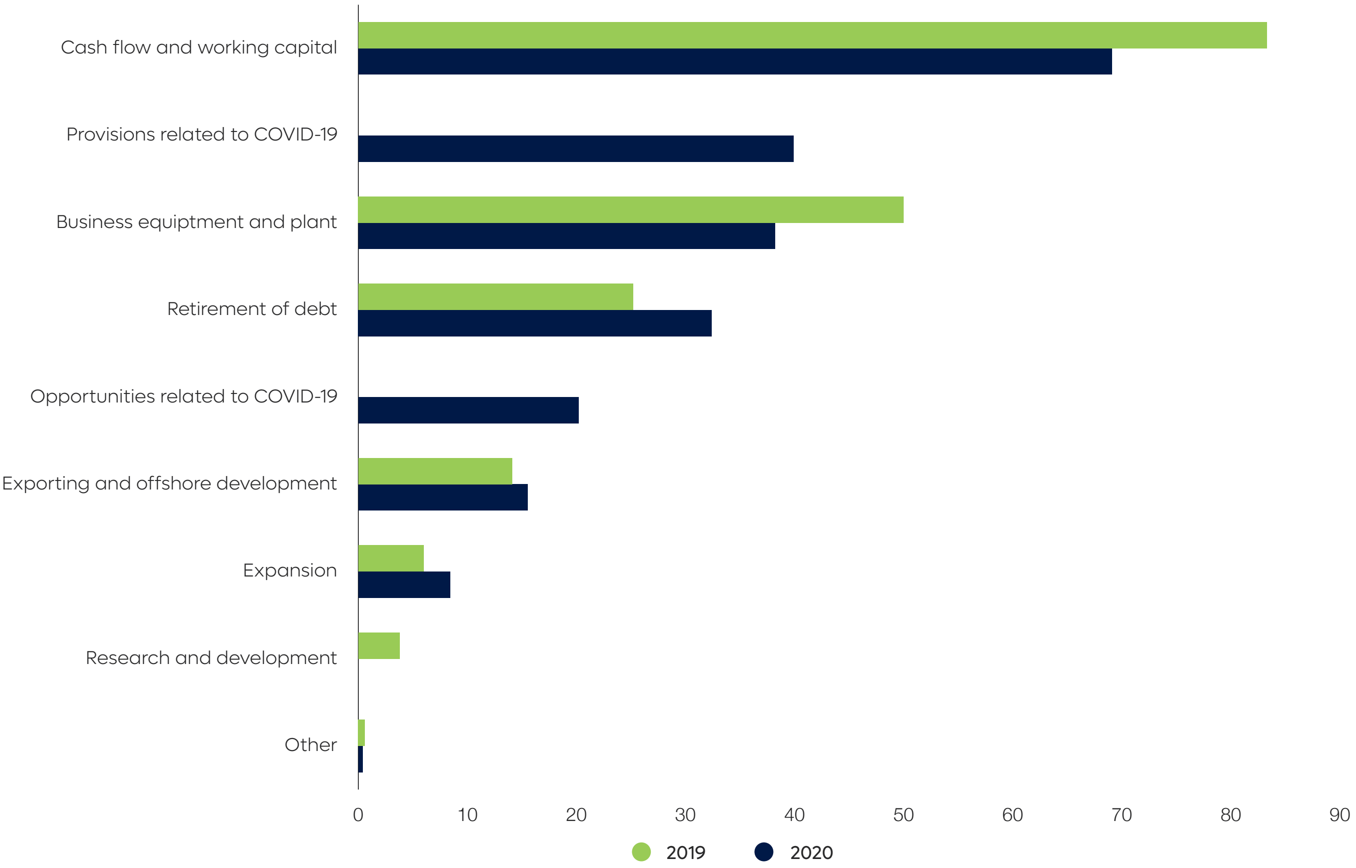
76. Source: Australian Bureau of Statistics, 81550DO007_201920 Australian Industry, 2019-20 (2021).

77. Source: RBA, Lending to Business – Business Finance Outstanding by Business Size and Industry – D14.1 (June 2021).

Purpose of SME borrowings

There are a variety of reasons why SMEs seek access to credit funding. According to market research conducted by East & Partners, working capital is the primary purpose for sourcing new funds (69% in 2020), followed by financing of capex for plant and equipment (38%) and retirement of existing debt (32%)(see **Figure 20**). Additionally, over the course of 2020, 40% of SMEs stated that provisions related to COVID-19, such as closing down or qualifying for JobKeeper, were the reason for borrowing, while 20% borrowed to fund growth opportunities related to the COVID-19 pandemic.

Figure 20: Planned purpose of borrowings (% – multiple answers possible)[78]



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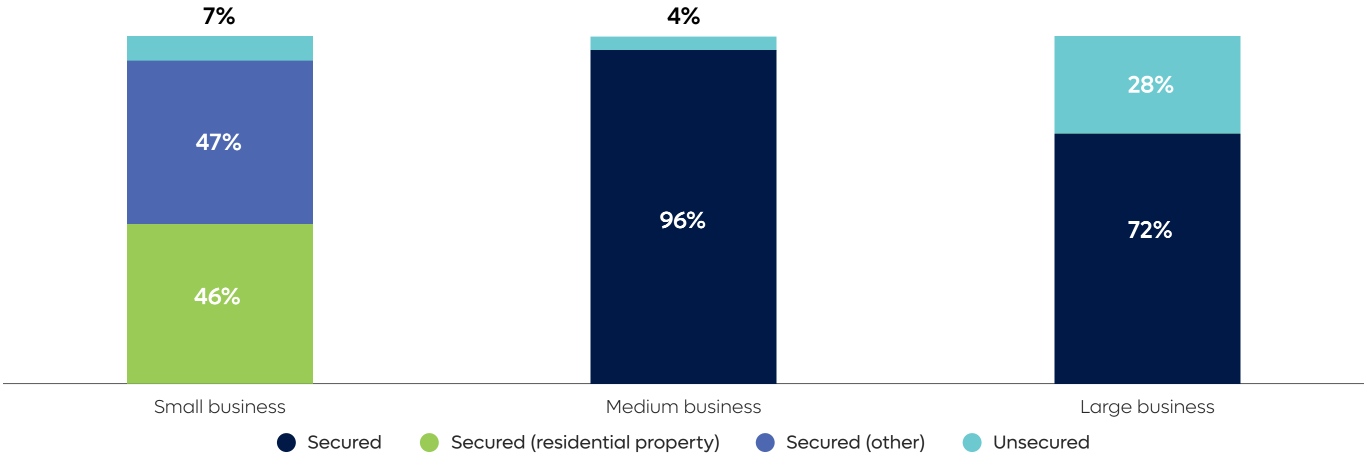
[78] Sources: East & Partners, SME Banking Insights Annual Report (2021 & 2019).

SMEs' access to credit

In Australia, over 90% of SME loans are secured, with the majority secured against real estate assets (including residential and commercial property), as illustrated in **Figure 21.**

Figure 21: Lending to businesses by type of security[79,80]

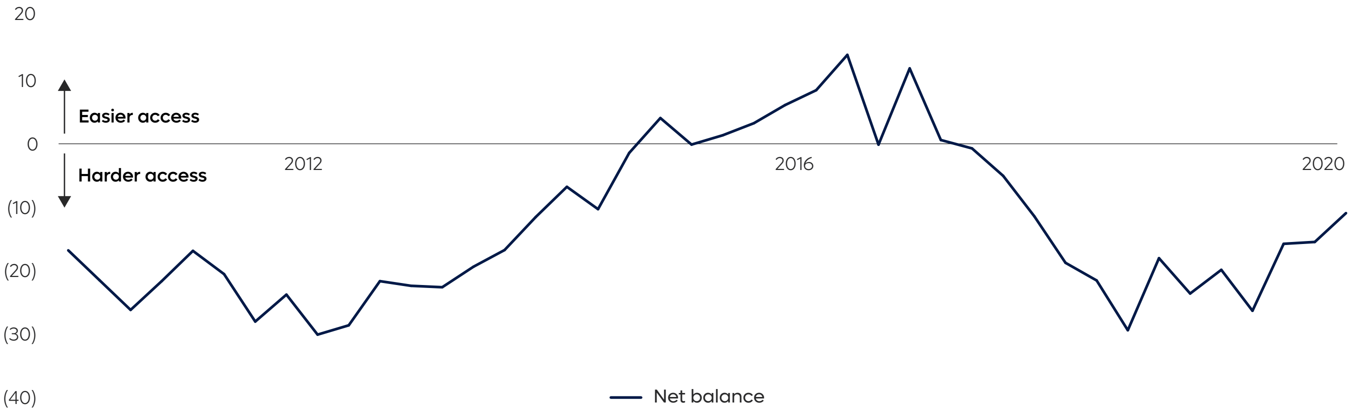


New businesses (which typically fall into the SME category) generally find it more difficult to access debt finance than established businesses, due to their lack of financial and trading track record, which finance providers use to assess credit worthiness.

Access to reasonably priced debt finance is critical for SMEs. However, the cost of SME credit relative to that of larger businesses has generally increased over the last 15 years.[81] For example, the difference between the interest rates for small business loans and the interest rates provided for large businesses reached ~200 basis points or 2% in April 2021.[82]

Historically, SMEs have experienced difficulty accessing finance on terms suiting their needs. ABS surveys of small businesses indicate that access to finance remains difficult – albeit with some improvement towards the end of 2020 (see **Figure 22**).

Figure 22: Small business perceptions of access to finance (index)[83]



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[79] Source: RBA, Australia's Economic Recovery and Access to Small Business Finance (18 March 2021).

[80] A business is classified as small if the reporting entity has exposure to the business of less than $1 million and the business has turnover of less than $50 million. A business is classified as medium if the reporting entity has exposure to the business of $1 million or more and the business has turnover less than $50 million. A business is classified as large if it has a turnover of $50 million or more. 'Exposure' refers to all liabilities that a borrower has owing to the reporting entity.

[81] Sources: RBA, D8 Bank Lending to Business – Selected Statistics (September 2019). RBA, F7 Business Lending Rates (June 2021).

[82] Sources: RBA, D8 Bank Lending to Business – Selected Statistics (September 2019). RBA, F7 Business Lending Rates (June 2021).

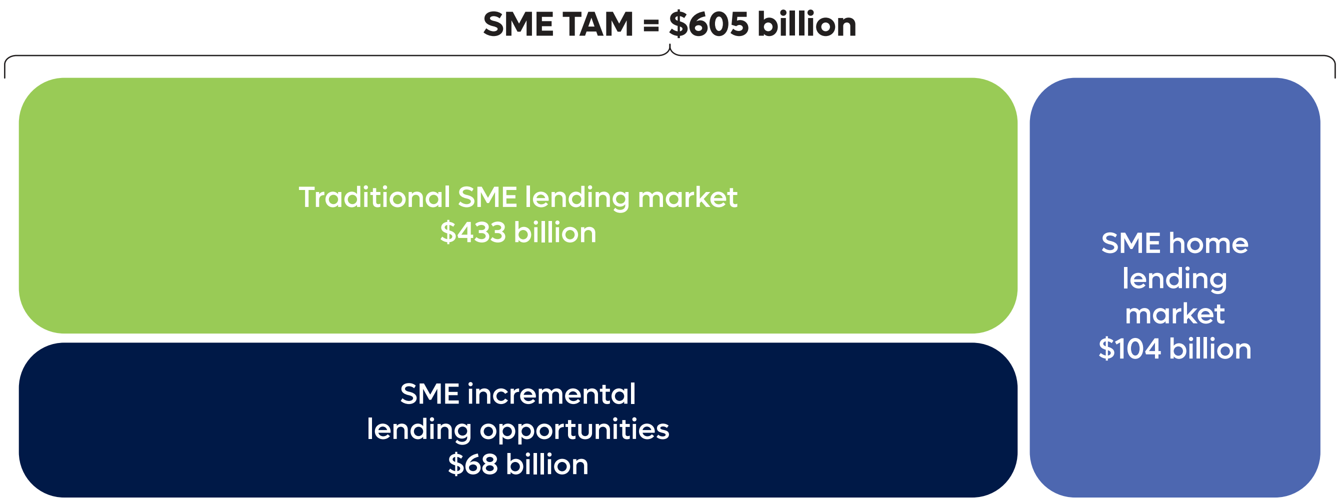
[83] Source: RBA, Australia's Economic Recovery and Access to Small Business Finance (18 March 2021).

2.3.2 Size of the SME market

Judo is a bank dedicated to operating in, and servicing, the SME lending market. In order to size the SME TAM of the banking market, we engaged DBM Consultants, a specialist financial services research and insights consultancy, to conduct an analysis based on publicly available RBA data and a proprietary DBM Consultants dataset (**DBM Atlas**).

DBM Consultants estimates the SME TAM to be approximately $605 billion, comprising the traditional SME lending market, incremental lending opportunities to SMEs and home loans provided to SME business owners.

Figure 23: SME TAM breakdown[84]



From a geographic perspective, DBM Consultants estimates that businesses that sit within the SME TAM are representative of the wider Australian business population, with the east coast accounting for approximately 80% of SME TAM and 66% of SME TAM businesses located in metropolitan areas. As at June 2021, approximately 87% of the potential business lending volume within the SME TAM is estimated to relate to businesses within a 200-kilometre radius of a Judo office (which serves as a proxy for Judo's current geographical footprint), representing $526 billion of the total $605 billion SME TAM.[85]

In terms of growth expectations, DBM Consultants estimates that 41% of SME businesses within the SME TAM are more likely to expect their revenues to grow over the next 12 months compared to 33% of the overall market. This confidence in the outlook is even more pronounced for businesses in the SME TAM with larger borrowing requirements (between $1 million and $35 million).[86]

Traditional SME lending market

The traditional SME lending market represents the current SME market available to providers of traditional business lending products.

In estimating the size of the traditional SME lending market, DBM Consultants initially estimated the size of the total business lending market at $1.1 trillion. This was calculated to include total lending to businesses by ADIs (as captured by RBA data), plus lending provided by other non-ADI financial institutions and additional business lending products not included in RBA data (using DBM Atlas data). From this, DBM Consultants undertook an analysis to exclude businesses with size, product or industry characteristics not deemed relevant to the SME market. It identified:

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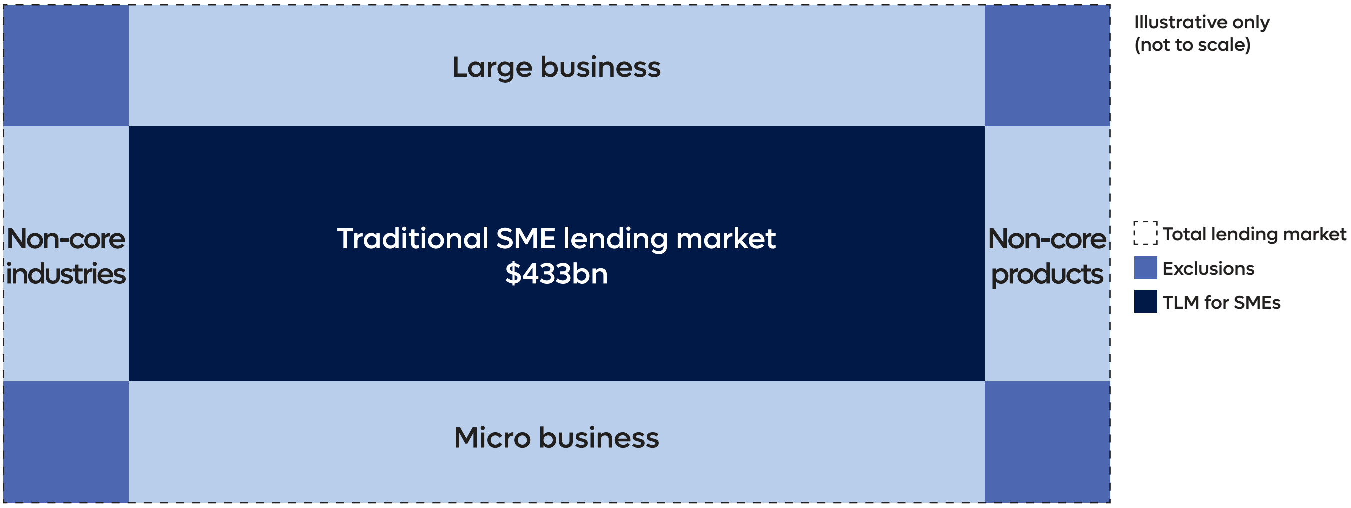
[84] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).
[85] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).
[86] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

- lending to micro businesses, being businesses with total borrowings of less than $250,000, but not excluding the asset finance holdings of any businesses with at least $50,000 of asset finance;
- lending to large businesses, being businesses with more than $35 million in lending and/or an annual turnover of more than $100 million;
- lending to agri-businesses (but not excluding asset finance holdings over $50,000 in this segment), on the basis this is a specialist segment; and
- non-core products, or non-traditional SME lending products, such as credit cards, debtor finance and trade finance.

After applying these exclusions, DBM Consultants estimated the traditional SME lending market to be $433 billion in total lending.

Figure 24: The traditional SME lending market[87]



The traditional SME lending market is estimated to comprise 644,000 businesses. While the majority of these are smaller businesses with less than $1 million in lending per customer, the majority of aggregate lending volumes are derived from businesses with funding requirements of between $250,000 and $10 million per customer, contributing $371 billion, or 86%, of aggregate lending within this segment.

Table 6. Customer segment profiles within traditional SME lending market[88]

Business lending band ($)	Estimated total business lending ($bn)	Estimated number of businesses ('000)	Average business lending ($m)
0–$250,000[89]	29	276	0.1
$250,000–$1 million	133	264	0.5
$1 million–$10 million	238	102	2.3
$10 million–$35 million	33	2	13.7
Total	**433**	**644**	**0.7**

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[87] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

[88] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

[89] Comprises business with less than $250,000 in total lending who would be excluded from the SME market given size, but who have at least $50,000 or more in asset finance. These asset finance holdings are deemed relevant for inclusion.

SME incremental lending opportunities

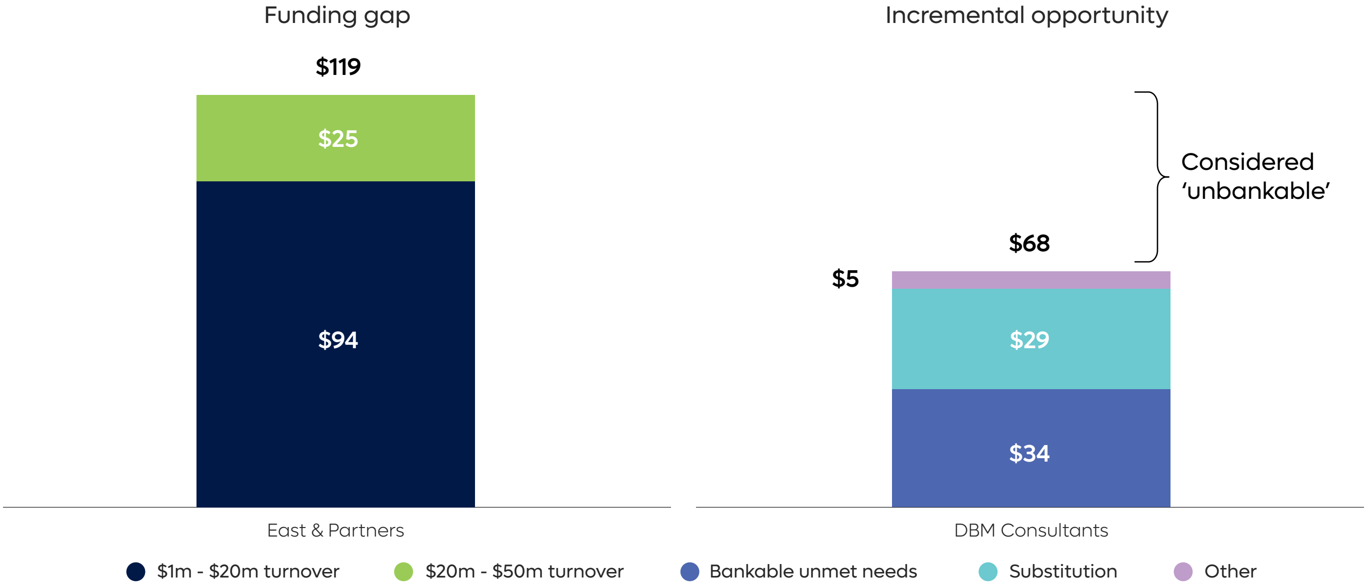
As discussed above, many SMEs find it challenging to access finance from traditional lenders, resulting in a so-called 'funding gap' for SMEs.

The funding gap of $119 billion estimated by East & Partners represents SME borrowing demand in Australia that is not currently addressed by traditional lenders (where SMEs are classified as having a turnover of between $1 million and $50 million). Of this amount, Judo expects that a portion would be outside normal bank risk appetite standards.

DBM Consultants has conducted research on the incremental opportunities that exists outside the traditional SME lending market. These include substitution opportunities, bankable unmet needs and other lending related to micro businesses that would be included in the SME TAM when lending from these alternative sources is accounted for. DBM Consultants estimates the value of these incremental opportunities to be $68 billion, comprised of:[90]

- **substitution opportunities:** the substitution of non-traditional lending products such as debtor finance, trade finance, peer-to-peer loans and crowd funding, and the substitution of personal lending products (such as home loans) for business purposes. DBM Consultants estimates the size of the potential incremental SME lending opportunity from substitution opportunities to be approximately $29 billion;
- **bankable unmet needs:** the provision of additional credit to SMEs which are bankable, but currently unable to access sufficient funding from traditional sources. DBM Consultants estimates the size of the potential incremental SME lending opportunity from bankable unmet needs to be approximately $34 billion; and
- **businesses promoted to the SME TAM:** the identification of additional business customers who, through accessing SME finance from substitution opportunities or those with bankable unmet needs, would qualify within the definition of SME TAM. DBM Consultants estimates the size of the potential incremental SME lending opportunity from businesses promoted to the SME TAM to be approximately $5 billion.

Figure 25: SME funding gap and incremental lending opportunities ($ billion)[91,92]



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[90] Source: DBM Atlas, DBM Consultants analysis (July 2021).

[91] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

[92] Source: East & Partners, SME Banking Insights Annual Report (2021).

SME home lending market

SME lenders benefit from a number of advantages when offering home loans to SME business owners, including where the home loan forms part of the overall lending package. DBM Consultants estimates the total home lending market for business owners (including residential investment properties) to be approximately $289 billion, comprising 1.8 million business owners. Restricting this to the 472,000 owners that sit within the SME TAM, DBM Consultants estimates the size of the SME home lending market to be $107 billion. This includes an estimated $3 billion in lending that overlaps the 'incremental opportunities' component of the SME TAM described above, implying a net SME home lending market size of $104 billion.[93]

Table 7. Overview of the SME home lending market[94]

Business turnover bands ($)	Estimated number of businesses in SME TAM ('000)	Estimated number of business owners in SME TAM ('000)	Estimated value of home loans ($bn)	Estimated value of investment loans ($bn)	Estimated total mortgage balance ($bn)
Less than $200,000	124	100	6.0	3.7	9.7
$200,000–$1 million	339	249	26.0	26.0	63.1
$1 million–$5 million	161	99	10.1	10.1	25.6
$5 million–$100 million	51	25	5.2	5.2	9.0
Total	**675**	**472**	**62.4**	**45.0**	**107.4**

2.3.3 SME lenders

Industry participants

The Australian SME business lending sector is comprised of a number of industry participants including banks, non-bank lenders and financial technology (**FinTech**) firms.

- **Banks:** These participants typically offer a range of business lending products including secured term loans, overdraft facilities, invoice financing and credit cards. Some banks have launched offerings targeted at the online small business lending market.
- **Non-bank lenders:** These participants typically offer specialised lending products that may fall outside the traditional banking market. There are a broad range of participants, including equipment finance providers such as Eclipx Group and Humm Group, as well as debtor and invoice finance providers such as Scottish Pacific.
- **FinTech or online lenders:** These participants use technology as a focal point of their business delivery model to address the financing needs of micro and small businesses. Businesses in this segment include balance sheet lenders (such as Prospa Group, Moula and OnDeck), technology companies with large small business networks that have diversified into (or intend to enter) balance sheet small business lending (such as Square, PayPal, Amazon and Tyro) and marketplace or peer-to-peer providers (such as Xero, Intuit and Bigstone). The available data suggests that non-traditional sources of finance accounted for less than 2% of overall SME business lending in 2018.[95]

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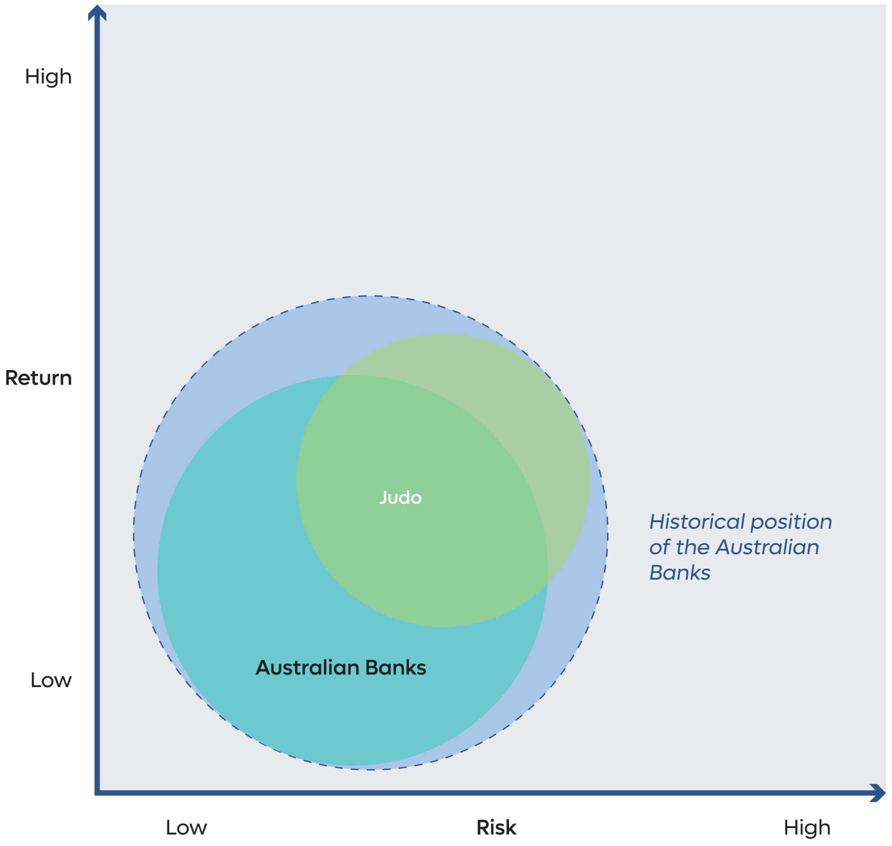
[93] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

[94] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

[95] Source: RBA, Small Businesses Finance in the Pandemic (18 March 2021).

Judo operates in largely the same risk–return segment of the SME lending market as other Australian banks and non-bank lenders (excluding FinTech businesses, which tend to focus on a higher risk–return segment of largely unsecured, short duration, sub-$250,000 lending). Historically, Australian banks operated within a wider risk–return segment of the market. However, following the general trend towards commoditisation and automation of credit processing within the industry (discussed further below), Australian banks saw a gradual contraction in their risk–return appetite, with a greater focus on SME lending largely fully secured by property. This has resulted in a 'funding gap' or market failure, whereby SMEs with more complex credit profiles, or business structures that may require additional consideration, are somewhat neglected by traditional lenders. Judo's market position incorporates both the lower risk–return segment currently occupied by the Australian banks, as well as the now somewhat neglected and higher return segment of the market that comprises SMEs with more complex credit profiles, by using a higher-touch credit assessment as part of our relationship-centric offering.

Figure 26: Illustrative view of the strategic positioning of SME lenders[96]



As discussed above, the Australian SME business lending market is largely dominated by the Major Banks. International banks focus primarily on institutional lending, non-bank lenders typically focus on niche market segments, while FinTech players generally use data analytics and technology to target smaller customers, including for micro lending.

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[96] Source: Based on Judo management's view, and is illustrative only.

Figure 27: Illustrative view of the SME lending landscape

	judobank	Major Banks	Other Domestic Banks	International Banks	Non-bank Lenders/ FinTech
Customer Focus	Exclusively SME lending	Broad portfolio of businesses	Broad portfolio of businesses	Broad portfolio of businesses	Niche
Business Model and Strategy	Specialist	Conglomerate	Conglomerate	Conglomerate	Niche/Specialist
Operating Model	New, purpose-built	Traditional banking	Traditional banking	Traditional banking	Various
Technology	Legacy-free, cloud-native	Mix of legacy on-premise and cloud-based	Mix of legacy on-premise and cloud-based	Mix of legacy on-premise and cloud-based	Mix of legacy on-premise and/or cloud-based
Credit Decisioning	In-market, judgement-based	Largely centralised, rules-based	Largely centralised, rules-based	Largely centralised, rules-based	Largely centralised, rules-based
Culture	Challenger, entrepreneurial	Incumbent	Incumbent	Incumbent	Mixed
Management Experience	Deep domain expertise	Generalists	Generalists	Generalists	Generalists/ Tech-focused
Management Philosophy	Founder-led	Employee-led	Employee-led	Employee-led	Mixed
Summary of market position	High growth, high value specialist	Low growth, diversified	Low growth, diversified	Low growth, diversified	Mixed growth, niche markets

Lending products

Table 8 below broadly outlines some of the current financing products available to SMEs and their related advantages and disadvantages.

Table 8. Select financing alternatives for SMEs

Financing alternative	Description	Strengths	Weaknesses
Business loan	Provision of term loans from traditional banking institutions	• Relatively low cost to the customer • Longer funding profile than other SME lending products • Flexibility: principal and interest versus interest-only repayments, and fixed versus variable rate structures	• Often requires asset security as collateral (such as residential property) • SMEs may fall outside credit decision matrices

Financing alternative	Description	Strengths	Weaknesses
Home loan	Provision of mortgage to SMEs from traditional banking institutions and other specialist providers	• Relatively low cost to the customer • Long lending term • May form part of overall lending package to the business owner	• SME owners need to use personal property (own home) as a security • Credit may be insufficient for both business and personal needs
Line of credit/ overdraft facility	Provision of a line of credit (revolving facility) to meet working capital needs from traditional banking institutions and other specialist providers	• Ongoing access to funds to support variable cash flow • Funding flexibility/easily accessible	• Generally committed for a shorter loan term • Often requires asset security as collateral (such as residential property)
Asset finance	Provision of a loan to purchase equipment or assets for the business	• Tailored for businesses requiring income-producing assets • Generally secured by the asset under finance • Flexible – structured to the life of the asset and seasonality of the business • Interest and asset depreciation often tax deductible	• Best suited to certain asset-intensive industries • Customers generally required to maintain asset • Asset may be repossessed if customer is in arrears, impacting ability to produce income
Bank guarantee	Provision of a guarantee to SMEs' counterparty that contractual obligations will be met	• Lower cost product • Helps to reduce counterparty risk • Expands access to counterparties	• Specific to certain purposes • Inflexible
Credit card	Credit card from traditional banking institutions and other specialist providers	• Often no asset security or other guarantees required • Easily accessible • Ongoing access to funds	• SME owners typically use personal credit cards for business • Credit limit may be insufficient to fund business needs • Characterised by high interest rates

Financing alternative	Description	Strengths	Weaknesses
Receivables finance	Provision of a cash advance against the value of trade receivables	• Can unlock additional funding compared to traditional line of credit • Ongoing access to funds • Finance generally secured by value of receivables, with other collateral not required	• Only relevant to invoice-based, business-to-business customers • Additional due diligence required by the lender introduces service friction • Variability – trade receivable value informs funding availability
Trade finance	Provision of cash or a guarantee to prepay for goods from a domestic or international seller	• Reduces trade risk between buyer and seller • Accelerates purchase order to payment cycle • Outsources trade risk and complexity to financier	• Generally characterised by higher rates • Additional due diligence required by the lender introduces service friction

Products that Judo offers are highlighted in blue. Banks typically provide all these products with specialist players tending to focus on asset finance, receivables finance and trade finance.

2.3.4 Product origination

Annual lending flow

The estimated $605 billion SME TAM is a highly liquid market, with a significant volume of annual lending flow, representing the amount of lending activity each year.

Using ABS and RBA data as at May 2021, DBM Consultants estimates the total annual lending flow within the traditional SME lending market to be approximately $192 billion, comprising $112 billion in new-to-system loans (making up 24% of total loans outstanding), $11.5 billion in loans refinanced from one provider to another (making up 2.5% of total loans outstanding) and $69 billion in loans refinanced with an existing provider covering activity such as limit increases (making up 15% of total loans outstanding).

Annual lending flow within the SME home lending market is also highly liquid. Based on ABS and DBM Consultants data as at May 2021, lending flow in the SME home lending market was estimated to be approximately $29 billion per annum, split between new lending flow of $16 billion (making up 16% of total loans outstanding), $8 billion of external refinancing (making up 8% of total loans outstanding) and $5 billion in loans refinanced with an existing provider (making up 5% of total loans outstanding).[97]

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[97] Source: DBM Atlas, ABS and RBA data. SME Home Loans market lending flow calculated based on the size of SME Home Lending market of $104 billion applying same proportions as for the whole home lending market.

Relationship banker channel

Relationship bankers employed by financial institutions play a key role in SME lending, with access to a dedicated relationship manager a key driver of customer advocacy.[98] Research undertaken in 2020 by Thomas Frost Executive, a specialist banking and finance recruitment firm, estimates there are over 3,300 relationship bankers in Australia across the key regions of New South Wales, Victoria, Queensland and Western Australia, as shown in **Figure 28.** The average experience of this banker population is 11 years, with approximately 2,600 of them having over 5 years of experience in customer-facing roles, and approximately 1,700 having between 5 and 15 years of experience in customer-facing roles (see **Figure 29**).

Figure 28: Number of relationship bankers in Australia (by state)[99]

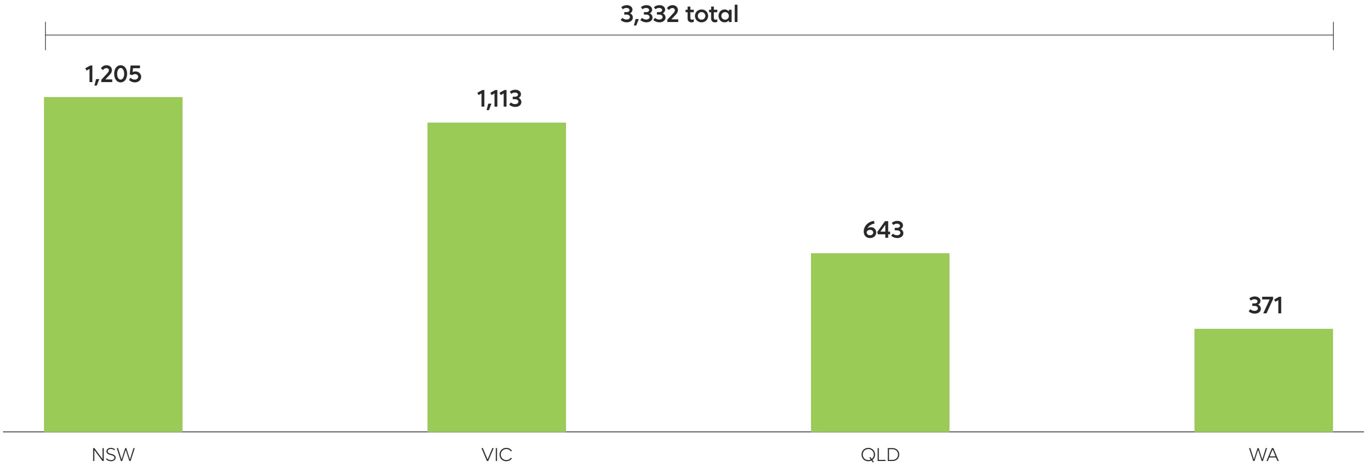
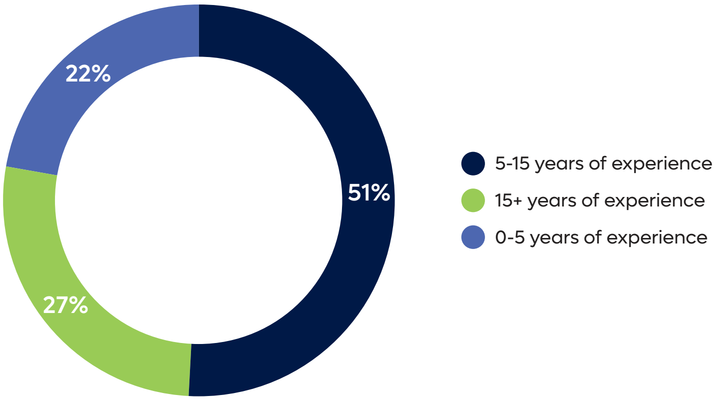


Figure 29: Relationship banker experience levels (% total)[100]



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[98] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

[99] Comprehensive market map of the Australian business banking landscape (lending $1 million to $40 million), 2020, Thomas Frost Executive. Banks included in this research: ANZ, CBA, NAB, WBC (including St George and Bank of Melbourne), Macquarie Bank, Bank of Queensland, Suncorp, Bendigo Adelaide Bank and Scottish Pacific.

[100] Comprehensive market map of the Australian business banking landscape (lending $1 million to $40 million), 2020, Thomas Frost Executive. Banks included in this research: ANZ, CBA, NAB, WBC (including St George and Bank of Melbourne), Macquarie Bank, Bank of Queensland, Suncorp, Bendigo Adelaide Bank and Scottish Pacific.

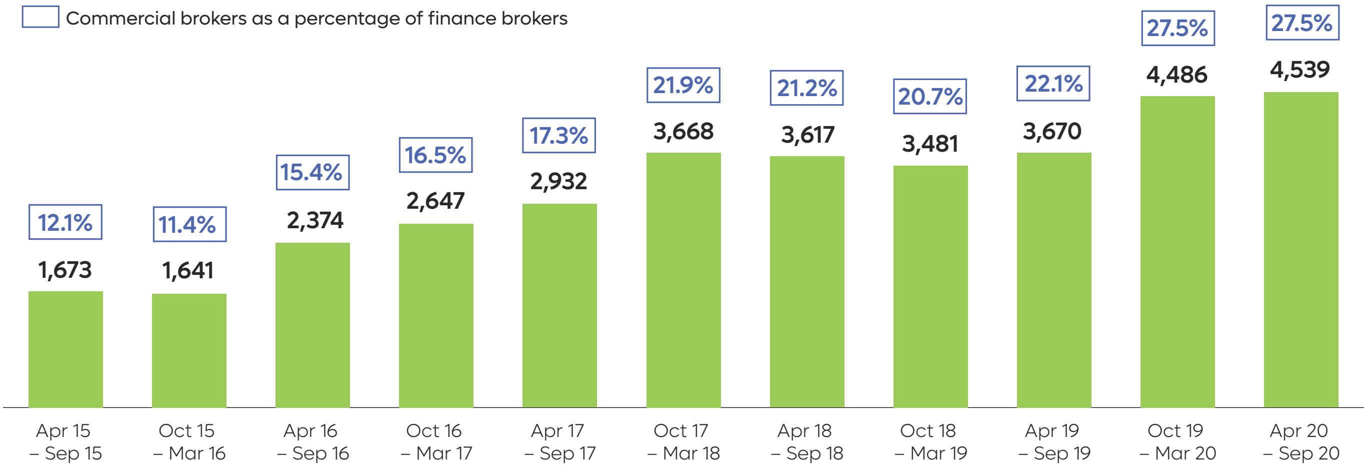
Broker channel

Historically, SME lending has been originated through proprietary bank channels such as branches and relationship bankers. In contrast, finance brokers traditionally almost exclusively focused on the home loan market. However, the role of the finance broker has shifted as banks increasingly substitute face-to-face interactions with centralised call centres and digital channels. In the 12 months to June 2019, commercial brokers, defined as finance brokers who write commercial loans, helped SMEs access over 89,000 commercial loans and more than 199,000 asset finance loans,[101] with 38% of commercial brokers' business volumes coming from commercial asset finance.[102]

The growth in commercial brokers has in part been due to the decline of in-person relationship coverage offered to SMEs as well as other factors including operating cost pressures. As such, customer-facing commercial brokers have become an important origination channel within SME lending and are a vital part of our business model.

A core element of the commercial broker proposition to customers is to help them navigate the complexities of identifying the most suitable loan and finance provider, in addition to providing customers with increased choice and education on the market, and potentially helping customers streamline the application and service experience. Research conducted by RFi Group identifies a wide range of reasons for SMEs choosing to use a broker when seeking a loan, including time and money savings, support through difficult application processes, ability to negotiate with lenders and tailored business advice.[103] Analysis conducted by DBM Consultants shows that the Net Promoter Score (**NPS**) for non-Major Bank customers is 30 points higher when a broker is involved.[104] According to the Mortgage & Finance Association of Australia (**MFAA**), while the overall number of finance brokers in the business and retail lending markets has been relatively stable over the last three years, the population of commercial brokers increased by 55% between April 2017 and September 2020 (see **Figure 30**). In the six-month period from April 2020 to September 2020, 28% of finance brokers diversified into commercial lending, compared to only 17% three years ago. The continuing uplift in commercial broker numbers suggests that more finance brokers are diversifying into the business lending sector, expanding their portfolio beyond residential home loans.

Figure 30: Commercial brokers (number of finance brokers writing commercial loans)[105]



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[101] Source: Commercial & Asset Finance Brokers Association of Australia, Aggregator Benchmark Report 2020.

[102] Source: Commercial & Asset Finance Brokers Association of Australia, Aggregator Benchmark Report 2020.

[103] Source: RFi Group, SME Banking Insights Report (2021).

[104] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

[105] Source: MFAA, September 2020 report (September 2020).

Mortgage aggregators, dealer groups and franchise groups (collectively, **Aggregators**) act as intermediaries between lenders and finance brokers. In addition to allowing access to a wide range of lenders, Aggregators often provide many services to brokers such as software and technology, training, general business support and back-office administration. Aggregators also help their finance brokers navigate the evolving regulatory landscape and mitigate regulatory and compliance risks.

2.3.5 Trends in the SME lending market

One of our core principles is 'banking as it used to be, banking as it should be'. We operate a relationship-centric lending model, which is supported by a legacy-free technology platform. Some recent trends in the SME lending market (discussed below) have only strengthened our resolve to transform the banking landscape for Australia's SMEs.

Industrialisation of business banking

Over at least the last decade, Australian banks have prioritised simplification of operations (such as divestment of non-core business units) and cost control through digitisation of distribution channels, automation and centralisation of many core customer service activities. While the introduction of digital channels and online services has often been marketed as an initiative to 'improve' customer experience, in practice, in some cases, it has led to a decline in service levels. Customer service is a key driver of satisfaction and advocacy among SMEs, where access to a relationship banker with a strong understanding of their business and industry is highly valued. However, the portion of SMEs with a traditional relationship banker has gradually declined over the past decade. The automation of the credit approval process and focus on collateral as a key lending criterion have made it more challenging for SMEs to access finance. This decline in overall service levels is demonstrated by the relatively low, and sometimes negative, NPS for SMEs – NPS being widely regarded across different industries as the best single measure of customer experience and advocacy.

Bias to household mortgage lending

Australian banks have a bias to household mortgage lending. Today, housing loans are the largest asset class on the balance sheets of ADIs, comprising approximately 60% of total assets.[106] Thirty years ago, the business lending sector was larger than the housing lending sector; however, over time, this relationship has reversed. This is partly due to changes in regulation, which have made mortgage lending more capital efficient because banks appear to prefer loans that do not require the same level of in-person service compared to business lending. This is consistent with customer perceptions that business-related credit is difficult to access.

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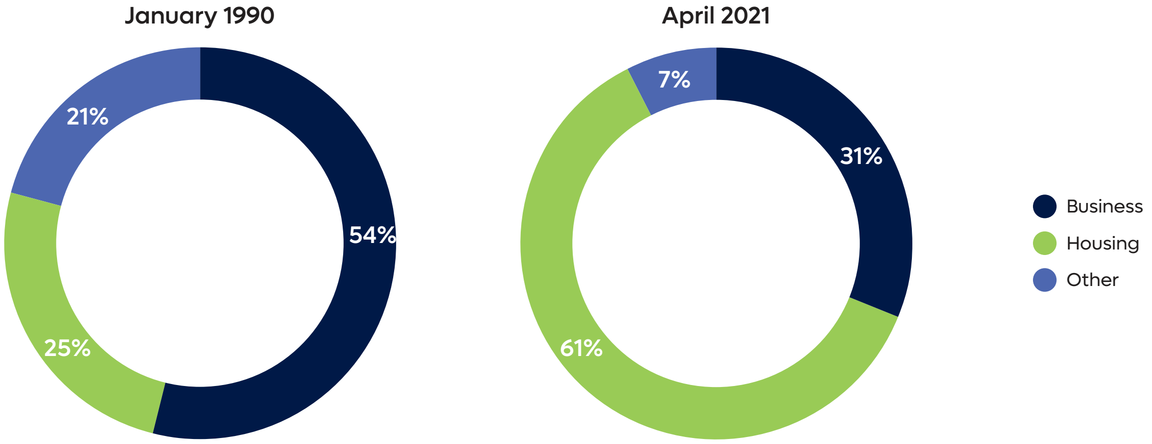
[106] Source: APRA, Quarterly ADI Statistics (March 2021).

Figure 31: Evolution of the lending mix in the Australian market[107]



This trend is more pronounced among traditional bank lenders, where the majority of business lending is secured by property. There are several reasons why an SME may find the provision of property as security to be challenging, including:

- a young entrepreneur may not own a home, or hold much equity in it, even if they do;
- a business owner with an existing household mortgage may not have enough equity headroom to support a business loan;
- general reluctance among business owners to borrow against their family home; and
- using a residential home as business security concentrates the risk the business owner faces.[108]

Increase in unmet demand for SME funding

As a result of the trends discussed above, gross unmet demand for funding within the SME sector has increased. Market research conducted by East & Partners in 2020 indicates that the 'funding gap' for SMEs, being the difference between the funding needs and the level of funding provided to SMEs (with a turnover of between $1 million and $50 million), is $119 billion.[109]

In response, SMEs either accept a lower level of finance or may consider alternative sources of funding, such as trade finance, debtor finance, personal products, peer-to-peer loans or crowd funding, to substitute or supplement traditional business loans.

Additionally, during the COVID-19 pandemic, Australian banks reduced their exposure to business lending by 6–10% between March 2020 and March 2021, and experienced logistical challenges caused by large volumes of inbound requests at the start of the COVID-19 pandemic.[110]

Emergence of the commercial broker channel

As discussed above, a significant development in recent years has been the origination of SME lending through commercial brokers rather than through proprietary bank channels (see **Section 2.3.4**).

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[107] Source: RBA, D5 Bank Lending Classified by Sector (May 2021).

[108] Source: RBA, Kent (2018).

[109] Source: East & Partners, SME Banking Insights Annual Report (2021).

[110] Source: Pillar III regulatory disclosures. ANZ business lending includes Corporate only, CBA business lending includes Corporate, SME corporate, SME retail and SME retail secured by residential mortgage; NAB business lending includes Corporate and Retail SME; Westpac business lending includes Corporate, Business lending and Small businesses. Exposure to business lending is calculated based on risk-weighted assets subject to IRB approach.

Government support for the SME sector

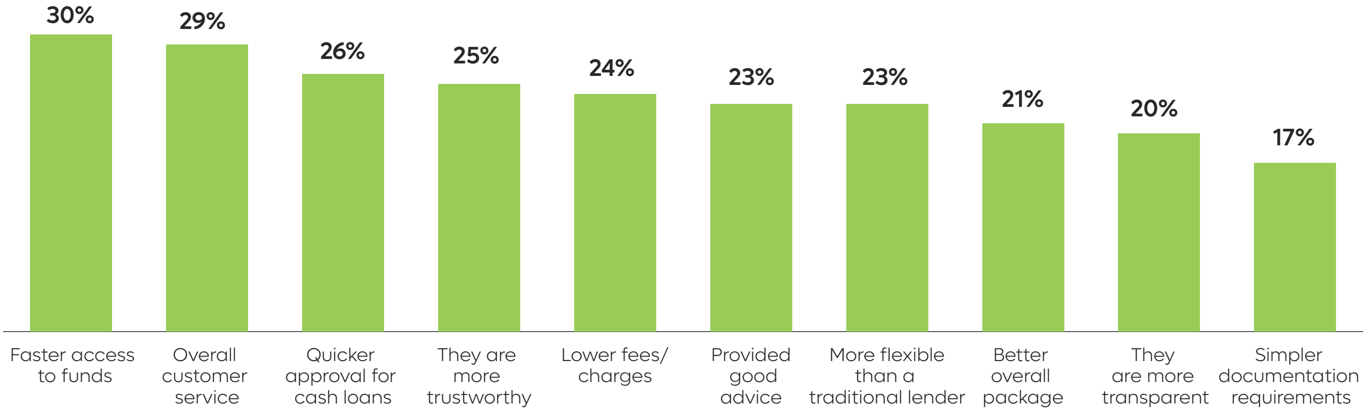
The Commonwealth Government has implemented a range of initiatives to promote and support the SME sector. This has included funding initiatives as well as regulatory changes (see **Section 2.3.7**).

2.3.6 Key switching considerations for SMEs

Research conducted by RFi Group indicates a number of factors are driving SMEs to obtain finance from alternative lenders over established financial institutions:[111]

- **Service:** overall customer service (30%), quality of advice (23%) and flexibility (23%);
- **Speed:** faster access to funds (30%) and quicker approval processes (26%);
- **Trust:** more trustworthy (25%) and greater transparency (20%);
- **Price:** lower fees and charges (24%) and better overall package (21%); and
- **Other:** the reasons are outlined in the figure below.

Figure 32: SMEs top 10 reasons for using an alternative lender[112]



Service

High-quality service is a key consideration for SMEs when choosing an alternative lender, with 'overall customer service', 'quality of advice' and 'flexibility' all ranked as key reasons provided by respondents to an RFi Group survey.

Given the many and varied challenges associated with running a business, and the complexities of accessing business lending, one of the leading drivers of SME customer advocacy is access to a dedicated relationship banker.[113] SMEs value the ability to contact a relationship banker with a strong understanding of their business and industry. Research conducted by DBM Consultants identifies that only a third of business customers had a relationship manager as at May 2021, a proportion that has steadily declined over the last decade.[114] Non-bank lenders and FinTechs tend to focus on online distribution channels, with a heavy reliance on technology to solve customer problems, and limited or no reliance on relationship managers.

Frequent contact with a relationship banker has been identified as a key factor in NPS for SMEs, which declines substantially if the frequency of contact is less than monthly. Similarly, SMEs that experience only yearly contact with a relationship banker have very low levels of customer advocacy, with NPS below zero (as outlined in **Figure 33**).[115]

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[111] Source: RFi Group, SME Banking Insights Report (2021).

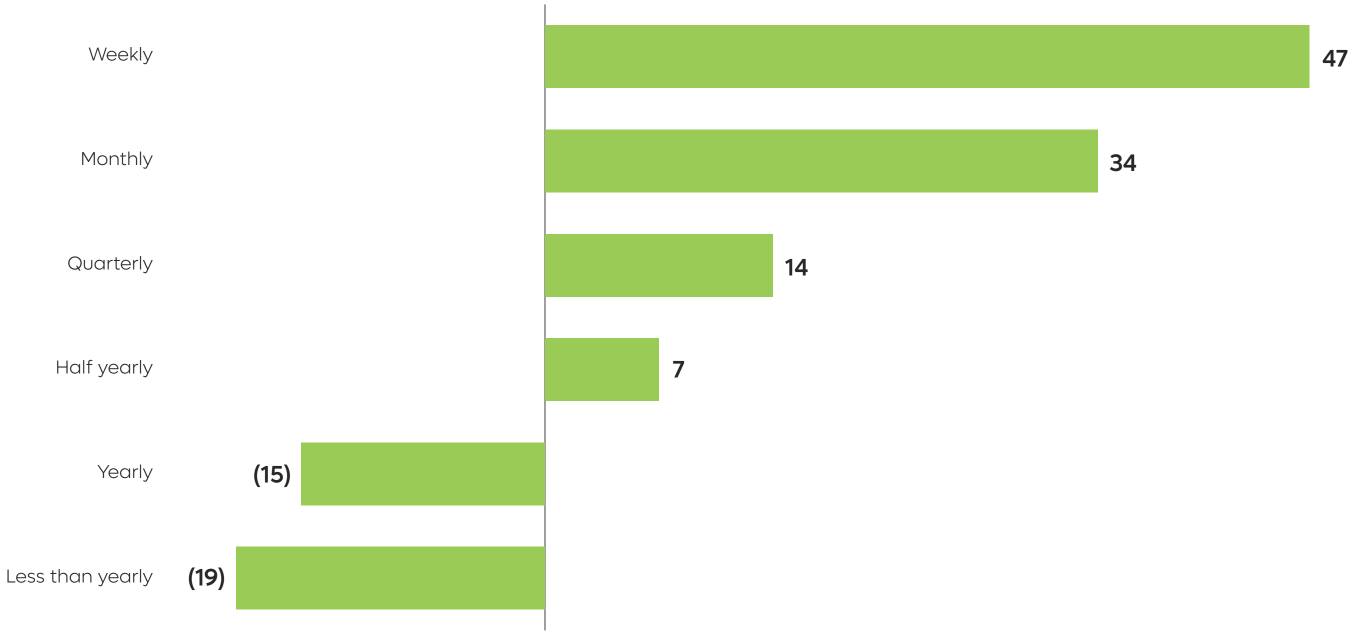
[112] Source: RFi Group, SME Banking Insights Report (2021). Data as at March 2021. Percentage represents the proportion of respondents that indicated whether the reason was a factor in their consideration for using an alternate lender over an established financial institution. Respondents were able to select multiple reasons.

[113] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

[114] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

[115] Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).

Figure 33: NPS by frequency of contact with relationship banker[116]



In addition to seeking better service, the loss of a relationship banker has been noted as a reason business customers switch lenders.[117] This reinforces the importance of providing sufficient coverage of relationship bankers to customers, which is a trend that has declined among the Australian banks over the past 10 years.

Speed

'Faster access to funds' and 'quicker approval processes' were also among the top reasons for customers choosing an alternative lender, demonstrating the importance of speed in meeting the needs of SME business owners. The importance of speed has also increased over time, highlighting the growing desire for SMEs to obtain financing quickly, particularly given the uncertainty and disruption brought about by COVID-19 restrictions.

SMEs have cited the large volume of information and documents required in the application process as key pain points when accessing business loans through digital channels.[118] These requirements increase the number of challenges for business owners seeking quick access to funds.

Trust

SMEs identified greater levels of trust and transparency as other key reasons for choosing alternative lenders. The importance of these factors aligns with earlier observations that a high-quality relationship banker can have a significant positive impact on SME customer advocacy and NPS. This is also supported by the top reasons business owners choose to use brokers when seeking access to finance, which include their ability to negotiate with lenders and to tailor advice to the needs of the SME.[119]

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116. Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).
117. Source: DBM Consultants, Australian SME Lending Opportunities (July 2021).
118. Source: RFi Group, SME Banking Insights Report (2021).
119. Source: RFi Group, SME Banking Insights Report (2021).

Price

While price is noted as a relevant consideration for SMEs when seeking financing from an alternative lender, it is regarded as less important relative to other reasons discussed above. This suggests that SMEs may be less sensitive to price if they are satisfied with the levels of service, speed and trust that an alternative lender can provide them.

Additionally, the pricing terms and overall package of a business loan may be tailored to a particular SME's situation and needs. As such, it may be more difficult for the SME to make pricing comparisons, in contrast to other more commoditised banking products such as residential mortgages or credit cards.

2.3.7 Government support for the SME sector

Government funding support for the sector

Over the last five years, the Commonwealth Government has implemented a range of initiatives to promote economic growth, employment and business opportunities. It has also implemented a number of policies to promote and support the SME sector. These include policies in relation to innovative finance and crowd-sourced equity funding; competition; taxation and business incentives; export financing; small business assistance; and funding initiatives such as the TFF to encourage SME business lending.[120]

In November 2018, the AOFM established the Australian Business Securitisation Fund (**ABSF**) to facilitate competition and the entrance of new lenders into the SME market. In March 2020, the Commonwealth Government established the Structured Finance Support Fund (**SFSF**) to support continued access to funding markets for SMEs impacted by the COVID-19 pandemic.

Judo was the first Australian bank to be awarded government funding from both funds. In April 2020, Judo received a $250 million investment from the ABSF and another $250 million was paid into the Judo Warehouse Facilities from the SFSF (see **Section 2.4**). Other lenders have also received investments from the SFSF.

In March 2020, the Commonwealth Government launched the Coronavirus SME Guarantee Scheme, which provides a 50% guarantee for new loans eligible lenders issued to SMEs. The initial phase of the Scheme ran from March 2020, covering unsecured loans up to $250,000 per borrower. The second phase ran from 1 October 2020 to 30 June 2021, covering loans of up to $1 million per borrower. This was succeeded by the SME Recovery Loan Scheme in April 2021 (see **Section 2.4** for further details about the Commonwealth Government's support measures relating to the COVID-19 pandemic).

Regulatory developments to support competition

There have been a number of recent regulatory developments to encourage new entrants, such as Judo, and support competition within the broader Australian banking market. A summary of selected initiatives is outlined below:

- **'Open Banking' and increased accessibility to data:** Comprehensive Credit Reporting (**CCR**) and the Consumer Data Right (**CDR**) were mandated by the Commonwealth Government in 2018. They are due to come into effect over three phases in 2021–22. These initiatives are designed to allow lenders to make more informed credit assessments of potential customers, reducing the competitive advantage that larger incumbent banks have over smaller institutions. These initiatives are also expected to encourage innovation in the form of new products and services, with technology seen as a key driver. Industry participants with a competitive advantage in technology and data capabilities will be well placed to capitalise on opportunities arising from increased data availability and Open Banking.

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[120] Source: OECD Library, Australia, Key facts on SME financing (2020).

- **Simplification of responsible lending obligations:** on 25 September 2020, the Government announced a suite of changes to Australia's consumer credit framework contained in the *National Consumer Credit Protection Act 2009* (Cth) (**NCCP Act**). These changes were designed to reduce the time it takes for individuals and small businesses to access credit. They replaced what had become a 'one-size-fits-all' approach to responsible lending with a risk-based regime that allows lenders the flexibility to make lending decisions based on the characteristics of the borrower and the type of credit.
- **Increased flexibility of the bank capital framework:** in June 2021, APRA released proposed revisions to the capital framework that are expected to come into effect in January 2023. APRA expects these revisions will not require the raising of additional capital for the banking system, but they will increase the flexibility of bank capital and improve the allocation of capital to risk. The revisions include a proposal to reduce the risk weighting for SME business lending, which is expected to positively impact the amount of SME credit offered by the banking sector.

In addition to the regulatory developments outlined above, which are generally supportive to new entrants and competition, in March 2021, APRA announced it would strengthen capital requirements for new participants seeking a banking licence, and undertake greater supervision of new participants as they seek to establish themselves.

The Australian Government has put in place a range of additional initiatives to support the economic growth of the SME sector, and encourage lenders to increase the volume and availability of SME credit, including:

- tax incentives to encourage businesses to grow investment in digital technologies;
- improved access to Government procurement for SMEs;
- establishment of the Business Growth Fund to provide equity funding to SMEs, with an initial investment capacity of $450 million including $100 million from the Government;
- $16 billion in proposed tax cuts for SMEs by 2023–24, with approximately $1.5 billion flowing in 2019–20, including the reduction in tax rates for SMEs from 30% in 2014–15 to 25% from 1 July 2021;
- the introduction of simplified and lower-cost restructuring and insolvency processes for SMEs;
- the ability to access ATO debt information on certain businesses, allowing lenders to more efficiently and correctly assess a borrower's riskiness; and
- Personal Property Securities Register reform that will provide more comprehensive information on assets that are used as security, therefore providing lenders with more confidence around loan security.

2.4. Impact of COVID-19 on the Australian economy, financial services and SMEs

The outbreak of COVID-19 in late 2019, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Substantial monetary and fiscal interventions have also been undertaken, designed to stabilise sovereign nations and financial markets. In addition, COVID-19 vaccines have been deployed globally, contributing to a return to normalcy for many nations and industries. The Australian economy had recovered faster than expected over the first half of 2021; however, the recent outbreak of the Delta variant of COVID-19 has led to additional COVID-19 related restrictions across Australia (particularly New South Wales, Victoria and the Australian Capital Territory) which has interrupted this recovery.[121]

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[121] Source: RBA, Statement on Monetary Policy (August 2021).

Following the outbreak, a nationwide plan for State, Territory and Federal Governments to ease COVID-19 related restrictions was agreed, which focussed on vaccination targets of 70% and 80% of the eligible adult population.[122] As these targets are achieved, significant easing of restrictions is expected.[123] The RBA expects that the Australian economy will bounce back, with GDP growth expected to be a little over 4 per cent over 2022 and the unemployment rate to resume its downward trend.[124]

2.4.1 COVID-19 impact on the Australian economy

To support the domestic economy, the Australian Government has to date deployed over $300 billion across a range of health and economic support initiatives. The success of stimulus programs was reflected in the Australian economy's outperformance in 2020 relative to all major advanced economies, surpassing expectations and growing at its fastest rate on record in the second half of 2020. Federal support measures that were put in place included:

- **JobSeeker and JobKeeper**, which provided wage subsidies to employers and increased unemployment benefits to individuals, supporting employment and consumer spending, thus stabilising business conditions and bringing forward a recovery in business investment;
- **state-based rent moratoriums**, which temporarily suspended the right to evict tenants, supporting renters who could not meet their rental commitments during the COVID-19 emergency period;
- **temporary insolvency measures**, which included, for example, an increase in the debt threshold and were extended through to 31 December 2020;
- **loan repayment deferrals**, which supported lenders providing temporary relief to borrowers impacted by the COVID-19 pandemic for loans under $10 million. Loans were not considered overdue or in arrears for reporting purposes for a period of 10 months from the start of a repayment deferral, or until 31 March 2021;
- **Coronavirus SME Guarantee Scheme**, which was a $40 billion plan under which the Government provided a 50% guarantee on new loans issued by eligible lenders to SMEs;
- **SME Recovery Loan Scheme**, which is an enhanced and extended loan guarantee scheme for SMEs that have been adversely economically impacted by COVID-19, received JobKeeper payments or were affected by floods;
- **TFF**, of which $188 billion had been drawn as at June 2021 (at which point the facility closed to new drawdowns).[125] The RBA established the TFF to provide low-cost term funding to the banking sector, to incentivise banks to increase lending to businesses, particularly SMEs;
- **SFSF**, which was established by the AOFM to provide support to non-bank financial institutions, with $15 billion in support for securitisation transactions; and
- **tax relief measures** such as tax-free payments to employees, waivers of payroll tax, expansion of tax depreciation write off rules and accelerated depreciation deductions on the purchase of new assets to encourage business investment.

These initiatives reflect the Government's willingness and capacity to intervene quickly, substantially and in a targeted way to support the Australian economy during the COVID-19 pandemic. The positive impact of such initiatives was demonstrated by the quick rebound of a range of key economic indicators, which continued up until the outbreak of the Delta variant in June 2021. These indicators included:

- **GDP growth**, which returned to its pre-pandemic level in the quarter ending March 2021;
- **credit growth**, which had broadly recovered to pre-pandemic levels in the quarter ending March 2021;

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122. Source: National Plan to transition Australia's National COVID-19 Response (July 2021), adopted by the National Cabinet on 6 August 2021.
123. Source: New South Wales Government (as at 27 September 2021); Source: Victorian Government, Victoria's Roadmap (as at 30 September 2021).
124. Source: RBA, Statement on Monetary Policy (August 2021).
125. Source: RBA, Statement on Monetary Policy (May 2021).

- **full-time employment**, which recovered to around its pre-pandemic level (a 4.9% unemployment rate in June 2021), with the increase in job openings and employment growth being particularly pronounced in industries with a high share of small businesses;
- **underemployment**, which similarly returned to pre-pandemic levels (7.9% in June 2021); and
- **household and business balance sheet positions**, which are stronger than pre-pandemic positions, based on household net worth (up 13% from the December 2019 quarter to March 2021 quarter) and business net worth (marginally higher in March 2021 than December 2019).[126]

The recent outbreak of the Delta variant of COVID-19 has interrupted the recovery of the Australian economy. The RBA is expecting GDP to contract in the September 2021 quarter, and the unemployment rate is expected to increase for a period of time. Nonetheless, the recent lockdowns have been regarded as less damaging to the economy than when they first occurred in 2020. This is attributable to many businesses having adapted to restrictions on activity, and the restrictions themselves generally being more targeted now that more is known about how the virus is transmitted. Under the baseline scenario, the RBA expects GDP growth to return to slightly over 4% in 2022 and the unemployment rate to return to a downward trajectory, approaching 4% by the end of 2023.

While further outbreaks of COVID-19 are possible, the need for extended lockdowns is expected to diminish as vaccination coverage increases.[127] As at 30 September 2021, approximately 28.1 million doses had been administered across Australia.[128] Current forecasts indicate Australia could reach 80%[129] double dose vaccinations in December 2021,[130] a key trigger for Phase C of the National COVID-19 Response Plan, which will see the majority of restrictions being lifted.[131]

2.4.2 COVID-19 impact on financial services

For Australian financial institutions, the COVID-19 crisis has triggered specific implications for managing and mitigating credit risk. During this period, banks have been required to adjust to circumstances of higher volatility and lower certainty about the future outlook. A substantial increase in enquiries from customers has placed pressure on banks' infrastructure (including relationship bankers, branch networks and call centres). During this time, a number of banks experienced a reduction in new loan volumes across the three months from March to May 2020.[132] The fall in new loan volumes also reflected Government restrictions imposed in March 2020 and April 2020 on people's mobility. As these restrictions eased, housing and business loan volumes gradually increased in June 2020.[133]

The first quarter of 2021 has seen credit growth return to around its pre-pandemic rate. The increase has been driven by a pick up in housing credit, particularly to owner-occupiers. The broad-based nature of the upswing in housing credit is in line with housing demand, supported by low interest rates, Government support programs, a positive outlook for employment, potentially pent-up demand during the COVID-19 pandemic and the increase in savings over 2020. Business lending had recovered in the first half of 2021 including a particularly sharp increase in commitments for new business loans in June 2021. Lending to large businesses has increased modestly as lines of credit that were drawn on early in the pandemic were repaid. The volume of new loan commitments extended to SMEs in the financial year 2021 was broadly consistent with the previous year.[134]

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[126] Source: RBA, E1 Household and Business Balance Sheets (March 2021).

[127] Source: RBA, Statement on Monetary Policy (August 2021).

[128] Source: Australian Government Operation COVID Shield, COVID-19 Vaccine Roll-out (30 September 2021).

[129] Cumulative second doses as a percentage of eligible population.

[130] Source: Australian Government Operation COVID Shield, National COVID Vaccine Campaign Plan (3 August 2021).

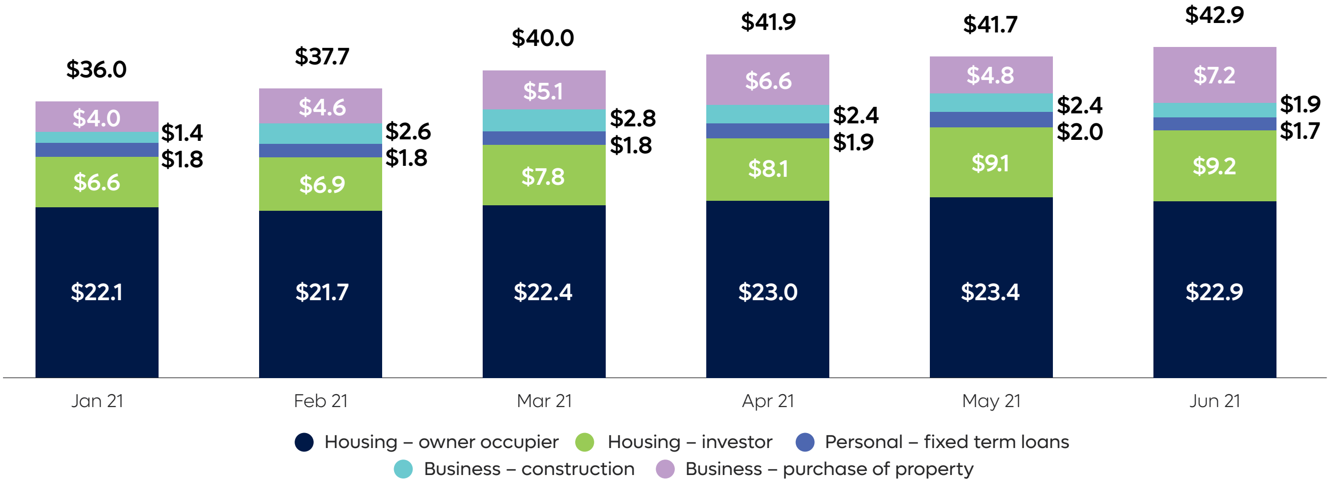
[131] Source: Australian Government, National Plan to transition Australia's National COVID-19 Response (31 July 2021).

[132] Source: RBA, Statement on Monetary Policy (May 2021).

[133] Source: RBA, Statement on Monetary Policy (May 2021).

[134] Source: RBA, Statement on Monetary Policy (August 2021).

Figure 34: New loan commitments ($ billion)[135]



Business investment fell sharply in the middle of 2020, as business sentiment collapsed and firms responded to weak demand and heightened uncertainty related to the COVID-19 pandemic. Government initiatives put in place in response to the pandemic have helped support employment and consumer spending, stabilising business conditions and bringing forward a recovery in business investment. In the first half of 2021, business conditions remained robust, supported by tax incentives for investment, recovery in domestic activity and strong growth in business profits.[136]

APRA regulatory relief regarding treatment of loan repayment deferrals

Lenders have also provided temporary relief to borrowers impacted by the COVID-19 pandemic, allowing loan repayment deferrals. In support, APRA announced that deferred loans would not be considered overdue or in arrears for reporting purposes for a period of 10 months from the start of a repayment deferral, or until 31 March 2021.[137] These measures were formalised on 9 September 2020, concluding at the end of March 2021, with the portion of small business loans with deferral in place declining from a peak of approximately 17% at the end of June 2020 to 0.5% at the end of February 2021. In response to additional state-based lockdowns in July 2021, APRA announced the re-commencement of this initiative, whereby ADIs will not be required to treat the period of deferral as a period of arrears, or a loan restructuring, for eligible borrowers. This will apply to loans that are granted a repayment deferral of up to three months before the end of August 2021, to give banks and borrowers additional flexibility during this period. On 30 September 2021, APRA announced the recommencement of the loan repayment deferral statistical releases. Of note, deferred loans as a percentage of total loans were broadly in line with the low levels observed in February 2021 and even lower for SMEs.

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[135] Source: Australian Bureau of Statistics, Lending indicators (June 2021).
[136] Source: RBA, Statement on Monetary Policy (August 2021).
[137] This relief initiative only applied to groups with total lending up to $10 million.

Table 9. ADI loan deferrals as a result of COVID-19 (Jun 2020 vs Feb 2021 vs Aug 2021)[138]

	Deferred loans			Total loans			Deferred loans (% of total loans)		
	Jun 2020	**Feb 2021**	**Aug 2021**	**Jun 2020**	**Feb 2021**	**Aug 2021**	**Jun 2020**	**Feb 2021**	**Aug 2021**
Total	$274bn	$14bn	$12bn	$2.7tn	$2.6tn	$2.2tn	10%	0.5%	0.5%
Housing	$195bn	$12bn	$11bn	$1.8tn	$1.7tn	$1.5tn	11%	0.7%	0.7%
SME	$55bn	$1.5bn	$0.8bn	$321bn	$314bn	$253bn	17%	0.5%	0.3%

APRA changes to capital requirements and temporary restrictions on capital returns

To ensure banks were well positioned to continue to provide credit to the economy after the onset of COVID-19, APRA put in place a number of temporary regulatory changes. The most notable was in relation to bank capital ratios and dividend payments, to allow banks to conserve capital, and to maintain confidence and capacity for banks to continue to lend and support customers.

On 19 March 2020, APRA announced temporary changes to expectations in relation to bank capital. Additional flexibility was allowed in light of APRA's view that ADIs might need to use some of their capital buffers to support the ongoing supply of credit to the Australian economy. In 2017, APRA set benchmark capital targets for banks that were well above current minimum regulatory requirements to enable them to be regarded internationally as unquestionably strong. The temporary changes to capital requirements in March 2020 allowed banks concessions for not meeting the additional benchmarks announced in 2017.

On 7 April 2020, APRA released a guidance statement for ADIs' dividend plans. The statement outlined APRA's expectation for all ADIs to conserve capital and use stress testing to inform these views, while giving due consideration to plausible downside scenarios. APRA indicated, among other matters, that it expected ADIs to seriously consider deferring decisions on the appropriate level of dividends until a clearer economic outlook emerged. Following momentum in fiscal recovery and reduced economic uncertainty, APRA updated its guidance in December 2020. It noted that it expects banks and insurers to continue to moderate dividend payout ratios, and consider the use of dividend reinvestment plans and other capital management initiatives to offset the impact on capital from distributions. APRA no longer holds banks to a minimum level of earnings retention; however, banks have to carefully consider the sustainable rate for dividends, taking into account the outlook for profitability, capital and the economic environment.[139]

Term Funding Facility

To further support the liquidity of the ADI sector, the RBA established a $200 billion TFF in March 2020. The TFF provides low cost three-year term funding to the banking sector. It was established with the objective of reducing the funding costs of ADIs and, in turn, interest rates for borrowers, and to encourage ADIs to increase lending to businesses, with stronger incentives offered for lending to SMEs. The TFF closed to new drawdowns on 30 June 2021, at which time $188 billion of funding was outstanding. It is anticipated that the TFF will continue to support low borrowing costs for banks until mid-2024. At the expiry of drawdowns at 30 June 2021, Judo had total TFF drawings of $2.9 billion.

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138. Source: APRA, Temporary Loan Repayment Deferrals due to COVID-19 (September 2021).
139. Source: APRA, Capital Management Letter (15 December 2020).

Structured Finance Support Fund

To provide support to non-bank financial institutions, the AOFM established an SFSF in March 2020 to provide $15 billion in support for securitisation transactions. The SFSF can invest in the primary and secondary markets, and in public and warehouse transactions, but must in all cases benefit from first loss credit support. These measures have supported an improvement in conditions in the asset-backed securities market since then. The AOFM also established a 'forbearance special purpose vehicle (**SPV**)', to be funded by the SFSF. During its availability from September 2020 to 31 March 2021, the forbearance SPV supported existing transactions for participating originators impacted by COVID-19 hardship restructures granted to debtors. The AOFM has not made any new SFSF investments since November 2020.

Judo was the first Australian bank to be awarded Government warehouse funding from the AOFM. The total size of the facility established in June 2020 by the Commonwealth of Australia, and administered by the AOFM, was $500 million and included a $250 million allocation from the ABSF and a $250 million allocation from the SFSF in securitisation funding (see **Section 3.7.3.2**).

2.4.3 COVID-19 impact on SMEs

Alongside the broader recovery experienced by the wider Australian economy, conditions for many small businesses also saw a rebound in growth throughout the second half of 2020. This was facilitated by strong government policy support for SMEs, particularly in the provision of credit.

The sharp recovery of the Australian economy that followed in the second half of 2020 led to an improvement in conditions for the business sector. Most larger retail businesses generally saw strong sales growth during 2020. For smaller retail businesses, sales generally picked up in late 2020, largely returning to pre-pandemic levels in the March 2021 quarter.[140] Policy measures implemented to support SMEs during the COVID-19 pandemic reflect the Government's recognition of the importance of the SME sector to the overall economy.

> ***"This [fiscal stimulus] plan is about keeping Australians in jobs. This plan is about keeping a business in business, particularly small and medium-sized businesses, and this plan is about ensuring the Australian economy bounces back stronger on the other side of it, and with that, the Budget bounces back with it."***
>
> ***— The Hon. Scott Morrison, MP, Prime Minister of Australia (12 March 2020)***

ABS survey data suggests small businesses grew more confident about their outlook in the second half of 2020, alongside the broader economic recovery. In an ABS survey conducted in February 2021, approximately a quarter of small businesses reported that economic uncertainty was a factor influencing their upcoming capex plans; in August 2020 that proportion was approximately two-thirds. Consistent with this, non-mining firms upgraded their investment plans for financial year 2020–21, according to the ABS capex survey in the second half of 2020. The increases in job openings and employment growth observed in late 2020 were particularly pronounced in industries with a high share of small businesses. Nevertheless, some small businesses remain in a tenuous position and are vulnerable to any further economic disruptions.[141]

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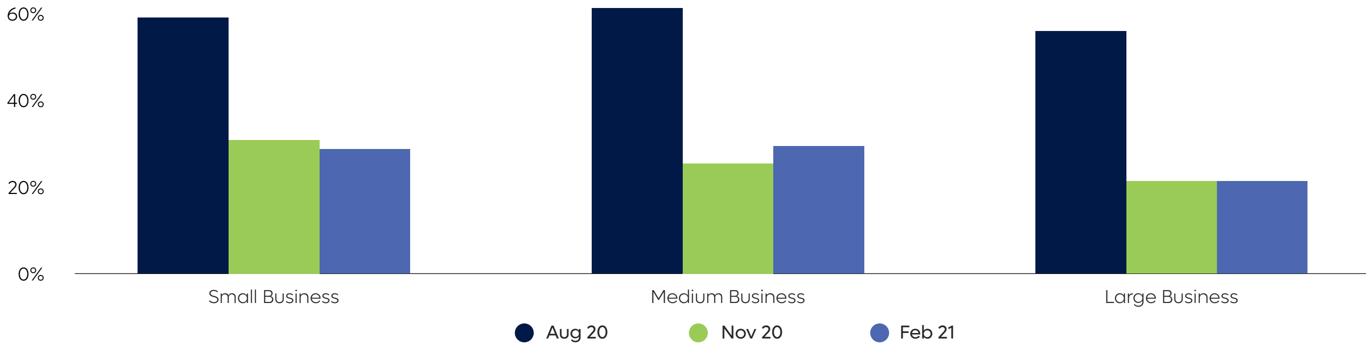
[140] Source: RBA, Statement on Monetary Policy (May 2021).

[141] Source: RBA, Statement on Monetary Policy (May 2021).

Figure 35: Uncertainty and future investment plans (% of respondents indicating that uncertainty influenced plans)[142,143]



New lending by financial institutions to SMEs has been relatively steady since the onset of COVID-19. The volume of new loan commitments (excluding refinancing) made in FY21 was marginally lower than in the previous year. This was despite interest rates declining to historically low levels in response to the RBA's package of measures, and the pick-up in economic activity in the second half of 2020. However, SME refinancing activity was slightly higher in FY21 compared with the year prior, as some businesses took advantage of the low interest rates on offer.[144]

Coronavirus SME Guarantee Scheme

As noted in **Section 2.3.7**, to further support credit availability to SMEs, the Commonwealth Government launched a $40 billion Coronavirus SME Guarantee Scheme, whereby the Government provided a 50% guarantee on new loans issued by eligible lenders to SMEs.[145] Take-up of the scheme, which started in late March 2020 and was enhanced in October 2020, has been modest to date, with approximately $4 billion of loan commitments being made to approximately 40,000 businesses.[146]

SME Recovery Loan Scheme

In April 2021, the Government introduced the SME Recovery Loan Scheme, which is an enhanced and extended loan guarantee scheme for SMEs that have been adversely economically impacted by COVID-19, received JobKeeper payments in the March quarter 2021 or were eligible flood-affected businesses. Under this scheme, those SMEs with annual turnover up to $250 million (previously capped at $50 million) can borrow as much as $5 million (up from $1 million previously) for up to 10 years (up from five years previously). In addition, the funds borrowed can be used to refinance existing loans (refinancing was not permitted previously), and the Government is increasing the guarantee to 80% (up from 50%). The SME Recovery Loan Scheme will be accessible until the end of 2021.

Repayment deferral arrangements offered by banks to small business borrowers concluded at the end of March 2021. Of the more than 200,000 SME borrowers that had arranged loan payment deferrals in 2020, the majority have resumed repayments. At the end of February 2021, only a very small share of SME borrowers (approximately 0.5%) had a deferral arrangement in place (down from a peak of approximately 17% at the end of June 2020), with those remaining made up of borrowers that had their deferral extended (see **Table 9**).

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142. Source: RBA, Australia's Economic Recovery and Access to Small Business Finance (March 2021).
143. Source: A business is classified as small if the reporting entity has exposure to the business of less than $1 million and the business has turnover of less than $50 million. A business is classified as medium if the reporting entity has exposure to the business of $1 million or more and the business has turnover less than $50 million. A business is classified as large if it has a turnover of $50 million or more. 'Exposure' refers to all liabilities that a borrower has owing to the reporting entity.
144. Source: RBA, Statement on Monetary Policy (August 2021).
145. All active Australian businesses with turnover of less than $50 million in the previous financial year, or expected turnover of less than $50 million in the current financial year are eligible to apply for loans under the Scheme. Both self-employed individuals and non-profit businesses are eligible.
146. RBA Statement on Monetary Policy – May 2021: 3. Domestic Financial Conditions.

2.5. Regulatory environment

This section provides an overview of the relevant laws, governing bodies and recent regulatory developments in the Australian banking market.

2.5.1 Relevant laws

Australian ADIs, including Judo, are primarily regulated by APRA (including under the *Australian Prudential Regulation Authority Act 1998* (Cth) and the Banking Act) and the Australian Securities and Investments Commission (**ASIC**) (including under the Corporations Act, the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**), and under the NCCP Act, which incorporates the National Credit Code (**NCC**)). Judo is also subject to other legislation, including, but not limited to, the *Privacy Act 1988* (Cth), the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML/CTF Act**), the *Competition and Consumer Act 2010* (Cth)*, the Privacy (Credit Reporting) Code 2014* and unfair contract terms legislation as set out in the ASIC Act.

2.5.2 Regulatory bodies

The primary regulators and government bodies that oversee ADIs include APRA, ASIC, the Australian Transaction Reports and Analysis Centre (**AUSTRAC**), the RBA and the Treasury. The approach of each of these bodies is set out below.

APRA

APRA is responsible for prudential regulation and supervision of ADIs (including Australian incorporated banks, the Australian branches of foreign banks, building societies and credit unions), life insurers and friendly societies, general insurers (including reinsurers), private health insurers, and most participants in the superannuation industry. All financial institutions regulated by APRA are required to report statistical and other information on a periodic basis to APRA.

APRA establishes prudential standards that regulated institutions must comply with. These standards are legally binding and set out a range of requirements in relation to:

- financial soundness (for example, with respect to capital and liquidity requirements;
- risk management; and
- governance.

In 2017, APRA set benchmark capital targets for banks to enable them to be regarded internationally as unquestionably strong, consistent with the Basel guidelines.[147]

After APRA licenses an institution, it is subject to ongoing supervision to ensure it is meeting APRA's prudential requirements. APRA supervisors do this by examining data and reports about institutions and the broader financial sector (off-site analysis), and by visiting supervised institutions to speak to staff and, where appropriate, examine records and files (on-site analysis). APRA's supervision is risk based and aims to identify potential financial or operational weaknesses in an institution as early as possible, and ensure they are rectified before they can threaten its safety and soundness.

If APRA has concerns about a supervised institution's prudential strength or risk management, it has a range of approaches it can adopt, depending on the situation. While APRA will seek to work co-operatively with management and directors to have issues promptly addressed, if the institution is uncooperative, or APRA otherwise considers it necessary, APRA can take a range of enforcement actions against an institution, or individuals associated with that institution, to protect the interests of depositors, policyholders and members of superannuation funds.

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[147] Source: APRA, Capital Management Letter (15 December 2020).

ASIC

ASIC is the corporate, markets and financial services regulator responsible for market conduct and investor protection.

The role of ASIC under the ASIC Act is to:

- maintain, facilitate and improve the performance of the financial system and entities in it;
- promote confident and informed participation by investors and consumers in the financial system;
- administer the law effectively and with minimal procedural requirements;
- receive, process and store, efficiently and quickly, information received;
- make information about companies and other bodies available to the public as soon as practicable; and
- take action as necessary, to enforce and give effect to the law.

As a direct result of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (**Royal Commission**) (see **Section 2.5.4**), ASIC has introduced a revised enforcement approach, including:

- establishing an internal Office of Enforcement;
- accelerating enforcement outcomes; and
- strengthening penalties available to it.

AUSTRAC

AUSTRAC is Australia's financial intelligence agency, responsible for detecting, deterring and disrupting criminal abuse of the financial system to protect the community from serious and organised crime. AUSTRAC holds regulatory responsibility for activities such as anti-money laundering and counter-terrorism financing. Australian financial institutions are required to provide AUSTRAC with reports and data on financial transactions and suspicious matters. AUSTRAC may take enforcement action against a reporting entity for serious and/or systemic breaches of the AML/CTF Act.

AUSTRAC's key function is the collection and analysis of data relating to financial movements nationwide, with a view to determining whether inappropriate or inconsistent transactions have occurred and should be further investigated. AUSTRAC requires all reporting entities to notify it of:

- all international funds transfer instructions;
- suspicious matters;
- threshold and significant cash transactions; and
- cross-border movement of cash declarations and bearer negotiable instrument declarations.

In addition to mandatory reporting, AUSTRAC can specifically direct financial institutions to provide further information if required.

RBA

The RBA's duty is to contribute to the stability of the currency, full employment and economic prosperity of Australia. This is carried out by conducting monetary policy, maintaining an efficient payments system and issuing banknotes. The RBA also manages Australia's gold and foreign exchange reserves. The RBA is responsible for setting the target cash rate within Australia, which influences a range of other market and institutional interest rates under which the Australian banks operate.

The Treasury

The Treasury is a central policy agency that provides economic analysis and authoritative policy advice on issues such as the economy, the budget, taxation, the financial sector, foreign investment, structural policy, superannuation, small business, housing affordability and international economic policy. The Treasury also works with state and territory governments on key policy areas, and manages federal financial relations.

Other bodies

Australian financial institutions also have obligations to other bodies including:

- the Office of the Australian Information Commissioner, which has a range of regulatory powers under the Privacy Act and other legislation; and
- the Australian Financial Complaints Authority (**AFCA**), which provides dispute resolution for financial complaints by consumers and small business. AFCA is focused on customer fairness and has jurisdiction to hear disputes between credit providers, financial service entities and their customers.

2.5.3 Regulatory capital requirements

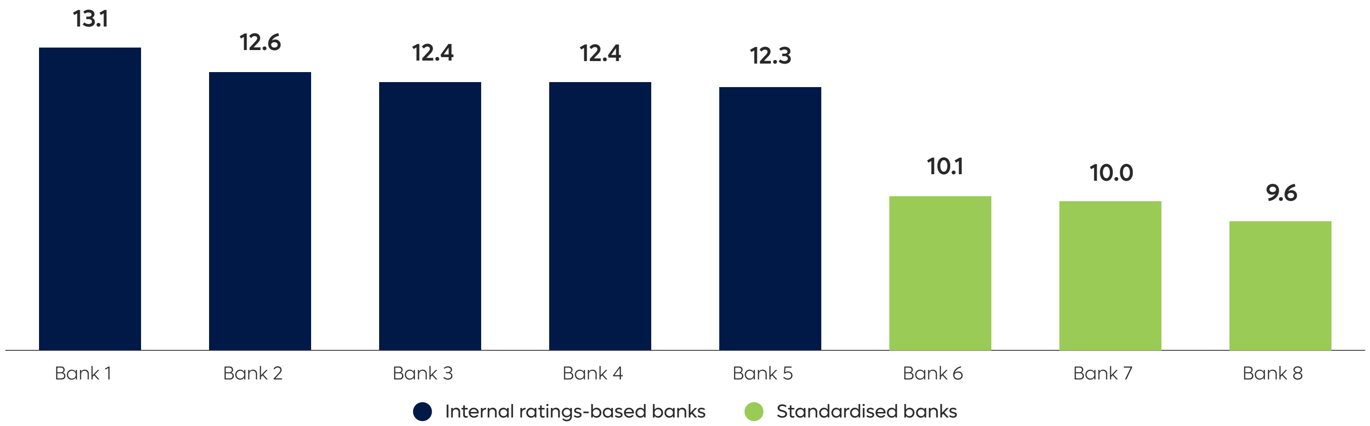
To support the strength of the Australian economy, APRA sets a minimum level of capital required for banks to operate under. APRA's capital adequacy framework for banks is based on the internationally agreed Basel framework, but includes modifications deemed by APRA to be better suited to Australian risks.

From a prudential regulator's perspective, capital is a measure of the financial cushion available to an institution to absorb any unexpected losses it experiences in running its business. For a bank, such unexpected losses might include loans that default due to unforeseen events and are written off. While banks hold balance sheet provisions for a degree of financial loss that is anticipated as part of the normal course of business, additional unexpected losses that extend past the level of provisions set aside are written off against the regulatory capital held. Ensuring sufficient levels of capital are sustained in good times enables a financial institution to remain resilient during periods of financial adversity. This also helps to protect customers in the event of insolvency (which in practice has been extremely rare in Australia, but has been more common in other countries). There are several different types of capital, with the core, highest quality measure being CET1 capital. CET1 capital is considered the highest quality capital because it does not result in the institution having repayment or distribution obligations.

For ADIs, the required minimum level of CET1 regulated by APRA is typically set as a ratio of the bank's CET1 relative to its risk-weighted assets. Risk-weighted assets are the bank's loans and other assets weighted (or multiplied by a specific weighting factor) for their respective level of risk of loss to the bank. To improve their capital position, institutions can raise new capital, such as by issuing shares to investors, by restricting dividends and retaining more profits in the business or by reducing their risk profile (by reducing the riskiness of the business being undertaken or by shrinking book size or growth).

The minimum CET1 capital ratio for ADIs is set as the 4.5% internationally agreed minimum, plus a capital conservation buffer that is typically equal to 2.5%, plus a counter-cyclical buffer, which may range between 0% and 2.5%, which APRA sets in response to market conditions (currently set by APRA at 0%). An additional capital buffer, currently set at 1% of risk weighted assets, applies to any ADI designated by APRA as a domestic systemically important bank (**D-SIB**). The current list of D-SIBs is comprised of the Major Banks. APRA's minimum prudential capital requirement for each bank is confidential and not disclosed.

Figure 36: Australian banks' CET1 ratios (%)[148]



Changes to APRA capital framework

APRA is currently consulting with industry on a revised capital framework for Australian banks, with the intention of embedding 'unquestionably strong' capital levels and enhancing the transparency and flexibility of the framework. The reforms include a range of changes to how capital requirements are calculated and will likely result in a material narrowing of capital requirements between internal ratings-based (**IRB**) and standardised banks such as Judo.[149] The proposals are not intended to further increase overall capital requirements; however, the allocation of capital will vary between individual banks depending on their business models and risk-weighting approach.

Some key features of the proposed framework include:

- **implementing more risk-sensitive risk weights**, including for SME lending: standardised risk weights for SME lending without residential property security will materially reduce from 100% to between 75% and 85%, depending on the nature and size of the loan.[150] Greater recognition of commercial property collateral will also be reflected in the capital ratio calculation for standardised banks such as Judo. This is expected to reduce the difference in capital requirements between IRB and standardised banks' lending to SMEs. Capital requirements for residential mortgages will also be strengthened by increasing capital for higher risk lending;
- **increasing regulatory capital buffers, particularly for IRB banks:** the size of the default counter-cyclical buffer will be increased for all banks from 0% to 1% and the capital conservation buffer will be increased from 2.5% to 4% for IRB banks;
- **improving transparency and comparability:** by better aligning APRA's standards with the internationally agreed Basel III capital framework and requiring IRB institutions to also publish their capital ratios under the standardised approach; and
- **introducing a simplified framework for smaller banks:** banks with less than $20 billion in assets will be subject to less onerous or complex requirements in certain areas, such as for operational risk and interest rate risk in the banking book. This is intended to reduce regulatory burden without compromising prudential safety.

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148. Source: Pillar III regulatory disclosures for each bank, reported on a quarterly basis (last reported figure for each bank shown). IRB banks use internal models to determine the risk weights applied in their capital ratio calculation, whereas standardised banks use a set of risk weights prescribed by the regulator in APS 112. The average CET1 capital ratio of the IRB banks shown above are relatively higher than the standardised banks as APRA's 'unquestionably strong' capital expectations for IRB banks have tended to be higher.

149. Source: APRA, Bank capital reforms: Update (July 2021).

150. Source: APRA, Prudential Standard APS 112, Capital Adequacy: Standardised Approach to Credit Risk (December 2020).

APRA expects to finalise the framework in 2021 and implement it from January 2023.[151] Implementing the proposed changes would bring Australia closer to other developed nations' capital requirement settings. For example, in Europe, the UK and Canada, the risk rating is set at 75% for small business lending (where small business lending is defined by a diverse lending book with no loans exceeding €1 million in Europe or the equivalent in the UK, or CAD $1.25 million in Canada).[152]

2.5.4 Recent regulatory developments

A number of recent regulatory developments in the Australian banking sector are described below.

Comprehensive credit reporting and the Consumer Data Right

The Australian Government has mandated a CCR regime, which requires large ADIs to provide comprehensive credit information on open and active consumer credit accounts to licensed credit reporting bodies. Since October 2018, the Major Banks have increased their participation in the credit reporting system pending legislation enacting the mandate. Other banks and credit providers have progressively implemented the CCR regime in their systems. The introduction of CCR improves the ability of participating lenders to assess customer credit quality, and reduces the risk of undisclosed customer debts, by providing additional positive credit reporting data on customers (including dates that accounts were opened, repayment history and credit limits) that was previously unavailable. This allows lenders to make more informed credit assessments on potential customers.[153] This increased reporting may assist some newer lenders, such as Judo, to attract new customers. In addition, following the phase-in of CCR and increased focus on personal finances as a result of COVID-19, consumers may become more aware of their credit rating and the products available to them based on their credit rating – a trend witnessed in offshore markets such as the UK.[154]

In August 2019, the Australian Government passed a bill to legislate the CDR across multiple industries. The CDR (known as 'Open Banking' in the banking sector), launched in June 2020, and mandates ADIs to share consumer data in a machine-readable format, among other matters. This is expected to increase the transparency of product and service options across the industry, reduce barriers to entry, help facilitate consumer choice, and improve the accuracy and transparency of data. Industry participants with adaptive business models not constrained by legacy systems and processes may be better positioned to identify and respond to opportunities arising from data availability and Open Banking.[155]

The CDR is to be implemented by 1 February 2022, in three phases:[156]

- **Phase 1:** includes savings accounts, call accounts, term deposits, current accounts, cheque accounts, debit card accounts, transaction accounts, personal basic accounts, GST or tax accounts, personal credit or charge card accounts, and business credit or charge card accounts;
- **Phase 2:** includes residential home loans, investment property loans, mortgage offset accounts and personal loans; and
- **Phase 3:** includes overdrafts (personal and business), business finance, investment loans, lines of credit (personal and business), asset finance, cash management accounts, farm management accounts, pensioner deeming accounts, retirement savings accounts, trust accounts, foreign currency accounts and consumer leases.

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[151] Source: APRA, Bank capital reforms: Update (July 2021).

[152] Source: APRA, A more flexible and resilient capital framework for ADIs (December 2020).

[153] Source: Australian Retail Credit Association (accessed 24 June 2021) https://www.arca.asn.au/focus/for-consumers.html, https://www.arca.asn.au/focus/for-industry.html.

[154] For example, in the UK Experian publishes a table of credit score ranges, and likely mortgage outcomes for a customer. For example, if you have a rating of Poor (561 – 720), you may be accepted for mortgage loans, but with higher interest rates https://www.experian.co.uk/consumer (accessed 24 June 2021).

[155] Source: Open banking: switch or stick? Deloitte (published October 2019); Review into Open Banking in Australia, Australian Government Treasury (published December 2017).

[156] Source: ACCC, Phasing (December 2020).

Of these phases, we believe the sharing of business finance and lines of credit (to occur in Phase 3) will be especially important to SME lenders, and particularly to Judo, because the use of data is core to system architecture (see **Section 3.8**), given bank data is the most reliable and comprehensive source of financial information on SMEs.

Responsible lending

In recent years, ASIC has increased its focus on responsible lending obligations, as set out in the NCCP Act. Two specific areas being reviewed are:

- the extent to which licensed credit providers undertake independent verification of a potential customer's income (for example, by checking payslips, tax returns, bank statements or equivalent); and
- the level and method of verification of a customer's expenses, including the reliance on benchmarks.

Both areas were mentioned in the findings of the Royal Commission (see below for further detail).

However, on 25 September 2020, the Government announced a suite of changes to Australia's consumer credit framework contained in the NCCP Act aimed at reducing the time it takes for individuals and small businesses to access credit, while maintaining strong protections for vulnerable consumers. One aspect of the proposed reforms is to amend the existing responsible lending obligations by replacing a more proscriptive approach to the assessment of the suitability of the proposed lending with a less proscriptive regime that allows lenders greater flexibility to make decisions based on the characteristics of the borrower and the type of credit. The core elements of the proposed reforms are to:

- remove the responsible lending obligations from the NCCP Act, with the exception of small amount credit contracts and consumer leases where increased obligations will be introduced;
- ensure that ADIs continue to comply with APRA lending standards that require sound credit assessment and approval processes; and
- adopt key elements of APRA's lending standards and apply them to non-ADIs, which ASIC will regulate.

Judo believes such reforms may benefit players that have a bespoke approach to providing credit to their customers, compared with institutions that operate under a more basic or industrialised lending framework. On March 2021, the bill to reform the NCCP Act passed the House of Representatives without amendment; however, it is yet to pass the Senate.

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

The Royal Commission was established in 2017 to investigate whether any of Australia's financial services providers engaged in misconduct, and whether any criminal or civil legal proceedings should be commenced. The Royal Commission focused on APRA- and ASIC-regulated entities, and the interim and final reports identified a number of adverse findings.

The final report contained six underlying principles and 76 recommendations. A number of these are particularly relevant to ADIs as a whole. Key recommendations that may impact the operations of ADIs include:

- **lending to SMEs:** various recommendations apply including:
  - the NCCP Act (as discussed above) should not be amended to extend its operation to lending to small businesses;
  - the Australian Banking Association should amend the definition of 'small business' in the Banking Code so that the Code applies to any business or group employing fewer than 100 full-time equivalent employees, where the loan applied for is less than $5 million;
- **remuneration:** identification of the remuneration of front-line staff could be improved; and
- **industry codes:** the enforceability of voluntary industry codes, including the Banking Code approved by ASIC in 2018.

In May 2020, the Australian Government announced a six-month deferral of implementation of unlegislated Royal Commission recommendations to enable the financial services industry to focus on responding to the COVID-19 pandemic. Implementation of a number of recommendations has therefore been put on hold.

APRA consultation on zero and negative interest rates[157]

On 12 July 2021, APRA released for consultation draft expectations regarding ADIs' preparedness for zero and negative interest rates. While the RBA has stated that a negative cash rate is highly unlikely in Australia, this does not preclude the possibility of a negative cash rate in the future. Irrespective of the level of the cash rate, it is possible that other interest rates determined in the financial markets could fall to zero, or below zero, at any time.

APRA expects ADIs to develop tactical solutions to zero and negative market interest rates and cash rates by 30 April 2022. Tactical solutions are typically shorter-term fixes, involving workarounds on the periphery of existing systems, along with overrides in downstream systems. Subject to the appropriate risk management considerations, it is acceptable to have solutions that generate an economic outcome that is the same as a negative interest rate.

In developing tactical solutions, APRA expects ADIs to consider all aspects of the products and activities that could be impacted by zero and negative interest rates, including customer communications and disclosures. ADIs are expected to:

- assess the associated operational risks and ensure there are appropriate controls in place to manage them; and
- consider any relevant conduct-related issues, including the potential for conflicts of interest, fair treatment of clients and asymmetry of information.

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[157] Source: APRA, Consultation on zero and negative interest rates (July 2021).

Section 3.
Company Overview.

Section 3.

Company Overview.

3.1. Introduction

Who we are

We are Australia's only bank dedicated exclusively to lending to SMEs. We are a founder-led organisation, with a management team comprising experienced and credentialed business banking professionals with deep sector expertise. Our purpose is simple – to be the most trusted SME business bank in Australia.

We commenced operations in March 2018, providing business loans to Australian SMEs with early-stage seed funding and unsecured bank debt. In April 2019, APRA granted Judo Bank Pty Ltd an unrestricted banking licence to operate as an ADI.

What we do

Judo is focused on delivering a clearly differentiated offering to Australian SME borrowers, with a dedicated and built-for-purpose service proposition.

As at 30 September 2021, Judo had a loan book of $4.15 billion, funding the Australian SME sector through a commitment to relationship-centric lending. Judo's product offering is simple yet effective for our SME Customers, providing them with tailored lending solutions for their SME business needs.

As an ADI, Judo is able to offer government-guaranteed term deposits up to $250,000[1] per account holder, both retail and wholesale Deposit Customers, and had a deposit book of $2.9 billion as at 30 September 2021. Deposits provide an efficient and effective source of funding for Judo, with diversification benefits, reducing our reliance on wholesale financing markets. Our Term Deposits have received numerous awards from deposit comparison websites.

How we do it

Judo's relationship-centric lending model is based on acquiring a deep insight into the financial requirements of each SME Customer, as well as a thorough understanding of the unique story behind each business and its people, leading to efficient and timely decision-making. Our business model has been crafted from the ground up, free from the burden of legacy culture, products, origination channels, treasury, technology, branch network and risk frameworks. Executing our strategy is based on several key factors:

1. **Customer Value Proposition:** a clear lending proposition, underscored by an industry-leading SME Customer NPS of +85, which places customer service and SME borrowing objectives at its heart. Judo's SME Customers have direct access to our relationship bankers and credit executives, ensuring all decision-makers are in-market.
2. **Tailored product solutions:** our simple and effective lending products are tailored by the relationship banking team to suit SME Customer needs. Judo also has a simple and competitive Term Deposit offering, giving us access to retail and wholesale Deposit Customers.
3. **Talented and dedicated relationship bankers:** our relationship bankers have the skills and experience to truly understand an SME Customer's business. We offer a high level of service, deep and direct customer engagement and suitable financing solutions, as well as transparency in the process and timing of decision-making. We empower our relationship bankers and credit executives to be 'in-market' lenders who can collectively exercise decision-making judgement, to drive speed to market and productivity, without multiple layers of complex approvals or a 'head office sign-off' mentality.

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[1] The Financial Claims Scheme (**FCS**) provides protection to depositors of up to $250,000 per account holder per authorised deposit-taking institution in the event of the ADI failing.

4. **Multi-channel origination:** SME Customers engage with our relationship bankers directly or via established relationships with intermediaries and specialist brokers. Deposit Customers engage with Judo through direct channels (via our website or comparison websites) or through intermediaries.
5. **Diversified and stable funding sources:** Judo's funding approach is Term Deposit–led (with the long-term goal of sourcing 70–75% of our total funding this way), supported by our access to Warehouse Facilities provided by a range of the world's largest commercial banks and the Australian Government. Our deposit funding strategy includes pricing competitively to manage flow as appropriate to meet our funding needs. We offer attractive deposit rates to Deposit Customers while seeking to maintain an ability to generate a strong net interest margin (**NIM**).
6. **Legacy-free technology architecture, native to the cloud:** starting with a technology 'blank slate', Judo's focus has been to build a scalable, cost-efficient and agile technology stack utilising software and platforms that best support the effective delivery of our business model.
7. **Commitment to strong risk culture:** management is focused on ensuring risk management is culturally embedded into our business operating model, with a clearly defined risk appetite.

3.1.1 Purpose and SME value proposition

Judo's purpose is to be the most trusted SME business bank in Australia. Through a differentiated lending model, we are purpose-built to focus on the underserviced Australian SME market. Our value proposition to SMEs is built on:

- a core philosophy that each SME is unique, and that relationships are built on deep understanding and trust;
- a focus on culture and human capital, by placing as much emphasis on these two factors as on financial capital;
- adoption of industry-leading technology: a legacy-free technology platform;
- judgement-based lending and high responsiveness, combined with a specialist lending focus; and
- multiple origination channels to SMEs, including through a market-leading proposition to brokers.

Our values

Trust

The foundation of our purpose, the core of our relationships.

Teamwork

We're not a team of champions. We are a champion team.

Accountability

Make the decision and own it. Keep your promises.

Performance

Make today better, stronger and faster than yesterday.

3.1.2 Business overview

We are an Australian challenger bank with a sole focus on SME lending. We hold a full authorised deposit-taking institution (**ADI**) banking licence, Australian Financial Services Licence (**AFSL**) and Australian Credit Licence (**ACL**), and are regulated by the Australian Prudential Regulation Authority (**APRA**) and the Australian Securities and Investments Commission (**ASIC**), among others. Since opening our first office in Melbourne in September 2016, and officially launching in March 2018, as at 30 June 2021, Judo had operations nationally across Australia, with:

- additional locations in Sydney, Brisbane, Perth, Adelaide, Canberra and Hobart, and regional locations, including Geelong, Newcastle, Sunshine Coast, Gold Coast and Launceston; and
- 320 full-time equivalent employees, 59% of whom were in customer-facing roles, including 87 relationship bankers and 27 relationship analysts.

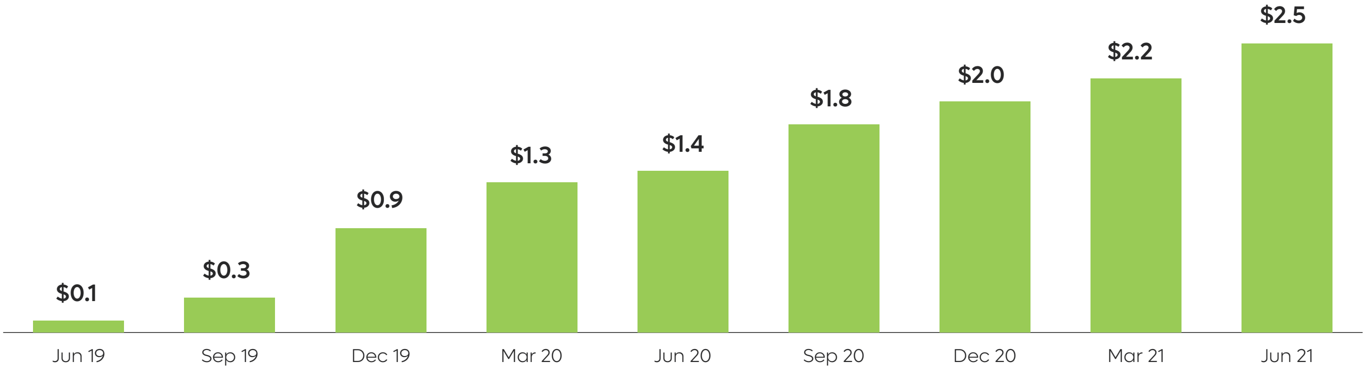
We have successfully deployed a relationship-centric lending model to deliver a highly sought-after customer experience and to achieve unbroken quarter-on-quarter loan book growth throughout our operating history. Our relationship proposition, accessibility and responsiveness have become even more relevant to SMEs during the COVID-19 pandemic, having more than doubled the size of our loan book in the 12 months from 31 March 2020 to 31 March 2021. As at 30 June 2021, Judo's loan book was $3.5 billion across 1,650 SME Customers.

Figure 37: Outstanding loan book ($ billion)[2]

After achieving the first $100 million of loan book growth in early 2019, our book grew substantially within the first 12 months to $1 billion by January 2020. The second and third incremental billion dollars of growth have been achieved within seven and eight months, respectively, notwithstanding the impacts of COVID-19.

Since being granted a full ADI licence, Judo has also successfully built a sustainable and well-regarded deposit-taking business, which has experienced unbroken quarter-on-quarter growth. From the first deposit in May 2019, Judo's deposit book had increased to $2.5 billion as at 30 June 2021, comprising 11,505 retail and wholesale Deposit Customers, with an average deposit balance of $154,000 and average tenor of about 12 months, funding the majority of our loan book growth.

Figure 38: Deposit balance ($ billion)[3]



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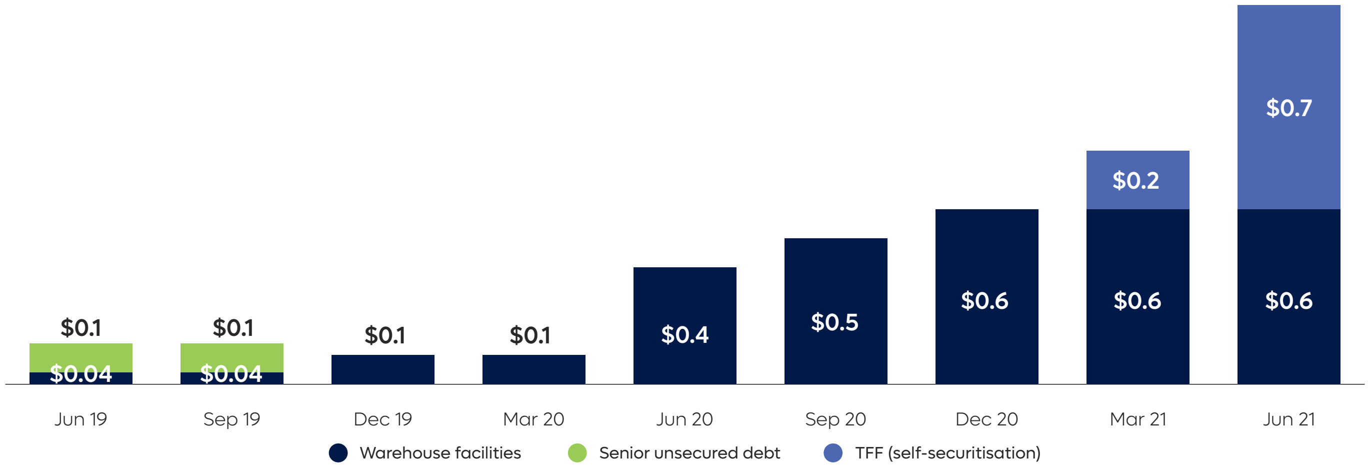
[2] As at 30 June 2021. Settled facilities includes drawn facilities (in blue) and undrawn facilities (in green).

[3] As at 30 June 2021.

In addition to deposit funding, Judo has a range of Warehouse Facilities, and is participating in the Reserve Bank of Australia's (**RBA**) Term Funding Facility (**TFF**),[4] through a successful internal self-securitisation program. The TFF provides Judo with funds at an interest rate of 0.10%, consistent with the cost of funds to Major Banks under the TFF. This gives Judo a significant cost of funding benefit and is supportive of our net interest margin (see **Section 3.7.3.3**).

Figure 39: Wholesale debt funding – drawn balance ($ billion)[5]



3.1.3 History and milestones

Judo's business concept was first developed in 2015. We were built from the ground up by a team of deeply experienced and highly credentialed business banking professionals who have sought to redefine the craft of SME banking. Collectively, our co-founders have over 160 years of domestic and international banking experience, with prior senior executive experience at the Major Banks, in addition to other large financial institutions. Given their deep knowledge of the Australian banking sector, the Judo co-founders and early employees saw a significant and growing gap in the SME lending market for a new, relationship-centric proposition built around better responding to customers' needs and expectations.

Judo was born out of our founders' belief of a market failure in SME lending. The increased focus of the Major Banks on household lending, and the industrialisation of business lending, has created a gap in relationship-centric lending to SMEs. Our establishment and early-stage growth has coincided with a range of governmental and public inquiries into the banking and broader financial services sector focused on competition, governance, selling practices, customer service and risk management, which have caused a significant level of industry disruption. We believe that this market environment creates a unique opportunity for Judo to embed our position as the largest Australian SME challenger bank.

Our business name and origins draw on the founders' affiliation with the 'judo strategy'[6] – an approach that allows a company to use a larger opponent's size to its advantage. Since inception, we have adopted elements of this strategy to seek to utilise the size, legacy and inflexibility of incumbent Australian banks against themselves.

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4. Refer to **Section 3.7.3.3** for more detail on the RBA's TFF.
5. As at 30 June 2021.
6. The framework was inspired by two economists, Judith Gelman and Steven Salop, to describe a strategy based on an approach to competition that emphasises skill, rather than size or strength.

Figure 40: Some key milestones

2015

Mid 2015

Judo **concept** developed

2016

September 2016

First office space in Melbourne

Late 2016

$20 million seed funding raised from family office and management

2017

2017

Built **key infrastructure and capabilities** ahead of operational launch

2018

Early 2018

Round 1 equity raising attracts $120 million, making it one of Australia's largest pre-revenue capital raisings

March 2018

Official business launch

October 2018

Sydney office opens

2019

Early 2019

Loan book reaches **$100 million**

Brisbane office opens

April 2019

APRA grants **full banking licence**, and Judo becomes a bank

May 2019

Intermediated deposits launch

July 2019

Round 2 equity raising attracts $400 million, making it the largest private funding round by an Australian start-up

August 2019

Retail deposits launch

September 2019

Number of **relationship bankers reaches 50**

2020

January 2020

Loan book reaches $1 billion; deposit book reaches $1 billion; and number of **full-time employees reaches 164**

May 2020

Round 3 equity raising attracts $228 million against backdrop of COVID-19 market disruption

July 2020

Perth office opens

November 2020

Adelaide office opens

December 2020

Round 4 equity raising attracts $284 million, with a $1.6 billion post-money valuation

2021

March 2021

First regional office opens in Newcastle

June 2021

Loan book reaches $3.5 billion; deposit book is $2.5 billion; and **$144 million** in undrawn lines of credit

Round 5 equity raising attracts $124 million, with a $1.9 billion post-money valuation

Completes inaugural **Tier 2 issuance $50 million**

Judo completed an initial seed funding round in late 2016, including a material equity investment by the management team. Subsequently, we have completed five successful equity raisings in the private market, bringing total private equity raised to $1.2 billion. Our equity raisings have set private capital raising records, attracting a broad register of sophisticated institutional global and domestic investors (see **Figure 41**). Of note, in July 2019, we completed our $400 million round 2 equity raising, representing the largest private funding round ever conducted by a newly established Australian company.

Our Shareholders have shown consistent and ongoing support for our business model and growth trajectory, demonstrated by follow-on investments in private capital rounds from Existing Shareholders. In addition, Judo completed an inaugural Tier 2 issuance of $50 million in June 2021, demonstrating increased sophistication and diversity in our funding stack, and further support for the Judo business model by credit investors.

Figure 41: Select institutional investors who have participated in Judo's private capital rounds[7]

BainCapital CREDIT
OPTrust
CAMBOOYA
Ironbridge
Zhong Yi Investment
Abu Dhabi Capital Group أبوظبي كابيتال جروب
SPF NVESTMENT MANAGEMENT, L.P.
MAGNETAR CAPITAL
MR Miracle Resource
UniSuper
MYER FAMILY INVESTMENTS
INCEPTION ASSET MANAGEMENT
TK TIKEHAU CAPITAL
GILLESPIE FAMILY OFFICE

3.2. Judo's business and revenue model

3.2.1 Summary of our business model

Central to our lending model is the provision of a relationship banking service to the SME economy, which is enabled by our legacy-free, digital, cloud-based technology architecture. Lending products are originated and distributed to SME Customers through direct and third-party channels, and funded by deposits, wholesale debt and regulatory capital.

Judo's lending model focuses on increasing the time 'customer-facing' staff spend with SME Customers. As at 30 June 2021, 59% of our staff were 'customer facing' and 41% were 'enabling', reflecting our focus on customer relationships and our streamlined back-end processes and operations.

We also offer Term Deposits to the intermediated wholesale segment and to retail Deposit Customers via our web-based platform. Deposits form the core of our funding strategy and in a price-sensitive deposit market, we have the ability to increase or decrease flow as appropriate, to optimise volume and tenor.

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[7] None of the investors whose logos are displayed in this image has authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

The following tables provide an outline of our key lending and funding metrics as at 30 September 2021.

Table 10. Lending metrics[8]

Total loan book	$4.15 billion
Number of relationship bankers	91
Number of relationship analysts	32
Number of accredited brokers	835
Number of SME Customers	1,937
Assets under management (AUM) per relationship banker	$46 million
SME Customers per relationship banker	21
Blended lending margin on current loan book[9]	4.6%
Loan book pipeline[10]	$2.1 billion
Average SME Customer loan	$2.1 million

Table 11. Funding metrics[11]

Total deposits	$2.9 billion
Number of Deposit Customers	12,529
Total Warehouse Facilities available	$1.3 billion
Total Warehouse Facilities drawn	$0.6 billion
TFF self-securitisation[12]	$1.10 billion
TFF preserved component[12]	$1.76 billion
Total drawn TFF	$2.86 billion

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[8] As at 30 September 2021.

[9] Margin above the 1-month BBSW Bid, the reference rate for Judo Market Base Rate.

[10] Includes leads, applications, approved and accepted loans that are not yet settled. Refer to **Section 3.11.1** for detail on Judo's loan book pipeline.

[11] As at 30 September 2021.

[12] The TFF offers Judo a significant cost of funding benefit relative to alternatives. The maximum benefit is realised where self-securitisation notes are used as collateral. **Preserved component:** Given the limited current size of Judo's internal self-securitisation notes, an additional amount of eligible securities have been preserved prior to the end of the TFF utilisation window as at 30 September 2021. Judo intends to progressively swap out this preserved amount with self-securitisation notes as the lending portfolio grows. For further detail refer to **Section 3.7.3.3.**

3.2.2 Business model success factors

The successful implementation of Judo's business model has been supported by several key success factors, including those discussed below.

Table 12. Judo's key success factors

Relationship-centric operating philosophy	• Customers are at the heart of our shared value philosophy. • SME Customers have direct access to in-market decision-makers, creating an experience with heightened responsiveness. • Credit decision seeks to apply a holistic understanding of the SME Customer (based on character, capacity, capital and collateral – in that order of importance).	Refer **Section 3.3**
Straightforward and integrated lending product range	• Our product range is tailored to the SME market and designed to deliver a streamlined SME Customer experience based on their needs.	Refer **Section 3.4**
Experienced relationship bankers	• Judo employs SME relationship bankers with the experience, expertise and attitude that align with our culture and purpose. • Our relationship bankers have an average of 15 years of experience providing banking services to SMEs and the vast majority of our senior relationship bankers have Chartered Banker accreditation. • The average AUM per relationship banker has increased from $19 million as at 31 December 2019 to $46 million as at 30 September 2021. Given most of our relationship bankers joined the business in the last two years, this metric is yet to approach full potential.	Refer **Section 3.5**
Multi-channel origination	• SME Customers engage with our relationship bankers directly or via established relationships with intermediaries and specialist brokers. • Irrespective of the origination channel, our relationship bankers foster and maintain relationships directly with SME Customers.	Refer **Section 3.6**
Diversified and stable funding	• Our loan book is funded by a range of sources including deposits, Warehouse Facilities, the TFF and regulatory capital. • Deposits represent a deep pool of funding and form the core of our funding strategy, with a long-term goal of 70–75% of total funding sourced via this channel.	Refer **Section 3.7**

Legacy-free technology	• Judo's technology strategy was designed without legacy systems, and is focused on building a scalable, cost-efficient and agile technology stack to best support the delivery of our relationship-centric lending model. • Our technology, digital and data strategy will drive differentiation of our Customer Value Proposition (**CVP**) in the market by enhancing customer, relationship banker and third-party experiences.	Refer **Section 3.8**
Commitment to strong risk culture and commercial risk appetite	• We are committed to a culture in which risk management is embedded in our business model. • Judo operates with a clearly defined risk appetite, with a view to ensuring risk is well managed and we deliver appropriate risk-adjusted returns on lending.	Refer **Section 4**
High-calibre and experienced leadership and management	• Our management team has deep and complementary sector expertise, with an average of 25 years of industry experience across diverse backgrounds.	Refer **Section 7**

3.2.3 Judo's customer value propositions

3.2.3.1 SME Customer Value Proposition

Judo's focus on customer relationships and efficient operating processes drive our SME Customer Value Proposition (**SME CVP**). To date, this has resulted in an industry-leading SME Customer NPS of +85 as at 30 June 2021. This contrasts with the relatively low, and sometimes negative, NPS for other Australian banks (see **Section 2.3.4**).

Table 13. Our SME CVP

	Our SME CVP is underpinned by:	
Relationship banker quality	✓	Personalised service from highly capable, empowered and experienced in-market relationship bankers.
Value-add time	✓	We target 80% of relationship bankers' time spent on SME Customer activities, resulting in significantly more SME Customer contact, trust and deeper understanding.
Consistency of relationship	✓	SME Customers have a consistent, ongoing and accessible relationship with their Judo relationship banker.
Access to decision maker(s) in market	✓	Irrespective of the origination channel, the SME Customer deals directly with the decision-maker(s) in market, delivering more 'customer-oriented' solutions and a more timely approval process.
Effective approval process	✓	Streamlined lending origination, combined with effective approval and credit processes delivering efficient turnaround times.

Our SME CVP is delivered through:		
An SME focus	✔	An SME offering that is tailored, relevant, reliable, responsive, streamlined and efficient.
Relationship banker portfolio size	✔	Relationship banker portfolios are appropriately sized to deliver a higher level of personal service, deeper engagement, better solutions and higher value.
Simple product suite	✔	Product suite enables a streamlined process that delivers valued outcomes for SME Customers.
Transparent and consistent credit risk decisioning	✔	Based on an understanding of the SME business, generating higher certainty to SME Customers and brokers, and supporting a commensurate return for the level of risk taken.
Straightforward application process	✔	A straightforward application process delivers a better and more efficient customer experience.

Judo's core philosophy is that every SME is unique, and that relationships are built on deep understanding and trust. Our relationship promise is that SME Customers will deal directly with the decision-maker(s) in market, who are empowered to assess each application on its merits. We consider the quality of the business and the people running it, with an emphasis on the '4 Cs of Credit': character, capacity (or cash flow), capital (or equity) and collateral, in that order:

1. **Character:** management track record, experience, ability, integrity and willingness to repay;
2. **Capacity:** assessment of the cash drivers of an SME Customer regarding its ability to repay debt under a range of scenarios;
3. **Capital:** balance sheet strength and capital-to-debt ratios; and
4. **Collateral:** appropriate security based on lending policy and guidelines.

The 4 Cs of Credit are discussed in greater detail in **Section 4.8.1.3**.

Our credit approach emphasises the first C – character – in understanding our SME Customers' businesses and financing needs. By prioritising the importance of the 4 Cs in each individual case, our credit assessment process is designed to better understand and evaluate each SME's specific situation. We believe this sets us apart from lenders with more industrialised operating models, which have largely prioritised the fourth C – collateral – and tend to consider applications on a broad collective or portfolio basis, rather than on the basis of each SME's profile and circumstances.

Figure 42: Illustrative view of credit assessment priorities

3.2.3.2 Deposit CVP

Judo offers an attractive range of term deposit products to retail and wholesale Deposit Customers. The quality of our offering has been recognised on numerous occasions, winning Canstar's 'Bank of the Year – Term Deposits Award' in 2020 and 2021; Finder's 'Term Deposit (12 Month)' award in 2020; Mozo's 'Experts Choice for Term Deposits' in 2020 and 2021; RateCity's 'Best 12-month Term Deposits Gold Award' in 2020 and 2021; and InfoChoice's 'Term Deposit Institution of the Year (Bank)' in 2021.

Figure 43: Judo's deposit awards

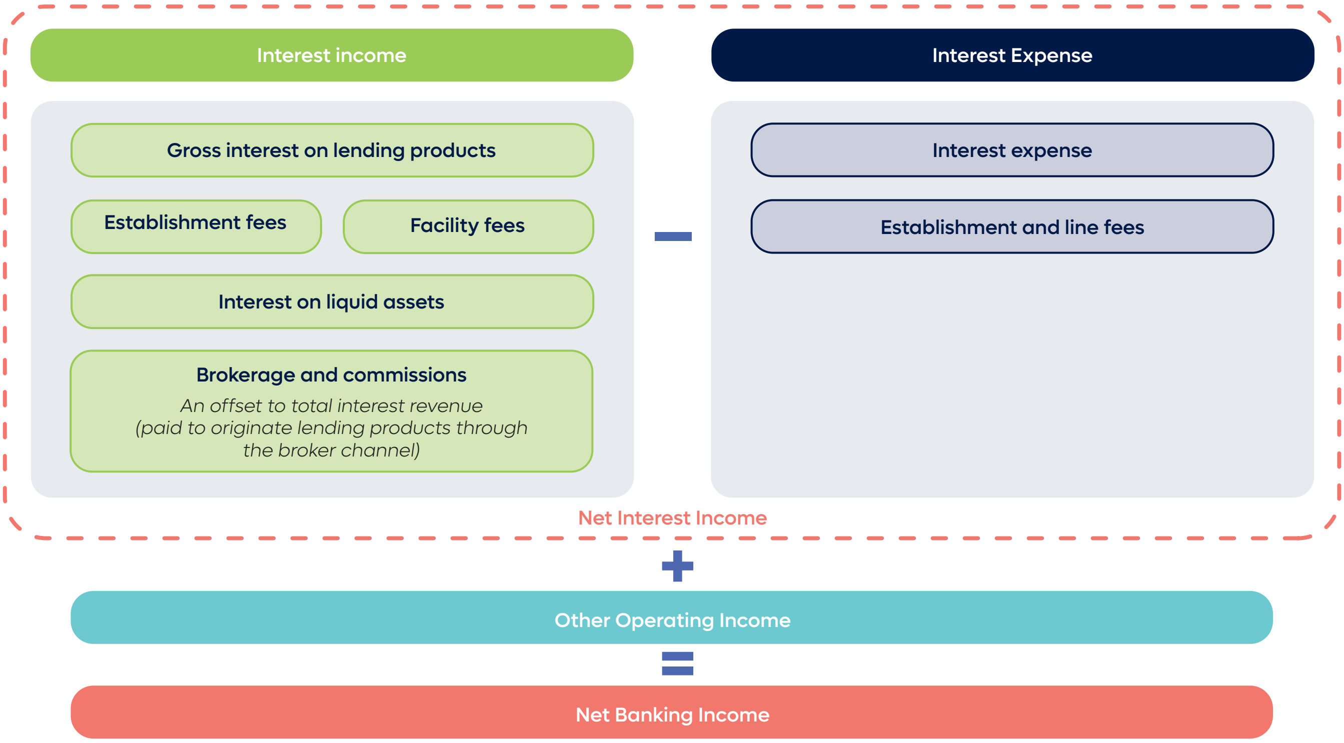
Table 14. Our deposit CVP

Price competitiveness	✔	Our deposit products are competitively priced.
Key terms offered	✔	Deposit Customers can select fixed terms, from three months to five years.
Efficient application and settlement	✔	The application and settlement process is undertaken through our online platform or via trusted broker intermediaries.
Multiple Deposit Customer types	✔	Judo can service a wide range of Deposit Customer types, from individuals via our online channel to complex entities such as self-managed superannuation funds (**SMSFs**), corporates, charities and government bodies, via our intermediaries.
Streamlined rollover experience	✔	Our streamlined rollover experience is demonstrated through consistently high rollover rates, with the majority of Direct Retail Term Deposit Customers rolling over their deposits at term.
Government guaranteed	✔	As an ADI, Judo participates in the Financial Claims Scheme (**FCS**), which guarantees investors' deposits up to $250,000.

3.2.4 Summary of our revenue model

Judo's revenue model is summarised in **Figure 44** and described in more detail below.

Figure 44: Judo's operating income revenue model



Net banking income consists of:

- **Gross interest on lending products:** Judo's predominant source of revenue, derived from interest charged to SME Customers on loan balances. Our variable rate business lending is priced against the Judo Market Base Rate, which is repriced monthly. The Judo Market Base Rate is the rate as reasonably determined by Judo, by reference to the Bank Bill Swap Bid Rate, Judo's funding costs and prevailing market conditions. In addition, the contracted interest rate or margin on our loans and advances is a function of the product type, structure, expected credit risk based on our underwriting assessment and market competition;
- **Establishment fees:** fees received from SME Customers at loan settlement. In Judo's Profit and Loss (**P&L**) Statement, this revenue is captured across the life of the loan;
- **Facility fees:** fees charged on our Line of Credit product, based on the total amount of credit extended to SME Customers;
- **Interest on liquid assets:** interest generated on our liquid assets portfolio; and
- **Other operating income**: income generated from fee products (currently limited to the Bank Guarantee product) and one-off items (such as the gain on the sale of part of the liquid assets portfolio). Over time, there is an opportunity for Judo to generate 'capital-light' income through the development of new SME products. Other operating income is not part of our net interest income.

This is offset by a number of direct costs:

- **Interest expense:** the largest cost relating to the cost of funding the loans and advances extended to our SME Customers, including cost of deposits, Warehouse Facilities and Tier 2 subordinated debt;
- **Establishment and line fees:** fees associated with origination of Judo's debt instruments (including Warehouse Facilities and Tier 2 capital) and committed undrawn credit availability through these facilities, which are a combination of ongoing and one-off costs; and
- **Brokerage and commissions:** direct costs paid to originate lending products through the third-party channel, including both upfront commissions (which are paid as cash up front and recognised in the P&L across the life of the loan) and trailing commissions (which are paid periodically to eligible third-party brokers based on outstanding balance). Brokerage and commissions are structured in line with market standards (see **Section 3.6** for further detail on our lending origination channels).

3.3. SME customers

3.3.1 Overview

We target high-quality SMEs with needs that are met through our personalised relationship banking experience and simple product suite, and that are likely to deliver attractive risk-adjusted returns to Judo.

We generally target SMEs:

- with annual turnover of up to $100 million;
- located within a 200-kilometre radius of Australia's capital cities and major regional centres;
- with aggregated group loan exposures of between $250,000 and up to $25 million;[13] and
- with operations across a variety of industries (currently excluding agriculture).

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[13] Judo's maximum target single-customer exposure levels are $20 million at origination and $25 million for existing clients (allowing for increases to support SME Customer's growth). Transactions above these single-exposure thresholds are considered outside of appetite and require approval from the Chief Credit Officer to proceed. Senior / executive management have been delegated discretions to approve limits up to $35 million. Approvals above exposure limits are subject to oversight by the Board Risk Committee. This is to enable transactional support of SME Customers while maintaining appropriate oversight of lending outside of approved target appetite.

We believe that:

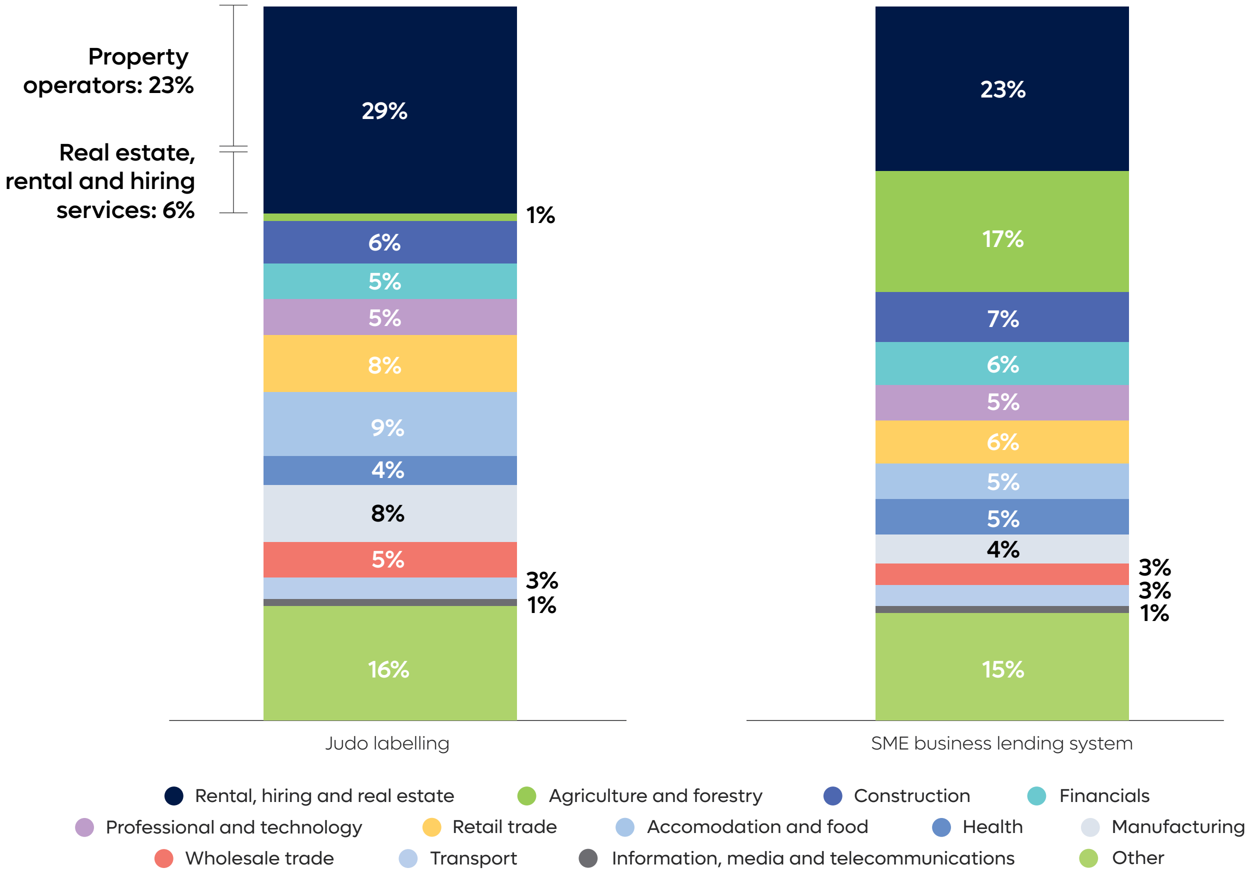
- SMEs are starved of true relationship banking at large domestic financial institutions; and
- retail and micro-SME-focused lenders do not offer the same product breadth or level of individual customisation that an SME desires, as those business models tend to have a higher degree of standardisation, self-fulfilment and automation.

3.3.2 SME customer composition

Relative to the Australian SME business lending system, Judo has a larger proportion of SME Customers in rental, hiring and real estate; accommodation and food; and manufacturing, which is mainly due to our lack of appetite for the agriculture and forestry sector (see **Figure 45**). Within the 29% rental, hiring and real estate category, approximately 23% of Judo's loan book represents lending to property operators (typically property owners servicing their debts via rental income), while the remainder relates to real estate (i.e. real estate agents) and rental and hiring services (i.e. equipment rental).

Judo does not actively originate stand-alone property development and has limited appetite for this style of lending. We have supported a limited number of business owners for owner-occupied and investment construction purposes – for example, construction of operating premises. Judo is currently building the capability to extend this funding support for owner-occupied commercial premises.

Figure 45: Loan book composition by industry[14]



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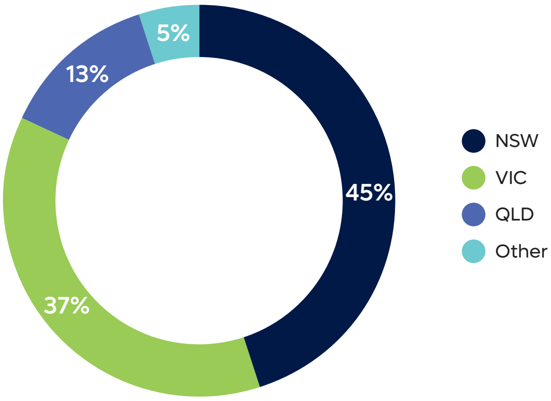
[14] Judo's industry breakdown is based on ANZSIC code and total exposure (including undrawn guarantees and facility limits) as at 30 June 2021. SME Business Lending System data sourced from RBA Reporting (May 2021). Construction category relates predominantly to builders and does not represent property construction loans.

Currently, 82% of our SME Customers are based in Victoria and New South Wales (combined). Our presence in the other Australian states and territories has increased recently following further national office openings and we expect our geographic presence to continue to grow over time.

Figure 46: Loan book composition by state[15]



3.4. Our lending products

Judo's lending products suite is tailored to address the needs of our target SME market. Our offering is straightforward to meet the typical core borrowing needs of SMEs, including cash flow and working capital management, capital expenditure (**capex**), business development and expansion and retirement of existing debt. The current Judo lending product set includes term Business Loans, Lines of Credit, Asset Finance and Bank Guarantees. These cover lending product categories that make up approximately 80% of the SME lending market.[16] In addition, we also offer an SME Home Loan product (see **Section 3.4.3**).

3.4.1 Business Loan

Our Business Loan has been designed to meet the core growth and investment needs of SMEs. This product accounts for approximately 78% of our total lending book.[17]

Table 15. Business Loan

Features	Comments
Term	• Up to 15 years (with right to renew after five years)
Rates	• Choice of fixed and variable rates, or a combination of the two
Repayment types	• Principal and interest, or interest only
Security	• Typical security may include: ○ commercial and residential property, term deposits and/or business assets; ○ General Security Agreements (**GSAs**) (fixed and floating charge); and/or ○ Director's guarantee.

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[15] As at 30 June 2021.
[16] Source: DBM Consultants, 2021. Based on TAM product breakdown of the SME lending market, including unmet needs.
[17] As at 30 June 2021.

3.4.2 Line of Credit

Judo's Line of Credit is a simple revolving business finance facility to meet our SME Customers' working capital needs. This product accounts for approximately 7% of our total lending book, with an additional undrawn component of ~60% of the drawn balance.[18]

Table 16. Line of Credit

Features	Comments
Term	• Up to 12 months[19]
Rates	• Variable
Repayment types	• Interest only (no scheduled repayments)
Security	• Typical security may include: ○ commercial and residential property, term deposits and/or business assets; ○ GSAs (fixed and floating charge); and/or ○ Director's guarantee.

3.4.3 SME Home Loan

Judo's Home Loan supports the residential property finance needs of our new and existing SME Customers. This product is offered to persons associated with new or existing SME Customers (such as shareholders, trustees, partners or directors), and has recently been extended to our permanent employees. It accounts for approximately 10% of our total lending book.[20]

Table 17. SME Home Loan

Features	Comments
Term	• Up to 30 years
Rates	• Choice of fixed or variable rate, or a combination of the two
Repayment types	• Principal and interest, or interest only (redraw is available)
Security	• Primarily residential property, but other security options are available

3.4.4 Asset Finance

Our Asset Finance product, the Equipment Loan, provides SME Customers with finance to purchase income-producing business assets, including equipment and vehicles. This product accounts for approximately 5% of our total lending book.[21]

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[18] As at 30 June 2021.

[19] Line of Credit facilities are reviewed every 12 months.

[20] As at 30 June 2021.

[21] As at 30 June 2021.

Table 18. Asset Finance

Features	Comments
Term	• Up to 5 years
Rates	• Fixed rates only
Repayment types	• Principal and interest, with optional repayment structuring and balloon repayments to suit cash flow
Security	• Typical security may include: o depreciable assets and equipment; and o Director's guarantee

3.4.5 Bank Guarantee

Judo's Bank Guarantee assists SME Customers in providing counterparties with a guarantee that contractual obligations will be met (for example, for a rental bond). This product was launched in December 2019, and represented approximately $28 million of our total lending book as at 30 June 2021.

Table 19. Bank Guarantee

Features	Comments
Term	• Set term or 'until further notice'
Rates	• Annual percentage based on face value of the Bank Guarantee
Security	• Typical security may include: o commercial and residential property, term deposits and/or business assets; o GSAs (fixed and floating charge); and/or o Director's guarantee.

3.4.6 Coronavirus SME Guarantee Scheme loans

Commencing in March 2020, the Commonwealth Government launched a number of SME loan schemes to encourage and support lending to the SME sector (see **Section 2.5.3**). In support of the SME sector, Judo is a participating eligible lender under all three of the following:

- **Coronavirus SME Guarantee Scheme (initial phase):** ran from March 2020 to September 2020, covering unsecured loans of up to $250,000 per borrower, for a term of up to three years, with an initial six-month repayment holiday. The Government provided participating lenders with a 50% guarantee on new loans issued.
- **Coronavirus SME Guarantee Scheme (second phase):** ran from October 2020 to June 2021, covering unsecured and secured loans of up to $1 million per borrower, for a term of up to five years, with a six-month repayment holiday offered at the lender's discretion. The Government provided participating lenders with a 50% guarantee on new loans issued.
- **SME Recovery Loan Scheme:** runs from April 2021 to December 2021, covering loans of up to $5 million, for a term of up to 10 years, with an obligation to offer a 12-month repayment holiday to business loan customers only, with borrowing for any business proposed including refinancing existing debt. Under this scheme, the Government provides an 80% guarantee on secured or unsecured loans to qualifying SMEs.

As at 30 June 2021, Judo had $83 million in loans outstanding under the SME loan schemes.

3.4.7 Loan book composition

As at 30 June 2021, Business Loans represented 78% of Judo's loan book. Over time, Home Loans and Asset Finance have increased as a proportion of our total loan book, due to maturing relationships with existing SME Customers and a broader focus on meeting SME needs. We believe this trend will continue. As at 30 June 2021, our average loan size was $2.1 million, with the distribution by loan size shown in **Figure 49**.

Figure 47: Loan book composition by product ($ billion)[22]

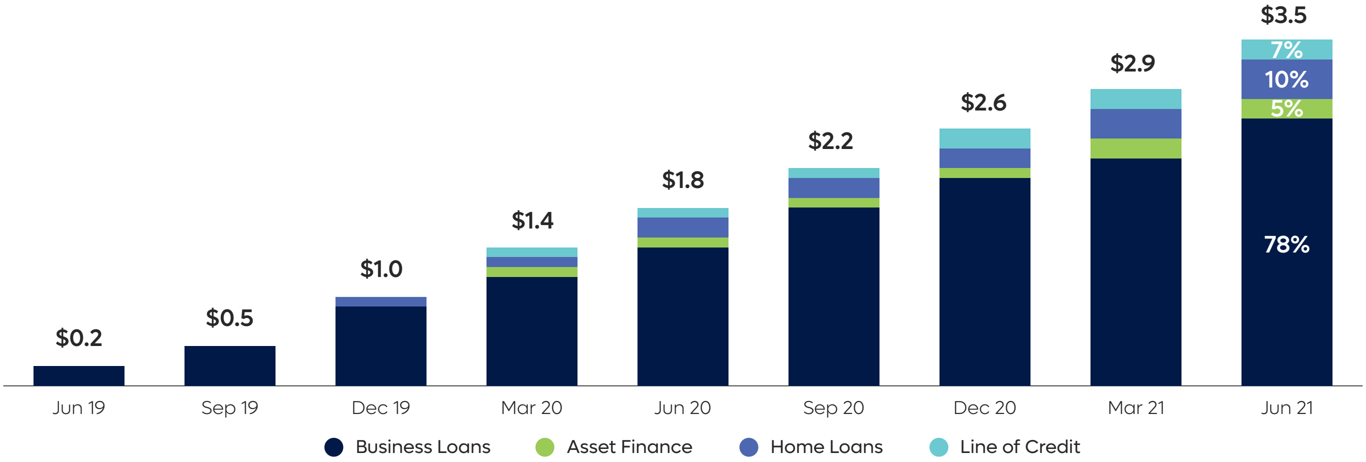
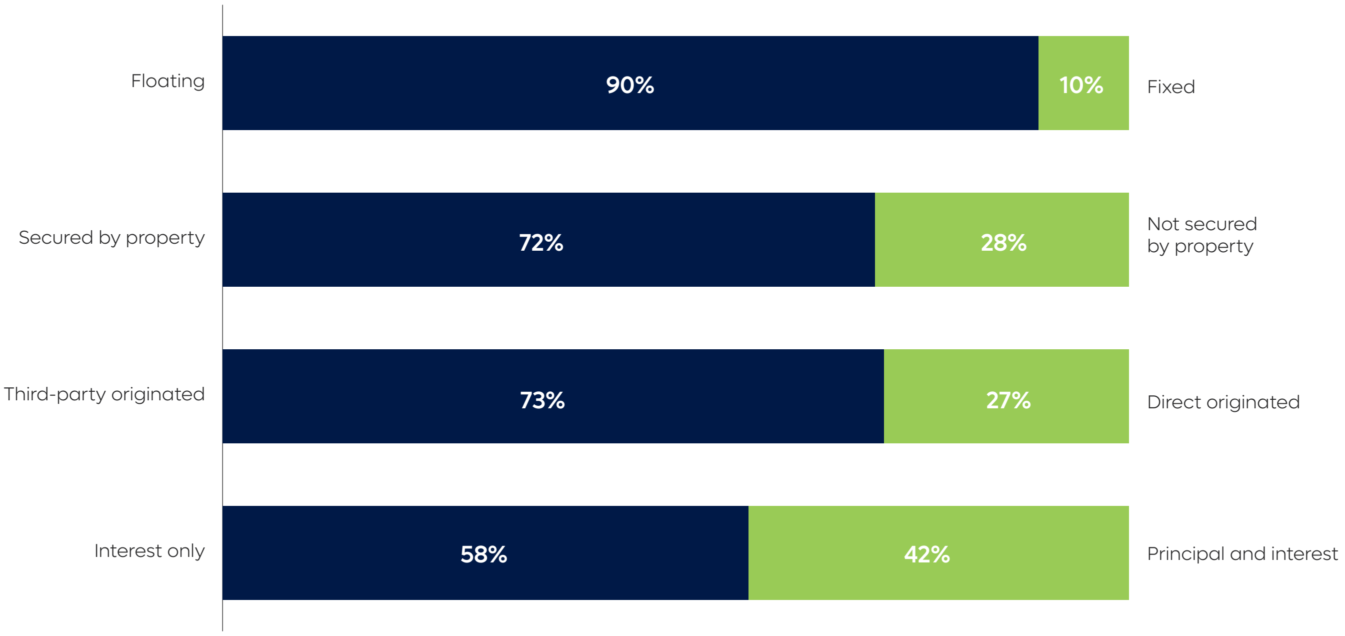


Figure 48: Loan book characteristics[23]



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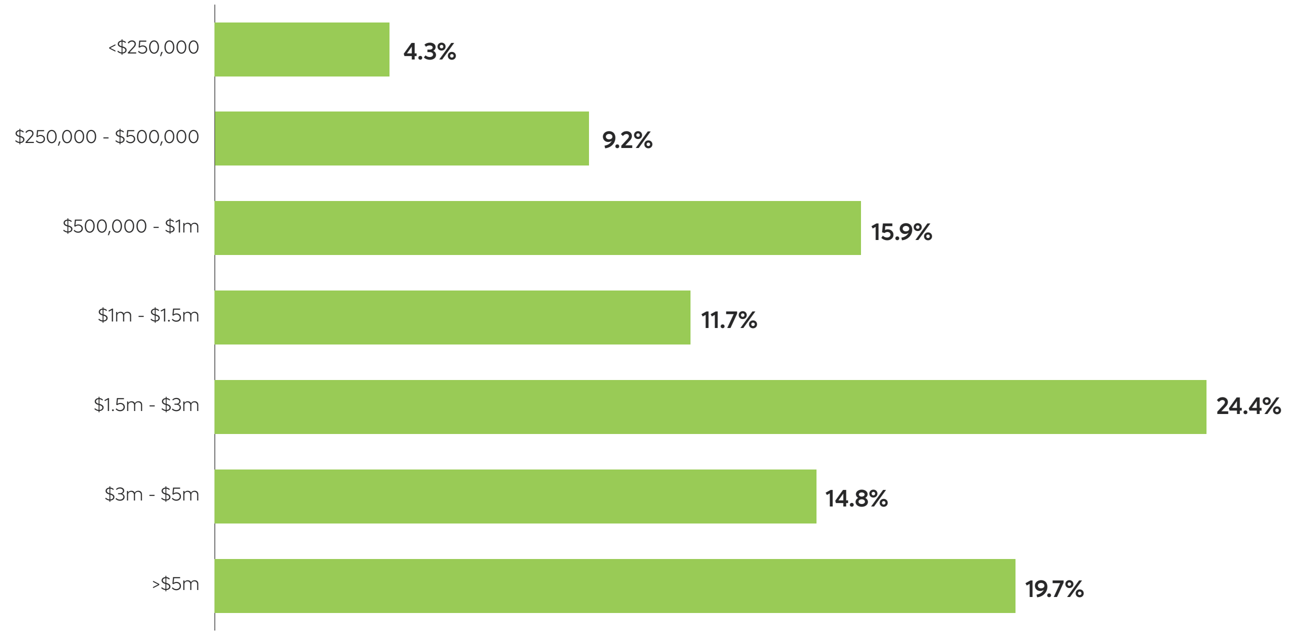
[22] As at 30 June 2021.

[23] As at 30 June 2021. Refer to **Section 4.8.3.4** for further detail on loan security. Direct originated loans exclude loans originated through professional services referral channel for which commissions are paid to the referrer (immaterial amount), which are captured as 'third-party' originated loans. Refer to **Section 3.6** for further detail on lending origination channels.

Figure 49: Distribution of loan book (by size of loan)[24]



3.4.8 Planned lending product developments

Judo's product roadmap is evolving, and seeks to increase our coverage of the product categories in the SME lending market and further improve the competitiveness of our existing products from a functionality and flexibility perspective. At a strategic level, planned lending product developments over the short to medium term include:

- **Enhancements to existing product functionality to build greater flexibility:** lending product optionality and flexibility will be strengthened, including enabling progressive draws on business loans.
- **Enhancements to existing products to reflect greater scale:** we intend to introduce a range of new initiatives to effectively drive features and scale in the Asset Finance offering. This will create an opportunity to acquire additional business volumes that will be supported by our specialist team.
- **Increasing the digital capabilities of our product offering to strengthen the SME Customer experience:** this includes using open data for originating and servicing capabilities. Over time, we also intend to further optimise products through advanced digital and data capabilities to help drive greater SME Customer loyalty and engagement.
- **Expansion of our product coverage through the addition of SME banking products:** over the medium term, we will continue to review our proposition to meet more SME needs, supporting continued income growth (both interest and non-interest). Leveraging our SME Customer relationships, we will look to meet additional SME needs through natural adjacent and complementary products that we can competitively provide; for example, debtor/invoice finance and trade finance.

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[24] As at 30 June 2021.

3.5. Relationship bankers and analysts

3.5.1 Overview

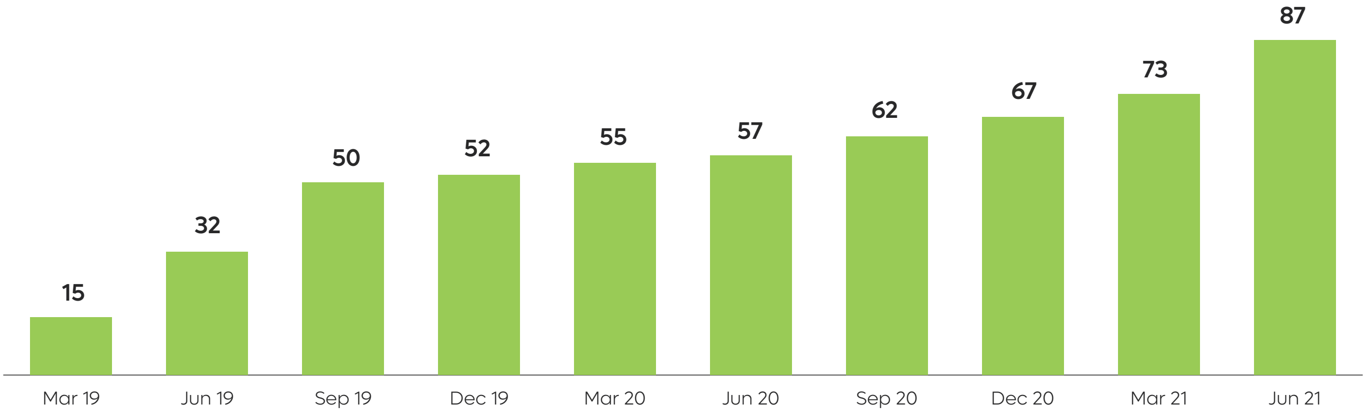
An ongoing trend in the Australian SME market has been a reduced role for experienced SME bankers with strong technical and relationship management skills as high levels of process automation have led to the commoditisation of judgement-based roles (see **Section 2.3.5**).

We are capitalising on the dissatisfaction experienced by some of the market's best business relationship bankers by building a differentiated employment brand in Australian SME banking, with a unique and tailored employment proposition. Our employment brand is based on factors including:

- continued professional development;
- a culture of integrity and ethics (we encourage 100% take-up of the Banking and Finance Oath (BFO) – as at 30 June 2021, more than 90% of our relationship bankers had signed the BFO);
- a relationship-centric lending model, encouraging a deep understanding of, and more customer-facing time with, each SME Customer;
- relationship bankers who are well-versed and experienced in judgement-based lending;
- ownership incentives for employees;
- a team-based approach with no individual sales targets, allowing for load balancing and enhanced speed to market; and
- an empowered organisational structure, including delegated lending authorities.

As at 30 June 2021, we have recruited a highly experienced team of 87 SME relationship bankers and 27 relationship analysts through a steady build-up since our official launch in March 2018. Our hiring momentum is strong, as is evident from the 30% growth in our relationship banker force in the six months to 30 June 2021. Relationship bankers and analysts are responsible for driving loan growth through origination opportunities, facilitating applications and servicing SME Customers through refinancing or addressing their additional financing needs. As newly recruited relationship bankers are yet to fully develop their lending portfolios, they have a significant opportunity to expand their capacity during their career at Judo.

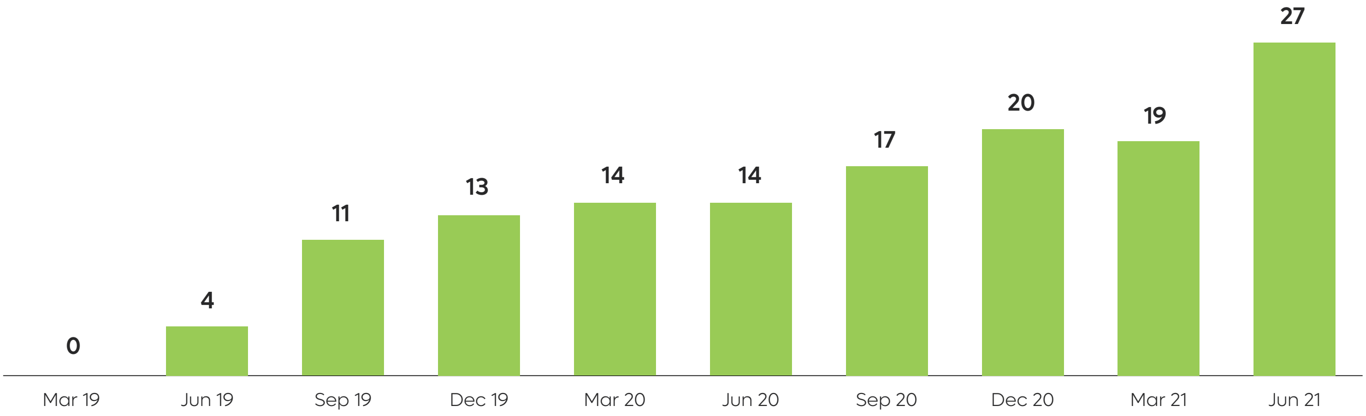
Figure 50: Number of relationship bankers



Our relationship bankers have significant industry expertise, with an average of 15 years of experience.[25] The vast majority of our senior relationship bankers have the Chartered Banker accreditation. They also possess specialised banking skills gained from previous roles at the Major Banks and/or other financial institutions, with 80% having worked at one or more of the Major Banks.[26] Relationship bankers are recruited for their experience, relationship skills, core credit competency and fit with our organisational culture. Each is required to pass a stringent credit test to qualify for employment as a Judo frontline relationship banker.

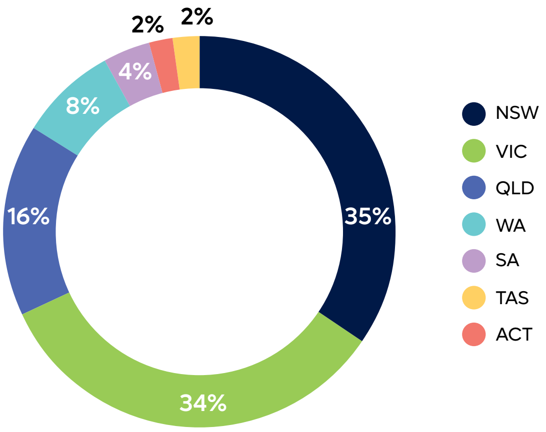
Our supportive pool of talented relationship analysts allows our relationship bankers to spend more time with SME Customers. They also represent a valuable development pool for the next generation of relationship bankers. The relationship analyst role has evolved in line with the growth of our loan book to include more service-based activities. Our relationship analysts support origination and relationship management activities, including credit analysis, compliance, and annual review and business development tasks.

Figure 51: Number of relationship analysts



Our relationship bankers and relationship analysts are located across our network of 12 locations in major metropolitan and key regional cities.

Figure 52: Judo relationship bankers and relationship analysts by state or territory[27]



Relationship banker 'pods'

Relationship bankers are organised into pods of five to eight people, each including a regional director.

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[25] As at 30 June 2021.
[26] As at 30 June 2021.
[27] As at 30 June 2021.

Relationship analysts are aligned to pods, with a specialist manager responsible for relationship analyst training and development.

At origination, the pod structure allows for load balancing of new loans at times of increased activity. Importantly, SME Customers, once originated, maintain a primary Judo relationship banker contact. We do not impose individual sales targets on relationship bankers, reducing internal competition and increasing responsiveness to best meet SME Customer needs by the appropriate relationship banker in each pod.

Brokers in our network are aligned to specific pods, increasing the efficiency and productivity of our relationship banker workforce. As each broker is allocated to a pod, the structure allows them to direct deals to relationship bankers with particular industry expertise, if required (see **Section 3.6.3.2** for further detail on our broker network).

Relationship bankers manage SME Customers through the full business life cycle. If an SME Customer requires support to meet their loan obligations, or otherwise shows signs of distress, our Impaired Asset Management team partners with the relationship banker to provide technical expertise and specialist support for the SME Customer. This approach to loan management highlights our relationship-centric mindset (see **Section 4.8.1.6** for further detail on our impaired loan management and workout approach).

3.5.2 Relationship banker and analyst value proposition

We believe our employment proposition for relationship bankers and analysts is unique and consistent with our people strategy. The foundations of this proposition are outlined in **Table 20**.

Table 20. Our relationship banker and analyst value proposition

Time spent on value-adding activities	✔ Aim for approximately 80% of relationship bankers' time spent on SME Customer activities.
Aligned incentives	✔ Attractive remuneration, free from individual sales targets and associated sales-based remuneration. ✔ Equity-based and other incentives, aligned to Shareholder value creation. ✔ Intention to create a workforce with longer tenure in role.
Decision-making authority	✔ Relationship bankers are empowered and have direct decision-making authority, with on-the-ground credit support from experienced risk professionals.
Limited bureaucracy	✔ Reduced complexity and increased operational clarity fosters faster and more consistent decision-making. ✔ Our agile, progressive and higher-performing culture means relationship bankers are recruited for their passion for customer service and their technical excellence.
Credit process	✔ Our timely, commercial and transparent decisions build deeper and more trusting relationships.

SME Customer management philosophy	✔ The relationship banker's success is fully aligned with market success versus competing organisational imperatives. ✔ Relationship bankers manage an SME Customer portfolio that enables a deep understanding of their SME Customers and their financing needs.
Personal development philosophy	✔ Delivering for the SME Customer and excellence, personal value creation and higher fulfilment. ✔ Opportunity to make a lasting impact. ✔ Investment in relationship banker capability and development, including access to mentoring by the senior executive team and coaching to an advanced level in credit, analysis, structuring and relationship management. ✔ Our relationship analysts represent a valuable development pool for the next generation of our relationship bankers.
Place in the organisation	✔ Equipped to grow, supported by strong education and coaching. ✔ Opportunities to diversify into certain industries or to enhance risk specialisations.
Organisational structure	✔ Flat structure, encouraging access to the Board, CEO and management, relationship bankers and analysts are an integral part of a focused and functional team.

3.6. Lending origination channels

3.6.1 Overview

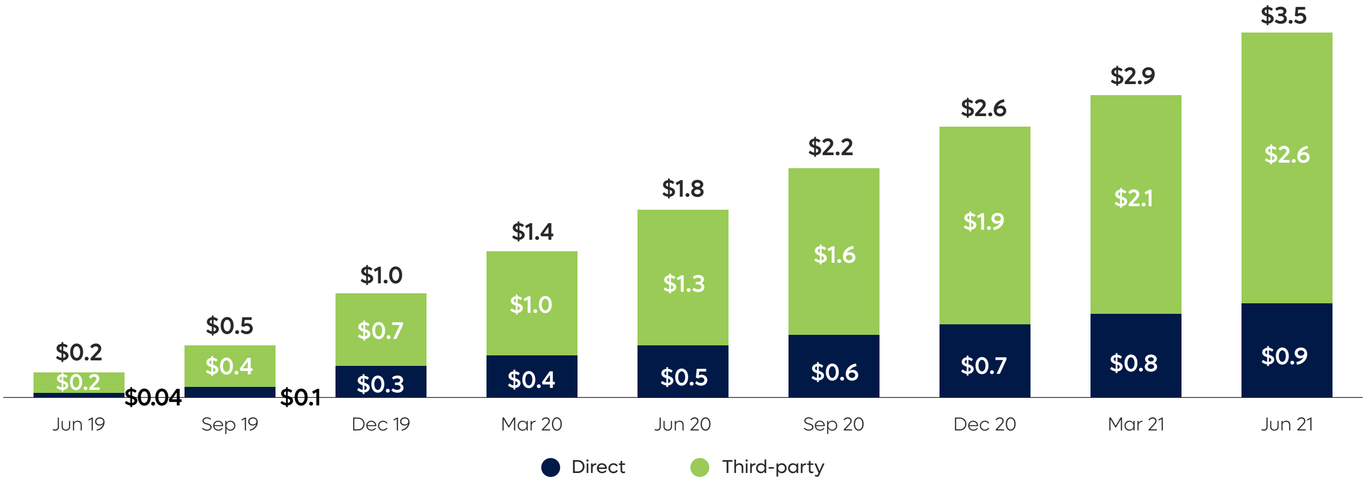
Judo maintains a multi-channel origination strategy, diversified across direct and third-party origination channels. We continue to focus our origination efforts through a panel of accredited third-party brokers, and directly to SMEs via our workforce of experienced relationship bankers. Irrespective of the origination channel, our relationship bankers foster and maintain relationships directly with our SME Customers. Alignment of relationship bankers with third-party origination channels ensures optimal synergies for SME Customer service and delivery. We aim for the SME Customer experience to be the same, whether the SME Customer originated through the direct or third-party channel.

When we first launched our lending products, our strategy was to originate all lending through the third-party channel. This was due to the relatively low brand awareness of Judo on initial launch, the limited direct marketing investment required to launch in this way, the greater flexibility within the third-party channel to receive and react to initial feedback, and to enhance our ability to manage flow and quality of originations. The result of this strategy was that third-party channels were onboarded in a deliberate and measured manner to ensure leads were good 'Judo leads', generating applications that were well qualified to ensure an SME CVP of a high standard could be established from the outset, and maintained, as the rate of growth in the business accelerated.

While both direct and third-party-originated loans have consistently increased, the relative mix of loans sourced from both channels has remained broadly stable in the 12 months to 30 June 2021. Loans originated via the direct channel represented approximately 27% of the total loan book as at 30 June 2021. Growth in loans originated via the direct channel has been impacted by restrictions placed on the mobility of relationship bankers during the COVID-19 pandemic. Additionally, our third-party channel has experienced higher-than-anticipated flow given a general market increase in SME interactions within the third-party channel during this period.

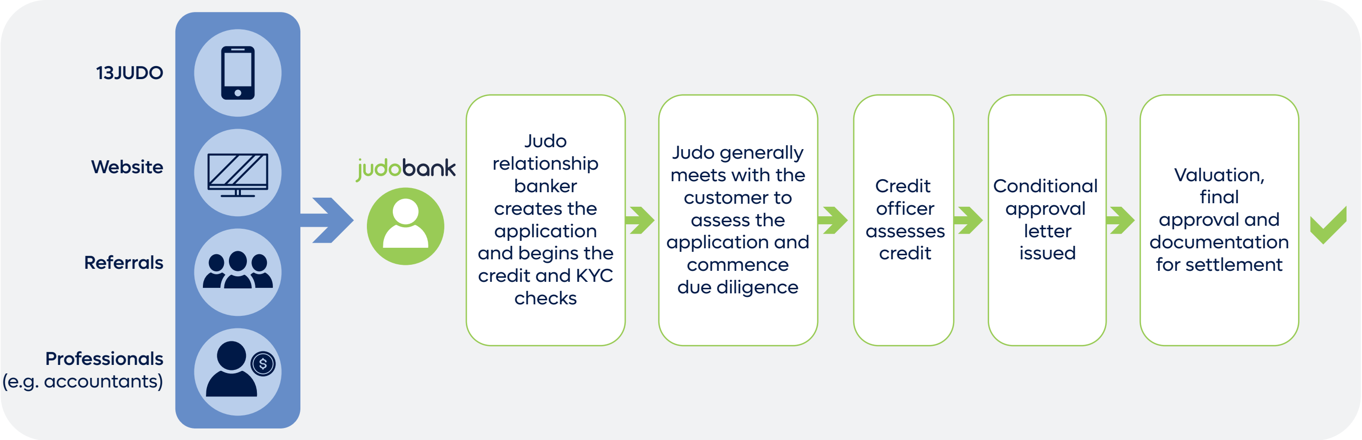
Over time, we aim to increase direct origination to around 50% of total originations, in line with our expectation on overall industry channel mix, as brand awareness of Judo increases and as our SME CVP is further established in the market.

Figure 53: Loan book by sourcing channel ($ billion)[28]



As outlined in **Figure 54** and **Figure 55,** our relationship bankers are directly involved in the full origination workflow, regardless of whether SME Customers are sourced directly or via the broker channel. Under both scenarios, our relationship bankers are responsible for overseeing the SME Customer through the application, due diligence and onboarding stages, with credit assessment oversight from a Judo credit officer.

Figure 54: Direct origination workflow



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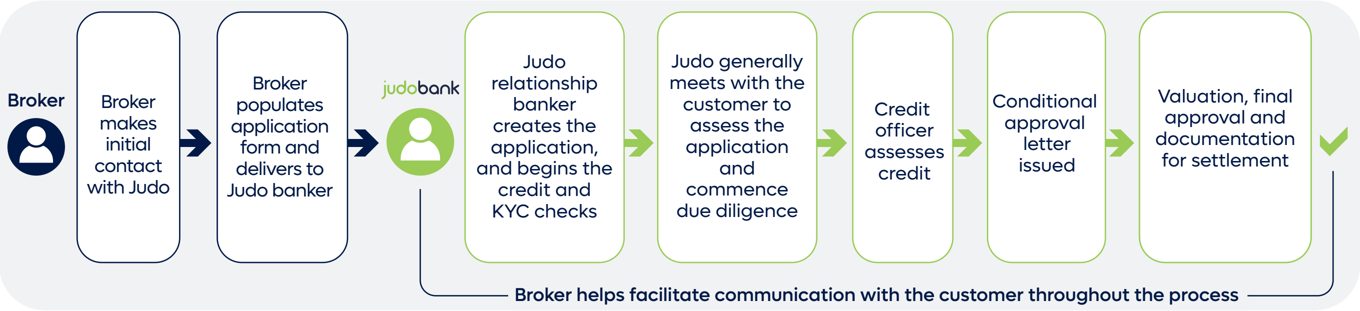
[28] Direct originated loans exclude loans originated through the professional services referral channel for which commissions are paid to the referrer (immaterial amount), which are captured as third-party originated loans.

Figure 55: Broker origination workflow



3.6.2 Direct lending origination

Judo directly originates SME lending via several alternative channels outlined in **Table 21** below. These diversify our SME Customer acquisition strategy while also supporting growth in brand awareness and reputation.

We commissioned third-party research via a brand agency, Us+Us, to monitor the ongoing perception of our brand over time. Us+Us does this by surveying a sample set of SME borrowers that aligns with the Judo target SME segment. A recent Us+Us brand tracking report in February 2021 highlights:

- Judo's prompted brand awareness was 51%, up from 44% at June 2020;
- 57% of smaller (less than $10 million turnover) SMEs agree that "Judo is different from the Major Banks", up from 37% at June 2020; and
- 53% of larger (greater than $10 million turnover) SMEs agree that "Judo is different from the Major Banks", up from 33% at June 2020.[29]

Our focus is on increasing awareness of the Judo brand across our target audience to expand origination through direct SME Customer acquisition, while continuing to expand SME Customer growth via our broker relationships. Judo's strategy includes building and leveraging relationships across key SME advice networks, such as accountants, financial planners and local industry groups, while also building on our overall market presence. Concurrently, we seek to build brand awareness with potential and existing SME Customers via an integrated marketing approach that includes a mix of public relations, partnerships and events – and digital, social and traditional media activities – to reinforce our differentiated CVP and brand as a purpose-built, SME lending-focused business bank.

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[29] Us+Us Judo Brand Tracking reports (June 2020 and February 2021).

Table 21. Direct origination strategy

Professional services	• Judo has begun exploring SME Customer acquisition opportunities via professional services providers (such as accountants) who are viewed as trusted advisors to SMEs. • This channel represents a significant opportunity to grow direct lending origination.
Reputation and word of mouth	• Strengthening Judo's brand as our reputation and differentiated SME CVP becomes more widely appreciated in the market and the business continues to expand and scale (via SME Customers, Deposit Customers, the third-party network and staff). • As our reputation in the market becomes more established, we expect to generate additional direct lending referrals via word of mouth across a range of direct origination channels.
Existing SME Customer referrals	• Referrals from existing SME Customers, who have had a positive experience with Judo as a lender and have referred their personal and business networks to us. • This is underpinned by an industry-leading SME Customer NPS of +85, indicating a very high proportion of our existing SME Customers are likely to be promoters.
Relationship banker networks	• Judo has targeted the hiring of experienced relationship bankers. • As we mature and scale our business, a driver of growth in the direct origination channel will be via SME Customer network relationships.
Website	• Our website contains a simple enquiry and pre-qualification form for SMEs to complete. • After submitting the form, SMEs are assigned to an appropriate Judo relationship banker to advance the application process.
13JUDO phone line	• SME Customers can contact Judo directly via phone to initiate the application process.

3.6.3 Third-party lending origination

3.6.3.1 Overview

Judo has a dedicated third-party function that manages the partnerships between our relationship bankers and third parties (including brokers, aggregators and industry bodies). Our differentiated third-party lending origination strategy focuses on partnering with experienced third parties with demonstrated expertise and the ability to source quality SME lending opportunities aligned to our target lending market.

Our targeted lending approach aligns third-party origination opportunities with our customer profile and lending segment. This enables greater execution efficiency for our relationship banker workforce, demonstrated by our application conversion rate of 89%.[30]

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[30] Based on period from July 2019 to May 2021.

Our third-party lending origination operating model has three core components:

1. market engagement and onboarding;
2. training and awareness; and
3. management and monitoring.

The key components of our operating model include:

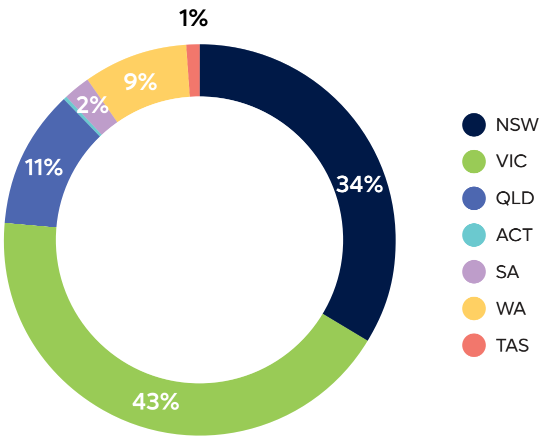
- The continued promotion of Judo's SME CVP and risk appetite to the broader market;
- The onboarding and targeting of new commercial, asset finance brokers and referrers;
- Partnering with third parties that align to Judo's values and culture, that demonstrate strong commercial acumen and integrity; and
- Implementation of initiatives to continually increase penetration and grow market share.

3.6.3.2 Brokers and aggregators

Brokers play a key role in the origination of SME loans in Australia and are an important part of our lending origination strategy.

Brokers leverage both their relationship skills, and their financial and risk acumen (often acquired in a previous banking career), to provide a value-added service to both SME Customers and Judo. They secure and set loan packages in an efficient manner, leveraging their knowledge of the competitive landscape and pricing loans for associated risk. Our broker network demonstrates tenure and strong advocacy in their customer relationships.

Figure 56: Judo-accredited brokers by state and territory[31]



Many brokers in the Australian market are aligned with an aggregator group, giving them access to the group's panel of lenders, systems and support services. We have successfully onboarded all our target aggregator groups in the market. As at 30 June 2021, Judo was on the panel of 24 aggregator groups and had accredited 745 brokers nationally, representing the majority of lending brokers in the commercial and asset finance segment.

In the 12 months to 30 June 2021, we received opportunities from 86% of our accredited broker panel, with 59% of brokers having settled a deal. Since Judo's inception, 75% of our broker panel has settled a deal.

Concentration of lending through brokers remains comfortably in line with expectations, with flow from the top 20 brokers representing 26% of broker-originated loans as at 30 June 2021.

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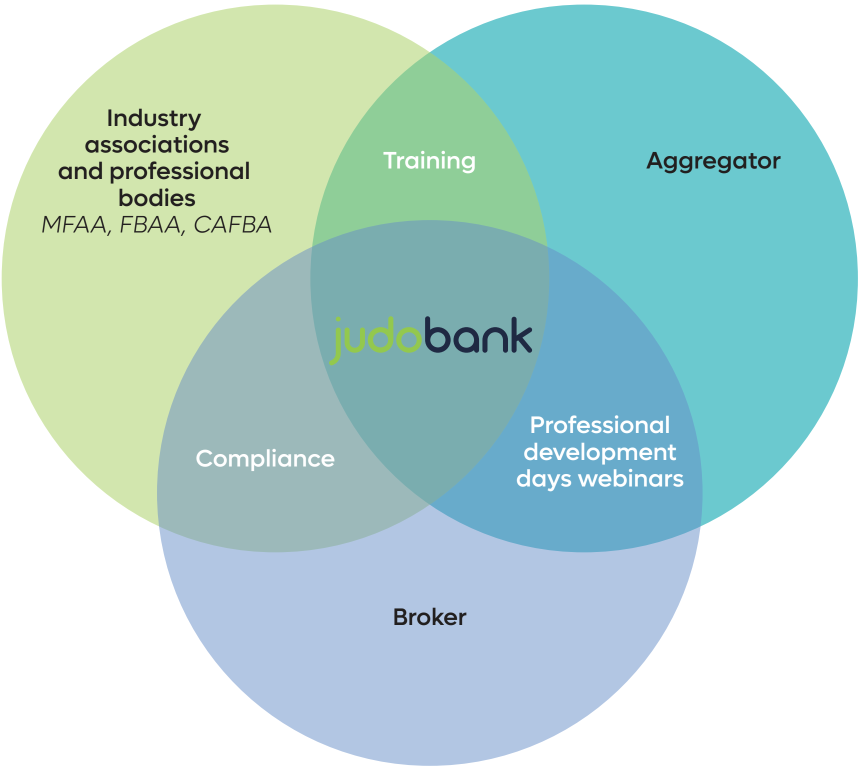
[31] As at 30 June 2021.

Figure 57: Broker concentration (% of third-party channel)[32] and aggregator panels

Judo is embedded in the broker network. We work closely with our panel of aggregators to identify and target new potential brokers, and to foster existing relationships, through recurring events including professional development days, webinar training events and ongoing broker management and compliance workshops.

We are committed to ongoing engagement with, and training of, our broker network, as well as regular engagement with aggregator groups.

Figure 58: Broker network[33]



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[32] Based on amount financed, as at 30 June 2021. Percentages may not total 100 due to rounding.

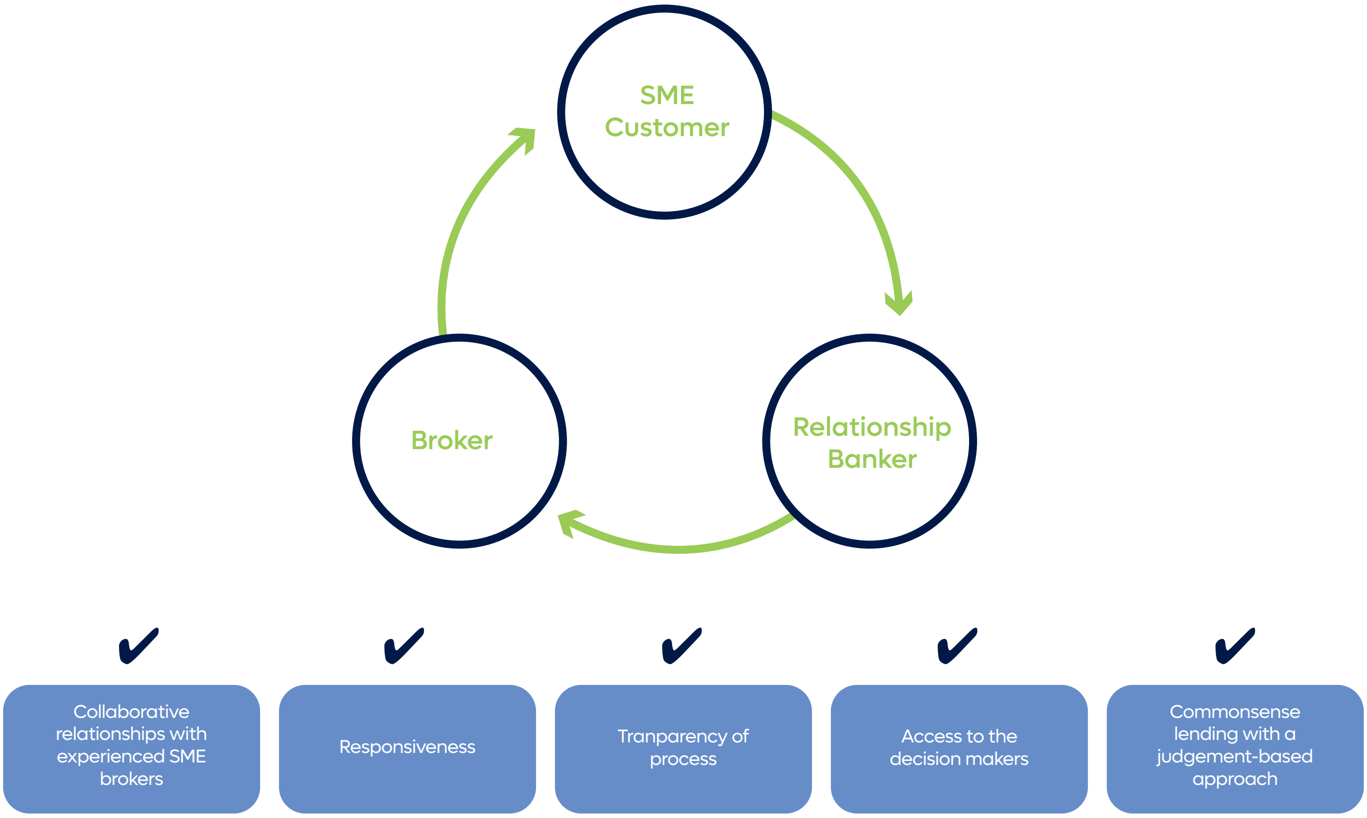
[33] Mortgage & Finance Association of Australia (**MFAA**), Finance Brokers Association of Australia (**FBAA**), Commercial and Asset Finance Brokers Association of Australia (**CAFBA**).

Judo's broker value proposition

As mentioned in **Section 2.3.4**, broker-originated SME lending is a large and growing component of the Australian SME credit market as brokers help business owners to navigate the complexities and inefficiencies in the SME lending market.

We are unburdened by the legacy of an incumbent branch network, or high-cost origination footprint, giving brokers a service proposition that respects their success and position in the banking market. We adopt a three-way partnership philosophy with brokers and SME Customers. The success of our partnership with brokers is demonstrated by high levels of broker trust in our brand (8.3 out of 10)[34] and strong confidence that Judo "delivers best-in-class lending customer service" (8.1 out of 10).[35]

Figure 59: Judo's three-way partnership philosophy



Judo embraces the broker market with a 10-point service proposition that includes:

1. **a 'red-carpet' relationship**, recognising the value of brokers as important, complementary partners to the SME CVP;
2. **a tripartite relationship model** between the SME Customer, relationship banker and broker, to achieve mutual success, better SME Customer outcomes and stronger engagement;
3. **no channel conflict**, with a commitment that broker-originated SME Customers receive the same value proposition as those originated through proprietary channels;
4. **a commonsense assessment approach** founded on the 4 Cs of Credit, in which character comes first to provide tailored solutions for SME Customers;

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[34] The Evolved Group broker survey (September 2020) – response to "I trust the Judo brand".

[35] The Evolved Group broker survey (September 2020) – response to "Judo delivers best-in-class customer service to my customers".

5. **an 'easy-to-do-business-with' philosophy** that places brokers alongside empowered relationship bankers who provide judgement-based assessment with transparency of decision-making;
6. **delivering certainty and speed on turnaround times** for SME Customers, consistent with our SME CVP, cementing stronger broker and SME Customer engagement;
7. **legacy-free technology architecture native to the cloud** and built exclusively for SME lending, enabling agility and responsiveness to support brokers and SME Customers;
8. **engagement and broad visibility of senior Judo management** to strengthen our commitment to the broker market;
9. **a willingness to listen and take on feedback** around products, processes, policies and systems, to ensure continuous improvement; and
10. **providing first-class training, development and onboarding** through our experienced third-party team.

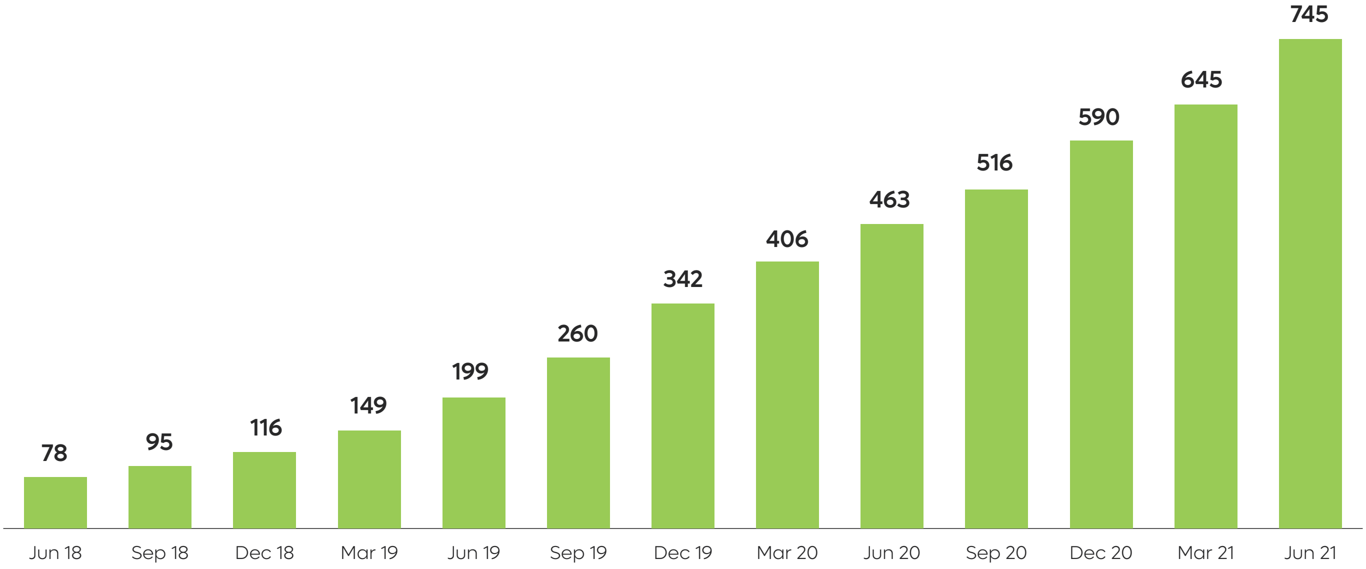
Future growth of brokers

With reference to **Section 2.3.4**, the broker market in Australia consists of 16,490 accredited brokers, of which 4,539 are commercial brokers.[36] We estimate that approximately 1,600 of these commercial brokers are part of our core target broker market.

As at 30 June 2021, Judo had a panel of 745 brokers across Australia, focused on geographical locations where we have established offices. Our third-party growth strategy involves:

- continuing to drive volume growth through our broker network, while maintaining our high conversion, compliance standards and reputation in the market;
- continuing to actively onboard new brokers with the capability to support our lending strategy and loan book growth trajectory; and
- building on our strong and established relationship with national aggregator groups to identify new opportunities with experienced broker partners that complement and support our strategy.

Figure 60: Judo's broker panel (number of brokers)



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[36] MFAA September 2020 report.

3.7. Funding, capital and liquidity

3.7.1 Overview

Judo has established diversified funding sources in the form of deposits and a range of Warehouse Facilities to support our growth to date and provide a platform for the loan book's future growth (see **Section 3.7.2** for our funding strategy).

Judo is a participant in the RBA's TFF program, which is a temporary policy response to the effects of COVID-19 and offers ADI participants fixed, low-cost, three-year funding at an interest expense of 0.10%. Access to this highly attractive source of funding was limited to ADIs with the capacity to deliver eligible collateral to the RBA, with the TFF allowance enhanced for ADIs that extended credit to SME borrowers. The impacts of the TFF on Judo are material, and more substantial than is the case for other ADI participants in the program, as a result of the size of the TFF funding allocation offered to Judo relative to the overall size of our lending book. These impacts are described in **Section 3.7.3.3**.

As a regulated ADI, we are required to satisfy our regulatory capital requirements under APRA Prudential Standards, informed by the Basel III capital framework. The primary objectives of the capital framework are to ensure adequate levels of loss-absorbing capital are on hand to withstand losses in times of stress and to mitigate against elements of risk relating to credit cycles, markets, business operations, liquidity and leverage. Refer to **Section 3.7.4** for further detail on Judo's regulatory capital sources.

Funding and capital sourced by Judo supports balance sheet assets, which are predominantly our loan assets. **Figure 61** shows the actual and forecast mix of our funding and capital sources to June 2022.

As a result of the TFF impact from March 2021 onwards, Judo currently has an abnormal level of additional funding (**Preserved TFF**) which has currently been used to acquire low-yielding RBA repurchase agreement (**repo**) eligible collateral assets sitting on balance sheet, such as Commonwealth and state government debt securities, but will be replaced by self-securitisation notes as they are originated, backed by loans to our SME Customers. **Figure 62** illustrates how our current funding sources match up against our current funded assets.

Figure 61: Judo's mix of funding and capital (%)[37]

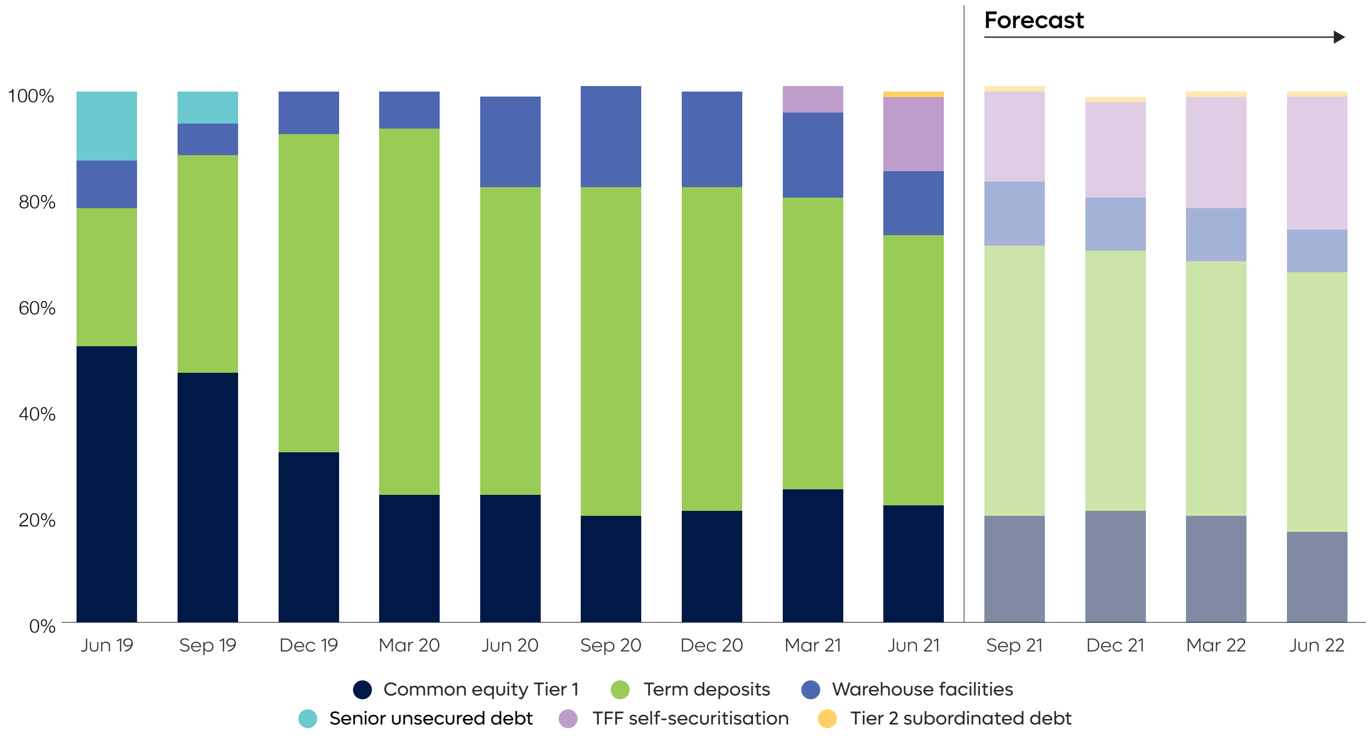
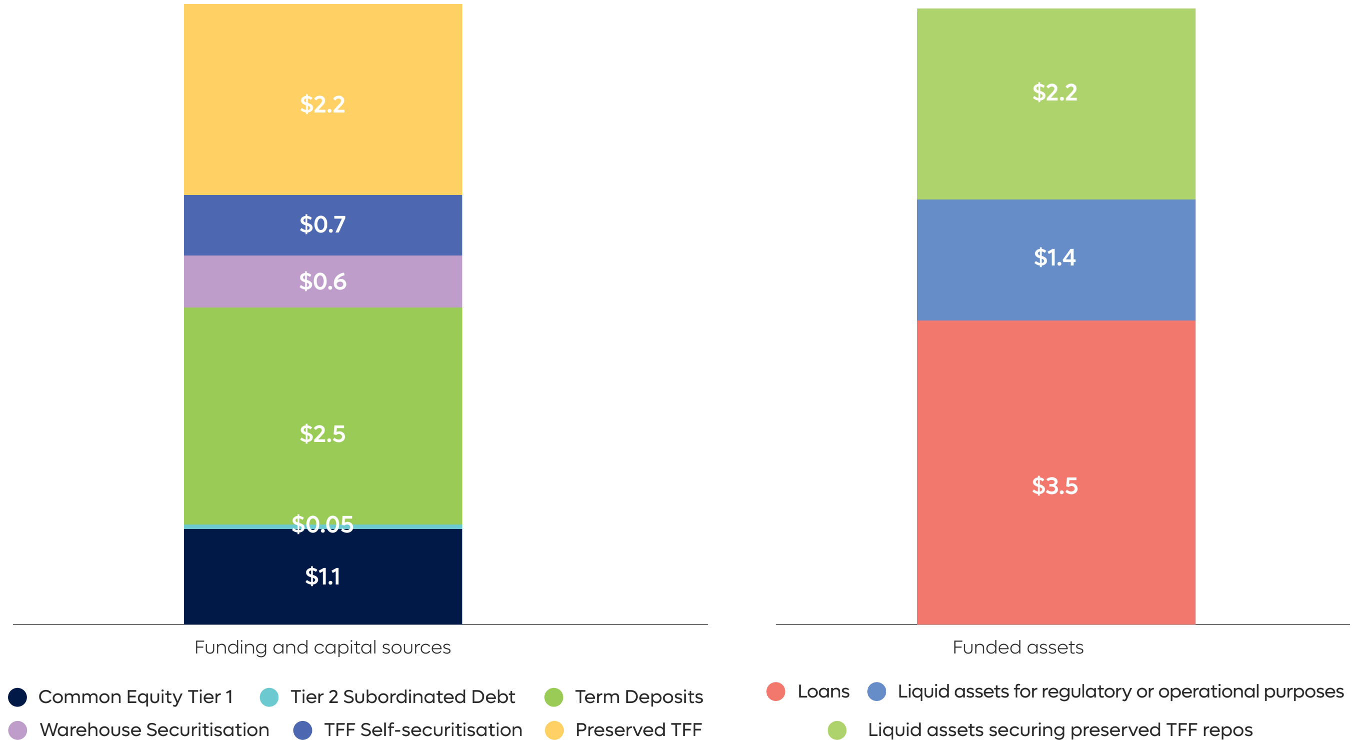


Figure 62: Judo's funded sources and assets ($ billion)[38,39]



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37. As at 30 June 2021. Excludes Preserved TFF amount – refer to **Section 3.7.3.3** for further detail on the TFF.
38. As at 30 June 2021.
39. $1.4 billion of 'liquid assets for regulatory or operational purposes' includes approximately $0.4 billion of regulatory liquidity associated with the temporary Preserved TFF.

Table 22. Current funding and capital sources

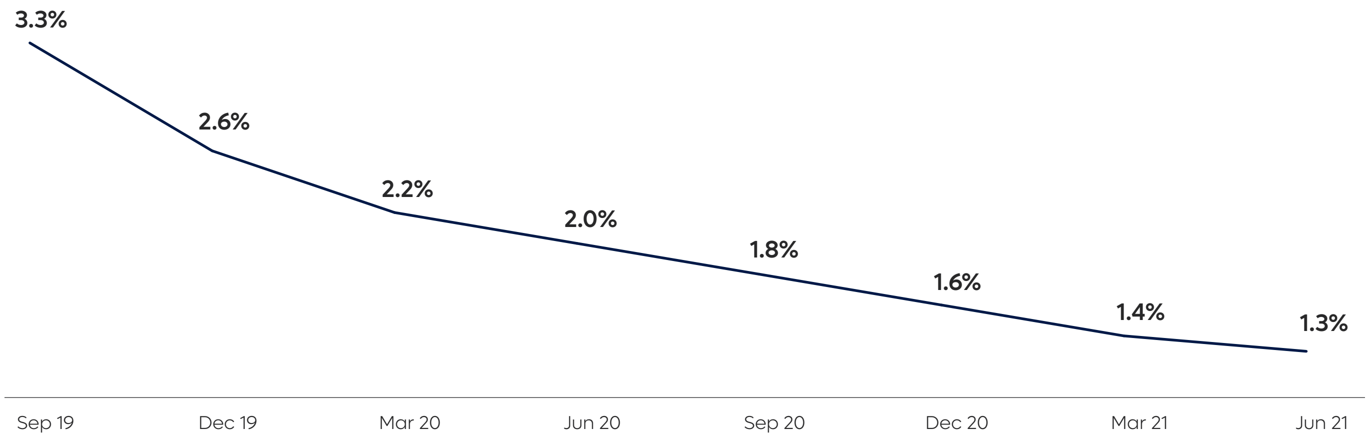
FUNDING	**Term Deposits**	• As at 30 June 2021, Judo had a deposit book of over $2.5 billion, and 11,505 Deposit Customers. • All deposits are term deposits, with no at-call accounts. • Direct Retail Term Deposits represent 54% of total deposits, Intermediated SMSF / Retail Term Deposits represent 34% and Intermediated Middle Market Term Deposits represent 12%.
	Warehouse Facilities	• Judo has access to a diversified pool of wholesale funding, with $1.3 billion in securitisation Warehouse Facilities across a range of funders. As at 30 June 2021, Judo had $622 million drawn across four facilities. • Judo has been recognised by the Commonwealth Government in developing the securitisation market in Australia for the SME asset class – Judo was the first Australian bank to be awarded government funding from the Australian Office of Financial Management (**AOFM**) and obtain all of the first year's allocation of the Australian Business Securitisation Facility (**ABSF**).
	RBA's TFF	• Participant in the RBA's TFF program, given access to three-year, fixed funding at an interest rate of 0.10%. • As at 30 June 2021, Judo has utilised $0.7 billion of our TFF allocation through the posting of a pool of Judo self-securitised loans as TFF-eligible collateral. Judo was able to successfully self-securitise over $1 billion of existing collateral. • As at 30 June 2021, Judo has preserved $2.2 billion in TFF allocation to be used to fund new originations and support net interest margin expansion (see **Section 3.7.3.3**).
CAPITAL	**Tier 2 subordinated debt**	• Inaugural Tier 2 issuance was completed in June 2021, raising $50 million in regulatory capital. • The Tier 2 program adds diversification to Judo's capital stack.
	Common Equity Tier 1 (CET1)	• Judo has raised $1.2 billion in CET1 capital from a diverse portfolio of domestic and international investors (see **Figure 41**). • Most recently, Judo completed our Round 5 equity raise of $124 million in June 2021.

Table 23. Current funded assets

Loans	• Represents the gross loans and advances to our SME Customers.
Liquid assets for regulatory or operational purposes	• Our liquid assets portfolio is held for operational purposes and to satisfy regulatory requirements under the Minimum Liquidity Holdings (**MLH**) regime applicable to Judo.
Liquid assets securing Preserved TFF repos	• Represents the portfolio of collateral we purchased (predominantly Commonwealth and state government debt securities) and pledged to preserve Judo's TFF allocation. • This collateral will be replaced by Judo's self-securitised loans as they are originated.

Figure 63 illustrates our blended average cost of deposit and wholesale funding. The decreasing cost has been driven in part by Judo's successful build out and diversification of our funding platform.

Figure 63: Blended average cost of wholesale and deposit funding (%)[40]



The access to the TFF has provided a step change to lock in three-year funding at 0.10%. Our ability to secure $2.9 billion of allocation to this low-cost funding, particularly in the context of the current size of the overall Judo lending book, provides a significant financial benefit in the near-to-medium term.

3.7.2 Funding strategy

Judo's funding strategy outlines our base case plan for funding our balance sheet requirements and growth, and describes how we intend to establish and maintain appropriate and sufficient sources of funding to support and facilitate our overall business strategy. We maintain a dynamic position, and actively manage all funding sources as we implement our strategy, which includes regularly reviewing existing and new funding sources. We may look to add new funding sources or facilities, and restructure or retire existing facilities, where appropriate, to further optimise our funding sources and meet our key funding objectives.

Judo has three key objectives with respect to funding: **stability**, **diversity** and **effectiveness**. Key elements of our funding strategy include:

- ensuring that we can meet actual and potential financial obligations in a timely and cost-effective manner as and when they fall due;
- managing funding sources to reduce our reliance on short-term funding sources and encourage long-term, stable funding as a structural indicator of balance sheet strength; and
- maintaining market, depositor and regulator confidence in our ability to meet our obligations, both in normal market conditions and in the event of extraordinary circumstances or market illiquidity.

We manage the first strategic funding objective, **stability**, by:

- managing contractual conditions and maturities of treasury funding sources;
- targeting relatively stable forms of funding, such as long-dated retail and wholesale deposits, and wholesale funding lines;
- targeting high-quality counterparties; and
- assessing the differences in the propensity of different types of funding to be withdrawn and/or become inaccessible.

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[40] As at 30 June 2021. Three month weighted average cost of funds for all wholesale and deposit funding, excludes self-securitisation and the impact from establishment and line fees (as referred to in **Section 3.2.4**) on Judo's Warehouse Facilities.

The second strategic objective, **diversity**, is a means of lowering funding risk by reducing reliance on any one source of funding.

Term deposits gathered via both wholesale and retail channels are a key source of funds for Judo. These are a relatively stable source of funding, sourced from a diverse Deposit Customer base. As at 30 June 2021, no single depositor represents more than 2.5% of the total deposit base.

Further diversification is to be achieved over the next three years, and Judo is well-advanced with initiatives to access additional wholesale funding sources, including senior unsecured debt issuance, Additional Tier 1 capital, further Tier 2 capital issuance, term securitisation and expanding our warehouse funding program.

The third strategic objective, **effectiveness**, seeks to optimise the cost, terms and conditions of funding, while meeting the first two strategic objectives.

Our funding strategy is formally reviewed, challenged and recommended for Board approval on an annual basis by Judo's Asset and Liability Committee (**ALCO**). The Board is responsible for reviewing, challenging and approving any material changes to the funding strategy during the year, and providing approval on an annual basis.

Any material changes made to the funding strategy will be reviewed, considered and endorsed by ALCO before being provided to the Board for their review, consideration and approval, and to APRA for noting as part of our regular discussions with APRA.

3.7.3 Funding sources

3.7.3.1 Deposits

Deposits form the core of our funding strategy, with a long-term goal (post-repayment of the TFF) of 70–75% of total asset funding to be sourced through this channel. As an ADI, Judo benefits from the FCS, under which the Australian Government effectively guarantees deposits up to a limit of $250,000 per Judo account holder.

In a price-sensitive deposit market, we have the ability to increase or decrease flow as appropriate through the terms offered, to optimise volume and maturity. We have focused on building a sustainable deposits business, with flexibility to meet business funding requirements.

We entered the Australian deposit market in May 2019, shortly after receiving our full ADI licence, by offering Term Deposits to the intermediated wholesale segment, followed shortly after by offering Term Deposits directly via our web-based platform to retail customers.

Judo currently offers Term Deposits directly, and via intermediaries, to a wide range of Deposit Customers, including individuals, charities, universities, government bodies, SMSFs and corporates. There is limited overlap between our SME Customer and Deposit Customer base.

We offer fixed-rate Term Deposits via three channels, two of which are offered through intermediaries (the Middle Market and SMSF/retail), and offer one directly.

Judo offers an **Intermediated Middle Market Term Deposit** product to Deposit Customers with sophisticated fixed-term deposit needs. Deposits are sourced via intermediaries including Curve Securities, Laminar Capital and Ord Minnett, and from entities including charities, universities, governments and corporates. As at 30 June 2021, Intermediated Middle Market Term Deposits represent approximately 12% of the deposit portfolio, with an average deposit size of over $1.45 million and a weighted average term to maturity at origination of approximately eight months.

Table 24. Intermediated Middle Market Term Deposits

Features	Comments
Deposit term	• One, three, six and nine months • One, two, three, four and five years • Capable of doing bespoke tenors
Interest type	• Fixed
Interest paid	• Monthly, annually or at maturity
Deposit size	• Minimum $150,000 and up to $3 million, with approval sought for deals over $3 million
Account/set-up fees	• None

Judo offers an **Intermediated SMSF/Retail Term Deposit** product to SMSF and retail Deposit Customers with simple investment needs. Deposits are sourced via intermediaries, including the Australian Money Market, IAM Capital Markets Limited[41] and FIIG Securities, which usually offer an aggregated technology solution for deposit customers or third parties such as financial planners, accountants, lawyers or individual investors to open deposits. As at 30 June 2021, Intermediated SMSF/Retail Term Deposits accounted for 34% of the deposit portfolio, with an average deposit size of $241,000, and a weighted average term to maturity at origination of approximately nine months.

Table 25. Intermediated SMSF/Retail Term Deposits

Features	Comments
Deposit term	• One, three, six and nine months • One, two, three, four and five years • Capable of doing bespoke tenors
Interest type	• Fixed
Interest paid	• Monthly, annually or at maturity
Deposit size	• Minimum $150,00 and up to $3 million, with approval sought for deals over $3 million
Account/set-up fees	• None

Judo also offers **Direct Retail Term Deposits** to single or joint individual account holders online, via the Judo website. This deposit product launched in the third quarter of calendar year 2019, and as at 30 June 2021, represents approximately 54% of our deposit portfolio, with an average deposit size of approximately $108,000 and a weighted average tenor at origination of approximately 17 months. The product offered is a simple fixed term and fixed interest term deposit, with individuals required to originate and service their accounts online, with minimal call centre support.

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[41] IAM Capital Markets Limited AFSL 283119 is a wholly owned subsidiary of Income Asset Management Group Limited (ASX:INY).

Table 26. Direct Retail Term Deposits

Features	Comments
Deposit term	• Three, six and nine months • One, two, three, four and five years
Interest type	• Fixed
Interest paid	• Monthly, annually or at maturity
Deposit size	• Minimum $1,000 and up to $1 million, with approval sought for deals over $1 million
Account/set-up fees	• None

Judo's deposit portfolio mix is split between our three types of term deposit products, as summarised in **Table 27** below.

Table 27. Deposit portfolio mix[42]

	Size	Description	Portfolio (%)	Average deposit ($'000)	Average term to maturity (at origination)
Intermediated Middle Market	$0.3 billion	Charities, universities, corporates and high-net-worth individuals	12%	1,453	Approx. 8 months
Intermediated SMSF/Retail	$0.9 billion	Trusts, SMSF, individuals and entities	34%	241	Approx. 9 months
Direct Retail	$1.4 billion	Single or joint individual account holders	54%	108	Approx. 17 months
Total deposits	$2.5 billion			154	Approx. 12 months

We actively manage pricing of our term deposit products, including by channel or product type, to respond to market dynamics, funding requirements and cash flow requirements on a daily basis. This is done by the deposit product team in conjunction with the treasury team and the CFO.

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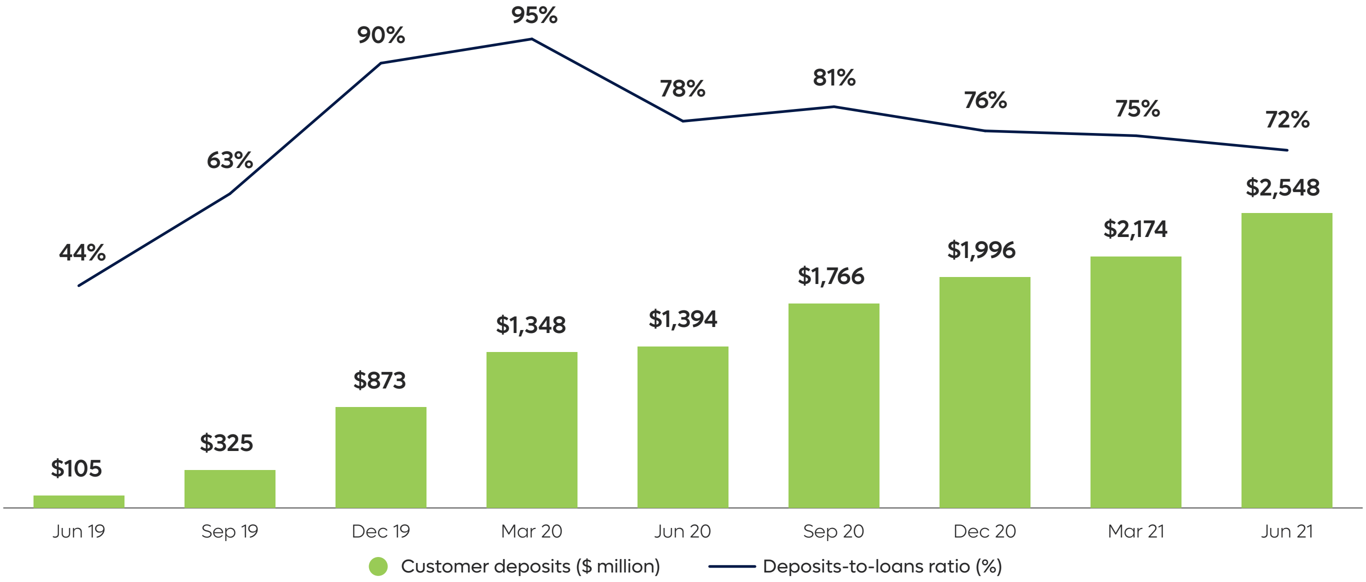
[42] As at 30 June 2021.

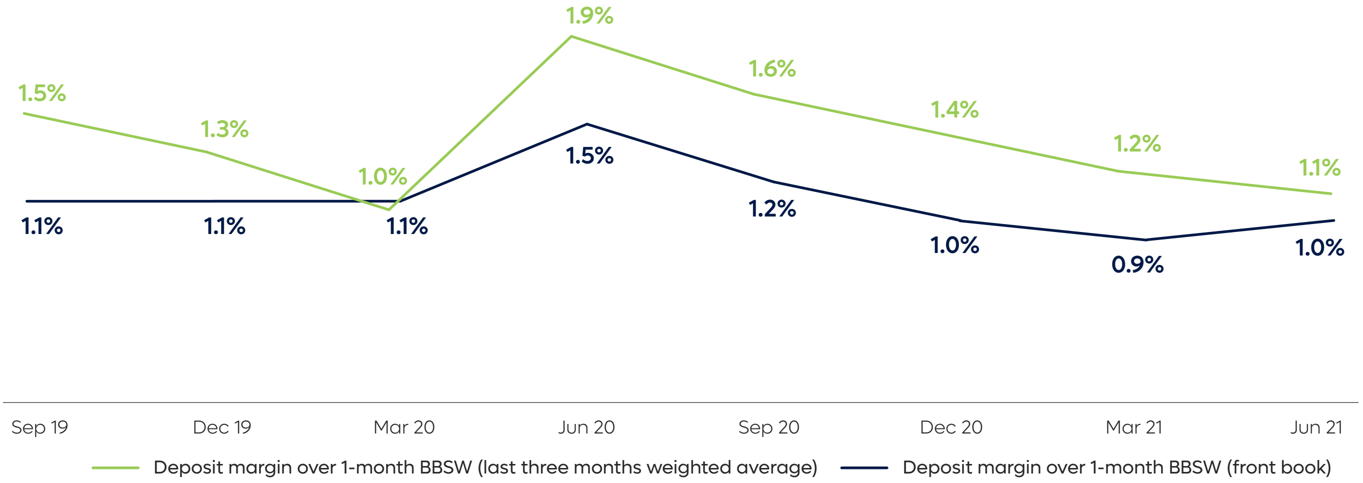
Figure 64: Deposits-to-loans ratio (%)[43]



Deposit margins increased in the quarter ending June 2020, due to the impacts of COVID-19, as falling base rates increased the effective margin on the fixed rate back book and pricing on newly originated deposits (**front book**) temporarily increased. Over the 12 months to 30 June 2021, Judo's rates have maintained a downward trajectory to a blended margin over the 1-month BBSW of 1.1% and a front book margin over the 1-month BBSW of 1.0%.

Recent deposit origination experience has been favourably impacted by both a downward trend in market term deposit rates and the announcement of a credit rating on 16 September 2021. Deposit originations for the quarter ending 30 September 2021 had an average margin over 1 month BBSW of 0.85%, noting that the two week period following the announcement had an average margin over 1 month BBSW of 0.65% (16 to 30 September 2021) and comprised $158 millon of deposit originations.

Figure 65: Deposit margins (over 1-month BBSW)[44]



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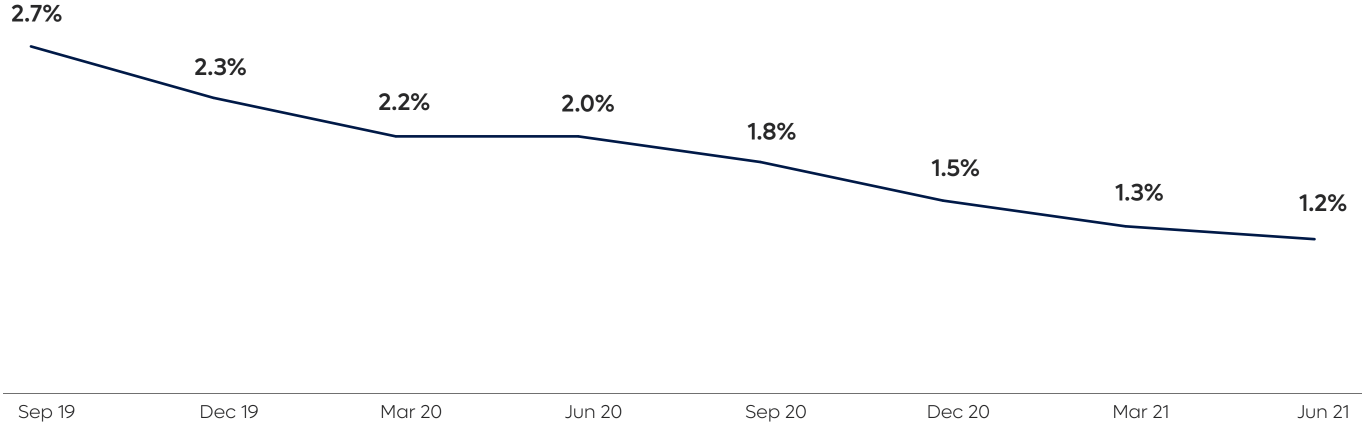
[43] As. at 30 June 2021.

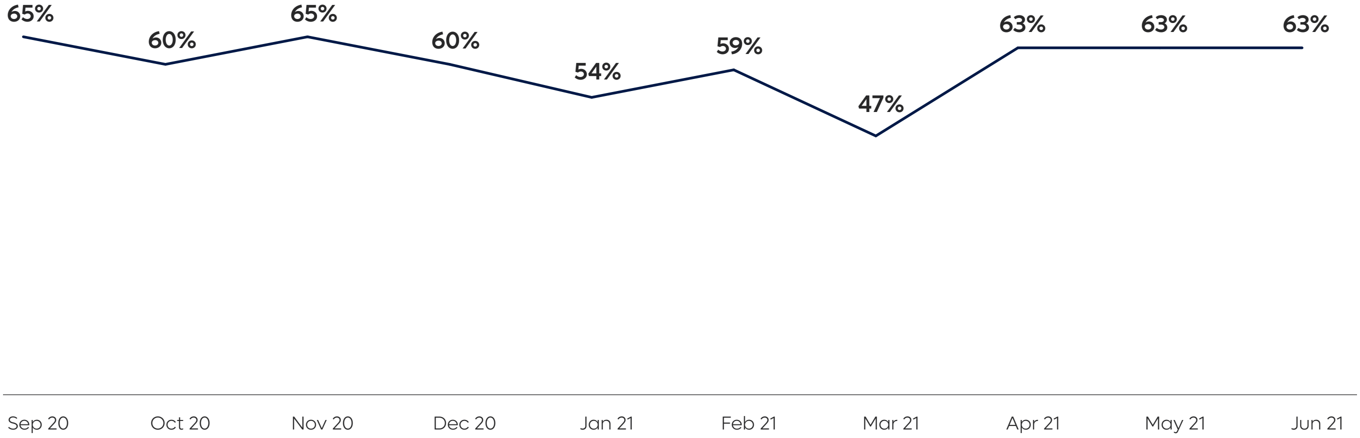
[44] As at 30 June 2021.

Figure 66: All-in cost of deposits[45]



A key feature of our Term Deposits is the streamlined rollover experience for Direct Retail Term Deposit Customers. This is demonstrated through consistently high rollover rates since launch in 2019, with the majority of customers rolling over their deposits at maturity.

Figure 67: Direct Retail Term Deposit rollover rate (%)[46]



Deposit market expansion

Our deposit market expansion strategy focuses on continuing to develop additional deposit-gathering capabilities that will allow us to further penetrate the SMSF, business and intermediated deposit segments by improving their access to our products. Our technology initiatives – to enable us to grow and expand our deposit book, improve product efficiency and service levels, and provide us with access to new parts of the market – are summarised in **Table 28**.

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[45] As at 30 June 2021. Last three months weighted average.

[46] As at 30 June 2021.

Table 28. Deposit build program

Program	Description
Expanding our online channel	• Over time, we intend to develop our online channel for SMSFs and businesses to access deposit products directly. • This will allow Judo to target untapped markets that seek to manage their deposits directly, and not via an intermediary.
Automated origination and servicing	• Judo is undertaking a technology program to automate the origination and servicing integration experience with our intermediaries. • This is intended to allow us to scale and absorb significantly more deposit volume through the intermediary channel, without requiring a larger workforce or escalating processing times.
Platforms' application programming interface	• We will look to continually build our reporting, onboarding and interface tools to enable us to offer Term Deposits via the large-scale platforms market. • We will seek to expand onto the platforms of existing intermediaries and look to new intermediary opportunities (such as wealth management advisor networks).
User experience (UX) enhancement	• Judo intends to undertake an ongoing enhancement program to improve our origination and internet banking tools for Direct Retail Term Deposit Customers. • UX improvements are expected to increase the application conversion and retention rates, improve the Deposit Customer experience and lead to a greater share of the deposit market over time.

3.7.3.2 Warehouse facilities

As at 30 June 2021, Judo had access to a diversified pool of wholesale funding, including four existing Warehouse Facilities. Over time, we will continue to develop and seek to improve our wholesale funding strategy.

Judo's first facility was established in August 2018, with Bendigo and Adelaide Bank, for funding of up to $100 million, which was drawn to approximately $12 million as at 30 June 2021.

Our second facility was established in November 2018 as a $350 million Warehouse Facility with Credit Suisse, which caters for a cross-section of loans originated subject to individual loan eligibility criteria and a series of pool parameters. The facility was drawn to approximately $98 million as at 30 June 2021.

Judo's third facility was established in March 2020 as a $350 million facility with the Australian branch of Citibank. This facility has been progressively drawn to approximately $193 million as at 30 June 2021.

Our fourth facility was established in June 2020, with two funds established by the Commonwealth of Australia and administered by the AOFM, being the Structured Finance Support Fund (**SFSF**) and the ABSF. Of note, Judo was the first Australian bank to be awarded government funding from the AOFM under these schemes. The $2 billion ABSF was established in 2019 to help develop the securitisation market in Australia for the SME asset class. Judo was successful in obtaining all of the first year's allocation of the ABSF ($250 million) as well as a $250 million allocation from the SFSF in securitisation funding. In April 2021, the Australian branch of Société Générale acquired 50% ($111 million) of the class A notes from the AOFM in this warehouse structure, demonstrating the market-based nature of the note.

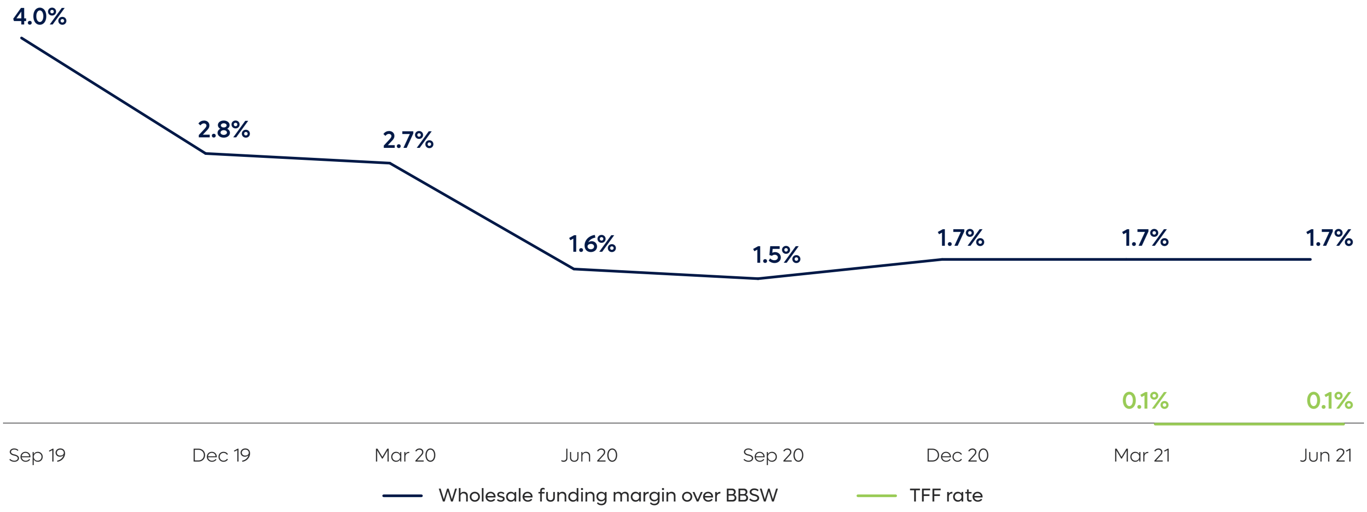
Table 29. Summary of our current Warehouse Facilities

	Facility No. 1	Facility No. 2	Facility No. 3	Facility No. 4
Size	$100 million	$350 million	$350 million	$500 million
Drawn[47]	$12 million	$98 million	$193 million	$319 million
Funder	Bendigo and Adelaide Bank	Credit Suisse	Citibank	AOFM/Société Générale
Facility commencement	August 2018	November 2018	March 2020	June 2020

Judo has opportunities to continue expanding our warehouse funding, both through current and new facilities, in the context of our broader funding strategy.

Over time, we have reduced our wholesale funding costs as we have renewed existing facilities, and entered into new facilities on more attractive terms, demonstrating the ongoing validation of Judo's credit and business model.

Figure 68: Wholesale funding costs[48]



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[47] As at 30 June 2021.

[48] Excludes the impact from establishment and line fees (as referred to in **Section 3.2.4**) on Judo's Warehouse Facilities.

3.7.3.3 RBA's Term Funding Facility

Background

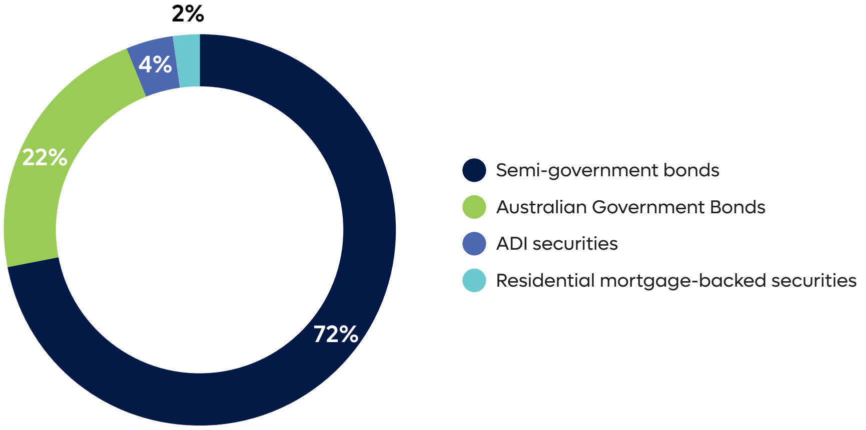
In March 2020, as a direct response to the impact of COVID-19, the RBA announced the TFF with the purpose of reinforcing the benefits to the economy of a lower cash rate by reducing the funding costs of ADIs. Given ADIs could access additional low-cost funding if they expanded their lending to businesses, this has helped to reduce interest rates for borrowers and encouraged ADIs to support businesses during the COVID-19 pandemic. The TFF encouraged lending to all businesses, although the incentives were stronger for lending to SMEs as an additional funding allowance was linked to growth in SME business lending, which has benefited Judo. The TFF allows ADIs to access three-year funding at a fixed interest rate of 0.10% (drawdowns under the initial funding allowance to 30 September 2020 were at a rate of 0.25%). To access the TFF, participating ADIs were required to deliver eligible collateral (including repo eligible securities and Aaa notes of self-securitised loan pools) to the RBA to obtain a funding allowance. The TFF was available for drawdown until 30 June 2021.

Judo's access to the TFF

Our exclusive focus on SME business lending, and strong origination momentum resulted in a significant TFF allocation, with $2.9 billion drawn at the end of the utilisation period. Of this $2.9 billion, $0.7 billion was secured by self-securitisation notes and $2.2 billion preserved by repo eligible treasury assets (predominantly Commonwealth and state government debt securities).

Our ability to access the TFF is supported by the self-securitisation of Judo-originated SME loans, with this self-securitisation program established in February 2021. As at 30 June 2021, Judo has generated sufficient notes to support $0.7 billion of TFF funding. In anticipation of our continued strong origination profile and future self-securitisations, we were able to deliver a further $2.2 billion of eligible collateral through the purchase of high-quality treasury assets. **Figure 69** illustrates the composition of treasury assets held as at 30 June 2021.

Figure 69: Composition of Judo's treasury assets (%)[49]



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[49] As at 30 June 2021

Net interest margin benefits to Judo from the TFF

The TFF offers Judo a significant cost of funding benefit (at an interest rate of 0.10%) relative to other debt which is supportive of our net interest margin objectives. For Judo, this benefit increases as more Judo-originated SME loans are pooled into self-securitised vehicles and replace the treasury assets held as eligible collateral supporting Judo's TFF allocation. This will see a material interest margin uplift as the SME loans generate greater yield for Judo than the treasury assets. While the uplift represents an actual benefit to our financial outcomes, the TFF program has a finite period of three years, and the benefits will fully unwind by the end of the program. For Judo, the size of the TFF allocation relative to the current loan book size means there is a material benefit to our financial outcomes during the period of the TFF. Refer to **Sections 5.3 and 5.7.1** for illustration and explanation of the net interest margin and the Underlying NIM (which removes the impact of the Preserved TFF).

Refinancing of the TFF

The final date for repayment of the funding provided under the TFF is 30 June 2024. Judo intends to progressively repay this exposure through growing both deposits and wholesale funding. **Figure 70** illustrates our intended pathway towards swapping treasury assets, currently used as collateral to preserve the TFF allocation, for our own self-securitised Aaa securities, backed by Judo SME loans up to the full $2.9 billion TFF allocation. The figure also illustrates the reduction in the TFF debt as it is repaid by deposits and debt. Both the increase in self-securitisation, and the pay down of the TFF debt, are shown for illustrative purposes – actual outcomes will depend on the rate of Judo origination volumes, continued ability to obtain adequate ratings on increasing self-securitisation pools, continued deposit origination capability and any future Judo wholesale funding initiatives.

Judo has structured a portion of our treasury investments to mature over the next two years to allow for both the collateralisation of TFF liabilities and provide cash inflows from scheduled maturities. **Figure 71** illustrates the maturity profile of the treasury assets, which highlight the matching of most of the maturities with the intended timeframe that Judo plans to swap these assets as collateral.

Figure 70: Indicative TFF usage – preservation vs. self-securitisation (not to scale)

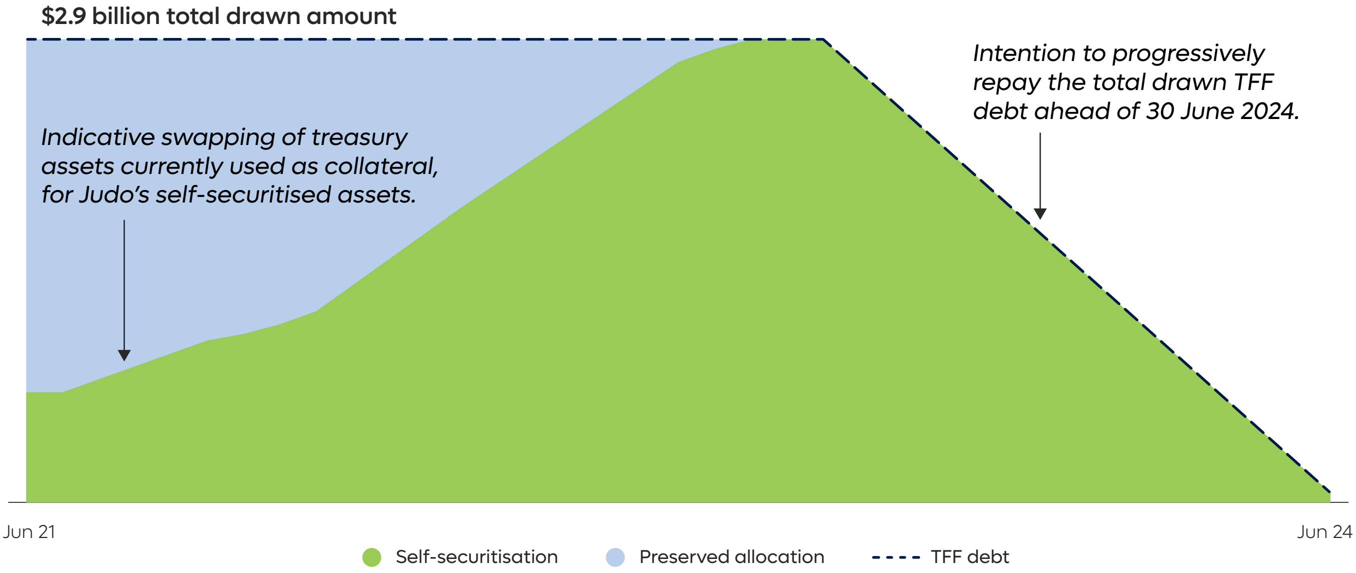
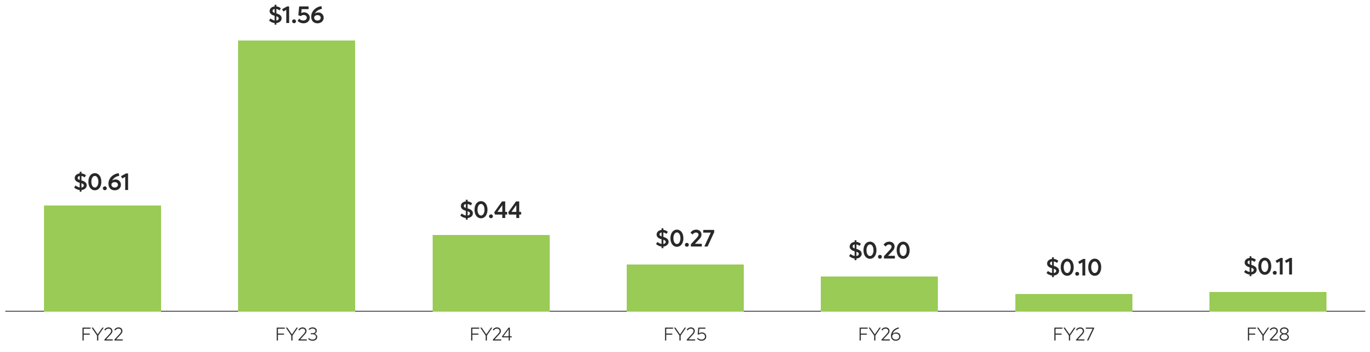


Figure 71: Maturity profile of treasury assets ($ billion)[50]



3.7.3.4 Additional wholesale funding sources

As part of our overall funding strategy, Judo will look to further expand and diversify our wholesale funding sources to support our lending growth ambitions. These funding markets may include public term securitisation, senior unsecured bonds, subordinated debt, negotiable certificates of deposit and repos.

3.7.3.5 External credit rating

As at the date of this Prospectus, Judo has obtained a public external issuer credit rating which is expected to provide us with access to additional pools of funding and satisfy a greater proportion of investment mandates of typical wholesale investors (both deposits and wholesale debt). As a result, we expect to be able to access funding at lower costs and greater scale than in the past.

Many wholesale deposit customers are either unable to invest in deposits with an unrated bank or have reached internal limits on unrated bank term deposits with Judo. As Judo has been successful in obtaining a credit rating, the pools of deposits Judo is eligible to access via our intermediaries are expected to increase.

3.7.4 Regulatory capital

As an ADI, we are required to hold regulatory capital against our risk-weighted assets (**RWAs**). This can be in the form of CET1, Additional Tier 1 capital or Tier 2 capital, as determined by APRA Prudential Standards.

Judo's regulatory capital is made up of CET1 capital (raised through previous equity fundraising activities, net of ongoing profits/losses of the business) and Tier 2 capital (raised through our inaugural Tier 2 subordinated debt issuance in June 2021).

We have historically maintained conservative capital ratios, with a meaningful buffer above regulatory capital limits, to pre-emptively fund the growth of our asset book. As at 30 June 2021, our total capital ratio and CET1 capital ratios were 26.4% and 24.5%, respectively. Pro forma for the primary capital raised under the IPO, Judo's total capital ratio and CET1 capital ratios are 32.5% and 30.8%, respectively. We expect these ratios to trend down towards capital levels that are more in line with the broader listed Australian banking sector.

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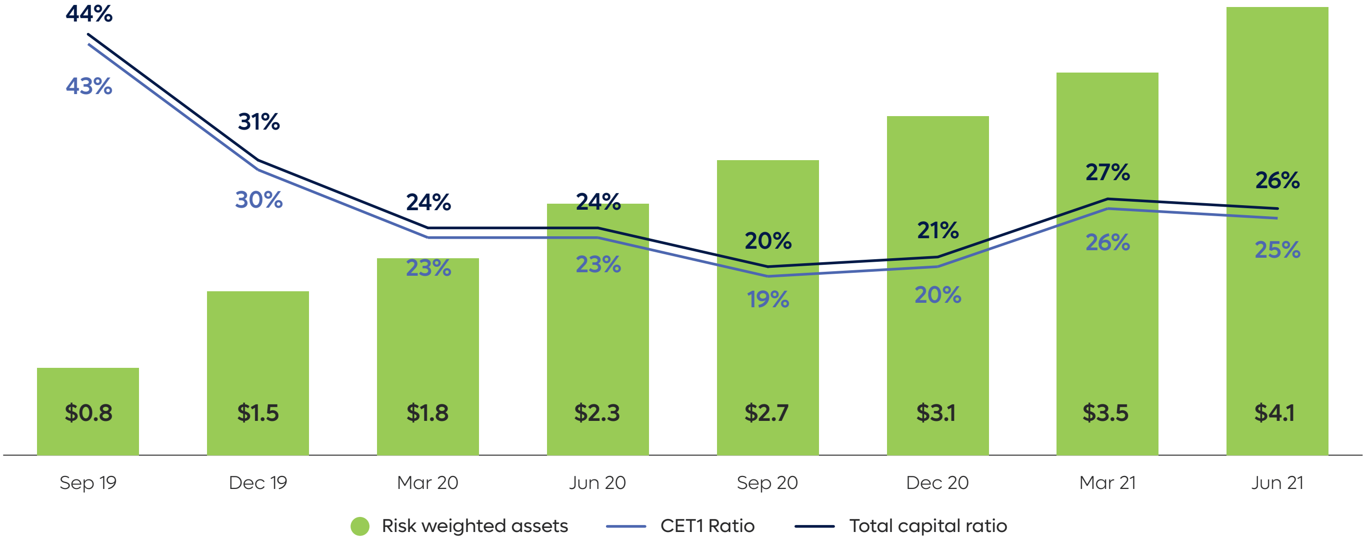
50. As at 30 June 2021.

Additional Tier 1 capital and further issuances of Tier 2 capital can provide Judo with additional sources of regulatory capital to optimise our funding stack more broadly.

Figure 72: RWAs ($ billion) and regulatory capital ratios (%)[51]



The implementation of APRA's revised capital framework in January 2023 is expected to result in a maximum credit risk weight of 85% on the majority of SME lending. Judo's average credit risk weight on lending at 30 June 2021 was 92% (for a further description of the proposed changes, see **Section 2.5.3**). Based on preliminary analysis, we expect our average credit risk weight on lending to fall to a level moderately below the maximum, post-implementation of the framework, based on the current portfolio composition. Additionally, over the long term, the potential development and approval of an Internal Ratings Based (**IRB**) model for determining credit risk weights on our lending assets would be expected to further enhance our capital efficiency.

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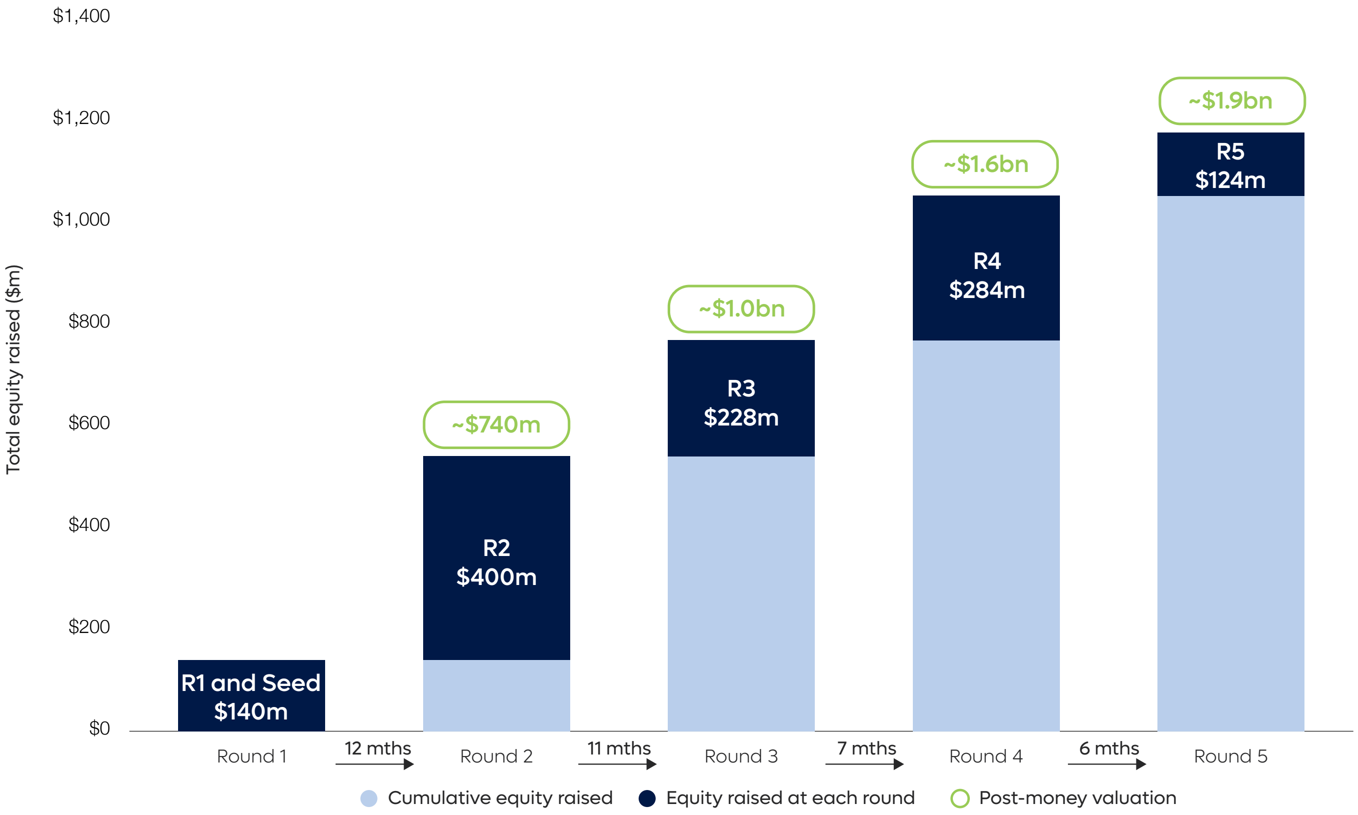
[51] As at 30 June 2021.

3.7.4.1 Equity

Judo has successfully completed an initial seed funding round and five private equity raising rounds, with Judo's post-money valuation increasing at each round. We have built a strong Shareholder register, comprising a range of sophisticated and professional investors through these rounds. From our first equity round in June 2018, Judo has raised a total of $1.2 billion in equity capital, providing us with regulatory capital to support our loan book growth.

Figure 73: Equity raising summary by round ($ million)



3.7.4.2 Tier 2 capital

APRA granted approval to Judo's Tier 2 program documents in March 2021 and we settled our inaugural 10-year non-call 5 (10NC5) Tier 2 issue in June 2021, raising $50 million in regulatory capital via a private placement. The introduction of Tier 2 capital improves the efficiency and diversification of our capital base, allowing part of our capital requirements to be met with long-term subordinated debt rather than with CET1. The additional capital was raised to supplement Judo's strong lending and deposit growth. We will continue to seek opportunities to add Tier 2 capital, as an efficient way to maintain appropriate capital adequacy to support asset growth.

3.7.5 Liquidity management

As an ADI, Judo is required to maintain a liquid asset portfolio of cash and eligible debt securities, to ensure we have sufficient liquidity to meet our commitments as and when they fall due. We intend to maintain a conservative and prudent position with respect to managing liquidity, ensuring we maintain a buffer, in cash and eligible securities, above our APRA-required MLH.

The balance of our liquidity above the regulatory requirement is invested in repurchase eligible securities (securities eligible for purchase by the RBA under a repo) and/or maintained in operational accounts as near-term cash flow requires.

Repos involve the sale or purchase of securities with an undertaking to reverse the transaction at an agreed price and date in the future. Judo is a participant in the RBA's Open Market Operations and can seek short-term repo funding from the RBA's bid process daily. In addition to the RBA, Judo has Global Master Repurchase Agreements in place with a number of institutional banks, allowing for alternative sources of liquidity. This is in the form of short-term repos, likely to be less than six months in term, and agreed with each party on a bilateral basis. Refer to **Section 4.8.2** for details of how we manage liquidity and funding risk.

3.8. Technology

3.8.1 Technology overview and principles

In a rapidly changing, and increasingly digital economy, the leverage of technology is core to the future success of all companies and industries. Judo appreciates the importance of technology in our ambition to deliver relationship-centric lending at scale. We are focused on the scale and cost-efficiency promise of technology, including delivering data-driven and digital experiences for our SME Customers, Deposit Customers, relationship bankers and analysts, staff and third parties.

Since inception, we have invested in foundational technology capabilities, based on a set of technology strategies and principles that align with our aspirations to be the most trusted SME business bank in Australia (see **Figure 74**).

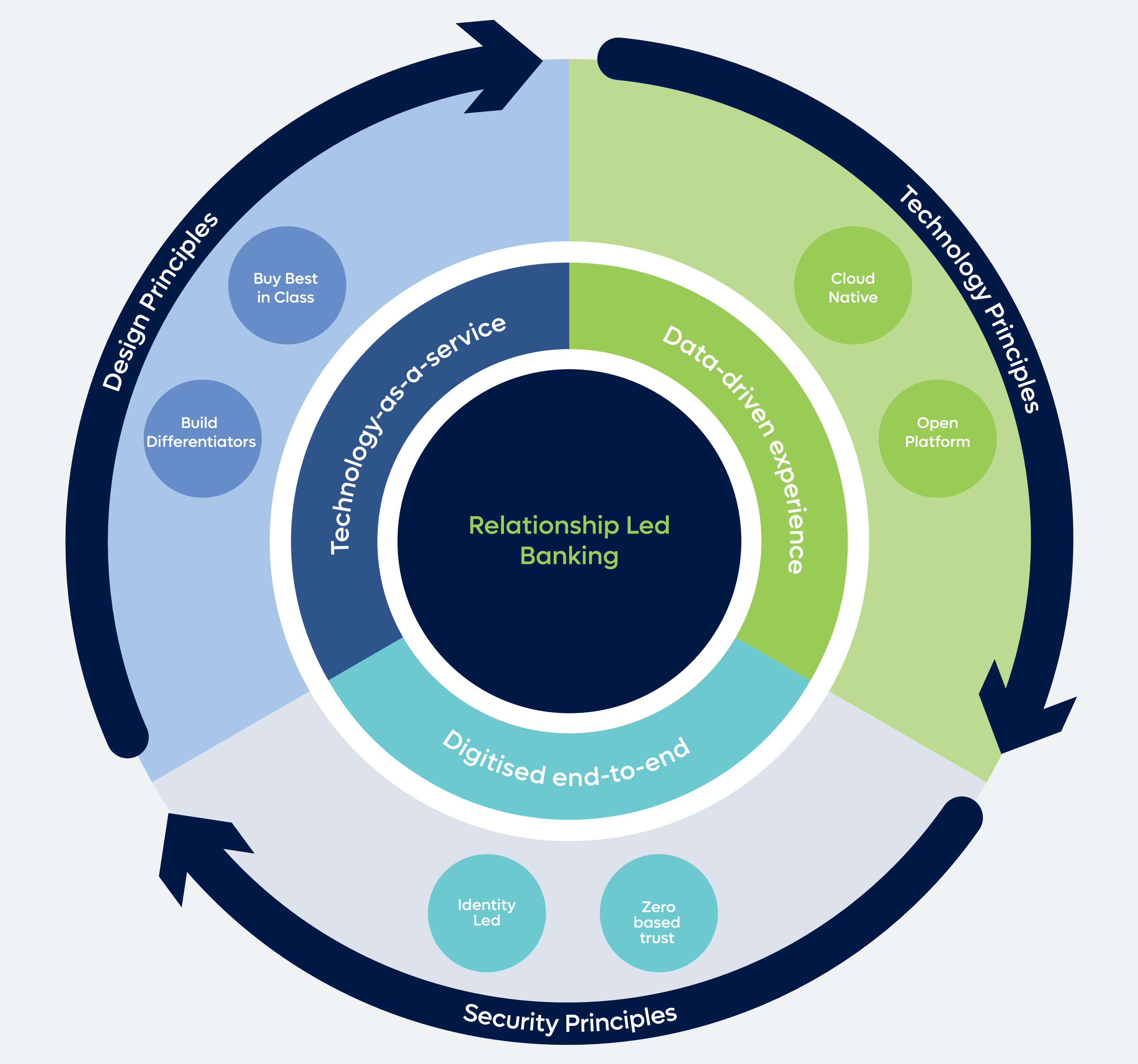
Judo's technology strategy has been designed from the ground up, to architect and govern the delivery of technology-as-a-service from multiple Software-as-a-Service (**SaaS**) platform providers.

Our technology success is enabled by:

- our strong focus on being relationship-centric;
- a principles-driven architecture approach; and
- our foundational technology capabilities, delivering platforms that can scale and adapt to meet changing business needs.

Judo's goal is to create human-centric experiences for our SME Customers, Deposit Customers, relationship bankers and analysts, staff and third parties. The empowerment of these experiences using technology, digital and data is intended to drive differentiation of Judo's SME CVP in the market.

Figure 74: Judo's technology strategies and principles



Technology-as-a-service

Judo is a 'service-first' organisation, and as such, where it is strategically important to do so, we leverage technology providers to deliver cost-competitive core technology services (versus building our own services). We continually assess the global market to identify, procure and consume technologies that are best-in-class platforms and proven globally, and that have an established presence in Australia. This approach is also intended to provide us with the agility to switch to a new technology provider when a superior or more fit-for-purpose capability is available, based on evolving customer and business needs. Judo's recent transition to nCino, a global account origination platform provider, from our day-one original account opening platform, is an example of our strategy.

Our other global providers include Confluent (data integration), Temenos (core banking), Amazon Web Services (cloud services) and Microsoft (Office 365 and identity access management). These providers are seen as global leaders in their respective areas of expertise.

Data-driven experiences

We believe that companies that adopt data and insights, including the use of artificial intelligence (**AI**), at the core of everything they do will outperform their competitors. Building strong customer relationships requires the use of data to create experiences that are personalised and relevant to customers, relationship bankers and staff. SME Customers expect Judo to know them, and their business, and for their relationship bankers to share insights, and macro and micro trends, to help them optimise their business. To date, we have invested to evolve our data infrastructure, reporting and insights capability with the goal of:

- reducing time and effort for SME Customers;
- actively using data to seamlessly integrate into our proposition to enable relationship bankers to be more productive; and
- empowering staff to make quality decisions quickly and efficiently.

Supporting our data applications are data security models that protect our customers' data.

To enable our data strategy, we leverage Amazon Web Services and Microsoft to use and build data platforms, data governance, and reporting and insights tools. Over time, Judo will explore the development of AI capabilities to support relationship bankers and our customer support and credit risk teams.

Digitised end-to-end experiences

Judo is focused on ensuring we digitise end-to-end experiences, such as loan origination, so that customer, relationship banker and staff experiences are seamless. We plan to unlock the power of digitisation which, alongside data, is intended to be a driver of differentiation in our relationships with customers.

We believe a digital experience that supports a relationship banker–led proposition to meet SME Customer needs will strengthen our business banking proposition and set us apart from our competitors. This approach, with the support of our digital technology providers, is intended to ensure we can continue to scale and help minimise operational costs.

Cyber and information security

Information security at Judo is intended to enable a safe and effective environment to grow and scale our business. We believe we have developed a strong security posture, enabled by our legacy-free technology environment. Our core design principle is one of 'zero trust'. This means our core security model is based on the principle of maintaining strict access controls and not trusting anyone by default, even those we know are already inside our technology network perimeter.

Our identity-led principle requires all users and their devices, whether in or outside our network, to be authenticated, authorised and continuously validated for security configuration and posture before being granted, or retaining, access to applications and data. This includes role-based access, multi-factor authentication and a defence-in-depth controls framework, supported by incident detection, logging and monitoring.

The approach to protecting our information assets and ensuring safe and reliable operations involves programs of work across seven security domains (see **Figure 75**). These domains cover regulatory requirements, daily operations, assurance of our technology systems, physical security of our offices, preparation for, and detection of, external threats, due diligence and security control assessments of our providers.

Refer to **Section 4.8.4** for details on our technology and information security risk appetite.

Figure 75: Judo's security domains

Security operations	Security assurance	Threat detection	Security applications	Compliance	Physical protection	Audit and review
• Monitor events • Generate alerts • Incident support	• Control verification • Penetration testing • Configuration monitoring • Third-party review • Resilience verification	• External attacks • Internal incidents • Third-party alerts	• Identity management • Key management • Zone protection (ingress/egress) • Data loss prevention • End-point protections • In-channel protection (such as malware)	• Regulatory compliance • Ethical compliance • Corporate compliance • Notification obligations • Security awareness and training	• Data centre • Office and offsite • VIP protection • Mobile	• IT general controls • Board reporting

3.8.2 Next chapter of Judo's technology strategy

Initially, our technology focus was on establishing a technology platform to meet the needs of an early-stage lending and deposit-taking business. We have now evolved our strategy to pursue a technology platform as we scale over time, to enable continued appreciation of SME Customer NPS, relationship banker efficiency, product growth at desired margins, and cost-to-income targets. As part of this strategy, we are focused on digital platforms, and using data and automation to enhance our people, processes and technology.

To facilitate our technology evolution, we are committed to making ongoing investments in technology. Judo's capex budget for FY22 is $19 million, of which the vast majority is planned for investment in enhancing relationship banker efficiency, technology optimisation and growth initiatives. Due to our legacy-free technology environment, we believe we can develop our technology strategy in a streamlined and cost-efficient manner.

Our ambition to continue to deliver scale is underpinned by:

- enabling mobile and internet services;
- supporting real-time data, insights and AI;
- ensuring reliable operations at all times;
- enhancing integration across our platforms;
- continuing to improve speed to market; and
- investing in information security to safely operate and grow our business.

The delivery of Judo's technology strategy is intended to continue to improve our operating leverage as the business scales, and is further outlined in **Table 30**. Our strategy seeks to enable our relationship bankers to focus on the 'art of banking', while the back end delivers the 'science of banking', all aimed at enhancing our value proposition and scalability.

Table 30. Delivering Judo's technology strategy

Technology domains	Description
Core banking	• Judo recently completed the transition to Temenos as the core banking solution for our SME Customers and Deposit Customers. • We will seek to continue to invest in additional payment methods and payment integration capabilities as our digital experiences expand.
Origination and servicing	• Judo's origination platform is nCino, which has proven itself as a modern and serviceable solution. • We are focused on offering flexibility, and may look to further digitise our origination experience, enhance our credit decision-making process, and expand our workflow management servicing capabilities.
Data-driven experiences	• While continuing to scale and maintain system resiliency, our strategy is to deliver data-driven enhancements to the experiences of SME Customers, Deposit Customers, relationship bankers and our third-party network; for example, with: ○ tailored insights into SME Customers for relationship bankers; ○ lead generation technology to identify potential SME Customer prospects; and ○ an SME Customer and Deposit Customer platform that allows a single and full view of their Judo profile. • Open Banking and open data present an opportunity for Judo, as we aim to ensure effortless and streamlined data exchanges between Judo and our customers.
Digitisation	• By leveraging our relationship-centric lending model and embedding our relationship bankers in digital customer experiences, we will continue to seek to improve turnaround speed and process efficiency.
Integration	• With the integration of nCino and Temenos, Judo introduced an integration layer, Confluent. • Confluent is a data platform that connects applications and systems across our business in real time, allowing our technology architecture to easily scale as new capabilities are implemented and providing us with enhanced analytics to derive key insights.

3.8.3 Functions and processes

Judo has built a legacy-free technology architecture, native to the cloud. Our technology stack supports our functions and processes, which are underpinned by the following philosophies:

- **Data insights** – data security, analytics and future AI capabilities;
- **Zero trust network architecture,** with a single sign-on identity platform;
- **Open architecture platform** – extensible and adaptable;
- **'Banking from anywhere'** capability;
- **Evolving and responsive security and privacy** as a fundamental functional requirement;
- **SaaS provider ecosystem**; and
- **Significant investment** in risk systems and risk infrastructure.

Table 31. Judo's technology functions

Function	Descriptions	Notable service providers
Loan origination management services	• Loan origination • Loan servicing • Debt servicing • Financial analysis and reporting	ncino InfraRisk accenture
Origination support service	• Know your client/anti–money laundering/counter-terrorism financing • Property valuation • Credit assessment	EQUIFAX
Asset finance origination management service	• Asset finance quoting, origination and servicing	ncino Realtime COMPUTING accenture
Deposit origination management service	• Deposit origination • Deposit servicing	TEMENOS
Digital enterprise services	• Website • Internet banking	unifi TEMENOS
Customer management services	• 360-degree customer view and reporting	ncino
Core banking services	• Lending • Retail and other deposits • Payments	TEMENOS

Function	Descriptions	Notable service providers
Data and insights	- Dashboards - Analytics - Reports	ltoc aws DOMO
Integration service	- Data integration	aws CONFLUENT
Cybersecurity	- Cybersecurity services	CyberCX
Workforce enablement	- Equipment supply, installation and maintenance	JB HI-FI SOLUTIONS FOR BUSINESS
Human resource (HR) management	- HR and workforce management	ELMO

Our technology stack has been built from a clean slate, with each individual provider selected to drive business outcomes within each separate function in order to simplify and enhance key processes. For Judo, technology acts as an enabler, driving efficiency for our relationship bankers, and enhancing the overall customer experience.

3.9. People and culture

3.9.1 Judo's values and vision

Our people are the cornerstone of our business, and display Judo's core values of *trust*, *teamwork*, *accountability* and *performance*. Our purpose – to be the most trusted SME business bank in Australia – drives our culture and commitment to customers and shapes the experience of everyone working at Judo. A key aspect of our value proposition, to SME and Deposit Customers and stakeholders alike, is built on our focus on cultural and human capital. Our people and culture vision is also simple: to be the most trusted employer in Australian banking.

Since establishment, our emphasis has been on the recruitment and retention of, and continued investment in, people who bring our core values to life and who will maintain our strong values-driven culture. To continue to maintain our growth and success, we seek to employ for good fit and longevity. Our selection criteria aim to foster a continuous culture of teamwork, integrity, agility, flexibility, collaboration, transformation and innovation.

Judo's management team, possessing a great breadth and depth of experience, and expertise gained from careers spanning a diverse variety of sectors and industries, has been recruited with the same rigorous focus, as has Judo's Board (see **Section 7**).

3.9.2 Judo's people priorities

To help realise Judo's vision, we have four main people and culture priorities, which are outlined in **Table 32**.

Table 32. Judo's people priorities

Culture	• A collaborative and cohesive culture will continue to be a differentiator and key tenet of the way we attract and intend to retain talent as we continue to scale our business. Our retention strategy is centred around creating an environment in which we make common sense people and culture decisions, where our people are treated fairly and respectfully in ways that support our values, and where our people want to do their best work to deliver business outcomes that matter. Ensuring we pay our team fairly under a remuneration strategy in which most employees can receive some of their reward as equity is also a key part of retaining our talent, treating and expecting our employees to act as co-owners. • One of the ways we seek to achieve this is through tracking and understanding the morale of our people. We do this through the Judo Employee Delight Index (**JEDI**), a real-time engagement tracking tool that sends every employee a short, text-based, weekly survey to understand their overall engagement, emotional connection to Judo, physical energy and mental agility. • Since launching in March 2021, average engagement (until 30 June 2021) was 65% and employee NPS was +32. Over time, the trends and insights from JEDI will help to inform the way we engage and communicate with employees. We also prioritise communication across the bank via an 'Everyone at Judo' monthly call. This provides our people with performance and business updates, a forum in which to ask questions of senior management and a place to recognise our monthly 'Masters' (see 'Reward' below). • As well as promoting a sense of belonging and engagement, and building strong internal relationships, a top priority has been the health and wellbeing of our people. Judo has delivered programs to foster a collaborative and connected organisation. As we have grown, we have continued to reject a one-size-fits-all approach, and have offered numerous initiatives, including leadership training, coaching services, counselling services and flexibility. • COVID-19 has changed the way our people think about how and where they work. As a cloud-based bank, 100% of our people can work from home and the Flex@Judo guidelines provide people with a framework to manage a hybrid working model (a mix of working from home and in the office) and support for home office set-up. We encourage our people to spend a minimum of two days a week in the office to maintain a sense of belonging, and to build trusted relationships. Judo also has face-to-face induction days, regular catch-ups with senior management and social events, either virtually or in person, as well as 'lunch and learn' sessions.

Talent	• Talent selection and development is a key focus for Judo. Recruitment has continued to grow with over 137 new team members hired in the 12 months to 30 June 2021. We also opened eight new locations (Adelaide, Sunshine Coast, Gold Coast, Canberra, Geelong, Newcastle, Hobart and Launceston) in the 12 months to 30 June 2021. • Our recruitment process is consistent and intensive, involving candidates moving through three to five different stages that assess alignment to our values, technical capability and suitability for a fast-paced, rapidly evolving environment. In addition, Judo employs personality profiling as part of induction to further assess fit for the role and the organisation. We continue to recruit significantly via employee referrals, with approximately 40% of staff sourced through this channel in FY21 and 28% sourced directly. • Judo has an ongoing commitment to professional development and has partnered with the Financial Services Institute of Australasia (**FINSIA**), in conjunction with the Chartered Banker Institute in the United Kingdom. FINSIA is an organisation with approximately 8,000 members in Australia and New Zealand, and its purpose is to help raise standards of competency and conduct to improve customer trust and individual practitioner pride. Our partnership with FINSIA has allowed us to offer training for our relationship bankers via the 'Professional Banking Fundamentals' program. Our CFO and Deputy CEO, Chris Bayliss, is currently the Chair of FINSIA's Retail and Business Banking Council. • Judo has implemented an internal program, 'The J Factor', to develop our relationship analysts into relationship bankers. Five relationship analysts were promoted to relationship bankers in FY21. Judo has also partnered with Women in Banking and Finance to offer our people valuable networking opportunities, bespoke education courses and development programs to help promote diversity and innovation. • Partnering with an external performance consultancy firm, Judo is focused on supporting the development of our Regional Directors, the managers of relationship banker 'pods'.

Reward	• One of our core remuneration principles is to drive a long-term Shareholder mind-set. Judo has long-term incentive share option plans, the second of which was offered to a further 80 employees in FY21. Judo's founding employees remain incentivised for the long-term by a performance share rights plan (see **Section 7.4** for more information). Our remuneration strategy allows most employees to receive some of their reward via equity. • We have a performance management process, 'Judo Tracks'. We intend to automate and streamline Judo Tracks via our HR information system, 'J-PO'. Judo Tracks is closely aligned to our values and linked to employee reward. We also recognise our people via a recognition program, 'Judo Masters', which celebrates peer-nominated employees for their commitment to our values. In addition, in FY21, Judo launched an annual award in recognition of the late Tracey Plowman, an early-stage employee, for internal recognition of employees who display authenticity, care and resilience. • In 2021, we submitted our first compliance report to the Workplace Gender Equality Agency. For FY22, as part of a review of our remuneration strategy, we expect to implement an ongoing remuneration review process that includes both a gender equity lens as well as internal and external peer analysis, to ensure Judo's pay remains competitive while also recognising performance. Judo is a member of the Financial Institutions Remuneration Group, using insights from the industry-specific remuneration survey to create appropriate pay levels. • Our employee benefits program, 'Judo Perks', is available to all permanent staff. It includes two extra weeks of annual leave and an annual cash benefit to spend on family, community, health or personal development.
Efficiency and governance	• J-PO, our HR information portal, digitises and improves people processes, enriching the employee experience. Our current focus is rolling out the J-PO onboarding and performance capability. Payroll, recruitment and learning are already configured. • Judo's Governance, Culture, Remuneration and Accountability (**GCRA**) strategy is enabled by a dedicated cross-functional process established to ensure our GCRA practices meet our regulatory obligations and align with the evolving regulatory environment and community expectations. Judo complies with the Banking Executive Accountability Regime (**BEAR**). • Our People Guidelines are a collection of policies and frameworks that address our modern and socially conscious workplace culture, values and benefits. These include health and wellness considerations, leave entitlements and other staff benefits.

3.9.3 Judo's people

As at 30 June 2021, Judo had 320 full-time equivalent employees spread across 12 locations in Melbourne (our principal place of business), Sydney, Brisbane, Perth, Adelaide, Canberra, Hobart, Geelong, Newcastle, Sunshine Coast, Gold Coast and Launceston. We are committed to building a business that attracts great talent, by fostering a collaborative and inclusive environment in which employees feel a strong connection and commitment to our purpose. Professionalism and ongoing development are key tenets of our culture.

We support the notion of increasing the professionalism of SME banking though our people priorities, and strongly encourage accreditation and training among our employees. Many of our employees have previous career experience in the sector at a Major Bank, or other lending or financial institution, and have identified culture, accountability and responsibility among a range of reasons for being attracted to the Judo employee proposition.

Some of our key people metrics are summarised below.

Table 33. Judo's key people metrics[52]

Number of full-time equivalent employees	320
Number of locations	12
Customer facing	59%
Enabling functions	41%
Female[53]	37%
Female in leadership positions	29%
Female on Management Board[54]	33%
Male[53]	63%
Male in leadership positions	71%
Male on Management Board[54]	67%
Born in Australia[53]	59%
Born outside Australia[53]	41%

3.9.4 Diversity and inclusion

As demonstrated by the metrics in **Table 33**, Judo strongly values an inclusive and diverse workforce, and is committed to maintaining a flexible work environment in which all employees are treated fairly and respectfully, are free to bring their whole selves to work and have equal access to opportunities to succeed. The Board has adopted a Diversity and Inclusion Policy, details of which are provided in **Section 7.5.4.4**.

As a listed company, the Board will include in the annual report for each financial year, a summary of Judo's progress towards achieving our measurable diversity and inclusion objectives for the relevant financial year, and for the subsequent financial year.

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[52] As at 30 June 2021, unless otherwise indicated.

[53] Percentage of employees is calculated based on Judo's total headcount of 306 people as at 30 June 2021, which represents the full-time equivalent employees, excluding contracted employees.

[54] As at 30 September 2021.

3.10. COVID-19 impacts

Judo's strong performance throughout the COVID-19 pandemic has illustrated our competitive advantage. Our consistent, accessible and proactive presence in the market, low ratio of SME Customers per relationship banker and increased referrals, primarily via our broker network, have all underpinned a strong new origination momentum of high-quality SME Customers.

The impacts from COVID-19 continue to evolve in Australia, including from state-based lockdowns occurring from mid-2021.

Table 34 outlines some of the specific and observable outcomes the COVID-19 pandemic has had to date.

Table 34. COVID-19 outcomes to date

COVID-19 has highlighted failures in the SME banking ecosystem	• Market disruption forced SMEs to seek advice in an environment in which our relationship-led SME CVP has proved particularly effective in allowing SME Customers to maintain significant and direct access to highly empowered and experienced relationship bankers. • In servicing our SME Customers throughout COVID-19, we have not been hampered by legacy technology or operational and bandwidth issues.
Judo has been well positioned to continue to originate new loans and service SME Customers in the COVID-19 environment	• Agile relationship bankers have been able to continue servicing SME Customers and originating loans throughout the COVID-19 pandemic. • $2.8 billion of new loans were financed between 28 February 2020 and 30 June 2021, and a COVID-19 lens has been applied to all customers originated in this period. • Judo has achieved an industry-leading NPS of +85 and strong origination growth, which demonstrates the authenticity of the Judo SME CVP.
High-quality and high-performing loan book in the COVID-19 environment	• In May 2020, at the onset of the COVID-19 pandemic, 21% of Judo's total exposure required support. This declined over the following months, reflecting the strength in recovery of our loan book from the initial impacts of COVID-19, and success of our 4 Cs of Credit approach. • Based on our experience through the Victorian lockdown in late 2020, and our early indications from state-based lockdowns in mid-2021, we have confidence in our high-quality and diversified loan book and credit approach in relation to managing asset quality from the ongoing impact of COVID-19.

Throughout COVID-19, we have undertaken initiatives to proactively manage the portfolio, which include:

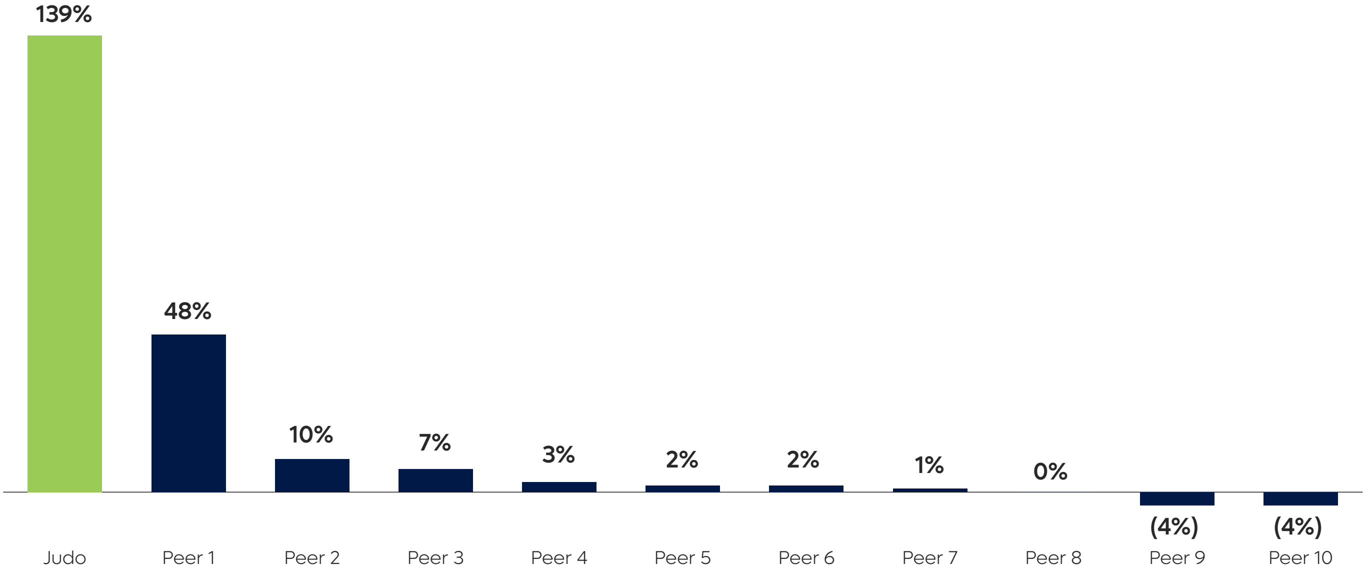
- conducting a full review of the loan book, proactively contacting every SME Customer to ascertain their position and determine if assistance was required;
- undertaking scenario analysis and stress testing, to identify potential future credit losses that may result from ongoing economic impacts;
- implementing bespoke solutions for individual SME Customers, where required, in terms of type of assistance and duration; and
- taking a prudent position on credit loss provisioning.

3.10.1 Originations

The disruption caused by COVID-19 created a unique loan origination environment for Judo, allowing the business to acquire a larger share of the market, despite an overall decline in system lending volumes.

The environment challenged banks with large existing portfolios in dealing with the number of customers seeking engagement, both those impacted by COVID-19 and those unaffected. This is evidenced by the hardship measures incumbent banks have implemented.

Figure 76: Business loan growth (ADI peers (%), March 2020 to June 2021)[55]



3.10.2 Asset quality

Judo's loan book continues to perform well following the initial period of impact from COVID-19. We reported a month-on-month decline in the portion of loans requiring support in FY21,[56] which was 21% of total exposure as at 31 May 2020. By 31 March 2021, Judo reached a position of no loans requiring support, as demonstrated in **Figure 77**. Over the course of FY21, new impairments were limited to only five SME Customers, and as at 30 June 2021, 90+ days impairments were 0.08% of gross loans and advances.

In response to changing business conditions as a result of recent state-based lockdowns, a small number of SME Customers have recently applied for and received temporary lockdown-related support. Judo provided support to this group, based on the underlying business strength of each SME Customer and our satisfaction that the disruption to cash flow is short term and primarily related to lockdown. As at 30 September 2021, this group comprised 55 customers nationally (less than 3% of our SME Customers) and represented $93 million of total lending (approximately 2% of our loan book). It is split between the geographies most impacted by current restrictions (NSW: 64%; Victoria: 25%; and Queensland: 11%). The predominant form of relief offered to the current cohort of supported customers is a deferral of payments for up to three months. All 55 customers meet the eligibility criteria of APRA's regulatory support for banks offering temporary financial assistance to borrowers impacted by COVID-19. Judo's relationship bankers remain in regular contact with all customers to ensure that appropriate assistance is provided as early as possible, in line with our relationship-centric business model.

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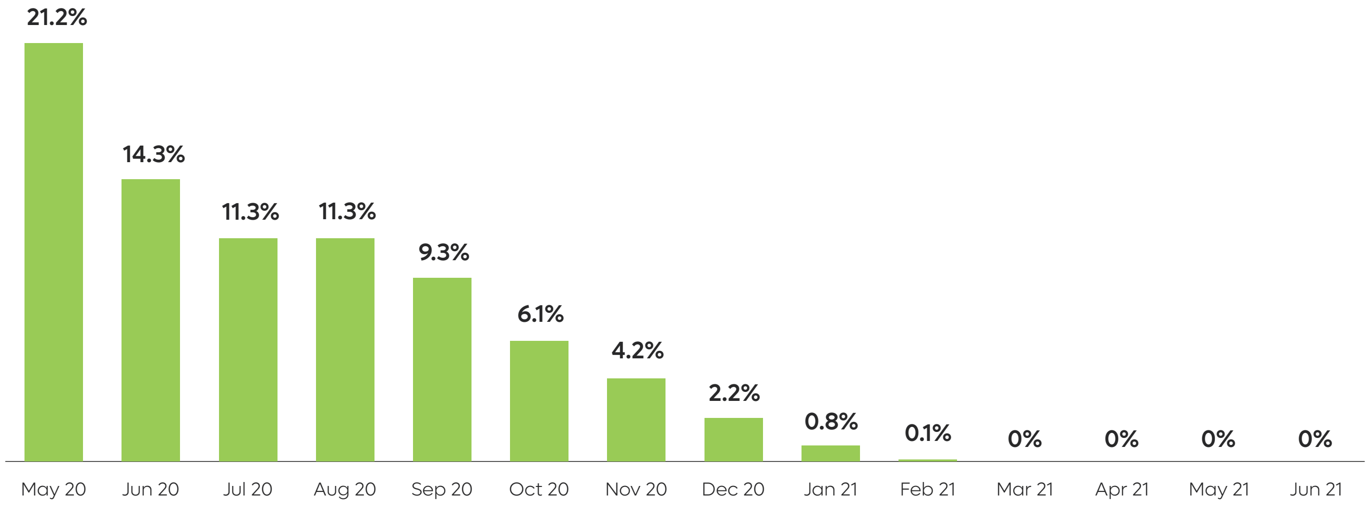
55. Source: APRA, Monthly Banking Statistics (June 2021 Back Series) – loans to non-financial businesses, as defined by APRA.
56. Loans requiring support include those that have repayment deferrals (either in part or in full).

Figure 77: Loans supported (as % of total exposures)[57]



Judo's exposure to sectors considered to be of high risk to COVID-19 restrictions (defined as Childcare Centres, Pubs, Taverns or Bars, Cafes or Restaurants, and Health or Fitness Centres) was approximately 10% of the total exposure as at 30 June 2021.

Based on our experience through the Victorian lockdown in late 2020, and our early indications from state-based lockdowns in mid-2021, we are confident in the asset quality and diversification of our loan book and credit approach, noting that this is an ongoing and evolving situation.

For more detail on our approach to managing credit risk, refer to **Section 4.8.1.**

3.11. Growth strategy

Judo has multiple levers to support continued loan book growth and market penetration, as outlined in **Figure 78.**

Figure 78: Multiple levers for growth

1 **Organic growth**

Continue to increase market share in the Australian SME lending market

2 **Enhancements of Judo's product offering**

Continue to improve SME Customer experience and meet additional SME needs

3 **Inorganic growth**

Assess potential M&A opportunities

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[57] As at 30 June 2021.

1. Organic growth

- Our primary growth strategy is to continue to expand our market share in the Australian SME total addressable market (**SME TAM**), which has been estimated to be $605 billion (see **Section 2.3.2**). As at 30 June 2021, our loan book represented 0.6% of the SME TAM estimated to be accessible to Judo. We operate in an SME lending market with $125 billion of new loan commitments and refinancings annually,[58] demonstrating a significant level of contestable flow for Judo to capture. In the 12 months to 30 June 2021, we had captured total flows at a multiple of approximately 4.6x our market share in Australian SME lending.[59]
- Our relationship-led SME CVP is a key differentiator, as illustrated by our strong NPS of +85, which is expected to drive SME Customer referrals, and ultimately growth in market share.
- Increased utilisation of our relationship banker workforce will further drive lending book growth, as relationship bankers expand their portfolio of SME Customers over time. Growing the number of SME Customers serviced by each relationship banker is supported by investments in productivity-enhancing measures, including additional relationship analyst support and technology projects.
- We also anticipate continued volume growth through our existing broker network and targeted onboarding of new brokers to drive additional high-quality origination flow to Judo.
- Additional relationship banker recruitment (both in existing and new geographies), and the conversion of the relationship analyst workforce into relationship bankers, will further facilitate continued loan book growth.
- See **Section 3.11.1** for details on Judo's key organic loan book growth levers.

2. Enhancing Judo's product offering

- **Existing products:** we propose to augment our current simple and fit-for-purpose approach to product development by enhancing the existing product suite to improve the end-to-end experience and generate incremental ancillary income (which is 'capital light' in nature).
- **New products:** while our current products service approximately 80% of the financing needs of SMEs,[60] we may consider developing new products to meet new or existing SME needs. Leveraging our SME Customer relationships over time, Judo will look to meet additional SME needs through natural adjacencies and complementary products that we can provide competitively, such as debtor/invoice finance and trade finance.

3. Inorganic growth

- Judo may assess potential merger and acquisition (**M&A**) opportunities, as and when they arise, to enhance or broaden our capabilities.

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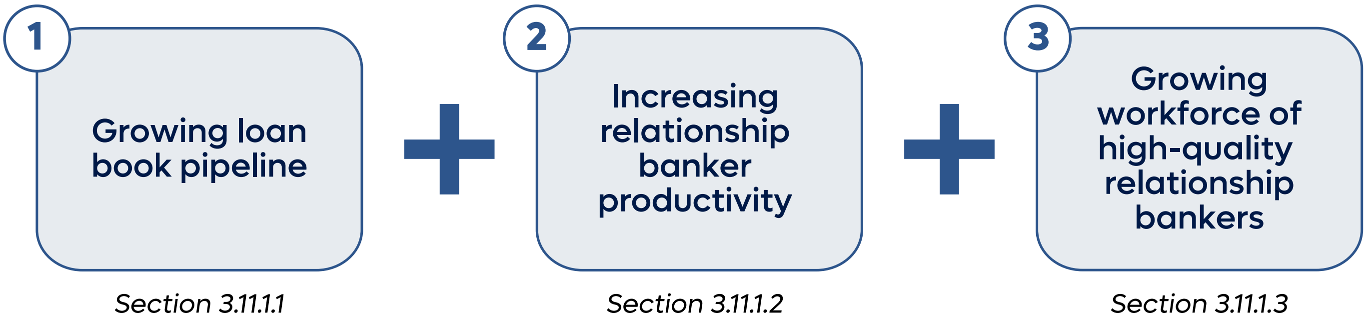
58. Source: RBA Publications, Australia's Economic Recovery and Access to Small Business Finance (March 2021).
59. Calculated as Judo's increase in loan book in the 12 months to June 2021 (as a proportion of the $125 billion annual contestable flow mentioned earlier in the paragraph) as a multiple of Judo's market share as at June 2020 (with reference to the $605 billion Australian SME TAM mentioned earlier in the paragraph).
60. Source: DBM Consultants, 2021. Based on TAM product breakdown of the SME lending market, including unmet needs.

3.11.1 Key organic loan book growth levers

Our confidence in the short-, medium- and long-term execution of our growth strategy is supported by a range of tangible metrics, as outlined in **Figure 79**.

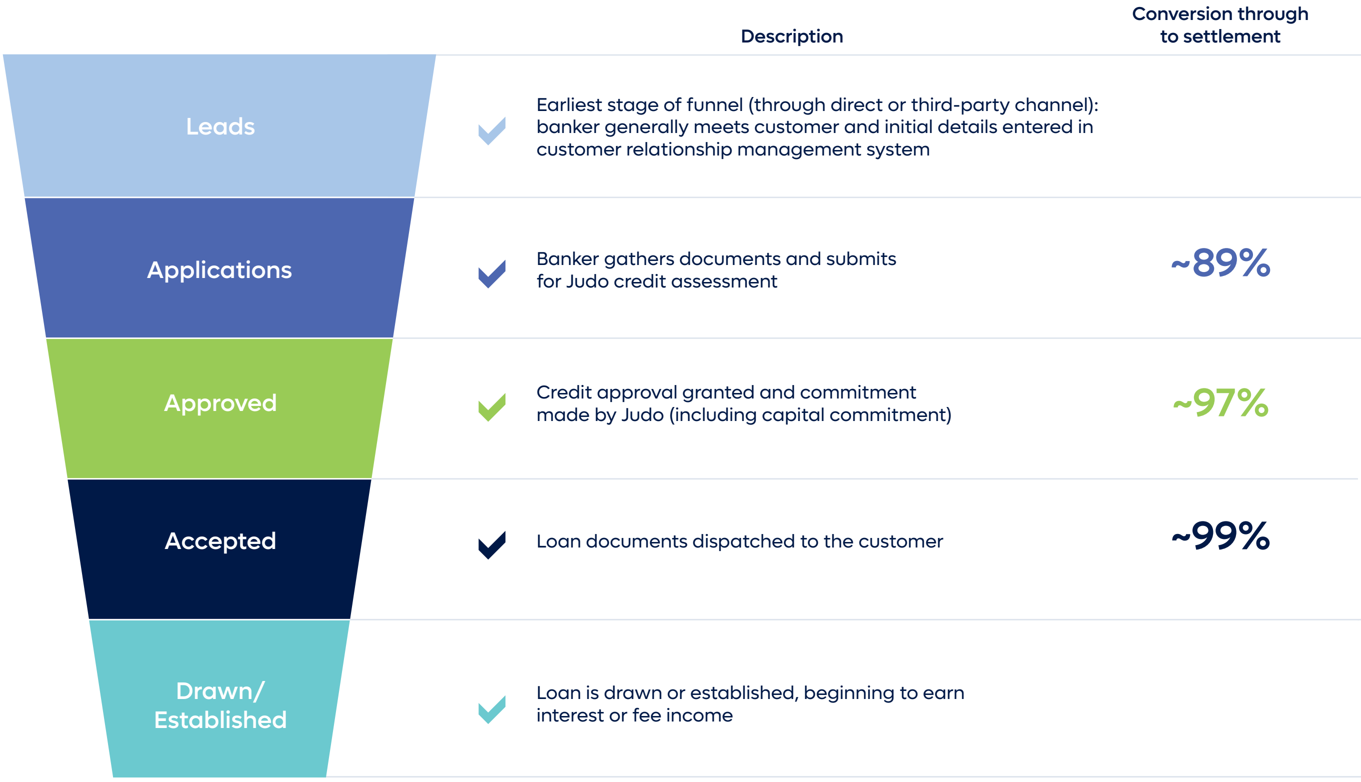
Figure 79: Judo's organic loan book growth levers



3.11.1.1 Growing loan book pipeline

Judo's loan book pipeline is evidence of the success of our organic growth strategy to date and growth momentum more broadly. The lending pipeline consists of the stages outlined in **Figure 80**.

Figure 80: Judo's loan book pipeline[61]



	Description	Conversion through to settlement
Leads	✓ Earliest stage of funnel (through direct or third-party channel): banker generally meets customer and initial details entered in customer relationship management system	
Applications	✓ Banker gathers documents and submits for Judo credit assessment	~89%
Approved	✓ Credit approval granted and commitment made by Judo (including capital commitment)	~97%
Accepted	✓ Loan documents dispatched to the customer	~99%
Drawn/ Established	✓ Loan is drawn or established, beginning to earn interest or fee income	

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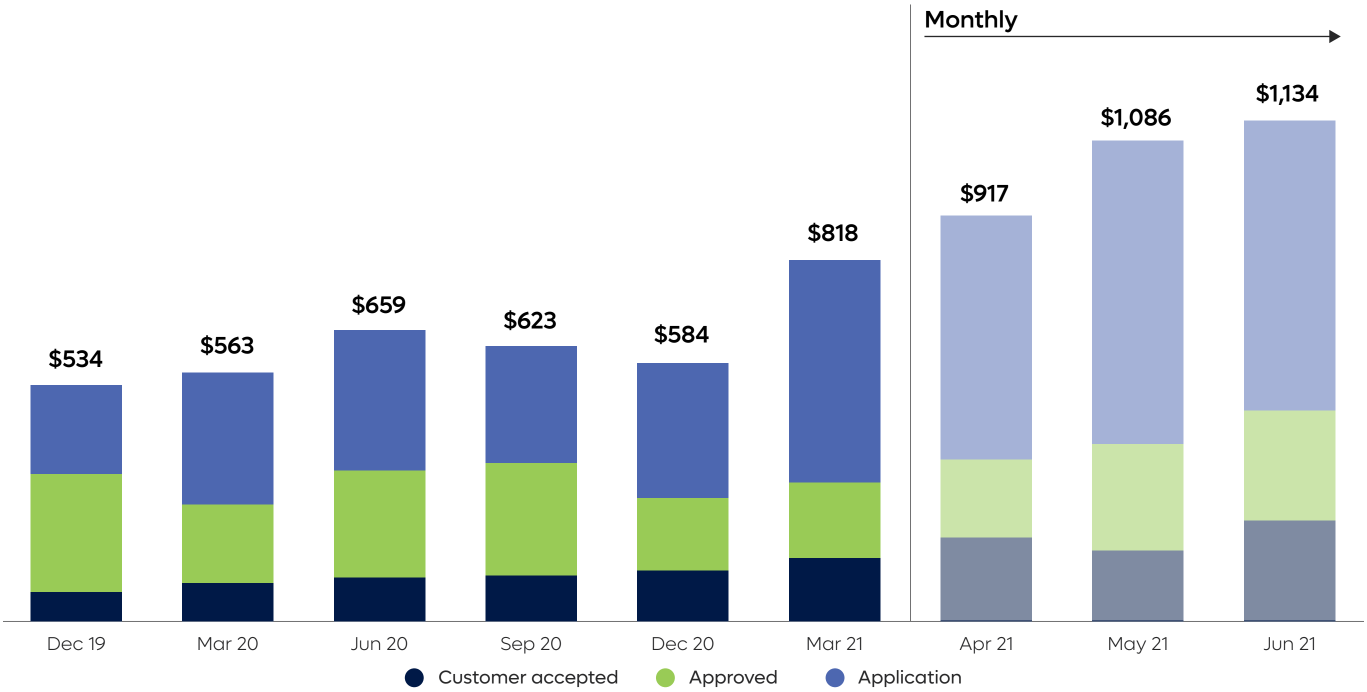
[61] Conversion through to settlement percentages based on July 2019 to May 2021 data.

As at 30 June 2021, Judo's total lending pipeline (excluding leads) was $1.1 billion, with progressive conversion of this pipeline expected to be one of our drivers for projected loan book growth in FY22.

The growth over time in the most advanced stages of the pipeline (applications, approved and accepted) is set out in **Figure 81**, with applications and approvals accelerating in the final quarter of FY21.

Figure 81: Judo's applications, approved and accepted loans ($ million)



3.11.1.2 Increasing relationship banker productivity

Due to our success to date in attracting highly experienced relationship bankers and our relatively short company history, we believe our combined relationship banker workforce has scope to increase the size of the portfolio on a collective basis, relative to current levels.

Table 35. Drivers of increased utilisation of the relationship banker workforce

Time to build a portfolio of SME Customers	• Relationship bankers new to Judo commence with largely empty portfolios that grow progressively over time. • There is generally a 'time to productivity' period as relationship bankers undertake initial onboarding, and establish relationships.
Investments in productivity-enhancing measures	• We will continue to invest in productivity-enhancing measures, including additional analysts' support, and technology and operational projects. • Technology and operational projects are focused on enabling our relationship bankers to focus on the art of banking while the back-end processing delivers the science of banking, aiming to enhance our CVP and scalability.

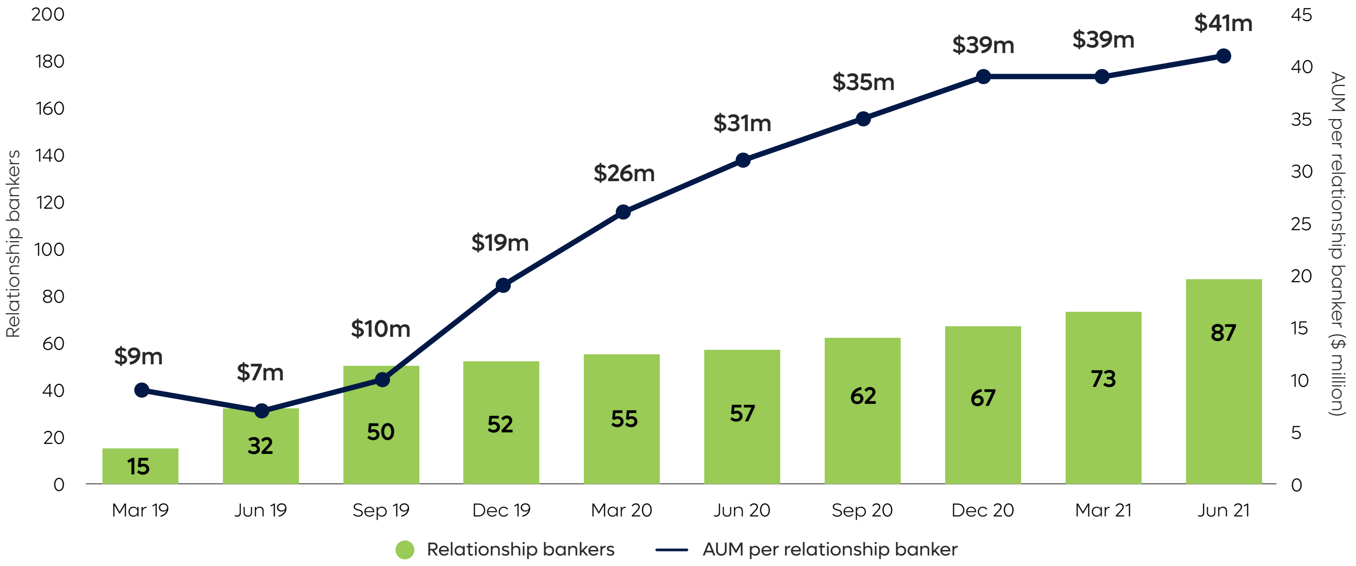
Enhance existing products and introduce adjacent products	• We will augment our current simple and fit-for-purpose approach to product development to enhance our existing product suite to further meet SME Customer needs. • While our current products service approximately 80% of the financing needs of SMEs, Judo intends to develop new products to meet new or existing SME needs.[62]

Increased utilisation and efficiency in the relationship banker workforce can be represented by the average AUM per relationship banker. As shown in **Figure 82**, average AUM per relationship banker has increased from $19 million as at December 2019 to $41 million as at 30 June 2021, and was $46 million as at 30 September 2021.

As the majority of our relationship bankers have joined the business in the last two years, this metric is unlikely to have reached its full potential. In particular, we have increased our relationship banker workforce by 30% in the six months to 30 June 2021, in anticipation of future growth. This has had a short-term impact on the trajectory of the AUM per relationship banker metric.

Underpinned by a growing lending pipeline and continued technology, processes and scale efficiency improvements, our view is that the AUM per relationship banker metric has material upside growth potential. We believe we can consistently achieve over $100 million AUM per relationship banker at steady state, as evidenced by a number of our most tenured relationship bankers already operating above these levels.

Figure 82: Average AUM per relationship banker[63]



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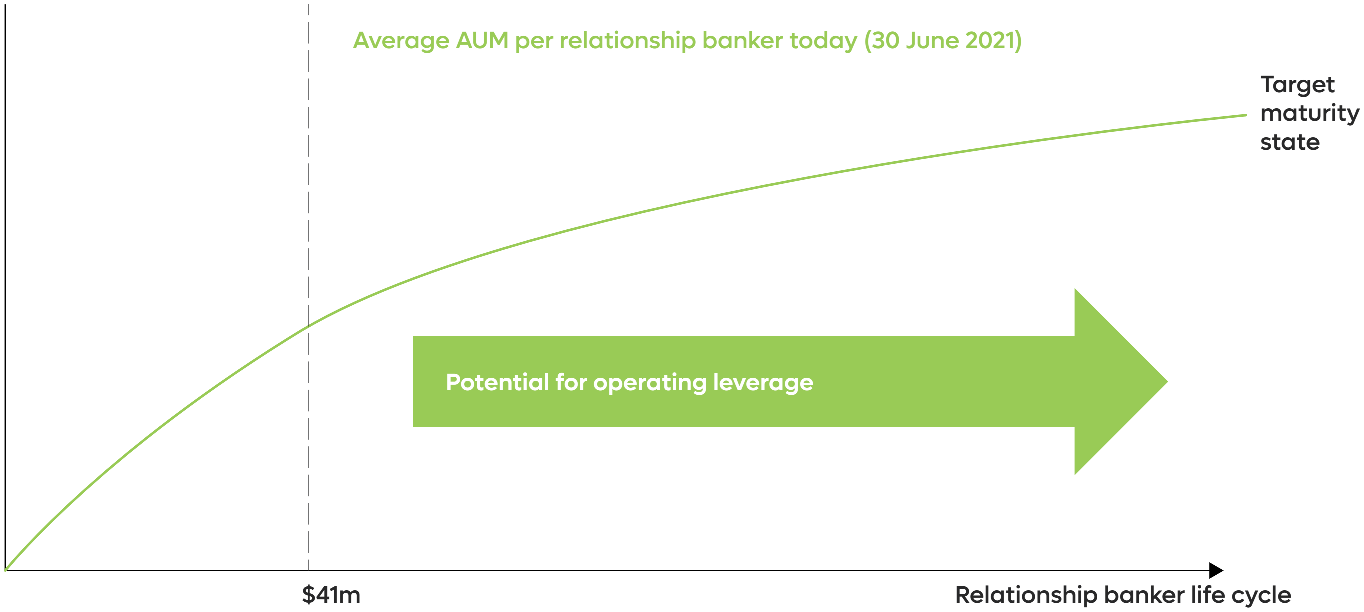
62. Source: DBM Consultants, 2021. Based on TAM product breakdown of the SME lending market, including unmet needs.

63. As at 30 June 2021.

Figure 83: Average AUM per relationship banker (indicative only, not to scale)



3.11.1.3 Growing workforce of high-quality relationship bankers

In addition to increased utilisation per relationship banker, we expect to continue to recruit high-quality relationship bankers, who will enable future loan book growth given our relationship-centric lending model. Our relationship banker workforce has grown from 52 at December 2019 to 87 at 30 June 2021. Growth in FY22 and beyond will be supported by Judo's intention to promote existing relationship analysts to become home-grown relationship bankers.

The talent pool of bankers in Australia is large. Based on Thomas Frost Executive research in 2020, Australia has 3,332 bankers, 2,599 of which have more than five years of experience in customer-facing roles (see **Section 2.3.4**).[64]

We believe we have built a strong employment brand in Australian SME banking. We also believe that we offer our relationship bankers a differentiated employment proposition. As we scale our business activities, we anticipate growing our relationship banker workforce to support loan book growth. Future talent acquisition is expected to be facilitated by the drivers outlined in **Table 36**.

Table 36. Drivers of additional relationship banker recruitment

Geographic expansion	• Judo intends to increase the number of relationship bankers in the 12 cities and regional centres where we already have a presence. We will also expand into select new regional centres as demand dictates.
New origination channels	• Arrangements with professionals who service SMEs (such as accountants) are likely to open up new channels for lead generation, requiring a growing relationship banker workforce.
Expansion of target SMEs	• Judo will target SMEs in different industries and with different borrowing needs (such as smaller SMEs with smaller borrowing requirements), requiring a more diverse relationship banker workforce.
Brand halo and marketing	• Brand recognition will continue to grow in our existing markets, supported by targeted marketing campaigns.
Relationship banker networks and client referrals	• Networks of existing relationship bankers and SME Customers will continue to be a source for both SME leads and new relationship banker recruitment.

3.12. Key business metrics at scale

Judo is growing rapidly and therefore many of our current operating metrics do not reflect our expectations for the business when we reach scale. Our business model is also unique. We focus solely on the SME lending segment of the market, source only term deposits for our retail funding and have established a legacy-free, cloud-native, technology-as-a-service enablement platform. Given the uniqueness of our business model and our stage of maturity, we believe it is important to set out our goals for our key business metrics when we reach a sufficient level of scale.

Any forward-looking statement is inherently uncertain and is subject to ongoing review and change as business, regulatory requirements, economic conditions and customer preferences shift over time. We may revise our strategies and goals from time to time to account for such changes. Our goals for the key business metrics at scale must be understood by reference to the general circumstances they describe and must be considered in the context in which they are made.

Importantly, our goals for the key business metrics at scale should not be taken to be a financial forecast. Rather, these goals are aspirational targets for the business when we reach a certain level of scale. Our ability to achieve these performance goals is subject to numerous risks as outlined in **Section 3.12.4** below and in **Section 6**. Investors should note that many of these risks are outside our control and that no assurance can be given that Judo will succeed in achieving these performance goals.

3.12.1 Assumptions

Our goals for our key business metrics at scale in this section are based on the following key assumptions.

General assumptions

- **Macroeconomic conditions:** the economic environment remains supportive of continued business investment and growth.
- **SME business performance:** no unfavourable conditions arise compared to the environment before the COVID-19 pandemic that would result in a deterioration in the financial performance of SME businesses and reduce their ability to repay financial obligations.
- **COVID-19:** the economy recovers from the disruption generated by the lockdowns due to COVID-19, with Commonwealth and state governments continuing to provide support until lockdowns are no longer required and the vaccination rate in Australia permits the reopening of the economy to pre-COVID-19 activity levels.
- **Funding environment:** the funding environment continues to remain stable so that we are able to fund the majority of our lending growth through customer deposits and third-party funding on terms similar to or better than those currently prevailing (excluding the transitory impact of the RBA's TFF) and there are no material adverse effects on underlying market reference rates.
- **No adverse change in regulations:** there is no adverse change in regulatory requirements, including, but not limited to, the level of capital required to operate in the SME lending space, and the proposed reduction in risk weights applied to certain SME lending under APRA's new Capital Adequacy Requirements, which come into effect from January 2023 (see **Section 2.5**).

Business and growth assumptions

- **Risk appetite:** our risk appetite for writing new business is broadly in line with current risk settings (see **Section 4.8.1**).
- **Recruitment of bankers:** we continue to attract and retain experienced bankers to originate new business and grow our lending portfolio. We also double the number of relationship bankers to deliver the scale necessary to achieve our goals for the key business metrics.
- **Increasing banker portfolio size:** our bankers will, on average, manage a portfolio of 40–60 customers and its average size will be $100 million AUM. When bankers commence at Judo, it takes time for them to develop relationships with customers and create a properly scaled customer portfolio. As of June 2021, the majority of our bankers had joined the business progressively over the preceding two years. The current average number of customers per banker is 21, with an average portfolio size of $46 million as at 30 September 2021 (see **Section 3.11.1.2**).
- **Increasing banker productivity:** our multi-year capital investment in technology, data and operational improvements is forecast at $19 million in FY22 and is expected to remain at similar levels while we grow to a sufficient size to achieve our goals for the key business metrics. Our objective is that these improvements should allow our bankers to spend more time on direct customer engagement (see **Section 3.8.2**) and on managing their existing customer portfolio to reduce refinancing related run-off risk.
- **Expansion of third-party broker network:** the number of third-party brokers that refer new customers to Judo, as well as the number of loans referred by the existing network, expands commensurate with the increase in scale.
- **Market share gain:** we gain market share from other industry participants (based on the business model success factors and our CVP outlined in **Sections 3.2.2** and **3.2.3**, respectively).
- **Incremental ancillary products:** new products are introduced (or existing products are augmented) to generate additional non-interest income to increase revenue, with lower marginal expenses and capital requirements compared to existing products (see **Section 3.11**).

- **Increased balance sheet and funding sophistication:** new investors and funding structures are accessed, such that we are able to improve the pricing, duration and capital efficiency of our funding alternatives. This includes the issue of Additional Tier 1 and Tier 2 capital, to reduce the level of Shareholders' equity required to operate the business (see **Section 3.7.2**).
- **Reduction of liquid assets held:** as Judo matures, our MLH requirement is reduced so that our evolving liquidity management capability results in a decrease in the required amount of low-yielding liquid assets we have to retain on our balance sheet (see **Section 3.7.5**).
- **Capital ratios:** our capital ratios move closer to the levels of other listed standardised ADIs that are not treated as domestic systemically important banks and we benefit from lower risk-weighted requirements for SME lending under APRA's new Capital Adequacy Requirements (see **Section 2.5.3**).

3.12.2 Size at scale

We plan to grow our lending portfolio to a scale where the goals for our key business metrics outlined below can be achieved. To do this, our lending portfolio will need to grow to between $15 billion and $20 billion, from the lending portfolio of $4.15 billion as of 30 September 2021. If we do not grow our lending portfolio to this level this could negatively impact our ability to achieve the key business metrics at scale set out in **Section 3.12.3** below. We delivered lending portfolio growth of approximately $630 million in the last three months to 30 September 2021.

Our current lending portfolio represents less than 1% of the estimated $605 billion TAM (see **Section 2.3.2**), suggesting a significant growth opportunity exists in the market for a bank with a highly valued CVP like Judo. For more details on the key growth levers that we plan to apply to reach this scale, see **Section 3.11.1**.

To support growth in our lending portfolio, we aim to make deposits the most significant part of our funding mix when the RBA's TFF program matures (see **Section 3.7.3.3**). We plan to source deposits from the $799 billion Australian term deposit market (see **Section 2.2.2.1**), pursuing our current strategy of using the price sensitivity of the deposit market and diversifying clients and distribution channels to access funding as required (see **Section 3.7.3.1**).

Our plan to grow our lending portfolio to this size is based on the assumptions outlined in **Section 3.12.1**. The risks associated with achieving a lending portfolio of this size are set out in **Section 3.12.4** below and the risks of Judo not delivering on our growth objectives are further set out in **Section 6.2.6.**

3.12.3 Performance goals for Judo's key business metrics at scale

If we are able to grow our lending portfolio and if the assumptions set out in **Section 3.12.1** hold true, when the portfolio reaches a size of between $15 billion and $20 billion, the performance goals for our key business metrics are as follows:

- **Net interest margin above 3%:**[65] our Underlying NIM for FY21 was 2.6% and our forecast Underlying NIM for FY22 is 2.7%, with the last quarter of FY22 forecast to be 2.8%.
- **Cost-to-income ratio (CTI ratio) approaching 30%:** our CTI ratio for FY21 was 97% and our forecast CTI ratio for FY22 is 78%.
- **Cost of risk of approximately 0.5% per annum:** while we have made loan loss provisions consistent with our expectations of potential future impairments from the current lending portfolio, Judo had not

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[65] In this Prospectus, Judo discloses NIM and Underlying NIM. NIM is calculated as net interest income (the difference between the interest that Judo receives from the loans it makes to our customers and the interest that Judo pays on our funding sources such as deposits and wholesale funding sources), divided by average total interesting earning assets. Underlying NIM reflects NIM adjusted for the impact of the RBA's TFF preservation strategy which Judo believes is a better representation of the core performance of the business whilst the transitory impacts of the Preserved TFF are in effect. For the avoidance of doubt, the calculation of Underlying NIM includes the cost of funding associated with the RBA's TFF (which is 10 bps) on the amount utilised to fund loans, but excludes the temporary impact of excess liquid assets which earn relatively low interest yields. **Section 5.3** sets out a detailed explanation of these measures and **Section 5.7.1** sets out details on their historical and forecast comparatives.

incurred any realised losses on the lending book as at June 2021. We anticipate a cost of risk across the loan portfolio of approximately 0.5% per annum, which is considered a conservative estimate compared to historical market data based on the experience of the business segments of incumbent bank lenders over the last 30 years (see **Section 2.2**).

- **Return on equity in the low to mid-teens:**[66] this is based on the assumptions outlined in **Section 3.12.1**, and delivery of the other key business metrics outlined above.

The goals for our key business metrics at scale should be read together with the assumptions in **Section 3.12.1**, the sensitivities and risks in **Section 3.12.4**, and the risks to the business outlined in **Section 6.2**.

3.12.4 Risks and sensitivities

The key risks and sensitivities that we might confront in achieving our goals for Judo's key business metrics are as follows:

- **Unfavourable macroeconomic conditions:** a prolonged downturn in economic conditions would be likely to result in slower-than-anticipated lending portfolio growth and an increase in through-the-cycle cost of risk, which would also negatively impact other key business metrics.
- **Adverse SME market conditions:** changes in customer preferences or unfavourable market conditions arising for SME businesses, including a deterioration of business sentiment or an economic environment not returning to pre-COVID-19 levels, could result in slower-than-anticipated lending portfolio growth and an increase in the cost of risk. This could also negatively impact other key business metrics.
- **COVID-19:** continued restrictions and lockdowns could affect the performance of our lending portfolio due to the impact on the business performance of our customers, that may result in them being unable to repay their loans and which would result in an increase in our cost of risk. Origination levels could also decline as banker efforts are redirected to support the hardship needs of existing customers.
- **Change in competitive environment:** the emergence of new entrants that are competitors, or a retaliatory strategy by incumbent banks, could diminish our ability to achieve the required level of scale in our business activities and our performance goals for net interest margin, as well as negatively impact other key business metrics.
- **Reliance on relationship bankers:** failure to recruit, develop and retain top talent bankers could materially slow lending portfolio growth and delay the achievement of the scale in our lending portfolio necessary to achieve the goals for our key business metrics.
- **Inability to increase banker productivity:** we anticipate that a significant part of our future growth will come from an increase in the number of customers per banker and AUM per banker (see **Section 3.11.1**). If this strategy failed for any reason, including due to inadequate banker recruitment and/or training or a failure to deliver planned technology improvements (see **Section 3.8.2**), we would not be able to achieve, or may take longer to achieve, sufficient scale in our lending portfolio to meet the goals for our key business metrics.
- **Inability to expand the third-party broker networks:** failure to expand our third-party broker network could result in slower-than-anticipated lending portfolio growth.
- **Compression of lending margins:** we could experience a reduction in current lending margins for various reasons but most notably from increased competition or unfavourable market conditions. This would likely reduce net interest margin and negatively impact other key business metrics.
- **Increase in funding costs:** an increase in funding costs – including increases generated by restricted access to funding markets that could be the result of a market-wide dislocation or circumstances specific to Judo – could lead to us failing to achieve the goals for our key business metrics.

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[66] Return on equity is a measure of financial performance calculated by dividing net profit after tax by total shareholders' equity.

- **Failure to accurately assess credit risk:** we could fail to appropriately assess the repayment ability of our customers due to an inadequate credit risk framework or a failure of the underwriting process. This could result in a deterioration of asset quality or an increase in portfolio credit losses and may negatively affect our key business metrics as well as our subsequent ability to access funding.
- **Failure to generate incremental non-interest income:** we could fail to launch new ancillary products or augment existing products, which could impact our ability to meet the goals for our key business metrics.
- **Liquid assets requirement maintained or increased:** the level of the MLH requirement may not reduce or could even be increased by APRA. This would result in Judo holding a higher level of low-yielding assets, which would negatively impact our ability to achieve the goals for our key business metrics.
- **Change in regulations, or accounting standards or practices:** a change in regulatory requirements, beyond that outlined in **Section 3.12.1**, notably with regard to the level of capital required to operate in the SME lending space, or a material change in accounting standards or practices, could positively or negatively impact our key business metrics.

This list should not be considered exhaustive and should be read in conjunction with the additional risks to the business outlined in **Section 6.2**.

Section 4.

Risk Management.

4.1. Overview

Judo manages the risks inherent in our business activities and operations through disciplined risk management. This is critical in any bank, and particularly one operating and growing in a dynamic environment. This approach assists us to identify the risks we want to take, apply controls to manage them and seek to achieve returns reflective of the level of risk, both now and through the business cycle.

Judo is committed to an approach where 'everyone is a risk manager' across all risks we face. Embedding risk management in our values, behaviours and decision-making processes helps us assess the risks we take against our control environment and the potential returns.

Our strategic risk management objectives are to achieve commensurate returns for the level of risk taken by:

- identifying and understanding our material risks;
- analysing and quantifying risks attached to the execution of our business plan;
- clearly defining our risk appetite, and ensuring appropriate tolerance thresholds and measures are in place;
- putting in place appropriate and effective frameworks and policies to support the identification and management of risk;
- ensuring everyone who joins Judo goes through risk training with regards to our Risk Management Framework (**RMF**), and engages in continuous education;
- taking appropriate remedial action where weaknesses are identified in risk management practices;
- ensuring risk management capability, capacity and infrastructure are sufficient relative to our operations; and
- continuing to assess and develop our risk culture in support of our risk objectives.

Since being licensed as a bank in 2019, we have continued to strengthen our RMF, aligning it with regulatory guidance and taking into consideration the size and complexity of the business, including:

- improved financial crime controls;
- additional information security controls and resourcing;
- improvements to our reporting and data framework;
- development of a credit risk engine, which calculates risk-weighted assets (**RWAs**) and expected losses;
- expansion in stress testing, with outputs used to inform capital management and risk appetite settings;
- increasing assurance resources and improving processes;
- refining our management of third-party risk; and
- increasing resources to support activities associated with impaired assets in anticipation of potential challenges arising from the COVID-19 pandemic.

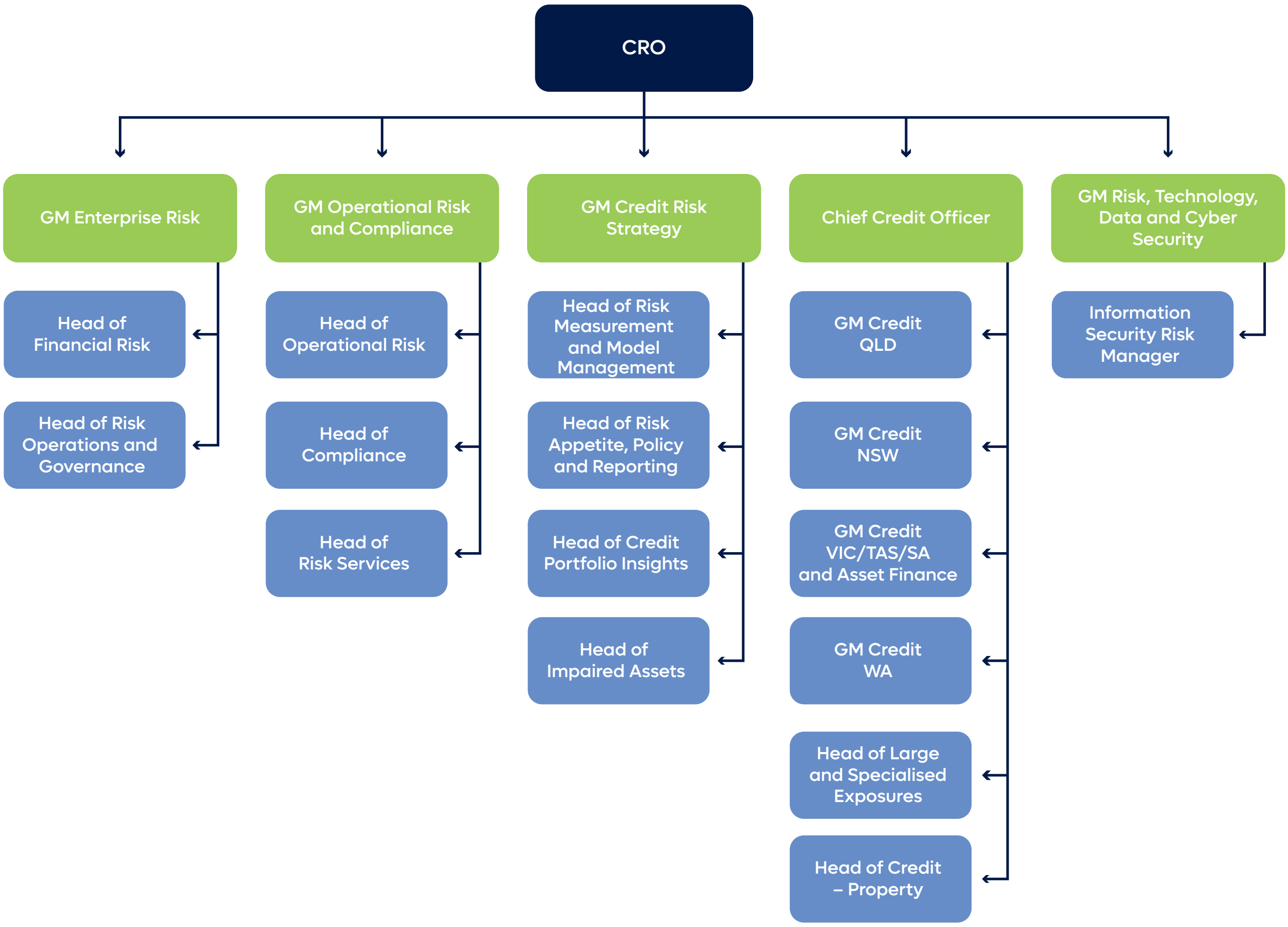
Section 4.
Risk Management.

Judo's approach to managing risk is executed within the parameters of our RMF, including:

- the Risk Management Strategy (**RMS**), which sets out our risk management objectives, the risks we want to take and the approach to managing those risks; and
- the Risk Appetite Statement (**RAS**), which defines our appetite and tolerance settings for each risk type.

Our risk team is made up of 36 experienced risk specialists,[1] who are distributed across Victoria, New South Wales, Queensland and Western Australia. On average, members of our risk team have over 10 years of specific risk experience, and over 20 years of experience in the financial services industry more broadly, in a wide range of financial institutions in Australia and overseas. Their experience covers all areas of risk management, and the team is split into functional areas, including enterprise risk; operational risk and compliance; credit risk; and risk technology, data and cybersecurity.

Figure 84: Judo's risk organisation chart[2]



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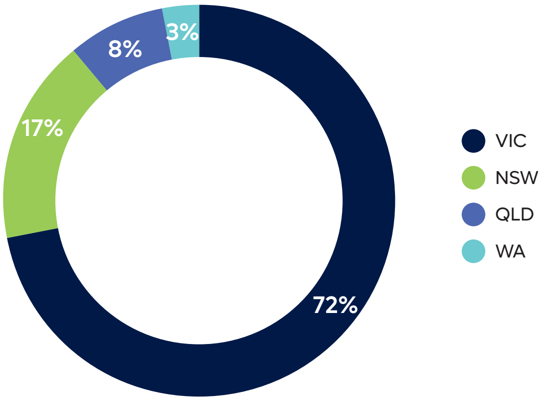
[1] Based on full-time equivalent employees, as at 30 June 2021.

[2] Effective from 9 August 2021.

Figure 85: Judo's risk team by state[3]



4.2. Risk governance

Risk governance is the architecture within which risk is managed at Judo. It is the structure and processes through which the Board seeks to fulfil its obligations and how accountability, responsibility and authority for risk management is delegated across the organisation.

The Board is responsible for considering and approving Judo's RMF and RAS and is supported by a number of sub-committees dedicated to specific risk areas, including the Board Risk Committee, Board Audit Committee, and Board Remuneration and Nominations Committee.

The Board delegates responsibility for the day-to-day management of risk to the CEO, who sub-delegates to the executive team through the Management Board, Management Board Risk Committee, and Asset and Liability Committee (**ALCO**). Each committee has specific responsibilities to support the Management Board and Board of Directors in managing risk.

The Management Board is comprised of nine members: the Chief Executive Officer (**CEO**), Chief Financial Officer (**CFO**), Chief Operating Officer (**COO**), Chief Risk Officer (**CRO**), Chief Relationship Officer, Chief Third Party Officer, Chief People and Culture Officer, Chief Marketing Officer and the General Counsel and Company Secretary.

The CRO plays a central role in the governance of Judo's risk and has unfettered access to the Board Audit Committee, Board Risk Committee and the Board.

Judo's governance structure is shown in **Figure 86**.

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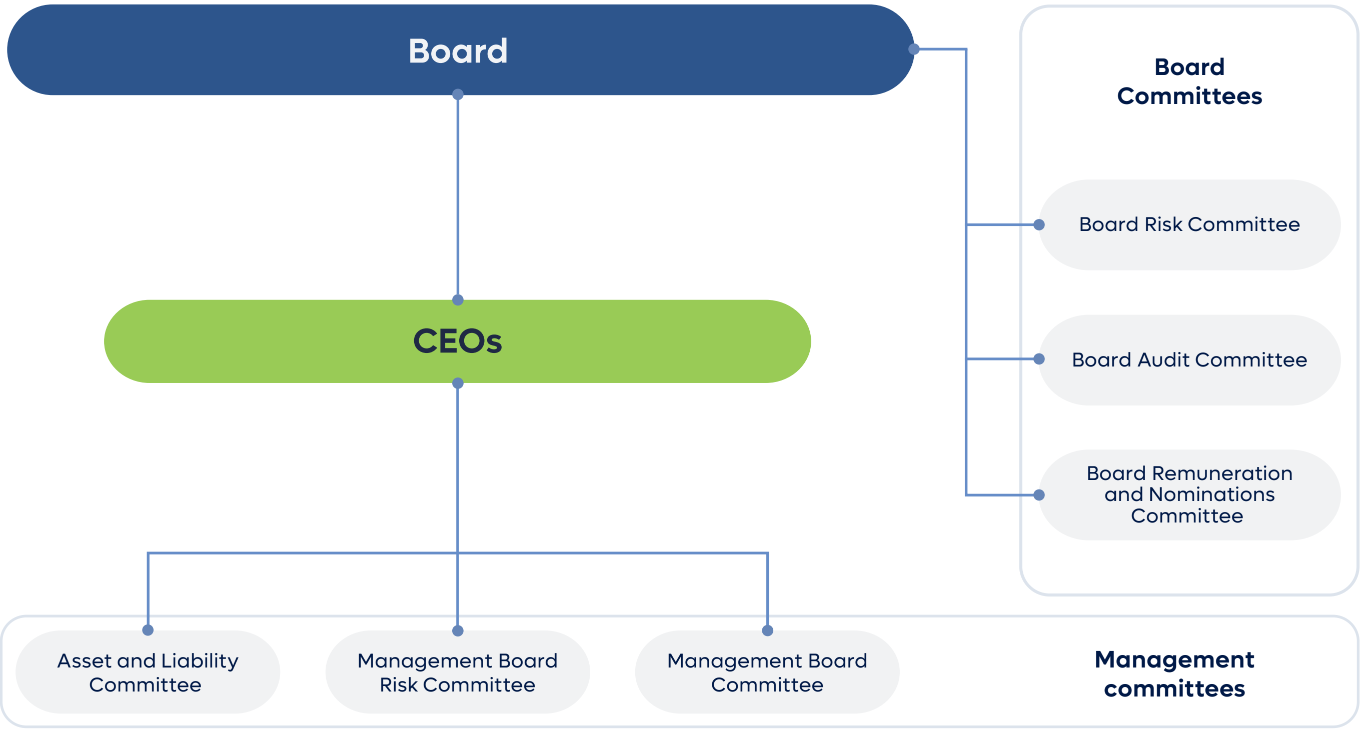
[3] As at 30 June 2021.

Figure 86: Judo's risk governance structure



Further information regarding the Board and Management Board is included in **Section 7**.

4.3. Risk management framework

The RMF describes the various policies, processes, structures, systems, techniques and tools Judo uses to support the identification, measurement, management and monitoring of risk.

How Judo manages risk is executed within the parameters of our RMF. This aims to ensure there is clear accountability and responsibility for risk management across Judo, including robust review and challenge. The RMF supports Judo in:

- identifying and understanding the material risks Judo faces;
- adopting appropriate policies, controls practices and mitigation strategies;
- providing appropriate and meaningful risk information to the Board, Management Board and our staff more broadly to support our approach that everyone is a risk manager;
- providing effective oversight of the risk profile; and
- supporting a proactive risk culture.

The following diagram outlines Judo's RMF.

Figure 87: Judo's Risk Management Framework

Judo Bank Risk Management Framework

Risk culture

Judo Bank business plan

Risk Appetite Statement

Feedback

Risk Management Strategy

Key risk categories

- Credit risk
- Balance sheet and liquidity risk
- Operational risk
- Technology risk
- Compliance and regulatory risk
- Strategic risk
- Reputation and brand risk
- Climate risk
- Emerging risks

Risk monitoring

Risk management strategy and process

Refer to Figure 96 in Section 4.8.3

Risk profiles

- Risk function
- Judo business units
- Compliance function

Risk management tools

- Risk policies
- Risk education
- Risk governance
- Risk acceptance
- Risk tracking and governance, risk and compliance system
- Risk reporting
- Stress testing

Supporting frameworks

- Operating risk
- Compliance
- Credit risk
- Stress testing
- Judo lending authority
- Model governance

Risk governance elements

Board

Board Risk Committee | Board Audit Committee | Board Remuneration and Nominations Committee

Management Board Committee

Management Board Risk Committee | Asset and Liability Committee

1st line of defence | 2nd line of defence | 3rd line of defence | External audit | Regulatory oversight

Everyone at Judo is a risk manager

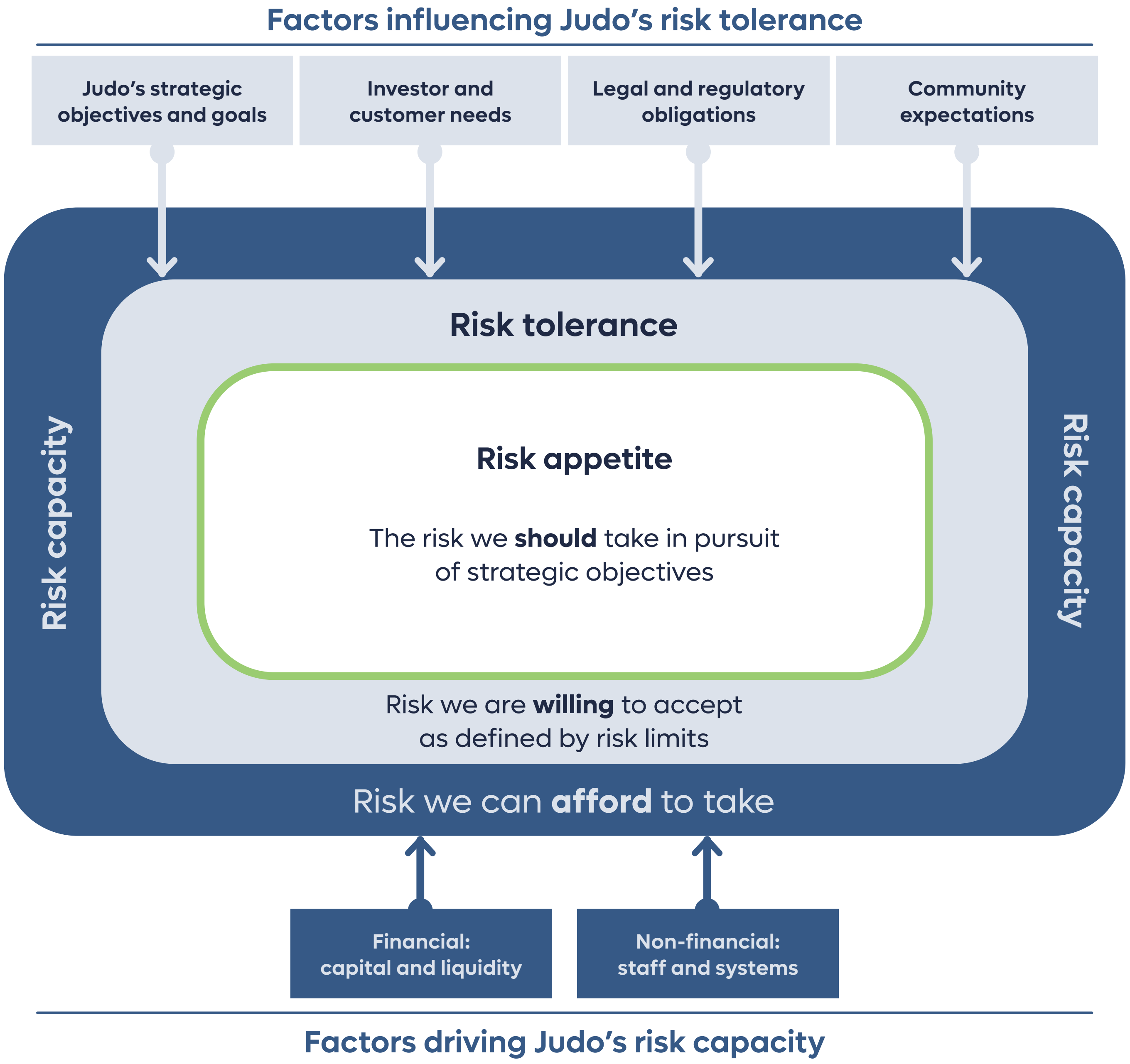
4.4. Risk Appetite Statement

One of the key elements of Judo's risk culture is evidenced by a RAS that seeks to align our risk appetite to our value proposition, support our business growth objectives and establish the boundaries within which the business and growth is intended to be managed. Judo's RAS articulates the Board's appetite and tolerance for risk, and is translated into risk settings that are intended to provide the guardrails. The risk appetite core principles are outlined below:

- Capital is available for growth, for expected and unexpected losses, and for strategic opportunities as they arise, and is deployed to deliver sustainable returns to Shareholders.
- Judo will seek to apply a prudent and measured approach to risk, taking the right risks for the right returns.
- Judo will seek to actively grow our loan portfolio within the boundaries provided.
- Judo has no tolerance for non-compliance with laws and regulations.
- Liquidity is managed to ensure all Judo commitments are met.
- Judo will seek and maintain diversity in our funding sources.
- Judo will seek to deliver earnings in line with Shareholders' expectations.
- Technology- and business-critical systems are secure, readily available and supported by reputable and reliable partners.
- Protecting our reputation and customer data is paramount.

The key concepts underpinning our RAS are outlined in **Figure 88**.

Figure 88: Judo's Risk Appetite Statement concepts



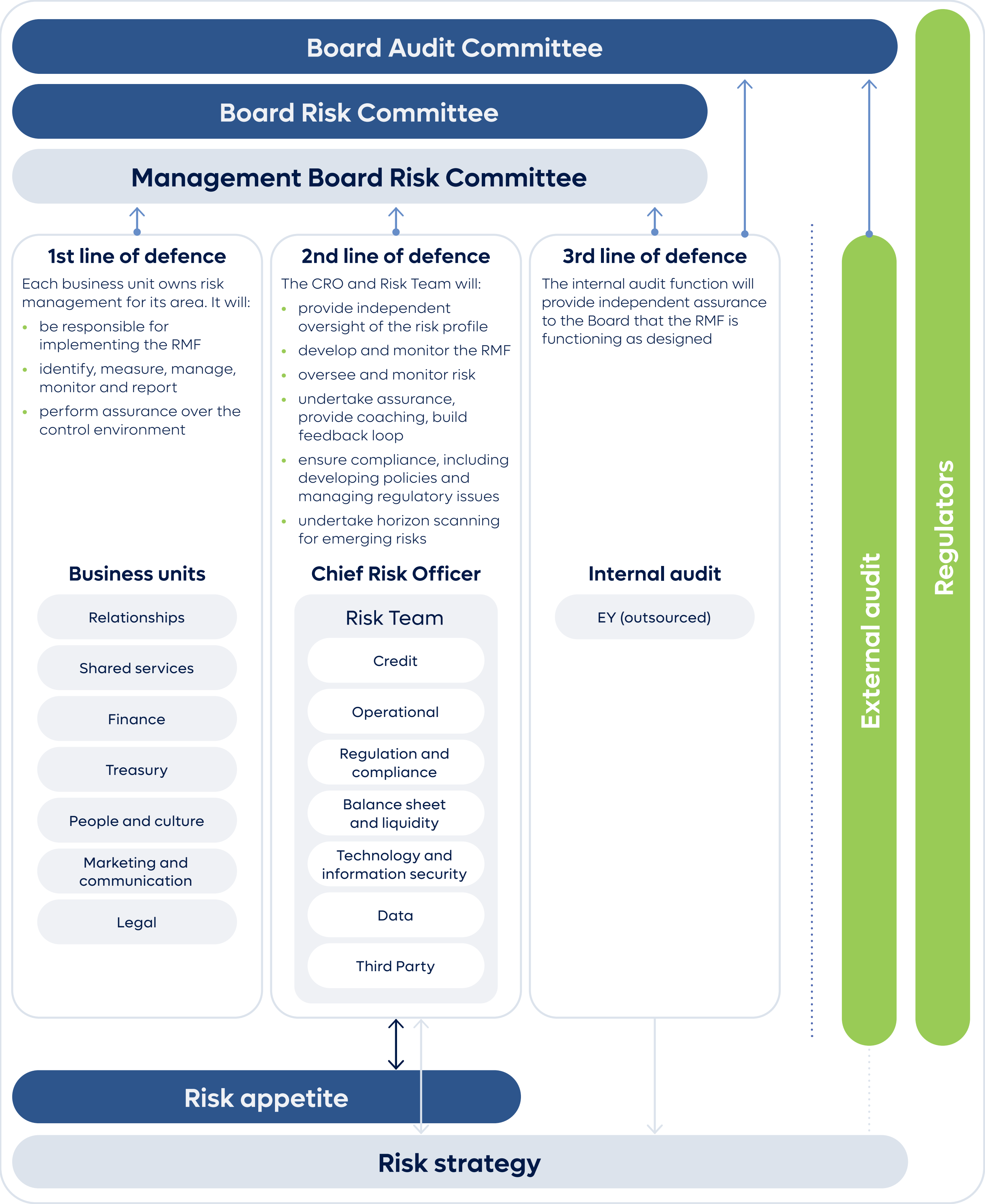
4.5. Judo's three lines of defence

Risk management is executed through the 'three lines of defence' model:

- **1st line – Business:** responsible for implementation of the RMF and controls in line with risk appetite;
- **2nd line – CRO and risk functions:** establish policies and practices, and provide independent oversight and constructive challenge to ensure compliance with the RMF; and
- **3rd line – Internal audit:** provide validation and assurance, including testing where appropriate.

Judo's three lines of defence are represented in **Figure 89**.

Figure 89: Judo's three lines of defence



1st line of defence

Each business unit owns risk management for its area. It will:

- be responsible for implementing the RMF
- identify, measure, manage, monitor and report
- perform assurance over the control environment

2nd line of defence

The CRO and Risk Team will:

- provide independent oversight of the risk profile
- develop and monitor the RMF
- oversee and monitor risk
- undertake assurance, provide coaching, build feedback loop
- ensure compliance, including developing policies and managing regulatory issues
- undertake horizon scanning for emerging risks

3rd line of defence

The internal audit function will provide independent assurance to the Board that the RMF is functioning as designed

4.6. Risk management reporting

So that the RMF is effective in identifying, monitoring and controlling material risks, a risk reporting structure, supporting guidelines and risk management tools have been adopted, so that risk management is actively considered in Judo's strategic and operational decision-making.

The objective is to focus the operational side of the business on how risk issues impact the overall organisation; provide an awareness of, and allow focus on, exceptions and underlying causes; provide transparency to senior management and the Board, and provide assurance that all key risks relevant to Judo have been identified, managed and reported.

Table 37. Summary of key risk reporting

Report	Description	Frequency	End user and purpose
CRO Report	Reports on our overall risk profile, including performance against risk appetite, Key Risk Indicators (**KRIs**), changes in risk environment, specific risks, risk events and emerging risks.	Monthly	Board Board Risk Committee Management Board Risk Committee
ALCO Report	Monitoring and oversight of balance sheet risks, including liquidity and funding risk, capital risk and interest rate risk in the banking book (**IRRBB**).	Monthly	ALCO
Credit Risk Report	Reports on key portfolio indicators and performance against appetite and settings.	Bimonthly	Board
	Portfolio or sector-themed reviews and credit assurance reviews.	Ad hoc	Board Risk Committee
Internal Audit Report	Tracking of internal audit action items and management responses and actions. Monitoring of closure of internal audit action items.	Quarterly	Management Board Risk Committee Board Audit Committee
External Risk Review	Reviews undertaken by external parties on key risk categories to support overall risk management and measurement, including but not limited to: • Risk Culture Review; • Information Security Review; • Technology Strategy Review; • Credit Risk Portfolio Review; and • Risk Management Framework Review.	Ad hoc	Board Board Risk Committee

4.7. Risk modelling and measurement

Judo uses risk modelling and measurement to provide quantitative information that assists us in understanding and managing risks and seeks to ensure risks remain within appetite. Risk models and critical spreadsheets are used at Judo for:

- identifying and measuring risk (loan loss provisioning and the credit risk grading system);
- stress testing to estimate the financial impact of potential scenarios;
- financial forecasting;
- complying with internal limits and seeking to ensure risk remains within risk appetite;
- meeting financial or regulatory reporting requirements;
- RWA calculations; and
- liquidity and capital management.

Stress testing

Stress testing and scenario analysis are important elements of our RMF. Stress testing is a management tool used to assess the potential vulnerabilities Judo might face under stressed business conditions.

We undertake stress testing and scenario analysis at the enterprise level and for specific risks, including credit risk and liquidity risk. This stress testing assists us to:

- estimate adverse outcomes related to a variety of risks;
- assess risk concentrations;
- facilitate decisions to mitigate any potential risk(s) to the safety and soundness of our balance sheet; and
- comply with our prudential obligations in relation to stress testing.

Stress testing is forward-looking and is a key input into the Internal Capital Adequacy Assessment Process (**ICAAP**). The Board considers enterprise stress testing results when assessing and approving our capital plan and risk appetite settings.

4.8. Key risk categories

4.8.1 Credit risk management

4.8.1.1 Overview

Judo's management of credit risk is defined by our Credit Risk Management Framework (**CRMF**). The CRMF contains our credit and risk principles for lending to SME Customers across a variety of industries, and forms part of our overall RMF. The CRMF supports our business strategies and performance objectives by defining our lending requirements and how key credit risks are identified, managed, monitored, mitigated and reported at Judo. Every employee at Judo has the responsibility to comply, and operate in accordance, with the CRMF.

Judo manages credit risk by:

- establishing portfolio parameters that are in line with credit risk appetite;
- monitoring key metrics critical to portfolio management;
- implementing operating policies and procedures;
- maintaining clear guidelines on credit assessment, which we seek to embed across our policies and training;
- delegating relationship banker lending authority limits based on individual experience and skill (within each relationship banker's designated authority and in light of the guardrails set out in our RAS, they are empowered to make credit decisions and respond quickly to SME Customer requests);

- development of stress testing and scenario analysis to assist with the identification and management of emerging credit risk;
- development of tools and models to assist with measuring risk, including an SME Customer risk grading system;
- reviewing and approving material credit risk related to new products, assessing appropriate product concentration limits, and through ongoing monitoring and reporting; and
- monitoring and oversight by the CRO, Chief Credit Officer and second-line risk function.

Table 38. Judo's principles to approaching credit risk

Origination	• Taking a responsible approach to the origination of credit risk for our SME Customers, in light of the guardrails set out in our RAS, including an assessment based on character and capacity to repay.
Transparency	• Only taking credit risks that are transparent and well understood, and within the capacity and capabilities of our system and people to monitor and manage.
Diversification	• Adopting diversified credit risks to minimise SME Customer and portfolio concentration risk. • Periodic monitoring and reporting of credit risks to understand and manage our credit exposures.
Engagement	• Regular and ongoing engagement with SME Customers to continue to understand their circumstances.

The CRMF is the responsibility of the CRO and is enabled through the Management Board Risk Committee, with Board oversight. The CRMF supports our business strategies and performance objectives by defining our lending requirements and standards. Exceptions to the CRMF require necessary approvals and are subject to regular reporting in a timeframe related to the materiality and severity of the exception.

The objectives of the CRMF are to:

- align with our risk appetite and strategy;
- conform to applicable regulatory standards;
- align with our SME Customer Value Proposition (**SME CVP**); and
- address the full credit life cycle, including origination, servicing and collections.

The CRMF is designed so that Judo complies with a range of applicable regulatory, legal and licensing requirements relevant to an authorised deposit-taking institution (**ADI**) and, in particular, to lending and credit risk management. These requirements include:

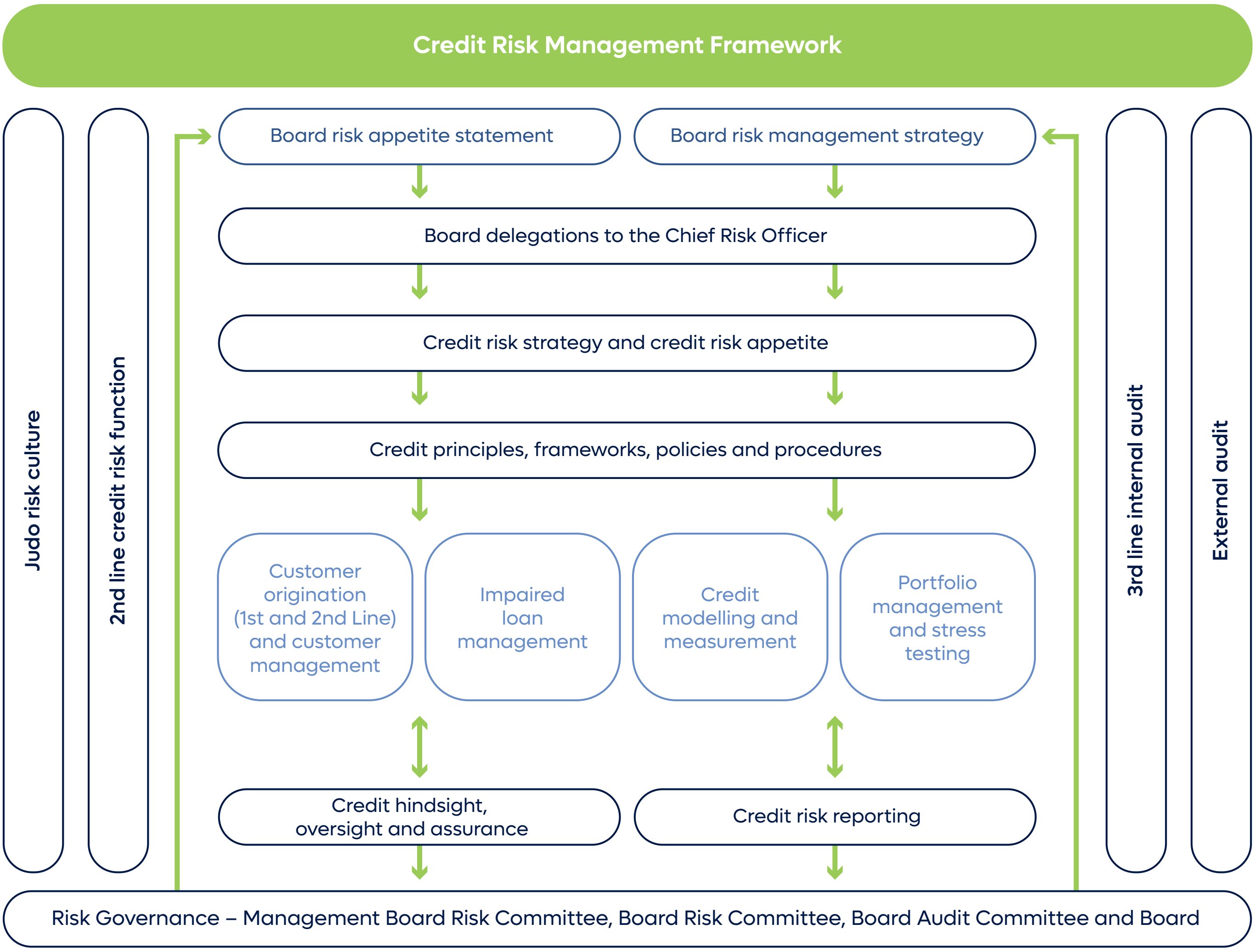
- Australian Credit Licence (**ACL**) and other requirements under the *National Consumer Credit Protection Act 2009* (Cth) (**NCCP Act**) (including our responsible lending obligations);
- Australian Financial Services Licence (**AFSL**) and disclosure requirements under the *Corporations Act 2001* (Cth);
- the *Financial Sector (Collection of Data) Act 2001* (Cth) and the *Australian Securities and Investments Commission Act 2001* (Cth) requirements (including unfair contract terms provisions);
- regulatory investigations or actions by the Australian Financial Complaints Authority, the Office of the Australian Information Commissioner and other regulatory investigations or actions; and
- the laws of the Commonwealth of Australia, as applicable, including relating to banking, privacy, anti–money laundering and counter-terrorism financing (**AML/CTF**), Open Banking, and product design and distribution.

Judo's relationship banking service model is structured so that a relationship banker, analyst and credit officer all have direct contact with the SME Customer, and each is well-placed to assist our compliance with the current responsible lending regime under the NCCP Act (as noted at **Section 2.5.4**, this may change in the future) in relation to home lending, including (but not limited to):

- understanding an SME Customer's financial situation;
- understanding foreseeable changes in their financial situation;
- recommending a 'not unsuitable' product;
- understanding the purpose of the loan; and
- making reasonable enquiries with respect to objectives and verification.

The components of the CRMF are summarised in **Figure 90.**

Figure 90: Credit Risk Management Framework



Ultimately, the Board RAS and RMS inform our credit risk strategy, risk appetite, principles, guidelines and policies, which, in turn, inform:

- origination standards, servicing and loan administration;
- impaired loan management;
- credit modelling and measurement; and
- portfolio management and stress testing.

These in turn inform the annual review of the Board RAS and RMS.

4.8.1.2 Credit risk appetite

The Board reviews Judo's credit risk appetite at least annually to account for any adverse market conditions, and to ensure it aligns with our strategic objectives and financial plan. Our credit risk appetite is designed to encourage the business to pursue commercial opportunities, on a risk-adjusted basis, managing financial and reputational risk.

Overall, Judo has appetite to take on credit risk that:

- is aligned with our RMF and RAS;
- supports our strategic objectives for growth;
- is well understood, with robust processes, capability and capacity to monitor and manage the risk;
- fits within our environmental and social appetite (and community expectations), including geographic locations; and
- is aligned to current responsible lending practices and other legal and regulatory obligations.

Where we identify an increasing degree of risk emerging in the credit portfolio, more granular risk appetite settings, monitoring, reporting and/or oversight are undertaken.

Technological solutions are used to manage, monitor and report on risks. These are largely supplied by service providers or developed in-house.

4.8.1.3 SME customer assessment

Judo's core philosophy is that every SME is unique, and that relationships are built on deep understanding and trust. The Judo relationship promise is that SME Customers deal directly with the decision maker(s) in market, who are empowered to assess each application on its merits – the quality of the business and the people running it, within agreed industry and portfolio thresholds.

Within the guardrails provided by our RAS, we emphasise the '4 Cs of Credit': character, capacity (or cash flow), capital (or equity) and collateral, in that order. Judo believes this contrasts with the wider banking industry, which has largely defaulted to the fourth 'C', collateral. All new SME Customers (excluding Asset Finance transactions under $500,000)[4] are taken through a formal credit request submission, which covers:

1. **character:** management track record, experience, ability, integrity and willingness to repay;
2. **capacity:** assessment of the cash drivers of an SME Customer regarding its ability to repay debt under sensitised scenarios;
3. **capital:** balance sheet strength, capital-to-debt ratios; and
4. **collateral:** appropriate security based on lending policy and guidelines.

Character

As part of our credit assessment process, our primary focus is on assessing the character and capability of the people behind the business. This is established through personal customer interactions and a genuine interest in the SME Customer's unique situation.

Measures of character form part of Judo's credit risk grading system, with the following factors providing a measure of character:

- customer integrity;
- time managing their business, or similar role;
- external bureau data or sources; and
- commitments and account conduct factors.

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[4] Asset finance transactions under $500,000 are considered low risk based on the customer's risk grade and the equipment type and condition.

Further guidance around measures of character include:

- management quality and track record;
- experience across a full economic cycle;
- the individual's capabilities; and
- historical willingness to repay and financial integrity (including tax history).

Capacity and capital

Judo's capacity and capital assessment includes financial analysis and an SME Customer rating determination.

The financial information we require to perform our assessment includes primary source of income documentation; signed and dated statement of position document; cash flow projections; bank statements; external credit reports; and satisfactory tax portal information. Information collected is used to determine the SME Customer's future repayment capacity.

Financials are validated (where reasonable) via industry benchmarks, business valuations, comparison of cash flow and bank statement, review of wealth against previous earnings profile and pre-lend reviews.

Credit analysis and submission involve a debt service coverage ratio calculation designed to ensure the borrower can produce sufficient cash flows. Applications for credit also include loan purpose, structure, covenants, the borrower's equity, risk profile, repayment history and stressed capacity, expenses, and adequacy and enforceability of collateral and guarantees.

4.8.1.4 Collateral

We give the value of collateral available to support the customer's borrowing a Judo 'Lending Category' code, which maps to an industry-recognised 'loss given default' assessment.

Factors considered when assessing collateral include:

- type of collateral, and industry practice to valuation;
- market volatility;
- ease of sale; and
- perishability or removability of collateral.

As discussed above, we do not lend solely against collateral, but primarily against the SME Customer's character, capacity to repay and capital. Judo seeks collateral in support of loans and advances to cover any unforeseen SME Customer circumstances and contingencies.

For collateral to be used in support of a credit application:

- it must be valued prior to entering into the facility (either formally or notionally) and throughout the life of the facility, where appropriate; and
- an interest must be held that makes the collateral enforceable and realisable in the event of a default.

A charge can be taken over collateral owned directly by the borrower (direct collateral) or through a director's guarantee (indirect collateral). Judo's charge types include, but are not limited to, real property mortgages, General Security Agreements (**GSAs**) and Specific Security Agreements (**SSAs**). When lending to a group of interconnected borrowers, collateral may be cross-collateralised to other facilities of the borrower or parties in the connected group.

Depending on the type of collateral offered, Judo determines a maximum extension value – the Judo Extended Value (**JEV**). The JEV reflects the market value of the asset less a deduction for possible deterioration over time or at recovery, and is set internally for each allowable asset type after considering:

- industry practice;
- market volatility;
- ease of sale;
- perishability and removability of the collateral;
- time in workout (in the event of default);
- workout costs; and
- Judo's own loss experience against various collateral types over time.

The JEV is an input into:

- business processes, such as determining our internal lending approval authority;
- determining the appropriate price for the facility; and
- risk measurement calculations, including loss given default assignment and expected credit losses (ECLs) calculations.

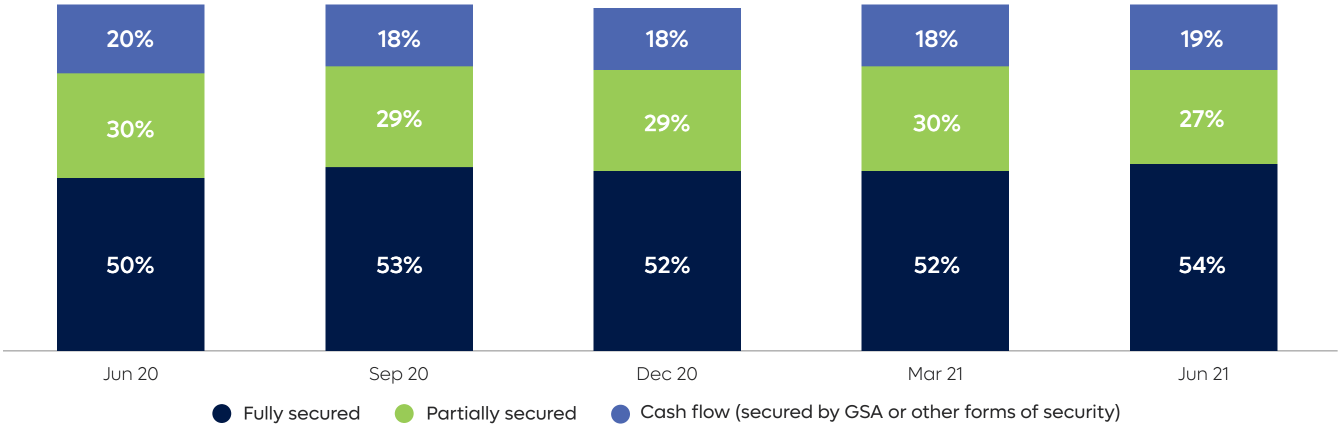
In determining how well a facility is secured, we consider the facility amount as a percentage of the JEV and assign an internal lending category based on our Lending Category definitions. Our Lending Categories are broadly summarised in **Table 39**.

Table 39. Judo Lending Categories (excluding Asset Finance products)

Judo Lending Category	Description
A–D	• Fully secured by term deposit, guarantee, real property (JEV) or balance sheet assets (JEV).
E	• Partially secured by term deposit, guarantee, real property (market value) or balance sheet assets (JEV).
F-G	• Partially secured by term deposit, guarantee, real property (market value) or balance sheet assets (JEV), where debt limits are higher. • We take a position on the sustainable future cash flows of the borrowing group supported by security, which typically includes Directors' guarantees, GSAs and/or SSAs, noting that a JEV cannot always be applied.
H	• Refers to Home Loans only. Fully secured where the Home Loan amount is ≤80% of the market value of the residential security.

Figure 91 illustrates Judo's SME Customer exposures across our Lending Categories, grouped according to the type of security coverage of the credit exposure. Of Judo's SME Customer exposures, 81% were either fully or partially secured (as at 30 June 2021). The remaining 19% of exposures represented 'cash flow lending' against future cash flows. Of the secured and partially secured lending, 89% was secured against commercial and residential property, with the vast majority of loan-to-value ratios supporting those loans below 100%.

Figure 91: Credit exposures (by security coverage)[5]



4.8.1.5 Approach to provisioning

Judo has developed, and maintains, a collective provision methodology and model to establish an appropriate level of provisions, mitigating potential losses from loans that are not yet impaired.

The collective provision model is consistent with applicable and relevant:

- Australian Prudential Regulation Authority (**APRA**) Prudential Standards (including APS 220 Credit Risk Management);
- Australian Accounting Standards; and
- prevailing Judo policies, such as ECLs methodology and accounting policy.

We run our expected loss model monthly.

Judo seeks to maintain an expected loss methodology artefact for our provisioning methodology, including our staging criteria, that encompasses:

- **Stage 1 (performing):** where the exposure has not deteriorated in credit quality since original recognition;
- **Stage 2 (increasing risk):** where the credit quality of the exposure has deteriorated significantly since initial recognition, but there is no evidence of impairment;
- **Stage 3 (high risk):** the exposure has objective evidence of impairment and raising of a specific provision may need to be addressed; and
- calculation of the 'General Reserve for Credit Losses' for regulatory purposes in accordance with APRA Prudential Standard APS 220 Credit Risk Management.

Over the term of a loan, we account for our credit risk by seeking to provide for ECLs on a timely basis. In calculating the ECL rates, Judo considers the amortisation (repayment) profile of the exposure, the SME Customer's probability of default and the facility's collateral coverage, adjusted for forward-looking macroeconomic conditions.

The need for a specific provision in relation to an ECL is established for each impaired loan, based on the estimated loss after deducting the net realisable value of the security held.

As at 30 June 2021, our provision level was $35.5 million, comprising $29.6 million of collective provisions. Judo's provision coverage ratios are summarised in **Table 40**.

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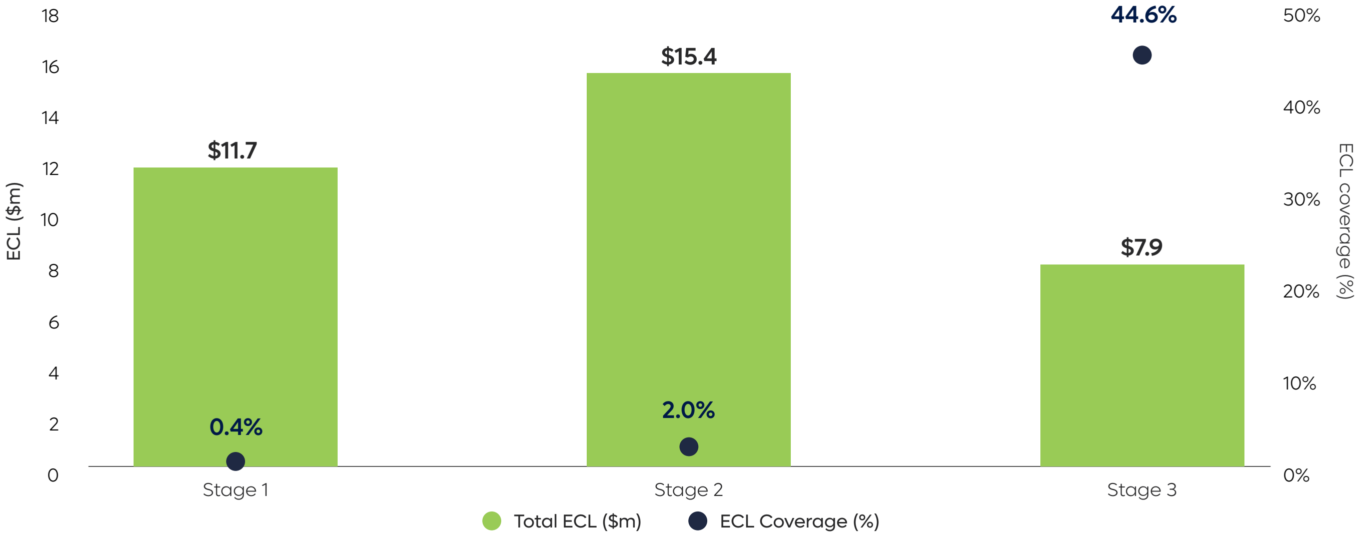
[5] With reference to the 'cash flow (secured by GSA or other forms of security)' component, we take security over future cash flows of the borrowing group and/or personal guarantees, which can be in the form of a GSA or SSA.

Table 40. Provision impairments[6]

Total loan provisions/gross loans	1.00%
Expected credit losses/exposure at default (excluding treasury assets)	0.89%
Specific provisions/impaired assets	64.5%

The $35.1 million of provisioning as at 30 June 2021 (excluding treasury assets) is broken down into $11.7 million Stage 1 (at 0.4% coverage of exposure), $15.4 million Stage 2 (at 2.0% coverage of exposure) and $7.9 million Stage 3 (at 44.6% coverage of exposure).

Figure 92: Expected credit losses by stage[7]



Historically, our provision levels have been predominantly collective provisions on our gross loans, rather than specific provisions attributable to impaired loans. In March 2020, we applied a COVID-19 overlay to our collective provision balance, reflecting the uncertainty at the time regarding the impacts from the pandemic. This initial overlay has largely unwound as our loan book has continued to grow, resulting in the provision level trending back to a normalised level over time as economic conditions improved and customer assistance requirements and measures were reduced.

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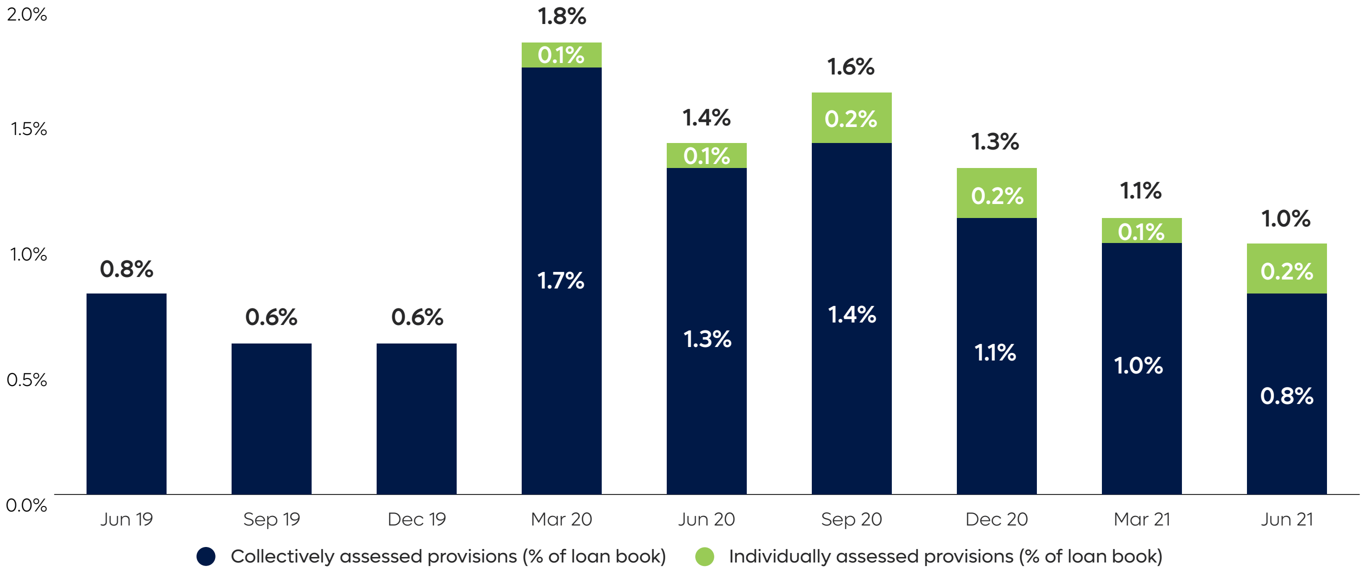
6. As at 30 June 2021. Excludes $0.4 million of treasury assets.
7. As at 30 June 2021.

Figure 93: Historical provisioning[8]



4.8.1.6 Impaired loan management and workout approach

Judo has a dedicated Impaired Asset Management team that consists of individuals with significant experience leading similar functions at other Australian banks.

When an SME Customer is recognised as requiring support, the Impaired Asset Management team provides specialised guidance and assistance, alongside the relationship banker. The primary function of this team is to support SME Customers through periods of challenging financial performance, while ensuring our position remains soundly managed.

Effective and efficient management of SME Customers and exposures exhibiting signs of distress is a priority at Judo, given our:

- SME CVP;
- Deposit Customers; and
- Shareholders and other stakeholders.

Our collection practices seek to ensure that early warning signs are treated appropriately, and remediated promptly and sensitively.

Judo manages to the following principles when approaching SME Customers exhibiting increased signs of distress:

- We treat all SME Customers with respect and act with sensitivity.
- We consider the SME Customer's personal circumstances in strategic decision-making.
- We prioritise the SME Customer's health and wellbeing (such as financial, physical and mental).
- We intervene early and a problem loan specialist establishes a management plan to help identify and rectify any issues faced by the SME Customer.
- We listen carefully to the SME Customer's problems and provide appropriate suggestions for assistance.
- Generally, we only enforce our security as a last resort, and enforcement against an SME Customer's principal place of residence is considered carefully, and usually only after all other security has been realised.
- We seek to make all our collection and enforcement actions transparent, fair and equitable.

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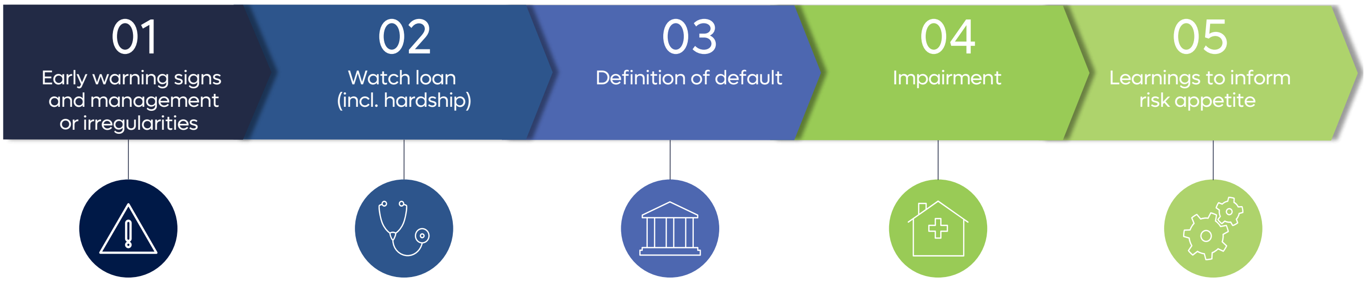
[8] As at 30 June 2021.

Figure 94: Impaired loan management at Judo



- Early warning signs
- Effective management of irregular accounts

- Customers experience substantial signs of stress

- Judo's definition of default and compliance with APS 220
- Loss Given Default data collection

- Strategy – turnaround and recovery
- Specific provisions
- Non-accrual accounting
- Restructure
- Write offs
- Recovery and abandonment

- Learnings inform the future risk appetite and strategy at Judo

4.8.1.7 Distressed loans

Judo acknowledges that SME Customers may experience distress and have the right to notify Judo verbally or in writing that they are experiencing difficulty.

When we receive a notification of distress:

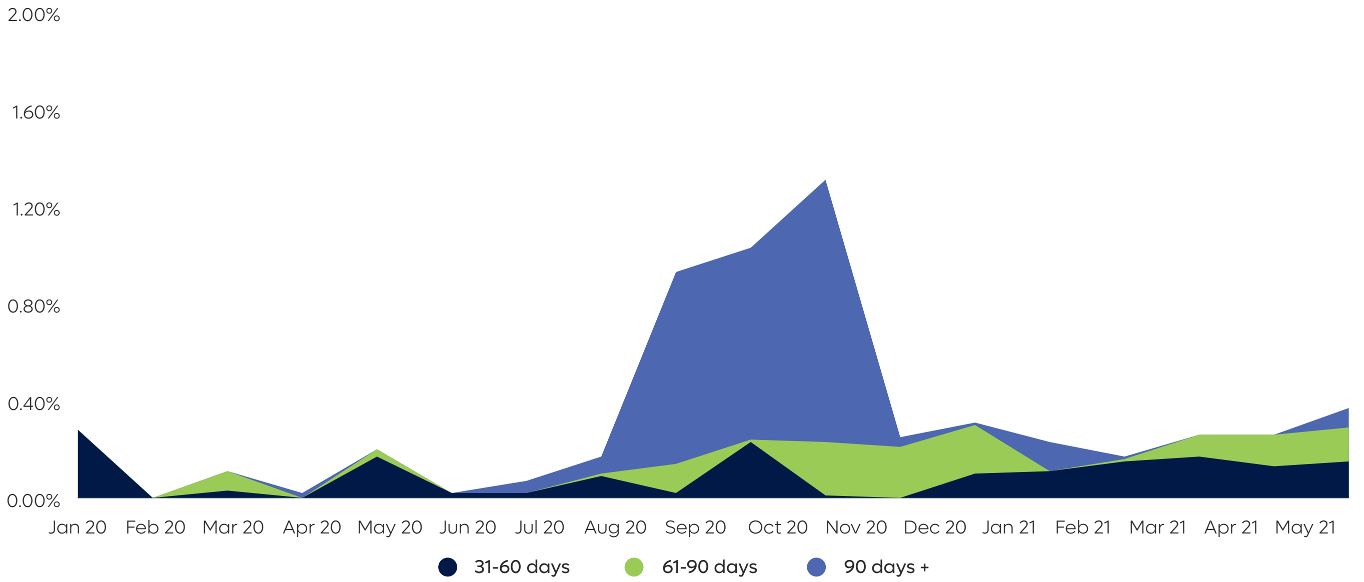
- it is referred to the Judo Credit team for review;
- an acknowledgment is sent to the SME Customer, together with a request for any additional information required to assess the situation; and
- the request for assistance will then be approved or declined.

4.8.1.8 Asset quality

Historically, Judo has managed low levels of arrears, including throughout COVID-19, with 0.27% of our portfolio as at 30 September 2021 in arrears, being greater than 30 days overdue on repayment. This included two SME Customers (0.01% of the portfolio) being greater than 90 days overdue.

As illustrated in **Figure 95**, Judo experienced a short spike in over 90 days arrears between September 2020 and November 2020. This was due to updated guidance from APRA, in response to COVID-19, that deferred loans over $10 million were not eligible for regulatory relief on arrears reporting. This spike corresponded to over 90 days arrears of 1.08% of the lending portfolio as at 30 November 2020, largely driven by a single customer exposure. This customer has returned to 'performing' status after six months of being in 'restructured' status.

Figure 95: Historical loan book arrears (cumulative %)[9]



As at 30 June 2021, 0.26% of our lending exposures were in impaired (non-accrual and restructured) status, down from 0.80% as at 31 December 2020. This was driven by an SME Customer that was previously ineligible for regulatory relief, as noted above, returning to performing status. As at 30 June 2021, there were five SME Customers in impaired status, the largest of which represented approximately $4 million in lending exposure. The impaired loans were across various sectors and were largely newly impaired in FY21. Impaired loans are comprised of restructured loans and non-accrual loans as defined in APS 220 Credit Risk Management. No lending exposures were written off in FY21.

With regard to the ongoing and evolving situation in relation to state-based lockdowns, we are closely assessing and monitoring our asset quality position. Our experience through the Victorian lockdown in late 2020, and early indications from state-based lockdowns in mid-2021, gives us confidence in the asset quality and diversification of our loan book and credit approach. Refer to **Section 3.10** for further details on our response to COVID-19 and support for impacted customers.

4.8.2 Balance Sheet and Liquidity Risk management

Balance Sheet and Liquidity Risk (**BSLR**) includes capital risk, liquidity and funding risk, and IRRBB. The Board has delegated responsibility for monitoring these risks to the ALCO, with regular reporting of the BSLR profile also provided to the Management Board Risk Committee through the CRO Report.

Capital risk management

Judo seeks to ensure that we maintain adequate capital levels against our risk profile and regulatory requirements, while also providing a strong foundation for growth aspirations. Judo's ICAAP is at the core of our approach to managing capital risk and includes:

- setting capital operating buffers and risk tolerances for all regulatory tiers of capital;
- implementing enterprise stress testing exercises to assess our ability to withstand major financial headwinds;
- undertaking capital contingency planning, including monitoring early warning indicators and documenting contingency options in Judo's Recovery Plan;
- developing an annual budget and five-year plan, which are approved by the Board; and
- ongoing monitoring of capital levels and capital reporting to the Board, ALCO and senior management.

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9. Represents a percentage of the outstanding loan book. Data as at 30 June 2021.

Liquidity and funding risk management

Judo's approach to managing liquidity and funding risk is primarily through the following components:

- setting Board and management risk limits and tolerances for liquidity, funding and contingent funding;
- annual development and Board approval of a three-year funding strategy and contingency funding plan;
- managing day-to-day cash flow including daily monitoring of our cash position and forecast;
- monitoring internal and external early warning indicators regularly; and
- conducting stress testing and scenario analysis to inform and assess our liquidity and funding risk profile.

Judo funds business lending using a mix of long- and shorter-term funding. This maturity profile exposes us to liquidity and funding risk, which we seek to manage through the implementation of our Liquidity Risk Management Framework (**LRMF**).

Our approach to liquidity and funding risk management focuses on ensuring we maintain a strong balance sheet in normal and stressed conditions, while supporting our business objectives in a cost-efficient way. The LRMF has been designed to support these aims while ensuring we meet the letter and spirit of APRA regulations and expectations for a bank of our size and complexity.

We manage liquidity risk through the day-to-day monitoring of projected cash flows and liquidity gaps and maintaining an appropriately sized pool of cash and liquid assets to address timing mismatches. Our approach is to hold liquid assets to maturity, subject to managing our liquidity requirements, noting that our business plan projects the need to significantly grow the Minimum Liquidity Holding (**MLH**) portfolio in line with growth in SME lending and corresponding required liabilities. Liquidity and funding risk is managed within limits set in the form of risk appetite tolerances. As we diversify our funding profile over time, the limits will evolve to include a broader array of Board and operational limits and triggers (such as concentration and refinancing limits).

Currently, our primary sources of funding are Term Deposits, Warehouse Facilities, the TFF, equity and hybrid capital. Judo is exposed to rollover risk as Term Deposits mature. We manage this through pricing, the maturity dates of Term Deposits, having permanent funding sources in Warehouse Facilities and maintaining a diversified funding base, in line with our funding strategy. The funding strategy is a fundamental component of the LRMF and aims to ensure that we deliver the objectives of stable and permanent funding while avoiding undue concentration risk.

IRRBB management

Judo is exposed to IRRBB as a result of maturity transformation and the structural mismatches this creates between assets and liabilities. Judo's approach to managing this risk is to:

- set Board and management limits for the impact of interest rate moves on net interest income (**NII**) and the economic value of equity;
- monitor repricing gaps and undertake hedging strategies to manage IRRBB within approved limits; and
- model the impact of different interest rate scenarios on our balance sheet.

4.8.3 Operational risk management

Operational risk is the 'risk of running the business' and is present in all our business activities (including those that give rise to other types of risk such as credit and market risk), the systems that support business activities and the way these activities are performed. Judo has developed operational risk categories as a basis for defining and assessing the various aspects of our operational risk environment.

The key elements that underpin our overall operational risk management methodology are:

- **risk profile assessments** – these are a fundamental tool used by Judo and our business units to identify and manage operational risks. Risk profiles provide bottom-up assessments of the residual operational risks at the enterprise and business unit levels;
- **controls** – effectively designed controls are vital for successfully managing operational risk. Judo's methodology requires business units to ensure that appropriate controls are in place to mitigate operational risks to the desired risk appetite and are tested regularly;
- **breach and incident reporting** – effective and timely reporting of operational incidents and breaches is fundamental to our management of operational risk;
- **RAS and KRIs** – the RAS and KRIs provide Board direction on the desired operational risk profile and where it is willing to take more or less operational risk;
- **scenario planning and horizon scanning** – conducting regular scenario planning, analysis and horizon scanning at enterprise and business unit levels is designed to enable us to identify significant or emerging operational risks. This is a top-down process, which complements the bottom-up risk profile assessments; and
- **operational risk capital** – Judo maintains operational risk capital in line with APRA requirements.

Figure 96: Judo's operational risk management methodology

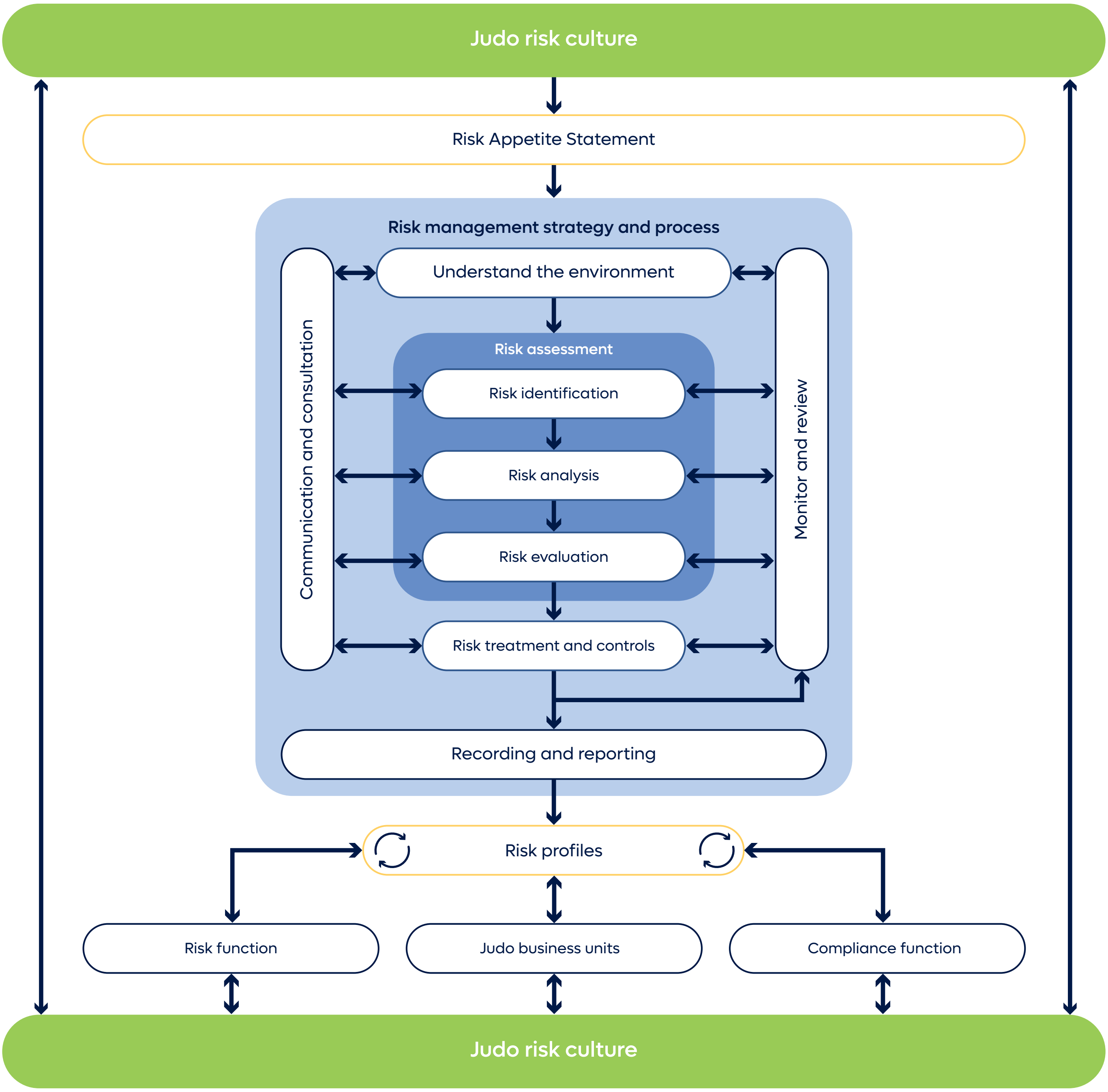


Table 41. Judo's operational risk categories

Operational risk category	Description
Process execution	Judo's operational processes fail to support the objectives of the business or lead to loss or significant reputational impact.
Business resilience	Judo is unable to appropriately manage or respond to adverse impacts from external shocks, events, competitor actions or third parties.
Internal and external fraud	Judo is subject to loss or harm through the actions of a staff member (or contractor or partner), or through the actions of an external actor (customer, broker, vendor or external attacker).
Product and process design	Judo is subject to loss from the nature or design of a product.
Third-party reliance	Judo is subject to loss by not being able to adequately respond to the actions or failure of a service provider undertaking outsourced activities on behalf of Judo.
HR, workforce planning and training	Judo is not adequately resourced to achieve our objectives or prevent harm to the business.
Financial and regulatory reporting	Judo is unable to accurately report on our credit or financial position to all relevant stakeholders.
Change and projects	Judo fails to execute projects or other change initiatives, which impacts the overall strategy.

4.8.4 Technology risk management

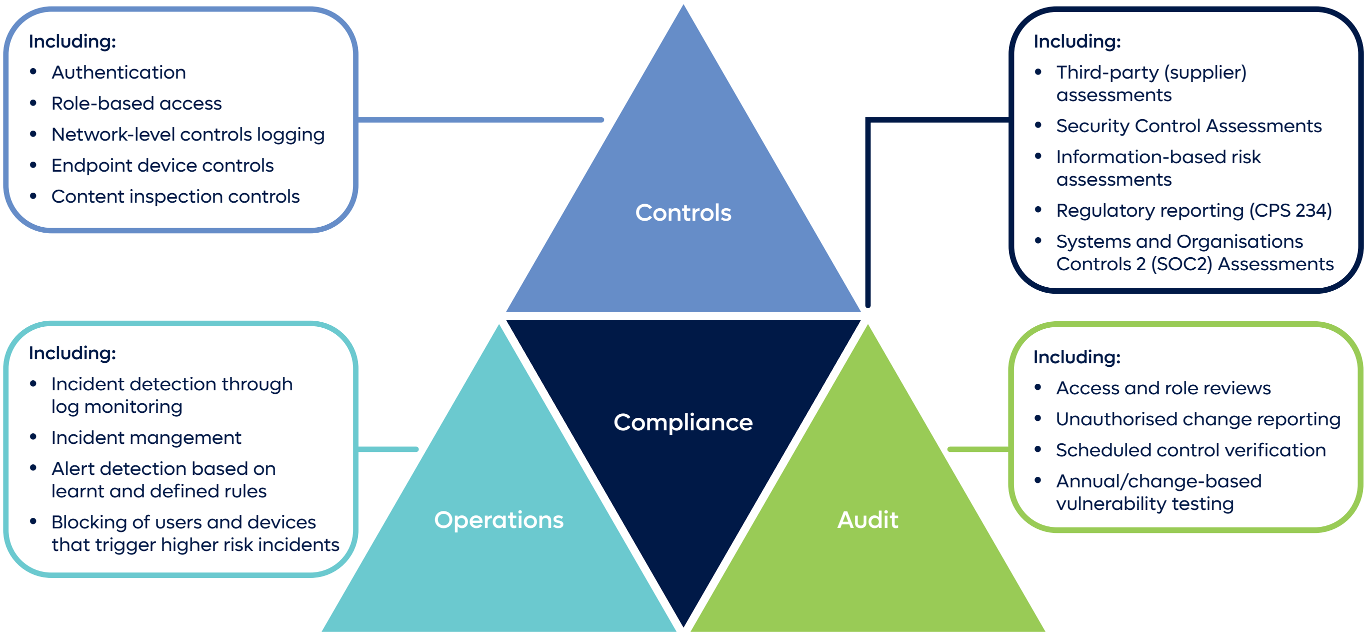
Judo leverages technology and data to drive business decision-making. The success of this strategy depends on the management of technology and information security risk as we evolve and develop scale in our business activities. As our business processes expand our use of technology, and business decision-making becomes more data led, it is important that we manage technology, data and cybersecurity risks with appropriate oversight and controls.

Judo's technology risk management is shaped by regulatory guidelines:

- 'Data Security' (as required by APRA Prudential Standard CPS 234 Information Security); and
- 'Data Risk' (as required by Prudential Practice Guide CPG 235 Managing Data Risk).

Our technology and information security risk management seek to ensure that our operations, controls, compliance and audit processes are robust against the evolving landscape of these risks.

Figure 97: Processes to manage technology and information security risk



Including:
- Authentication
- Role-based access
- Network-level controls logging
- Endpoint device controls
- Content inspection controls

Including:
- Third-party (supplier) assessments
- Security Control Assessments
- Information-based risk assessments
- Regulatory reporting (CPS 234)
- Systems and Organisations Controls 2 (SOC2) Assessments

Including:
- Incident detection through log monitoring
- Incident mangement
- Alert detection based on learnt and defined rules
- Blocking of users and devices that trigger higher risk incidents

Including:
- Access and role reviews
- Unauthorised change reporting
- Scheduled control verification
- Annual/change-based vulnerability testing

Judo's management of technology and information security risk is underpinned by:

- **employee culture:** reflecting awareness of threats and controls, and compliance with regulations;
- **identity management:** including integral components such as customer and staff authentication, authorisation and role provisioning;
- **incident management:** supported by our Security Operations Centre, with protection and detection across endpoints, servers and payloads. All staff are trained in incident management, including through simulation sessions, online training and Judo compliance training; and
- **system protection:** Judo aspires to protect services and assets at all levels, with the primary controls including single sign-on with role-based access, multifactor and federated authentication, centralised monitoring, geo-blocking and enhanced Microsoft security and data loss protection using a single identity store.

A second-line risk process and leadership oversees security controls for third parties, and reviews risk assessments, penetration testing and the results of vulnerability scanning. Control standards are reviewed regularly, supporting data confidentiality, integrity and availability. Assurance services are completed, and compliance and audit seek to ensure control effectiveness, risk reviews and treatment plans are continually updated.

Judo's model seeks to build information security capability though leadership, management, operations, employee training and expert consulting support, to enable a strong security risk culture.

4.8.5 Outsourcing risk management

Judo adopts an outsourced model using quality products and services for key business operations where providers can offer superior customer, process or quality outcomes in a cost-effective and efficient manner. The key areas of outsourcing for Judo are within key operational functions and technology processes. We manage all providers according to clear outsourcing guidelines and policies approved by the Board and implemented by senior managers, which reflect ongoing compliance with service agreements and Judo's overall risk settings. Judo follows an outsourcing life cycle management program, from business case assessment and selection to execution and onboarding of outsourcing arrangements. We also notify APRA of material arrangements.

4.8.6 Compliance risk management

Judo has no tolerance for non-compliance with laws and regulations. Our zero tolerance for compliance risk is based on the negative impact of regulatory intervention (including potential penalties and other enforcement action) and related reputational risk (see **Section 6.2.1** for further information on compliance risks) and the critical importance of protecting and maintaining our AFSL, ACL and ADI licences. While we understand that regulatory compliance issues will occur (sometimes inadvertently) that may result in breaches, Judo seeks to, wherever possible, reduce and mitigate this risk.

Judo identifies, assesses and manages compliance risk through the Management Board Risk Committee, our Compliance Framework, AML/CTF Framework, Know Your Client (**KYC**) detailed policy and process and Compliance Obligations register (which includes all regulatory and licence obligations). We also have compliance plans, a broker accreditation and monitoring policy, ongoing staff training, and event and breach management reporting and associated consequence management. Judo has a reporting process in place to provide insights into compliance risk, including the key risk metrics identified in the monthly CRO Report. These are both qualitative and quantitative.

4.8.7 Other areas of risk management

Judo monitors several other risk sources that have the potential to result in harm to Judo. These risks are monitored against the backdrop of the external, social or political context that Judo is operating in. These include reputation risk and other externally-driven risk sources.

Table 42. Judo's other material risks

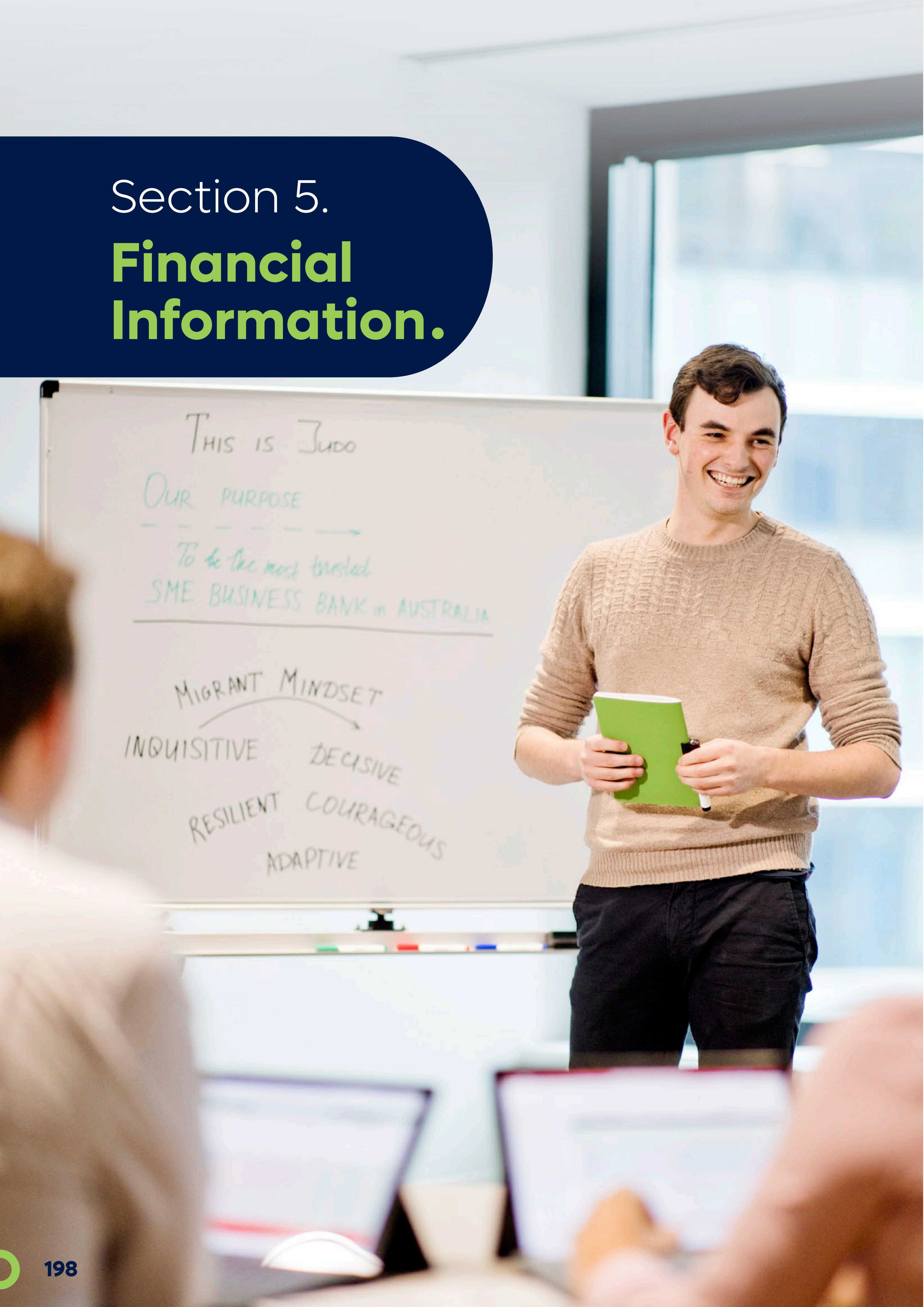
Risk category	Description	Risk management approach
Regulatory risk	Regulatory risk has two components: • the failure to identify and monitor changes in the regulatory environment and failing to take opportunities to shape the legislative environment and/or implement change; and • the risk of damaging the relationship with our regulators.	Judo is committed to being fully transparent and co-operates with regulators in all our dealings. Our strong and open relationships with regulators enable us to manage and influence regulatory change. Regulatory requirements are embedded across relevant Judo frameworks and policies.

Risk category	Description	Risk management approach
Strategic risk	Strategic risk covers: - strategic positioning risk, which is associated with the strategic choices made by Judo and their ongoing viability in response to, or in anticipation of, changes to the environment; and - strategic execution risk, which is the risk that Judo fails to execute a chosen strategy.	Strategic positioning risk is identified and assessed at the time of developing a strategy. Strategic execution risk is managed through our change management process.
Reputation risk	Reputation risk occurs through negative perceptions of Judo that can adversely affect management's ability to maintain existing or establish new relationships, and potentially to access sources of funding.	To manage reputational risk, Judo focuses on managing key relationships with customers, Shareholders, investors, funders and regulators. Most reputation risk occurs due to inadequate management of other key risks. Therefore, all frameworks and policies help to reduce reputational risks.
Climate risk	While the implications of a changing climate will have a long-term impact, and the time horizon for this may be uncertain, climate risk is likely to materialise, requiring actions to be taken to manage impacts.	Climate risks may manifest in credit and operational risks and, as such, the frameworks that manage these risks may need to be amended in the future.
Emerging risks	Emerging risks can arise from the external economic and political environment, regulatory change, competitor activity, social change and technological trends.	Judo continually considers emerging risks that have the potential to impact us, though these impacts are not yet quantifiable, or are yet to crystallise. Emerging risks are reported to the Board for monitoring.

For more information on significant risk factors specific to our business and the industry in which we operate, and general risks associated with an investment in Judo's Shares, refer to **Section 6**.

Section 5.

Financial Information.



5.1. Introduction

The Financial Information contained in **Section 5** relates to the Company and includes:

Historical Financial Information

Statutory Historical Financial Information:

- Statutory historical income statements for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021 (FY19, FY20 and FY21, respectively) (**Statutory Historical Income Statements**);
- Statutory historical statements of cash flows for FY19, FY20 and FY21 (**Statutory Historical Cash Flows**); and
- Statutory historical statement of financial position as at 30 June 2021 (**Statutory Historical Statement of Financial Position**).

Pro Forma Historical Financial Information:

- Pro forma historical income statements for FY19, FY20 and FY21 (**Pro Forma Historical Income Statements**);
- Pro forma historical statements of cash flows for FY19, FY20 and FY21 (**Pro Forma Historical Cash Flows**); and
- Pro forma historical statement of financial position as at 30 June 2021 (**Pro Forma Historical Statement of Financial Position**).

Forecast Financial Information

Statutory Forecast Financial Information:

- Statutory forecast income statement for the financial year ending 30 June 2022 (FY22F) (**Statutory Forecast Income Statement**); and
- Statutory forecast statement of cash flows for FY22F (**Statutory Forecast Cash Flows**).

Pro Forma Forecast Financial Information:

- Pro forma forecast income statement for FY22F (**Pro Forma Forecast Income Statement**); and
- Pro forma forecast statement of cash flows for FY22F (**Pro Forma Forecast Cash Flows**).

The Historical Financial Information and the Forecast Financial Information together form the **Financial Information**. The Statutory Historical Financial Information and the Statutory Forecast Financial Information are collectively referred to as the **Statutory Financial Information** and the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information are collectively referred to as the **Pro Forma Financial Information**.

Section 5 also summarises:

- the basis of preparation and presentation of the Financial Information, including the application of new accounting standards to the Financial Information and areas of critical accounting judgements and estimates (see **Section 5.2**). **Appendix A** also contains a discussion of Judo's significant accounting policies;
- an explanation of certain non–International Financial Reporting Standards (**non-IFRS**) financial measures in the context in which they are presented in **Section 5** (see **Section 5.3**);
- details of Judo's indebtedness, liquidity and capital adequacy, guarantees and commitments (see **Sections 5.5.3** and **5.5.4**);
- a presentation of key operating metrics (see **Section 5.7**);
- management's discussion and analysis of the Financial Information (see **Section 5.8**);

- the general and specific assumptions underlying the Forecast Financial Information (see **Sections 5.8.4** and **5.8.5**);
- an analysis of the sensitivity of the Forecast Financial Information to changes in certain key assumptions (see **Section 5.9**); and
- Judo's proposed dividend policy (see **Section 5.10**).

The Financial Information in **Section 5** should be read in conjunction with the 'Company overview' set out in **Section 3**, the 'Investment risks' set out in **Section 6**, Judo's significant accounting policies and critical areas of accounting judgements and estimates set out in **Appendix A** and other information contained in this Prospectus.

The Financial Information is presented in Australian dollars, which is Judo's functional and presentation currency for statutory financial reporting purposes. All amounts disclosed in the tables in **Section 5** are presented in Australian dollars in thousands and, unless otherwise noted, are rounded to the nearest thousand. Any discrepancies between totals and the sum of components in tables, figures and diagrams contained in this Prospectus are due to rounding.

5.2. Basis of preparation and presentation of the Financial Information

5.2.1 Overview

The Directors are responsible for the presentation and preparation of the Financial Information.

The Financial Information in this Prospectus is intended to assist investors to understand Judo's historical financial performance, financial position and cash flows, together with forecast financial performance and cash flows for FY22F.

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) issued by the Australian Accounting Standards Board (**AASB**). These are consistent with International Financial Reporting Standards (**IFRS**) and Interpretations issued by the International Accounting Standards Board (**IASB**). Judo's significant accounting policies and critical areas of accounting judgements and estimates are set out in **Appendix A**.

The Historical Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd (**PwCS**) in accordance with the Australian Standard on Assurance Engagements ASAE 3450 involving Corporate Fundraisings and/or Prospective Financial Information as stated in its Independent Limited Assurance Report on the Historical Financial Information in **Section 9**. The Forecast Financial Information is unaudited and PwCS has reviewed and reported on it in accordance with that same Australian Standard, as set out in the Independent Limited Assurance Report on the Forecast Financial Information in **Section 9**. Investors should note the scope and limitations of that report.

The Forecast Financial Information is based on the general and specific assumptions set out in **Sections 5.8.4** and **5.8.5**. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information. Judo's accounting policies have been consistently applied in the preparation of the Financial Information, including, in relation to the Pro Forma Historical Financial Information, with the exception of the impact of AASB 16 Leases, which was adopted in the statutory accounts from the year ended 30 June 2020. See **Section 5.2.4.1**.

The Financial Information is presented in an abbreviated form and does not include all the disclosures, statements or comparative information required by **AAS** and other mandatory professional reporting requirements that apply to annual financial reports prepared in accordance with the *Corporations Act 2001* (Cth).

5.2.2 Preparation of the Historical Financial Information

The Statutory Historical Financial Information used in the preparation of the Pro Forma Historical Financial Information was extracted from Judo's audited general-purpose financial statements for FY19, FY20 and FY21 (**Audited Financial Statements**). PricewaterhouseCoopers (**PwC**) has audited the Audited Financial Statements in accordance with Australian Auditing Standards. PwC issued unqualified audit opinions on the Audited Financial Statements in respect of FY19, FY20 and FY21.

The Audited Financial Statements are available at **www.judo.bank/regulatory-disclosures**.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information.

In preparing the Pro Forma Historical Income Statements, pro forma adjustments have been made to reflect:

- incremental costs to be incurred upon Judo becoming a publicly listed company, as though Judo was a publicly listed company from 1 July 2018;
- the removal of non-recurring transaction and other costs related to the Offer;
- the tax effect of these adjustments where applicable; and
- the reallocation of the income tax benefits associated with historical tax losses (that were brought to account for the first time in FY21) to the years in which these losses were generated.

A reconciliation of the Pro Forma Historical Income Statements to the Statutory Historical Income Statements, including explanations of these adjustments, is set out in **Section 5.4.3**.

The Pro Forma Historical Statement of Financial Position as at 30 June 2021 is based on the audited Statutory Historical Statement of Financial Position as at that date, adjusted to reflect:

- the impact of $25.3 million additional capital issued between 30 June 2021 and the Offer date, of which $19.6 million relates to final outstanding settlement of capital the Company raised in June 2021 that was received in July 2021 following receipt of regulatory approval and $5.7 million relates to the exercise of warrants in October 2021; and
- the impact of the Offer, as if Completion occurred on 30 June 2021, including the cancellation of existing Performance Rights held in the context of Judo's legacy management incentive plan (see **Section 10.4.3**).

A reconciliation of the Statutory Historical Statement of Financial Position to the Pro Forma Historical Statement of Financial Position, including explanations of these adjustments, is set out in **Section 5.5**.

In preparing the Pro Forma Historical Cash Flows, pro forma adjustments have been made to reflect:

- certain incremental costs to be incurred upon Judo becoming a publicly listed company, as though Judo was a publicly listed company from 1 July 2018;
- the elimination of non-recurring costs of the Offer.

A reconciliation of the Pro Forma Historical Cash Flows to the Statutory Historical Cash Flows, including explanations of these adjustments, is set out in **Section 5.6.3**.

Investors should note that past results are not a guarantee of future performance.

5.2.3 Preparation of the Forecast Financial Information

The Forecast Financial Information is presented on a statutory basis and a pro forma basis, and has been prepared for inclusion in this Prospectus. The basis of preparation and presentation of the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information is consistent with the basis of preparation and presentation of the Statutory Historical Financial Information and the Pro Forma Historical Financial Information, respectively. The Forecast Financial Information reflects one month of actual results from Judo's unaudited management accounts for the period from 1 July 2021 to 31 July 2021.

The Statutory Forecast Financial Information for FY22F assumes Completion will occur on 30 November 2021. It reflects seven months of public company costs associated with Judo operating as a publicly listed entity and includes a portion of the costs of the Offer that have been expensed (certain transaction and other related costs of the Offer have also been recorded against equity). The Statutory Forecast Income Statement and Statutory Forecast Cash Flows have been adjusted for the effects of pro forma adjustments to derive the Pro Forma Forecast Financial Information, including:

- incremental costs to be incurred upon Judo becoming a publicly listed company, for the five months prior to Completion (in order to reflect a full 12 months of public company costs in FY22);
- the removal of non-recurring transaction and other costs related to the Offer;
- the elimination of certain non-recurring, non-cash share-based payment expenses associated with the accelerated vesting of Judo's existing employee incentive plans;
- the costs related to new incentive plans introduced post the Listing, as if those plans had been established on 1 July 2021; and
- the tax impact of these adjustments where applicable.

Reconciliations of the Pro Forma Forecast Income Statement and Pro Forma Forecast Cash Flows to the Statutory Forecast Income Statement and Statutory Forecast Cash Flows, including explanations of these adjustments, are set out in **Sections 5.4.3** and **5.6.3**, respectively.

The Forecast Financial Information has been prepared by Judo based on an assessment of current economic and operating conditions and general and specific assumptions regarding future events and actions, as set out in **Sections 5.8.4** and **5.8.5**. The Forecast Financial Information should be read in conjunction with the risks set out in **Section 6**, the sensitivity analysis in **Section 5.9**, the significant accounting policies in **Appendix A** and other information in this Prospectus. The information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Directors have prepared the Forecast Financial Information with due care and attention, and consider all general and specific assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned to not place undue reliance on the Forecast Financial Information. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on actual financial performance or financial position.

Judo does not intend to update or revise the Forecast Financial Information or other forward-looking statements, or to publish 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.

5.2.4 Application of new accounting standards to the Financial Information

The significant accounting policies applied consistently in the preparation of the Financial Information are set out in Judo Capital Holdings Limited and its controlled entities Annual Financial Report for the year ended 30 June 2021 and in **Appendix A**. Judo adopted AASB 16 Leases from 1 July 2019, as discussed below.

5.2.4.1 AASB 16 Leases

Judo adopted AASB 16 in its statutory financial statements from 1 July 2019. AASB 16 replaces AASB 117 Leases and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - investment property, the lessee applies the fair value model in AASB 140 Investment Property to the right-of-use asset; or
  - property, plant or equipment, the lessee applies the revaluation model in AASB 116 Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16, a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

In accordance with the transition requirements of AASB 16, Judo has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect, if any, of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application (i.e. at 1 July 2019). Accordingly, comparative information for FY19 has not been restated.

Judo has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to recognise each right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to adjust each right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;

- to exclude initial direct costs from the measurement of each right-of-use asset at the date of initial application; and
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The application of AASB 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of $4.6 million and corresponding lease liabilities with an aggregate carrying amount of $5.0 million. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 3.88%. The total net transitional difference of $0.4 million was recognised in equity as a reduction to opening retained losses as of 1 July 2019. As the impacts were not material, no pro forma adjustments for AASB 16 have been made to the Historical Financial Information for FY19.

5.2.5 Critical accounting judgements and estimates

Preparing financial statements in accordance with AAS requires management to make judgements, estimates and assumptions about the application of accounting policies that affect the reported revenues and expenses, carrying values of assets and liabilities, and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors 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 that management has made in the application of AAS that have significant effects on the financial statements and estimates, with a significant risk of material adjustments in the next financial year are disclosed, where applicable, in the relevant notes to the financial statements when these are prepared. The key areas in which critical estimates and judgements are applied are in respect of share-based payments transactions, impairment charges on loans and advances, capitalisation of internally generated software, estimation of useful lives of assets, long service leave, and determination of income tax as described in the significant accounting policies outlined in **Appendix A**.

5.3. Explanation of certain non-IFRS and other financial measures

Judo uses certain measures to manage and report on its business that are not recognised under AAS. These measures are collectively referred to in **Section 5.3** as 'non-IFRS financial measures', consistent with their meaning under the Australian Securities and Investments Commission's (**ASIC**) Regulatory Guide 230 Disclosing non-IFRS financial information.

Judo believes that these non-IFRS measures provide useful information about its financial and operating performance because they provide management with an ability to analyse and understand key underlying drivers of financial performance and trends therein relative to budgets and Judo's strategic objectives. However, they should be considered as supplements to the statutory income statement measures that have been presented in accordance with AAS and not as a replacement for them. Investors should note that these non-IFRS measures are not defined by AAS, and the way that Judo calculates them may differ from the same or similarly titled measures used by other companies. Accordingly, investors should not place undue reliance on these non-IFRS measures.

The principal non-IFRS measures referred to in this Prospectus include the following:

- **Net interest income (NII)** is the sum of:
  - interest income received on interest-earning assets;
  - establishment fees and facility-related fees (including fees on drawn and undrawn facility limits) received from customers;

  - less brokerage-related costs incurred in relation to the origination of interest-earning assets;
  - less interest expense on debt facilities, customer deposits and balances held with the Reserve Bank of Australia (**RBA**); and
  - less debt and deposit-related establishment fees, commission expenses and line fees.
- **Net banking income** is the sum of net interest income and other operating income, which includes non-interest income.
- **Net profit before impairment** is net banking income less total operating expenses, including depreciation and amortisation but excluding the impairment on loans and advances, and treasury investments.
- **Net interest margin** is net interest income divided by the average of month-end closing balance of interest-earning assets for the relevant period.
- **Underlying NIM** is net interest margin adjusted to remove the temporary impact of excess liquid assets (net of incremental Minimum Liquidity Holdings (**MLH**) requirements) attributable to Judo's Term Funding Facility (**TFF**) preservation strategy (see **Section 3.7.3.3**). The purpose of Underlying NIM is to approximate what the net interest margin of the core business of Judo is while the RBA's TFF preservation strategy unwinds. Underlying NIM is calculated as follows:

$$\frac{\text{(Net interest income - net interest income attributable to TFF excess liquid assets}^{1}\text{)}}{\text{(Total average interest earning assets}^{2}\text{ – excess liquid assets attributable to TFF}^{3}\text{)}}$$

1: net interest income attributable to TFF excess liquid assets is the sum of:
  - revenue from excess liquid assets held as collateral for the RBA's TFF;
  - less interest paid on the RBA's TFF preserved component (i.e. the component which is not yet applied to fund customer loans); and
  - less interest paid on the excess deposits to fund additional MLH requirements associated with the TFF preserved component and repurchase agreement haircuts.

2: total average interest earning assets are calculated based on the average of month end closing balance of interest earning assets.

3: excess liquid assets attributable to TFF are the sum of:
  - liquid assets held as collateral for the preserved component of the RBA's TFF; and
  - the excess liquid assets held to satisfy additional MLH requirements arising from the preserved component of the RBA's TFF.

- **Cost-to-income ratio (CTI ratio)** is calculated as total expenses (excluding fee and commission expense, interest expense, impairment on financial assets and amortisation of intangible assets), divided by net banking income.
- **Operating cash flow before financing and taxation** is net operating cash flow before financing activities (movements in the loan book and loan book funding, as well as corporate debt and corporate financing activities) and income tax paid.
- **Operating cash flow before corporate financing and taxation** is net operating cash flow before corporate financing activities defined as equity raisings and income tax paid.

5.4. Historical and Forecast Income Statements

5.4.1 Pro Forma Historical Income Statements, Pro Forma Forecast Income Statement and Statutory Forecast Income Statement

Table 43 sets out the Pro Forma Historical Income Statements for FY19, FY20 and FY21, the Pro Forma Forecast Income Statement and Statutory Forecast Income Statement for FY22F. The Pro Forma Historical Income Statements and the Pro Forma Forecast Income Statement are reconciled to the Statutory Historical Income Statements and the Statutory Forecast Income Statement in **Section 5.4.3**.

Please also see **Section 5.8** for a description and management discussion and analysis of the income statement line items.

Table 43. Pro Forma Historical and Forecast Income Statements, and Statutory Forecast Income Statement

		Pro forma historical			Pro forma forecast	Statutory forecast
$'000	**Notes**	**FY19**	**FY20**	**FY21**	**FY22F**	**FY22F**
Interest income	1	6,262	52,389	126,380	213,146	213,146
Interest expense	2	(5,404)	(24,549)	(41,927)	(52,694)	(52,694)
Net interest income		**858**	**27,840**	**84,453**	**160,451**	**160,451**
Other operating income	3	498	416	5,343	1,849	1,849
Net banking income		**1,356**	**28,256**	**89,796**	**162,300**	**162,300**
Employee benefits expense	4	(16,435)	(36,330)	(50,938)	(76,030)	(83,547)
IT expense	5	(3,674)	(5,911)	(12,662)	(17,139)	(17,139)
Marketing expense	6	(1,039)	(3,023)	(4,258)	(4,845)	(5,657)
Occupancy expense	7	(836)	(959)	(1,225)	(1,868)	(1,868)
Other expenses	8	(9,076)	(10,899)	(14,207)	(19,097)	(31,276)
Depreciation and amortisation	9	(494)	(2,622)	(3,653)	(7,361)	(7,361)
Total operating expenses		**(31,554)**	**(59,744)**	**(86,943)**	**(126,341)**	**(146,849)**
Net profit/(loss) before impairment		**(30,198)**	**(31,488)**	**2,853**	**35,959**	**15,451**
Impairment on loans and advances, and treasury investments	10	(1,916)	(23,504)	(9,983)	(28,548)	(28,548)
Net profit/(loss) before tax		**(32,114)**	**(54,992)**	**(7,130)**	**7,410**	**(13,098)**
Income tax (expense)/benefit		9,017	16,893	2,139	(2,185)	2,945
Profit/(loss) after tax		**(23,096)**	**(38,098)**	**(4,991)**	**5,225**	**(10,153)**

Notes:

1. Interest income represents the sum of the interest earned on interest-earning assets, establishment fees and facility fees (including fees on drawn and undrawn facility limits) received from customers, interest earned on cash and cash equivalents and treasury investments, and brokerage-related expenses.
2. Interest expense represents the interest incurred on the funding of interest-earning assets, the origination costs of these assets including third-party commissions, the establishment costs on debt, facility and line fees on debt, commissions paid to third parties for deposits, and interest expense on lease liabilities.
3. Other operating income represents ancillary income related to products and services that do not require regulatory capital to be committed against the source of the fee, such as Bank Guarantee products, grants received from the Victorian Government under the Department of Economic Development, Jobs, Transport and Resources 'Investment Attraction and Assistance Program', with FY22 being the final year the grant will be received by Judo, and gains on the sale of assets within the liquid assets portfolio. In FY21, Judo recognised a gain on the sale of assets within the liquid assets portfolio of $4.3 million.
4. Employee benefits expense represents the costs of all Judo's employees, net of personnel costs that qualify to be capitalised as development expenditure under IAS 38 Intangible Assets and including share-based payments that relate to employee share option plans. Share-based payments included in the Statutory Forecast Income Statement for FY22 include $2.1 million attributable to accelerated vesting of Performance Rights under legacy employee incentive plans, $6.4 million of transaction and other related costs of the Offer (consisting of $5.0 million for a broad-based grant at the time of Listing to reward staff and $1.4 million attributable to other Offer-related employee awards), $0.6 million attributable to post-Listing employee incentive plans, and $0.8 million for a retention program of key executives at the time of Listing. The FY22F Pro Forma Forecast Income Statement includes annualised expenses for post-Listing employee incentive plans of $1.0 million and the retention program for key executives of $1.4 million. See **Table 44** for a breakdown of employee benefits and **Section 5.4.4** for details of the post-Listing employee share options plans. The employee benefits expense included in the FY22 Pro forma Forecast Income Statement and the FY22 Statutory Forecast Income Statement do not include the full possible expense for the post-Listing employee incentive plans, on the basis that the FY22 Pro Forma and Statutory Forecast do not meet financial performance hurdles associated with the short-term incentive plans.
5. Information technology (IT) expense primarily relates to IT licensing, consulting and support costs.

6. Marketing expense relates to sponsorship, advertising, market research and other marketing costs. The Statutory Forecast Income Statement includes $0.8 million of marketing costs associated with marketing the Offer, which have been removed from the Pro Forma Forecast Income Statement.
7. Occupancy expense includes rental expenses for short-term leases not captured under AASB 16 and costs for rental outgoings, including cleaning and utilities.
8. Other expenses for the FY19, FY20, FY21 and FY22F include the estimated additional costs of $3.3 million per annum that Judo will incur upon becoming a publicly listed company, as though Judo was a publicly listed company from 1 July 2018. The FY22 Pro Forma Income Statement includes a full 12 months of these estimated additional public company costs. Other expenses in the Statutory Forecast Income Statement for FY22 include expensed transaction and other related costs of the Offer of $13.5 million. See **Section 5.4.3** for pro forma adjustments made to the Statutory Historical Income Statements for FY19, FY20 and FY21 and to the Statutory Forecast Income Statement for FY22.
9. Depreciation and amortisation expenses primarily relate to depreciation of Judo's furniture, fittings and equipment; office equipment; leasehold improvements; and the depreciation of right-of-use assets for rental leases captured under AASB 16, and amortisation of capitalised IT.
10. Impairment on loans and advances, and treasury investments represents the movement in the specific and collective provision for financial asset impairment in accordance with AASB 9, and bad debt write-offs (no bad debt write-off has been experienced in the historical periods).

Table 44. Details of employee benefits expense for Pro Forma Historical and Forecast Income Statements, and Statutory Forecast Income Statement

	Pro forma historical			Pro forma forecast	Statutory forecast
$'000	**FY19**	**FY20**	**FY21**	**FY22F**	**FY22F**
Employee benefit expense (excluding share-based payments)	(16,384)	(35,868)	(49,278)	(73,664)	(73,698)
Share-based payments	(51)	(462)	(1,660)	(2,366)	(9,849)
Employee benefits expense	**(16,435)**	**(36,330)**	**(50,938)**	**(76,030)**	**(83,547)**

5.4.2 Statutory Historical Income Statements

Table 45 sets out the Statutory Historical Income Statements for FY19, FY20 and FY21 extracted from the Audited Financial Statements.

Table 45. Statutory Historical Income Statements

		Statutory		
$'000	**Notes**	**FY19**	**FY20**	**FY21**
Interest income		6,262	52,389	126,380
Interest expense		(5,404)	(24,549)	(41,927)
Net interest income		**858**	**27,840**	**84,453**
Other operating income		498	416	5,343
Net banking income		**1,356**	**28,256**	**89,796**
Employee benefits expense		(15,609)	(35,504)	(50,924)
IT expense		(3,674)	(5,911)	(12,662)
Marketing expense		(1,039)	(3,023)	(4,412)
Occupancy expense		(836)	(959)	(1,225)
Other expenses		(5,754)	(7,577)	(11,243)
Depreciation and amortisation		(494)	(2,622)	(3,653)
Total operating expenses		**(27,406)**	**(55,596)**	**(84,119)**
Net profit/(loss) before impairment		**(26,050)**	**(27,340)**	**5,677**
Impairment on loans and advances, and treasury investments		(1,916)	(23,504)	(9,983)
Net profit/(loss) before tax		**(27,966)**	**(50,844)**	**(4,306)**
Income tax (expense)/benefit	1	–	–	33,114
Profit/(loss) after tax		**(27,966)**	**(50,844)**	**28,808**

Notes:

1. Deferred tax assets (**DTA**) related to timing differences and tax losses were recognised for the first time since inception of the business in the year ended 30 June 2021 as relevant recognition criteria were met during this year, generating a statutory income tax benefit. A pro forma adjustment has been made to re-allocate this benefit across the FY19, FY20 and FY21 periods, as explained in **Section 5.4.3**.

5.4.3 Pro forma adjustments to the Statutory Historical Income Statements and the Statutory Forecast Income Statement

The Pro Forma Historical Income Statements and the Pro Forma Forecast Income Statement are reconciled to the Statutory Historical Income Statements and the Statutory Forecast Income Statement in **Table 46**.

Table 46. Pro forma adjustments to the Statutory Historical Income Statements and the Statutory Forecast Income Statement

$'000	Notes	FY19	FY20	FY21	FY22F
Statutory net banking income	1	**1,356**	**28,256**	**89,796**	**162,300**
Pro forma net banking income		**1,356**	**28,256**	**89,796**	**162,300**
Statutory profit/(loss) after tax		**(27,966)**	**(50,844)**	**28,808**	**(10,153)**
Transaction and other related costs of the Offer expensed	2	–	–	1,323	21,062
Public company costs	3	(4,148)	(4,148)	(4,148)	(1,645)
Existing Performance Rights triggered by the Offer	4	–	–	–	2,090
Cost of post-Listing employee incentive plans	5	–	–	–	(999)
Tax effect of above adjustments	6	1,244	1,244	847	(5,130)
Re-allocation of tax losses recognised in FY21	7	7,773	15,649	(31,822)	–
Pro forma profit/(loss) after tax		**(23,096)**	**(38,098)**	**(4,991)**	**5,225**

Notes:

1. No pro forma adjustments were made to statutory net banking income.
2. **Transaction and other related costs of the Offer expensed:** the Statutory Forecast Income Statement will be impacted by $21.1 million relating to the portion of transaction and other related costs of the Offer that will be expensed. Costs of the Offer include employee awards, adviser fees, initial ASX listing fees, insurance and other incidental costs. This pro forma adjustment excludes these costs as they are non-recurring expenses.
3. **Public company costs:** upon becoming a listed public company, Judo will incur additional operating expenses, estimated at $4.1 million per annum. These include annual ASX listing fees, incremental audit fees, additional insurance premiums and incremental Non-Executive Director (**NED**) expenses. These incremental costs have been included in the Historical and Forecast Pro Forma Income Statements from FY19 onwards (employee benefits expenses $0.8 million and other expenses $3.3 million).
4. **Existing Performance Rights triggered by the Offer:** the Listing will trigger the exercise and vesting of certain Performance Rights related to existing management incentive plans and long-term incentive plans, the details of which are set out in **Section 10.4.3**. These existing Performance Rights will result in the issue of Shares on Listing, with the recognition of a share-based payments expense in the Statutory Forecast Income Statement. This pro forma adjustment excludes these costs in FY22 as they are replaced by share-based payment expenses associated with the post-Listing employee incentive plans (see below).
5. **Cost of post-Listing employee incentive plans:** the Statutory Forecast Income Statement includes seven months of share-based payments expenses related to the post-Listing employee incentive plans that will come into effect upon or after Listing, with this pro forma adjustment recognising the annual cost of these new incentive plans. See **Section 5.4.4** for a summary of the post-Listing employee share option plans.
6. **Tax effect of above adjustments:** this represents the cumulative income tax effect of the above pro forma adjustments at a corporate income tax rate of 30% in each financial year, allowing for non-deductible permanent differences in FY22.
7. **Re-allocation of tax losses recognised in FY21:** Deferred tax assets, timing differences and tax losses were not recognised in the Audited Financial Statements for the financial years ended 30 June 2019 and 30 June 2020, as relevant recognition criteria were not met in those periods. The cumulative impact of tax losses incurred to 30 June 2021 were brought to account for the first time in the Audited Financial Statements for the year ended 30 June 2021. A pro forma adjustment has been made to apply this benefit to each relevant historical period, based on when the losses were generated.

5.4.4 Post-Listing employee incentive plans

Judo has established a number of employee incentive plans to assist with the retention and reward of its employees and to align the interests of employees with the interests of Shareholders. These plans will be implemented on or post Listing as part of Judo's future remuneration arrangements for employees. The estimated financial impact of these new incentive plans is set out below. See **Section 7.4** for additional details.

Table 47. Summary of the post-Listing employee incentive plans

	Short-term incentives		**Long-term incentives**	
	Judo Grows (Management Board)	**Judo Grows (Other staff)**	**Judo Grows + (Management Board)**	**Judo Grows + (Senior leaders)**
Participants	Management Board	All other employees	Management Board	Senior leaders
Frequency	Annual	Annual	Annual	Annual
Award	Deferred Share Rights	Cash (25%) and/or restricted stock (75%)	Premium Priced Options	Premium Priced Options
Conditions	Annual financial and non-financial metrics with minimum threshold targets	Annual financial and non-financial metrics with minimum threshold targets	No conditions other than employment at the end of vesting period	No conditions other than employment at the end of vesting period
Estimated maximum annual value (based on initial participation)	$2,820,000 on a full-year basis (subject to a multiplier of up to 120%), with FY22 a pro-rated award of $1,410,000	$12,080,000 on a full-year basis (subject to a multiplier of up to 120%), with FY22 a pro-rated award of $6,040,000	$2,820,000, with FY22 intended to be a full-year award	$2,980,000, with FY22 intended to be a full-year award
Performance period	• Initial: 1 January 2022 to 30 June 2022 • Subsequent: financial years	• Initial: from 1 January 2022 to 30 June 2022 • Subsequent: financial years	No performance period. First grant on Listing, annually thereafter	No performance period. First grant on Listing, annually thereafter
Vesting schedule	• 50% 12 months from end of performance period • 50% 24 months from end of performance period	• Cash award is unrestricted • Equity vests 12 months from end of performance period	Five years	Four years
Accounting treatment	Expensed over vesting period	Expensed over vesting period	Expensed over vesting period	Expensed over vesting period

	Short-term incentives		Long-term incentives	
	Judo Grows (Management Board)	**Judo Grows (Other staff)**	**Judo Grows + (Management Board)**	**Judo Grows + (Senior leaders)**
FY22 statutory expense	No expense included in the FY22 Statutory Forecast as performance hurdles are set higher than the forecast. An expense will be required to be recognised in FY22 for up to $500,000 if actual FY22 performance exceeds 120% of these hurdles. Any incremental expense above the FY22 Statutory Forecast is expected to be offset by additional net income	No expense included in the FY22 Statutory Forecast as performance hurdles are set higher than the forecast. An expense will be required to be recognised in FY22 for up to $4,073,000 if actual FY22 performance exceeds 120% of these hurdles. Any incremental expense above the FY22 Statutory Forecast is expected to be offset by additional net income	$292,000 expense (assuming no staff attrition) for the seven-month period from 1 December 2021 to 30 June 2022, with a pro forma adjustment made to annualise the expense in the Pro Forma Income Statement for FY22	$279,000 expense (assuming a level of staff attrition) for the seven-month period from 1 December 2021 to 30 June 2022 with a pro forma adjustment made to annualise the expense in the Pro Forma Income Statement for FY22

In addition to the above, two programs are tied to the Listing to reward staff and ensure retention of key executives. These are:

- a broad-based grant of $5,000,000 of equity issued at nil consideration apportioned across all Judo employees as of 31 October 2021 (excluding the Management Board) in recognition of their individual contributions prior to Listing, structured as non-transferrable Deferred Share Rights, which entitle the subscriber to be issued shares six months from Listing. The full fair value ($5,000,000) of this award is included as an expense in the FY22 Statutory Forecast Income Statement, with a pro forma adjustment made to remove this non-recurring, non-cash expense (on the basis that the expense will only crystallise in conjunction with the Listing and will not recur beyond FY22); and
- a top-up award with face value of $7,000,000 (comprising 75% Deferred Share Rights and 25% Premium Priced Options) issued to two key executives, granted at Listing and subject to a five-year vesting period. The face value of the top-up award is expensed over the vesting period and all grants made under this award are forfeited if the executive is not employed by Judo at the end of the vesting period. The FY22 Statutory Forecast Income Statement includes $795,000 of share-based payments expense covering the seven-month period from 1 December 2021 to 30 June 2022, with a pro forma adjustment made to include the share-based payments expense for a 12-month period in the Pro Forma Forecast Income Statement for FY22.

5.5. Statements of Historical Financial Position

5.5.1 Statutory and Pro Forma Historical Statements of Financial Position

Table 48 sets out the audited Statutory Statement of Financial Position as at 30 June 2021, and adjustments (as explained in **Section 5.5.2**) to reflect the effect of Completion, as if all the pro forma transactions had occurred or were in place as at 30 June 2021. The Pro Forma Statement of Financial Position is provided for illustrative purposes only and is not necessarily indicative of Judo's view of its financial position upon Completion or at a future date. Further information on the sources and uses of funds of the Offer is set out in **Section 8.3**.

Table 48. Statutory and Pro Forma Historical Statements of Financial Position

$'000	Notes	Statutory June 21	Additional capital issued post 30 June 2021	Impact of the Offer	Pro forma June 21
Assets					
Cash and cash equivalents	1	344,045	25,341	249,709	619,095
Treasury investments	2	3,259,735	–	–	3,259,735
Loans and advances	3	3,482,172	–	–	3,482,172
Hedging derivatives		3,185	–	–	3,185
Plant and equipment		1,665	–	–	1,665
Right-of-use assets		2,574	–	–	2,574
Intangible assets		16,018	–	–	16,018
Deferred tax assets		32,158	–	10,207	42,365
Other assets		34,646	–	1,468	36,114
Total assets		**7,176,198**	**25,341**	**261,384**	**7,462,923**
Liabilities					
Accounts payable and other liabilities		17,394	–	–	17,394
Deposits		2,547,653	–	–	2,547,653
Borrowings		3,528,575	–	–	3,528,575
Lease liability		2,935	–	–	2,935
Provisions		3,749	–	–	3,749
Total liabilities		**6,100,306**	**–**	**–**	**6,100,306**
Net assets		**1,075,892**	**25,341**	**261,384**	**1,362,617**
Equity					
Share capital		1,146,321	25,341	343,177	1,514,839
Other reserves		3,044	–	(64,602)	(61,558)
Retained earnings/accumulated losses		(73,473)	–	(17,191)	(90,664)
Total equity	**1**	**1,075,892**	**25,341**	**261,384**	**1,362,617**

Notes:

1. Judo is subject to capital adequacy and liquidity requirements. Information on Judo's capital adequacy and liquidity is set out in **Section 5.5.3**.
2. $2,202.1 million of treasury investments are used as collateral for the preserved component of Judo's TFF drawings and are invested in Australian Commonwealth Government Bonds and state government securities. The balance of $1,057.6 million is also held in predominantly Australian Commonwealth Government Bonds and state government securities, with these readily transformable into cash through either sale or a repurchase facility.
3. Loans and advances are presented net of collective and specific provisions for expected credit losses (**ECLs**), which totalled $35.1 million as at 30 June 2021.

5.5.2 Adjustments to the Statutory Historical Statement of Financial Position

5.5.2.1 Impact of additional capital received between 30 June 2021 and the Offer date

Judo issued additional capital post the 30 June 2021 balance date as a result of receiving $19.6 million related to the remaining settlement of commitments from its Round 5 equity raising during July 2021, following receipt of regulatory approval and $5.7 million related to the exercise of warrants in October 2021. An adjustment has been made to update the capital position of the Company for this additional capital issued prior to the Offer. The pro forma effect of this transaction is to recognise:

- an increase in contributed equity of $25.3 million; and
- an increase in cash of $25.3 million.

5.5.2.2 Impact of the Offer

Assuming Completion occurs on 30 November 2021, consistent with the sources and uses of funds set out in **Section 8.3**, the pro forma effect of those transactions as if they occurred on 30 June 2021 is to recognise:

- an increase in cash of $249.7 million, being gross proceeds from the issue of Shares of $344.0 million, less total cash-settled transaction and other related costs of the Offer of $30.3 million, less $64.0 million paid to Participants in Judo's legacy management incentive plan for the cancellation of Performance Rights held. Further details on the cancellation of these Performance Rights are set out in **Section 10.4.3**;
- an increase in other assets of $1.5 million related to recoverable goods and services tax (**GST**) on transaction and other related costs of the Offer;
- an increase in DTA of $10.2 million, being the tax effect of the tax-deductible costs of the Offer. As the Company's assessment of the deductibility of the $64.0 million paid to Participants in Judo's legacy management incentive plan for the cancellation of Performance Rights held is ongoing, no deferred tax asset has been recognised for this in the Pro Forma Statement of Financial Position;
- a net increase in share capital of $343.2 million, being gross proceeds from the issue of new Shares of $344.0 million, less the after-tax capitalised costs of the Offer of $9.9 million ($14.2 million pre-tax), plus $9.1 million of equity-settled awards converted to share capital on Listing (comprised of $6.4 million recognised as transaction and other related costs of the Offer, $2.1 million of Performance Rights triggered and $0.6 million of pre-existing share-based payments reserves);
- a decrease in other reserves of $64.6 million, being the decrease in the share-based payments reserve related to the buy-back of Performance Rights held in Judo's legacy management incentive plan of $64.0 million and the reversal of the share-based payment reserve balance of $0.6 million related to pre-existing Performance Rights converted to share capital on Listing; and
- an increase in accumulated losses of $17.2 million, reflecting the after-tax impact of transaction and other related costs of the Offer expensed of $15.1 million ($21.1 million pre-tax) and the expense for the Performance Rights triggered of $2.1 million.

5.5.3 Capital adequacy and liquidity

As a regulated authorised deposit-taking institution (**ADI**), Judo is required to satisfy regulatory capital requirements under Australian Prudential Regulation Authority (**APRA**) Prudential Standards, informed by the Basel III capital framework. Regulatory capital held can be in the form of Common Equity Tier 1 (**CET1**) capital, Additional Tier 1 capital or Tier 2 capital, as determined by APRA Prudential Standards. See **Section 2.5.3** for detailed information on capital requirements. As of June 2021, Judo's regulatory capital included CET1 capital and Tier 2 capital, with Tier 2 capital comprising the subordinated debt issued in June 2021 and a 'General Reserve for Credit Losses'. Further information on Judo's regulatory capital can be found in Pillar 3 Disclosures reports published quarterly by Judo in accordance with APRA Prudential Standard APS 330.

Following Completion, Judo's principal sources of funds are expected to be cash and cash equivalents, liquid financial investments, debt facilities and deposits. Judo's main use of cash is for lending, investing and to fund operations and capital expenditure. Judo also has to comply with the Minimum Liquidity Holdings regime, an APRA requirement that Judo holds a minimum buffer in cash and eligible securities to manage liquidity requirements. Historical and Forecast Cash Flows are described in **Section 5.6**.

Judo expects to have sufficient capital to meet regulatory requirements and business needs, as well as sufficient cash and cash equivalents, and liquid financial investments during the forecast period on the basis presented in this **Section 5**.

Table 49 summarises Judo's capital adequacy and liquidity as set out in the Statutory Historical Statement of Financial Position at 30 June 2021 and on a pro forma basis to reflect the impact of the Offer, as if Completion occurred on 30 June 2021.

Table 49. Capital adequacy and liquidity

		Historical		
$'000	**Notes**	**Statutory June 21**	**Pro forma transactions**	**Pro forma June 21**
Capital adequacy				
Common Equity Tier 1 capital	1	1,004,200	275,050	1,279,250
Total Tier 2 capital	2	75,500	–	75,500
Total capital		**1,079,700**	**275,050**	**1,354,750**
Total risk-weighted assets (RWAs)	3	4,094,000	55,010	4,149,010
Risk-weighted capital ratios				
Common Equity Tier 1 capital		24.5%		30.8%
Tier 1 capital		24.5%		30.8%
Total capital ratio		26.4%		32.7%
Liquidity				
Total liquid assets balance		3,603,780	275,050	3,878,830
Less liquid assets ineligible for MLH	4	2,319,180	–	2,319,180
Total adjusted MLH balance		**1,284,600**	**275,050**	**1,559,650**
MLH (%)		19.6%	–	23.8%

Notes:

1. Adjustments to CET1 capital include $261.4 million for the impact of the Offer on equity, less $10.2 million of deductible DTA and $1.5 million of recoverable GST created by the Offer, plus $25.3 million for additional capital raised post the 30 June 2021 balance date as a result of receiving the remaining settlement of commitments from its Round 5 equity raising and the exercise of warrants in October 2021 (see **Section 5.5.1**).
2. Tier 2 capital includes $50.0 million of hybrid equity and $25.5 million of General Reserve for Credit Losses.
3. Judo is subject to the standardised approach for the calculation of its RWAs, as detailed in APS 112. More information can be found in the Pillar 3 Disclosures reports published by Judo quarterly. Pro forma RWAs have been calculated assuming net proceeds from the Offer are invested in cash equivalent financial instruments that carry a risk weight of 20%.
4. Liquid assets ineligible for MLH are predominantly collateral security for the preserved component of the RBA's TFF (see **Section 3.7.3.3**), with the majority of the residual balance cash amounts held in collections accounts for Judo's wholesale debt facilities.

Table 50 analyses Judo's financial instruments in relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows, allocated to time bands based on the earliest date on which Judo can be required to pay or cash in. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Table 50. Contractual maturities of financial instruments

		30 June 2021				
$'000	**Notes**	**Less than 6 months**	**6–12 months**	**1–5 years**	**Over 5 years**	**Carrying amount**
Non-derivatives						
Assets						
Cash and cash equivalents	1	619,095	–	–	–	619,095
Other treasury investments	2	276,440	315,003	2,419,454	248,838	3,259,735
Loans and advances		244,518	292,637	2,015,181	929,836	3,482,172
Other assets	3	36,114	–	–	–	36,114
Liabilities						
Deposits		(1,549,715)	(609,382)	(388,251)	(304)	(2,547,653)
Accounts payable and other liabilities		(17,394)	–	–	–	(17,394)
Borrowings		(20,460)	(71,622)	(3,231,979)	(204,514)	(3,528,575)
Lease liabilities		(598)	(621)	(1,717)	–	(2,935)
Total non-derivatives		**(412,000)**	**(73,985)**	**812,688**	**973,856**	**1,300,559**
Derivatives						
Interest rate swaps		–	–	1,113	2,071	3,185
Total derivatives		**–**	**–**	**1,113**	**2,071**	**3,185**

Notes:

1. Cash and cash equivalents include $25.3 million additional capital received post the 30 June 2021 balance date, which relates to final outstanding settlement of capital the Company raised in June 2021 and the exercise of warrants in October 2021 and $249.7 million received during the Offer (see **Section 5.5.1**).
2. Other treasury investments include the collateral for the preserved component of Judo's TFF drawings, with the balance held in instruments readily transformable into cash through either sale or repurchase facility.
3. Other assets includes the addition of $1.5 million of recoverable GST on transaction and other related costs of the Offer (see **Section 5.5.1**).

5.5.4 Indebtedness

Table 51 summarises Judo's borrowings as set out in the Statutory Historical Statement of Financial Position at 30 June 2021 and on a pro forma basis to reflect the impact of the Offer as if Completion occurred on 30 June 2021.

Table 51. Indebtedness

		Historical		
$'000	**Notes**	**Statutory June 21**	**Pro forma transactions**	**Pro forma June 21**
Debt facilities	1	621,705	–	621,705
Tier 2 subordinated notes	2	50,000	–	50,000
Repurchase agreements – RBA's TFF (secured by self-securitisation notes)	3	696,100	–	696,100
Borrowing costs	4	(3,231)	–	(3,231)
Deposits	5	2,547,653	–	2,547,653
Total borrowings funding loans and advances		**3,912,227**	**–**	**3,912,227**
Repurchase agreements – RBA's TFF (preserved component secured by treasury investments)	3	2,164,001	–	2,164,001
Total borrowings		**6,076,228**	**–**	**6,076,228**

Notes:

1. Details of the debt facilities, notably maturity of the Warehouse Facilities, can be found in **Section 3.7.3.2**.
2. Details of the Tier 2 capital program can be found in **Section 3.7.4.2**.
3. Judo's drawings on the RBA's TFF are currently split between a component collateralised with notes from Judo's self-securitisation facility ($696.1 million) and a preserved component collateralised with eligible treasury investments ($2,164.0 million). It is intended that the preserved component will be replaced with additional self-securitisation notes as they are generated through new loans and advances to customers (see **Section 3.7.3.3**).
4. Borrowing costs are for the debt facilities, the RBA's TFF program and the Tier 2 subordinated notes.
5. Details on deposits, notably investors mix and tenor, can be found in **Section 3.7.3.1**.

5.5.5 Credit risk

Table 52 outlines Judo's lending exposure to credit risk, by credit risk rating grade, arising from Judo's loan book as at 30 June 2021. Further details on Judo's management of credit risk are set out in **Section 4.8.1**.

Table 52. Credit risk

			30 June 2021		
$'000		**Notes**	**Estimated gross carrying amount at default**	**Impairment provision**	**Basis for calculation of interest revenue**
Group internal credit rating	**Basis for recognition of expected credit loss provision**				
Performing – Stage 1	12-month expected losses	1	2,792,438	11,731	Gross carrying amount
Underperforming – Stage 2	Lifetime expected losses	2	687,229	15,428	Gross carrying amount
Non-performing – Stage 3	Lifetime expected losses	3	37,567	7,904	Amortised cost carrying amount (net of credit allowance)
Write-off	Asset is written off through the income statement to the extent of expected losses	4	–	–	None
			3,517,234	**35,063**	

Notes:

1. Where customers have a low risk of default and a strong capacity to meet contractual cash flows or have not had a significant increase in credit risk since initial recognition.
2. Loans for which there is a significant increase in credit risk. A significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due.
3. Customer meets Judo's definition of default, including when interest and/or principal repayment are 90 days past due.
4. The asset has been written off from the balance sheet.

5.5.6 Interest rate risk

In the normal course of offering banking services, Judo is exposed to the interest rate risk mismatches that exist between its assets and its liabilities. Notably, a significant majority of Judo's loan book portfolio is on floating rates with a monthly rate indexation to the Judo Market Base Rate (an internal reference rate benchmarked on the 1-Month BBSW Bid rate, with a zero floor on the measurement of this benchmark), while part of its funding is on fixed rates with a term maturity, notably its deposit funding and the RBA's TFF program. Therefore, Judo's net interest margin might be at risk from structural maturity mismatches, notably if interest rates were to decrease and assets were to reprice lower to a greater extent than liabilities.

To manage interest rate risk, Judo has established a number of risk-reducing features including:

- oversight and monitoring by various governance bodies, including the Board, the Asset and Liability Committee (**ALCO**) and management. The Board sets limits on interest rate risk, which are monitored and reviewed by ALCO and the Board Risk Committee;

- when there is a risk that the potential losses in earnings or value on the balance sheet created by changes in market reference rates exceed the targets set by the Board, Judo might use derivatives to hedge the risk, notably interest rate swaps or bank bill futures;
- the zero floor on the 1-Month BBSW Bid rate in the Judo Market Base Rate calculation, providing protection on interest income in the event of negative interest rates; and
- natural hedges, such as aligning the maturity and interest type of investments and funding.

As at 30 June 2021, the 1-Month BBSW Bid rate was 0.06%. As a result of the zero floor and the fixed rate of 0.10% of the RBA's TFF program until maturity (which is three years from initial draw, with final maturity in June 2024) or repayment, Judo's statement of financial position is currently structurally positioned to increase net interest income from rising interest rates and limit net interest income reduction resulting from reducing interest rates. For an analysis of the sensitivity of the income statement to a change in interest rates, see **Section 5.9**.

5.5.7 Lease liabilities

Judo's corporate office in Melbourne is leased under non-cancellable leases ending 30 November 2022, with options to extend for another five years. Judo's Sydney and Brisbane offices are under leases to 31 July 2024 and 1 December 2024, respectively. Lease payments for Judo's corporate office are subject to an annual increase of 3.75%, while the Sydney and Brisbane offices are subject to 4.0% and 3.5% annual increases, respectively. The future minimum rentals payable under these leases as at 30 June 2021 were $1.1 million within one year and $1.7 million payable after one year, but not more than five years.

As at 30 June 2021, Judo also has leases for other sites that are classified as low-value assets for which a lease asset and lease liability have not been recognised. The total cash flow related to these sites was $0.7 million in FY21.

5.5.8 Deferred tax assets and unrecognised tax losses

As at 30 June 2021, the DTA of $32.2 million recorded in the Statutory Historical Statement of Financial Position included carry forward tax losses and other deductible temporary timing differences. The Pro Forma Historical Statement of Financial Position includes an increase in the DTA of $10.2 million related to the tax effect of the costs of the Offer. Judo recognises an income tax benefit in accordance with the accounting policies set out in **Appendix A**. Deferred tax assets are recognised for deductible temporary differences as it is considered probable that future taxable profits will be available to utilise those temporary differences. Similarly, an assessment is made to support the recognition of any carry forward tax losses. Judo does not recognise DTA where utilisation is not considered probable.

5.5.9 Off-balance sheet arrangements

During FY19 through FY21, Judo had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the financial performance, cash flows or financial position, or on the liquidity and capital resources.

5.6. Historical and Forecast Cash Flows

5.6.1 Pro Forma Historical Cash Flows, Pro forma Forecast Cash Flows and Statutory Forecast Cash Flows

Table 53 sets out the Pro Forma Historical Cash Flows for FY19, FY20 and FY21 and the Pro Forma Forecast Cash Flows for FY22F. The Pro Forma Historical Cash Flows and the Pro Forma Forecast Cash Flows are reconciled to the Statutory Historical Cash Flows and the Statutory Forecast Cash Flows in **Section 5.6.3**. Investors are referred to **Section 5.8**, which provides a management discussion and analysis of the cash flow line items.

Table 53. Pro Forma Historical and Forecast Cash Flows, and Statutory Forecast Cash Flows

			Pro forma historical		**Pro forma forecast**	**Statutory forecast**
$'000	**Notes**	**FY19**	**FY20**	**FY21**	**FY22F**	**FY22F**
Profit/(loss) for the period		**(23,096)**	**(38,098)**	**(4,991)**	**5,225**	**(10,153)**
Adjustments for non-cash items						
Depreciation and amortisation		494	2,622	3,653	7,369	7,369
Reversal of income tax benefit/(expense)		(9,017)	(16,893)	(2,139)	2,185	(2,945)
Impairment on loans and advances, and treasury investments		1,916	23,504	9,983	28,548	28,548
Accrued interest income	1	(169)	(1,271)	(321)	1,185	1,185
Accrued interest expense	2	339	7,707	2,648	7,105	7,105
Working capital movements	3	553	(820)	2,520	4,971	3,648
Other non-cash items	4	359	567	1,655	2,366	9,849
Net movement in lease liability	5	–	(944)	(1,120)	(2,052)	(2,052)
Net operating cash flow before financing and taxation		**(28,621)**	**(23,627)**	**11,888**	**56,902**	**42,554**
Capital expenditure		(2,245)	(5,817)	(12,677)	(19,151)	(19,151)
Net movement in loan book	6	(227,907)	(1,550,423)	(1,728,642)	(2,492,546)	(2,492,546)
Payment for treasury investments	7	(58,846)	(394,283)	(2,835,967)	1,009,602	1,009,602
Net movement in customer deposits		104,649	1,281,866	1,161,372	1,229,662	1,229,662
Proceeds from borrowings	8	85,142	409,904	3,033,700	12,717	12,717
Net cash flow before corporate financing and taxation		**(127,828)**	**(282,380)**	**(370,326)**	**(202,814)**	**(217,162)**
Corporate financing activities	9	177,586	396,037	500,077	305,341	291,188
Income tax paid	10	–	–	–	–	–
Net increase/(decrease) in cash and cash equivalents		**49,758**	**113,657**	**129,751**	**102,527**	**74,026**

Notes:

1. Accrued interest income includes the movement in interest receivable on loans and treasury investments.
2. Accrued interest expense includes the movement in interest payable on wholesale funding and customer deposits.
3. The change in other net working capital includes changes in receivables, payables, accruals and provisions and can be significantly affected by the timing of receivables and payables. Working capital movements in the Statutory Forecast Cash Flow in FY22 include the impact of certain transaction and other related costs of the Offer, which were accrued as at 30 June 2021. See **Section 5.6.3** for pro forma adjustments made to the Statutory Forecast Cash Flows.
4. Other non-cash items primarily include existing and new share-based plans that relate to employee incentive plans, and gains and losses on the sale of non-current assets. For more details on the post-Listing employee share options plans, see **Section 5.4.4**. Other non-cash items in the Statutory Forecast Cash Flow in FY22 include equity-settled transactions and other related costs of the Offer. See **Section 5.6.3** for pro forma adjustments made to the Statutory Forecast Cash Flows.
5. As explained in **Section 5.2.4.1**, AASB 16 requires cash flows relating to lease liabilities to be included in financing cash flows, whereas under previous AAS these cash flows, represented as rent, were included in operating cash flows.
6. Net movement in loan book represents (increase)/decrease in loans and advances.
7. Payment for treasury investments represents the payments for, and receipts from, the purchase and sale of treasury assets.
8. Proceeds from borrowings include movements in any debt other than deposits, notably warehouse funding, corporate debt, subordinated debt (Tier 2 capital) and drawings of the RBA's TFF.
9. Corporate financing activities relate to proceeds from the issue of shares and other equity securities. Corporate financing activities in the Statutory Forecast Cash Flows for FY22 include capitalised transaction and other related costs of the Offer. Corporate financing activities in FY22F do not include any proceeds from the Employee Discount Offer, as the take-up of the Employee Discount Offer by Eligible Discount Offer Employees is not yet known. Refer to **Section 8.10** for further details of the Employee Discount Offer, including maximum Application size. See **Section 5.6.3** for pro forma adjustments made to the Statutory Forecast Cash Flows.
10. Income tax paid in the historical years is nil as Judo reported a net taxable loss in each of FY19, FY20 and FY21. FY22 income tax payable is also forecast to be zero, with income tax expense offset by the utilisation of carried forward tax losses.

5.6.2 Statutory Historical Cash Flows

Table 54 sets out the Statutory Historical Cash Flows for FY19, FY20 and FY21 extracted from the Audited Financial Statements.

Table 54. Statutory Historical Cash Flows

		Statutory historical		
$'000	**Notes**	**FY19**	**FY20**	**FY21**
Profit/(loss) for the period		**(27,966)**	**(50,844)**	**28,808**
Adjustments for non-cash items				
Depreciation and amortisation		494	2,622	3,653
Reversal of income tax benefit/(expense)	1	–	–	(33,114)
Impairment on loans and advances, and treasury investments		1,916	23,504	9,983
Accrued interest income		(169)	(1,271)	(321)
Accrued interest expense		339	7,707	2,648
Working capital movements		553	(820)	3,843
Other non-cash items		359	567	1,655
Net movement in lease liability		–	(944)	(1,120)
Net operating cash flow before financing and taxation		**(24,474)**	**(19,479)**	**16,035**
Capital expenditure		(2,245)	(5,817)	(12,677)
Net movement in loan book		(227,907)	(1,550,423)	(1,728,642)
Payment for treasury investments		(58,846)	(394,283)	(2,835,967)
Net movement in customer deposits		104,649	1,281,866	1,161,372
Proceeds from borrowings		85,142	409,904	3,033,700
Net cash outflow before corporate financing and taxation		**(123,681)**	**(278,232)**	**(366,179)**
Corporate financing activities		177,586	396,037	500,077
Income tax paid		–	–	–
Net increase/(decrease) in cash and cash equivalents		**53,905**	**117,805**	**133,898**

Notes:
1. Reversal of income tax benefit/(expense) relates to timing differences and tax losses recognised for the first time since inception of the business in the year ended 30 June 2021 as relevant recognition criteria were met during this year, generating a non-cash statutory income tax benefit of $33.1 million.

5.6.3 Pro forma adjustments to the Statutory Historical Cash Flows and the Statutory Forecast Cash Flows

The Pro Forma Historical Cash Flows and the Pro Forma Forecast Cash Flows are reconciled to the Statutory Historical Cash Flows and the Statutory Forecast Cash Flows in **Table 55**.

Table 55. Pro forma adjustments to the Statutory Historical Cash Flows and the Statutory Forecast Cash Flows

		Statutory to pro forma historical			Statutory to pro forma forecast
$'000	**Notes**	**FY19**	**FY20**	**FY21**	**FY22F**
Statutory net increase/(decrease) in cash and cash equivalents		**53,905**	**117,805**	**133,898**	**74,026**
Transaction and other related costs of the Offer	1	–	–	–	30,146
Public company costs	2	(4,148)	(4,148)	(4,148)	(1,645)
Pro forma net increase/(decrease) in cash and cash equivalents		**49,758**	**113,657**	**129,751**	**102,527**
Statutory net operating cash flow before financing and taxation		**(24,474)**	**(19,479)**	**16,035**	**42,554**
Transaction and other related costs of the Offer	3	–	–	–	15,993
Public company costs	2	(4,148)	(4,148)	(4,148)	(1,645)
Pro forma net operating cash flow before financing and taxation		**(28,621)**	**(23,627)**	**11,888**	**56,902**

Notes:

1. Transaction and other related costs of the Offer include capitalised transaction and other related costs of the Offer of $14.2 million and expensed transaction and other related costs of the Offer of $14.7 million (excluding non-cash share-based payments of $6.4 million) and $1.3 million of transaction and other related costs of the Offer accrued at the end of FY21, but paid in FY22, which are included the FY22 Statutory Cash Flows, but excluded from the FY22 Pro Forma Cash Flows.
2. Refer to Note 3 in **Table 46**.
3. Transaction and other related costs of the Offer are as described in Note 1 of **Table 55**; however, capitalised transaction costs are not included in net operating cash flows before financing and taxation.

5.7. Key operating metrics

Table 56 summarises Judo's key operating metrics derived from the Pro Forma Historical Income Statements and the Pro Forma Forecast Income Statement and underlying operational and financial information used by management to monitor and assess the financial and operational performance for these periods.

Table 56. Key operating metrics

		Pro forma historical			Pro forma forecast	Growth or change on prior year		
$'000	**Notes**	**FY19**	**FY20**	**FY21**	**FY22F**	**FY20**	**FY21**	**FY22F**
Loan book								
Loan balance (end of period)		238,272	1,788,593	3,517,235	6,000,000	Large	97%	71%
Loan balance (average)		88,956	970,112	2,576,433	4,633,539	Large	166%	80%
Originations	1	241,028	1,697,254	2,217,851	3,540,509	Large	31%	60%
Performance								
Net interest margin (%)	2	0.53%	2.00%	2.09%	2.03%	+ 147 bps	+ 9 bps	(6 bps)
Underlying NIM (%)	3	0.53%	2.02%	2.59%	2.69%	+ 149 bps	+ 57 bps	+ 11 bps
Cost-to-income ratio (%)	4	Large	Large	96.8%	77.8%	Large	Large	(19 pp)
Capital adequacy								
Total RWAs	5	443,800	2,286,600	4,147,866	6,593,051	Large	81%	59%
Lending RWAs on lending assets (%)	6	92%	94%	92%	91%	+ 139 bps	(181 bps)	(125 bps)
Leverage ratio (%)	7	51.8%	19.0%	16.9%	14.1%	(33 pp)	(2 pp)	(3 pp)
Common Equity Tier 1 capital ratio (%)	8	43.6%	23.1%	30.8%	19.5%	(21 pp)	+ 8 pp	(11 pp)
Total capital ratio (%)	9	44.2%	23.8%	32.7%	20.9%	(20 pp)	+ 9 pp	(12 pp)
Asset quality								
Impairment expense on average loan balance	10	2.15%	2.42%	0.39%	0.62%	+ 27 bps	(204 bps)	+ 23 bps
Losses ratio (%)	11	–	–	–	n.a.	–	–	n.a.
Collective provision coverage (%)	12	0.82%	1.36%	0.83%	n.a.	+ 53 bps	(53 bps)	n.a.
Specific provision coverage (%)	13	0.00%	0.06%	0.17%	n.a.	+ 6 bps	+ 10 bps	n.a.
Total provision coverage ratio (%)	14	0.82%	1.42%	1.00%	0.90%	+ 60 bps	(42 bps)	(10 bps)
Operations								
Total staff (end of period)		105	197	320	n.a.	88%	62%	n.a.
Number of relationship bankers (end of period)		32	57	87	98	78%	52%	12%
No. of customers: lending products (end of period)		100	871	1,650	n.a.	Large	89%	n.a.
No. of customers: lending products per relationship banker (end of period)		3	15	19	n.a.	Large	24%	n.a.

Refer the next page for notes.

Notes:

Changes greater than 200% are shown as 'Large'.

1. Originations include the full limit for Line of Credit products.
2. Net interest margin is net interest income divided by the average of the month-end closing balance of interest-earning assets (see **Section 5.3**).
3. Underlying NIM is net interest margin adjusted to remove the impact of Judo's preservation strategy in accessing the RBA's TFF (see **Section 5.3**).
4. Cost-to-income ratio is total expenses divided by net banking income (see **Section 5.3**).
5. Judo is subject to the standardised approach for the calculation of its RWAs, as detailed in APS 112. More information can be found in the Pillar 3 Disclosures reports published by Judo quarterly.
6. Lending RWAs divided by end-of-period lending assets.
7. Leverage ratio is Tier 1 Capital as a percentage of total exposures. Total exposures are the sum of both balance sheet and off-balance sheet exposures (including treasury investments) and net of any Tier 1 regulatory reductions.
8. Common Equity Tier 1 capital divided by total RWAs.
9. Total regulatory capital including CET1 capital, Additional Tier 1 capital and Tier 2 capital, divided by total RWAs.
10. Impairment on loans and advances, and treasury investments divided by the average loan balance. For more details on historical and forecast performance (see **Sections 5.8.2.8, 5.8.3.8** and **5.8.5.8**).
11. Losses ratio is the write-off expense experienced over a period, divided by the average loan balance of the period. Judo hasexperienced no losses historically. Any potential losses for FY22 are included in the total impairment expense and not separately forecast.
12. Collective provision balance divided by the end-of-period loan book.
13. Specific provision balance divided by the end-of-period loan book.
14. Total impairment provision balance divided by the end-of-period loan book.

5.7.1 Comparison of net interest margin and Underlying NIM

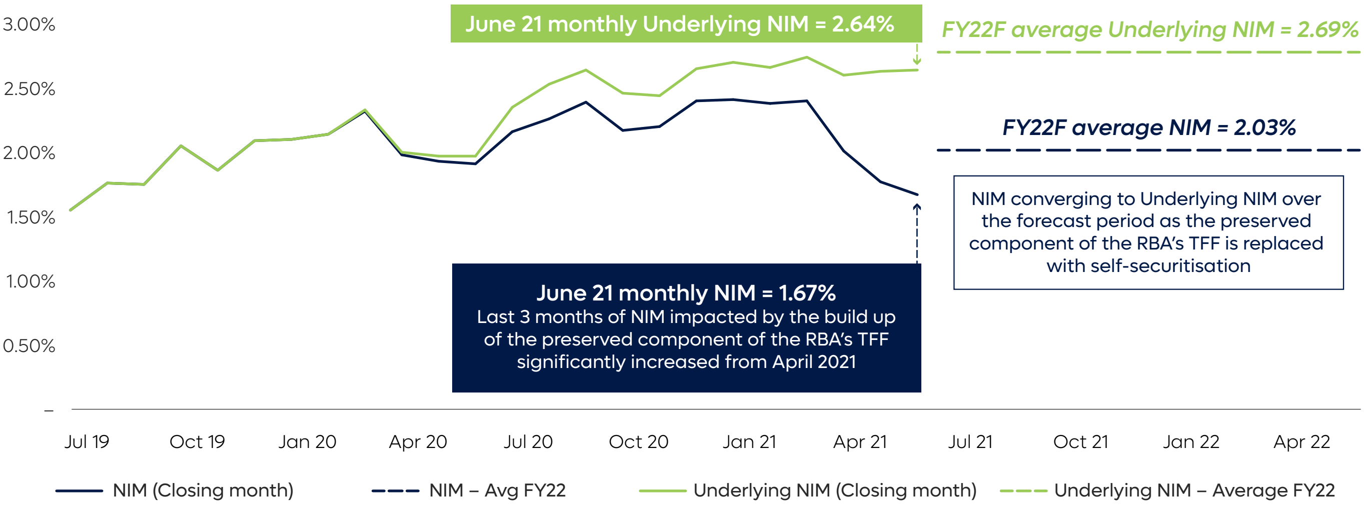
Judo participates in the RBA's TFF program, which allows ADIs to access a three-year funding source at a fixed interest rate of 0.10% for drawdowns post 30 September 2020 and 0.25% prior to that date. This funding was available for drawdown until June 2021 and was for a fixed term of three years, with final maturity in June 2024. As part of its funding strategy, Judo had drawn $2.9 billion under the TFF as of 30 June 2021. Of this, $0.7 billion was secured by self-securitisation notes backed by loans originated by Judo and $2.2 billion was a 'preserved component' of its allocation, which Judo has secured with treasury investments. Over time, Judo intends to progressively utilise the preserved component of $2.2 billion to fund originations by replacing these treasury investments with self-securitisation notes. See **Section 3.7.3.3** for more details on the RBA's TFF program.

While the TFF offers a significant cost-of-funding benefit compared to other sources of debt finance, the preserved component invested in low-yielding treasury investments distorts Judo's reported net interest margin. To reflect the underlying performance of Judo's business, the Company also discloses an Underlying NIM that is adjusted to remove the impact of the preserved component of the RBA's TFF, as explained in **Section 5.3**. The purpose of the Underlying NIM is to demonstrate the approximate net interest margin generated from Judo's core business while Judo's preservation strategy of the RBA's TFF unwinds. As Judo progressively replaces its holding in liquid treasury investments, securing the preserved component of the TFF with self-securitisation notes, Judo expects the gap between net interest margin and Underlying NIM to narrow. Judo expects it will cease reporting Underlying NIM when the two measures converge, which is expected to be at the earliest of the full utilisation of the preserved component of the TFF or the repayment of the TFF in its entirety.

For the month of June 2021, Judo's net interest margin was 1.67% and Underlying NIM was 2.64%. In FY22, Judo's net interest margin is forecast to be 2.03% and Underlying NIM is forecast to be 2.69%, which underlines that both measures are expected to expand during the forecast period, as explained in **Section 5.8.5.3**. The gap between net interest margin and Underlying NIM is expected to narrow during FY22 as the preserved component of the RBA's TFF currently secured by low-yielding treasury investments is used by Judo to fund customer loans and transitions to self-securitisation notes, resulting in net interest margin converging to Underlying NIM.

Figure 98 illustrates the difference between the two metrics historically on a monthly closing basis as well as their forecast average values in FY22. The historical movements in monthly closing net interest margin and Underlying NIM are primarily due to changes in the level of liquid assets following capital raisings as well as a rapidly growing lending book. The specific drop in net interest margin in April 2021 arises from the impact of the drawdown of the TFF program prior to the June 2021 deadline, as described in this section.

Figure 98: Net interest margin and Underlying NIM



June 21 monthly Underlying NIM = 2.64%

FY22F average Underlying NIM = 2.69%

FY22F average NIM = 2.03%

NIM converging to Underlying NIM over the forecast period as the preserved component of the RBA's TFF is replaced with self-securitisation

June 21 monthly NIM = 1.67%
Last 3 months of NIM impacted by the build up of the preserved component of the RBA's TFF significantly increased from April 2021

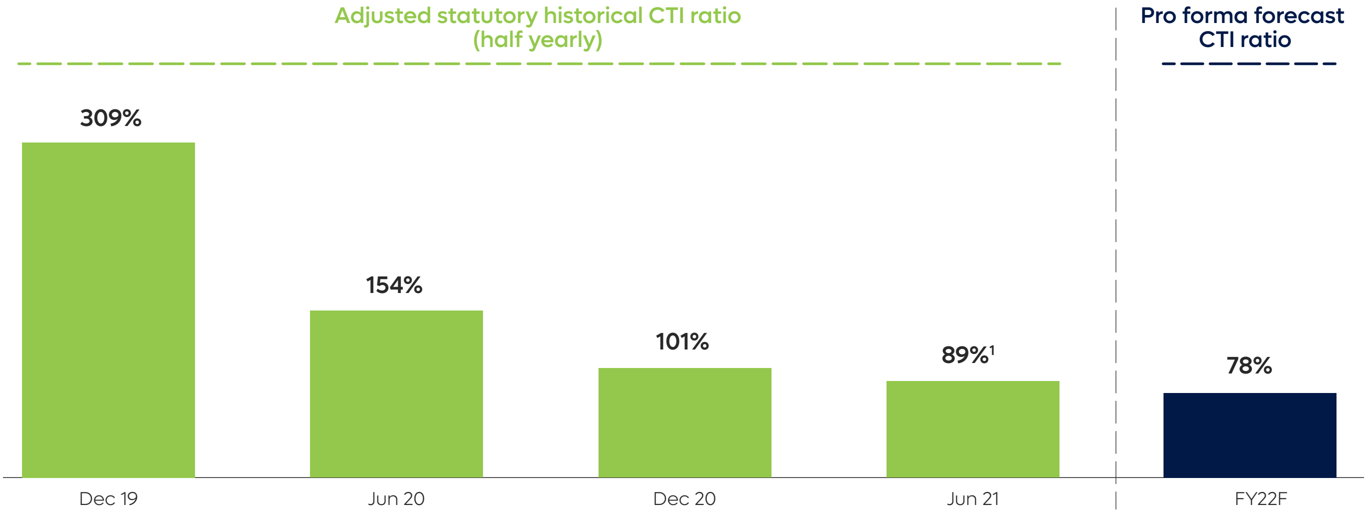
5.7.2 Progression of cost-to-income ratio

As a company recently launched in a regulated sector with significant fixed costs of operations, Judo has invested heavily to build the foundational capabilities that will support its projected future growth and operations at scale (see **Section 3.11**). In historical periods, this has resulted in a cost base that was disproportionate to the revenues of the business given its early stage of maturity. As Judo has grown, this cost base has decreased in relation to the revenues and size of the business, with the leverage in the business model best illustrated by the CTI ratio.

Over the last two years, Judo has consistently improved its CTI ratio, with the trajectory of the ratio demonstrating the efficiencies unlocked by increasing scale. Judo's CTI ratio is forecast to continue to decline in the Pro Forma Income Statement in FY22F.

Figure 99 illustrates the historical and forecast trends in Judo's CTI ratio. The historical data is on an adjusted statutory half-year basis, while forecast is presented on an annual pro forma basis.

Figure 99: Judo's cost-to-income ratio evolution



Notes:
Historical data for the half-year ending on a statutory basis, adjusted for one-off costs.

1. The half-year ending June 2021 has been adjusted for one-off costs, including costs related to the Offer as well as an employee benefits expense related to a restructuring of the Management Board and migration of data onto a new relationship banker customer relationship management (CRM) system.

5.8. Management discussion and analysis of the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information

5.8.1 General factors affecting the operating and financial performance

This Section sets out management's discussion of the significant factors that have driven Judo's operating and financial performance and cash flows for FY19 through FY21, and are expected to drive its operating and financial performance and cash flows for FY22F. This discussion is based on the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information. Investors should also see **Section 5.7** for key operating metrics.

The discussion of these general factors is intended to provide a brief summary to assist investors in understanding the Financial Information and does not detail all the factors that affected Judo's financial performance and cash flows, nor everything that may affect its financial performance and cash flows in the future. Notably, Judo's operating results are generally affected by the broader economic outlook and growth, the level of business investment and confidence as well as regulatory developments. This discussion of general factors is followed by a year-on-year discussion in **Sections 5.8.2** (FY20 compared to FY19), **5.8.3** (FY21 compared to FY20) and **5.8.5** (FY22F compared to FY21), which outline factors discrete to the relative periods presented. **Sections 5.8.4** and **5.8.5** set out the general and specific forecast assumptions that support the Forecast Financial Information and should be read in conjunction with the comparison of FY22F to FY21 in **Section 5.8.5**.

5.8.1.1 Revenue and income

Judo's primary sources of income are derived from:

- interest income; and
- other operating income.

Interest income includes:

- income earned from interest-earning assets, notably:
  - loans and advances to customers; and
  - liquid assets investment portfolio
- establishment fees received up front from SME Customers upon settlement of a loan and amortised through the income statement over the expected life of the loan;
- facility fees charged on the total amount of credit extended to Line of Credit for SME Customers when an applicable facility fee is contractually agreed; and
- less origination costs (brokerage and commission).

The key drivers of interest income are:

- **the size of the loan book:** key drivers are the number of relationship bankers employed by Judo; the average assets under management (**AUM**) per relationship banker at the beginning of the period; the average origination per relationship banker during the period; any net movement in the balance of undrawn Line of Credit and the run-off rate of the overall loan book (which includes both contractual amortisation of the loans and discretionary repayments and refinancings);
- **the product mix within the loan book:** driven by the mix at the beginning of the period; the mix of new originations and any differences in the run-off rate between specific products. Within Judo's current product portfolio, contracted interest rates are typically highest for Asset Finance, followed by Line of Credit, then Business Loans and SME Home Loans;
- **the size of the liquid assets portfolio:** driven primarily by regulatory liquidity requirements for a Minimum Liquidity Holdings bank; and

- **interest rates:** for Business Loans, SME Home Loans and Lines of Credit, interest income is calculated by applying the interest rate to the unpaid balance owing to Judo at the end of each day on a 365-day basis. Judo charges predominantly variable interest rates, with a margin to the Judo Market Base Rate (a reference rate currently indexed to the prevailing 1-Month BBSW Bid rate). As a result, interest rates might vary with market conditions. For Asset Finance loans, interest income is calculated at settlement based on the amount and duration of the loan and is received proportionally over the life of the loan. Asset Finance loans are fixed rate and are not referenced to the Judo Market Base Rate. For all products, the contracted interest rate or margin on the loans and advances is also a function of the product type, structure, expected credit risk based on Judo's underwriting assessment and market competition.

Establishment fees received are driven by the number of loans or advances settled during a period, which is a function of the number of relationship bankers and their average origination for the period.

Facility fees on Line of Credit loans were introduced during FY21 and are driven by the full limit of Line of Credit loans with an applicable facility fee (i.e. charged on both the drawn and undrawn component). As of June 2021, 15% of Line of Credit loans had a facility fee attached, reflecting the recent introduction of this fee.

Origination costs (brokerage and commission) consist of both upfront commission and trail commission:

- upfront commission is paid at loan settlement to third-party brokers for the introduction of new business and expensed over the expected life of the loan, with the cash payment impacted by the amount originated for a period, the percentage of origination through the third-party broker channel and the contracted commission rates; and
- trail commission is paid to third-party brokers each month and expensed when paid. It is driven by the amount of the current loan book introduced through the third-party broker channel (i.e. the origination in all previous periods) and the contracted commission rates.

The third-party commissions paid by Judo are in line with market standard rates.

Other operating income includes:

- ancillary fees charged to clients for services offered in addition to lending which do not necessarily require regulatory capital to be committed against the source of the fee. Judo currently offers a Bank Guarantee product, which generates revenue based on a rate charged on the face value of the guarantee; and
- revenue from other items, such as Victorian Government Investment Attraction and Assistance Program grant revenue and gain on sale of assets (including within the liquid assets portfolio).

5.8.1.2 Interest expense

Interest expense is the cost of borrowings incurred by Judo, primarily to fund its loan book. This is a function of total funding requirements, the funding mix and the contracted interest rate on borrowings:

- total funding requirements: driven by the size of the loan book and regulatory requirements for liquid assets;
- funding mix: a function of Judo's overall funding strategy. Judo has access to a wide range of funding types with different funding costs. These include deposits, warehouse securitisation (wholesale debt), ordinary equity, hybrid funding (Tier 2 capital) and, temporarily, the RBA's TFF. See **Section 3.7** for more details on Judo's sources of funding and overall funding strategy. Regulatory requirements are an important determinant of funding mix as the amount of equity required to satisfy regulatory requirements reduces the amount of borrowing needed, while the ability to use hybrid funding sources (Tier 2 capital and Additional Tier 1 equity) to satisfy regulatory capital requirements will increase funding costs to the extent that these displace less expensive sources of funding (such as deposits);

- the factors influencing contracted interest payments depend on the specific source of funding:
  - deposits: primarily driven by the interest rate offered by market competitors, which is itself a function of macroeconomic factors such as general market liquidity;
  - warehouse securitisation (wholesale debt): the base component for Judo's wholesale debt facilities is linked to the 1-Month BBSW rate while the margin is a function of the level of credit enhancement in the structure, the composition of assets within the warehouse structure, the funders' perceived risk of Judo as a borrower and macroeconomic factors such as general market liquidity and conditions at the time of settlement;
  - hybrid funding (including Tier 2 capital): the base component for Judo's current Tier 2 issue is linked to the 3-Month BBSW rate, while the margin is a function of the funders' perceived risk of Judo as a borrower, which can be influenced by Judo's perceived creditworthiness, and macroeconomic factors such as general market liquidity, conditions at the time of issuance and margins on other funding products; and
  - the RBA's TFF: fixed at 0.10% until the expiry of the facility for the majority of the funding that was drawn down post 30 September 2020, and 0.25% for the amount drawn down prior to that date (which represents less than 1% of the total facility drawn as of 30 June 2021).
- interest expense also includes:
  - commissions paid to intermediaries for the introduction of Deposit Customers;
  - amortisation of any transaction costs related to the financing, refinancing or establishment of wholesale debt or hybrid funding facilities;
  - line fees paid on some of Judo's wholesale debt facilities for the committed availability of the undrawn limit; and
  - interest expense on lease liabilities captured under AASB 16.

As at the date of this Prospectus, Judo has obtained a public external issuer credit rating, which is expected to give it access to additional pools of funding and satisfy a greater proportion of investment mandates of typical wholesale investors (both deposits and wholesale debt). As a result, Judo expects to be able to access funding at lower costs and greater scale than it was previously able to.

5.8.1.3 Employee benefits expense

Employee benefits represent salaries and wages, bonuses, superannuation, employee equity incentive plans and other employee-related expenses for Judo employees. Judo's employees are comprised of customer-facing staff (relationship bankers, analysts, the third-party team, the credit risk team and customer service) and enabling staff. The expense is driven by the number of employees and the average salary in each of these categories:

- **Customer-facing staff** and their related expense is expected to increase to support the continued growth of the loan book. However, the capacity of the current relationship banker workforce to grow average AUM, combined with further efficiency improvements from continued investment in enabling technology, are expected to reduce the rate of growth in customer-facing staff. As of June 2021, 59% of Judo staff were customer facing; and
- **Enabling staff** and their related expenses are anticipated to scale as the business grows but at a slower rate than that experienced historically as many of the key enabling functions that support a regulated bank and business of significant size have been established. As of June 2021, 41% of Judo staff held enabling function roles.

An adjustment for additional expenses has been made in the above employee benefits expense in the Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement for estimated additional NED fees, to reflect Judo's current estimate of the incremental annual costs it will incur as a listed company.

Employee benefits also include share-based payments. For more details on the post-Listing employee incentive plans, see **Section 5.4.4**.

5.8.1.4 Other operating expenses

Other operating expenses include IT costs, legal expenses, marketing costs, occupancy expenses, professional costs, recruitment costs, travel expenses and other expenses.

The main factors affecting other operating expenses are:

- IT costs, which are driven by:
  - the number of full-time equivalent (**FTE**) employees as they relate to providing and maintaining access to IT systems, operations and software licences to employees; and
  - discretionary investments as they relate to ad hoc and ongoing projects including technology evolution and enhancements.
- Marketing expenses, which are discretionary spending and reflect management focus on building the direct lending and retail deposit distribution channels through increased awareness of the brand.
- All other expenses, which tend to scale with usage, with the main factor being the number of employees.

An adjustment for additional expenses has been made in the above other expenses in the Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement for estimated listed company expenses to reflect Judo's current estimate of the incremental annual costs it will incur as a listed company. These costs include Directors' and Officers' liability insurance premiums, additional professional fees, ASX listing fees and costs associated with the annual reporting and Shareholder communications expected to be required as a listed company.

5.8.1.5 Depreciation and amortisation

Depreciation includes depreciation from property right-of-use assets, leasehold improvements and office equipment, while amortisation includes IT systems, infrastructure, software and capitalised employee costs.

The key driver of amortisation costs is the amount of investment in technology, including those expected to deliver productivity gains.

5.8.1.6 Impairment on loans and advances, and treasury investments

Impairment on loans and advances, and treasury investments includes the movement in the specific and collective provision for financial asset impairment and bad debts written off. Impairment is a function of the total size and mix of Judo's interest earnings assets and of the prevailing economic conditions that can influence, among other things, the ability of Judo's borrowers to honour their required contracted payments.

5.8.1.7 Cash flows

Operating cash flows before financing and taxation are affected by the following key factors:

- cash contribution from net banking income in each year;
- cash expenditure on employees, IT, marketing and other operating expenditure to support business growth and operations; and
- working capital movements, such as accrued interest income and expense, and other receivables and payables.

Cash flow before corporate financing and taxation include:

- operating cash flows before financing and taxation;
- capital expenditure comprising expenditure on IT systems, infrastructure, software and project-related staff costs, office equipment, furniture and furnishings, and leasehold improvements. The key driver of capital expenditure is the amount invested in the development and improvement of the IT system, which is expected to support relationship bankers' productivity, technology optimisation and growth initiatives, as explained in **Section 3.8.2**;
- the change in loans and advances, which is new origination less run-off of the existing book and increases in the undrawn Line of Credit balance;
- the change in treasury investments, which is payments for and receipts from the purchase and sale or maturity of treasury investments;
- the proceeds from funding for the loans and advances, which include deposits and other debt facilities such as warehouse funding; and
- any corporate debt, including equity hybrid instruments.

Corporate financing activities include:

- proceeds from the issue of shares and other equity securities, net of capital raising costs.

5.8.2 Comparison of the Pro Forma Historical Income Statement and Cash Flows for FY19 to Pro Forma Historical Income Statement and Cash Flows for FY20

Table 57. Pro Forma Historical Income Statements: FY20 compared to FY19

		Pro forma historical			
$'000	**Notes**	**FY19**	**FY20**	**Change**	**Change (%)**
Interest income		6,262	52,389	46,127	Large
Interest expense		(5,404)	(24,549)	(19,145)	Large
Net interest income		**858**	**27,840**	**26,982**	**Large**
Other operating income		498	416	(82)	(16%)
Net banking income		**1,356**	**28,256**	**26,900**	**Large**
Employee benefits expense		(16,435)	(36,330)	(19,895)	121%
IT expense		(3,674)	(5,911)	(2,237)	61%
Marketing expense		(1,039)	(3,023)	(1,984)	191%
Occupancy expense		(836)	(959)	(123)	15%
Other expenses		(9,076)	(10,899)	(1,823)	20%
Depreciation and amortisation		(494)	(2,622)	(2,128)	Large
Total operating expenses		**(31,554)**	**(59,744)**	**(28,190)**	**89%**
Net profit/(loss) before impairment		**(30,198)**	**(31,488)**	**(1,290)**	**4%**
Impairment on loans and advances, and treasury investments		(1,916)	(23,504)	(21,588)	Large
Net profit/(loss) before tax		**(32,114)**	**(54,992)**	**(22,878)**	**71%**
Income tax (expense)/benefit		9,017	16,893	7,876	87%
Profit/(loss) after tax		**(23,096)**	**(38,098)**	**(15,002)**	**65%**

5.8.2.1 Interest income

Interest income increased from $6.3 million in FY19 to $52.4 million in FY20 as a result of the:

- average loan book growing $881.2 million, from $89.0 million in FY19 to $970.1 million in FY20; and
- average yield on loans decreasing from 6.19% in FY19 to 5.05% in FY20, primarily due to a decrease in the 1-Month BBSW Bid rate used as a benchmark for the Judo Market Base Rate, which reduced from an average of 1.89% in FY19 to 0.81% in FY20.

5.8.2.2 Interest expense

Total interest expense increased from $5.4 million in FY19 to $24.5 million in FY20, consistent with the increase in funding to support the loan book growth. This is due to the following:

- deposits increased from $104.4 million at 30 June 2019 to $1,386.3 million at 30 June 2020. This reflects:
    - Judo receiving an ADI licence in April 2019 and becoming eligible to take deposits in the final months of FY19, initially focusing on the wholesale channel only; and
    - the launch of the retail channel during FY20.
- wholesale (warehouse) funding increased from $35.6 million in FY19 to $495.3 million in FY20 and included the addition of two new financiers in FY20 (see **Section 3.7.3.2**) at significantly lower rates than earlier wholesale funding facilities; and
- an unsecured corporate debt facility with a balance of $49.5 million at June 2019 was repaid in November 2019.

The average cost of funding decreased from 8.37% in FY19 to 2.55% in FY20, reflecting:

- the higher proportion of deposits in the funding mix;
- improved terms on wholesale funding facilities originated during FY20;
- a decrease in the 1-Month BBSW rate, which reduced from an average of 1.86% in FY19 to 0.75% in FY20;
- repayment of an unsecured corporate debt facility, with this relatively higher rate facility impacting funding costs for the first five months of FY20 before repayment in November 2019; and
- the impact of a one-time fee of $0.6 million, paid in June 2019 upon partial repayment of the unsecured corporate debt facility.

5.8.2.3 Net interest income

Net interest income increased by $27.0 million, from $0.9 million in FY19 to $27.8 million in FY2o, in line with loan book growth and the expansion in net interest margin from 0.53% in FY19 to 2.00% in FY20.

The primary driver of net interest margin expansion was a decrease in the cost of funding due to a higher proportion of deposits in the funding mix and improved terms on new wholesale funding facilities (see **Section 5.8.2.2**).

5.8.2.4 Other operating income

Other operating income declined by 16% from $0.5 million in FY19 to $0.4 million in FY20 as a result of a reduction in the amount of a grant received from the state of Victoria, which decreased from $0.5 million in FY19 to $0.2 million in FY20, in line with the payment schedule outlined in the agreement.

5.8.2.5 Employee benefits expense

Employee benefits expenses increased by $19.9 million, from $16.4 million in FY19 to $36.3 million in FY20. This was due to additions to total FTE in FY20, from 105 employees at 30 June 2019 to 197 at 30 June 2020. FTE additions included:

- an increase in relationship bankers from 32 at 30 June 2019 to 57 at 30 June 2020; and
- investment in credit, risk management, operations and finance personnel, as required to support the growth of the business.

An additional $0.8 million has been added to the FY19 and FY20 pro forma employee benefit expense as an adjustment to reflect additional NED fees that will be incurred by Judo as a listed company.

5.8.2.6 Other operating expenses

Other operating expenses, excluding depreciation and amortisation, increased from $14.6 million in FY19 to $20.8 million in FY20, an increase of 42%. The main factors driving this increase were:

- a 61% increase in IT expenses, from $3.7 million in FY19 to $5.9 million in FY20, driven by an increase in IT licensing in line with FTE growth, and an increase in IT maintenance and support as part of Judo's cloud-based technology strategy; and
- a marketing campaign to increase brand awareness for both lending and deposit products following receipt of the ADI licence, with marketing expense increasing from $1.0 million in FY19 to $3.0 million in FY20.

An additional $3.3 million has been added to the FY19 and FY20 pro forma other operating expenses as an adjustment to reflect incremental professional, insurance and listing fees that will be incurred by Judo as a listed company.

5.8.2.7 Depreciation and amortisation

Depreciation and amortisation increased from $0.5 million in FY19 to $2.6 million in FY20. This was primarily due to:

- an increase in depreciation of the Melbourne office (which is held as a right-of-use asset under AASB 16) by $1.0 million; and
- amortisation of capitalised technology.

5.8.2.8 Impairment on loans and advances, and treasury investments

Impairment on loans and advances, and treasury investments was $1.9 million in FY19, which resulted in an impairment expense on average loan balance ratio of 2.15%. No loan write-offs were experienced during the year, with this relatively high impairment ratio reflecting the concentration of loan book growth in the second half versus the first half of the year, which resulted in a low average loan balance relative to the upfront impairment expense required to be recognised for new originations, in accordance with AASB 9.

Impairment on loans and advances, and treasury investments, increased by $21.6 million to $23.5 million in FY20 as a result of:

- growth in the loan book of $1,550.3 million during FY20;
- upfront recognition of expected credit losses on new originations (under AASB 9); and
- additional provisions raised for the anticipated potential impacts of the COVID-19 pandemic, with this resulting in an increase in the provision coverage ratio (provisions as a percentage of the loan book) from 0.82% at 30 June 2019 to 1.42% at 30 June 2020. This conservative approach resulted in an impairment expense on average loan balance ratio of 2.42% in FY20.

Despite the significant provision coverage increase, no loan write-offs were experienced in FY20.

See **Section 3.10** for more information on the impact of the COVID-19 pandemic on Judo's loan book.

5.8.2.9 Cash flows

Table 58. Pro Forma Historical Statements of Cash Flows: FY20 compared to FY19

$'000	Notes	Pro forma historical FY19	FY20	Change	Change (%)
Profit/(loss) for the period		**(23,096)**	**(38,098)**	**(15,002)**	**65%**
Adjustments for non-cash items					
Depreciation and amortisation		494	2,622	2,128	Large
Reversal of income tax benefit/(expense)		(9,017)	(16,893)	(7,876)	87%
Impairment on loans and advances, and treasury investments		1,916	23,504	21,588	Large
Accrued interest income		(169)	(1,271)	(1,102)	Large
Accrued interest expense		339	7,707	7,368	Large
Working capital movements		553	(820)	(1,373)	n.m.
Other non-cash items		359	567	208	58%
Net movement in lease liability		–	(944)	(944)	n.m.
Net operating cash flow before financing and taxation		**(28,621)**	**(23,627)**	**4,995**	**(17%)**
Capital expenditure		(2,245)	(5,817)	(3,572)	159%
Net movement in loan book		(227,907)	(1,550,423)	(1,322,516)	Large
Payment for treasury investments		(58,846)	(394,283)	(335,437)	Large
Net movement in customer deposits		104,649	1,281,866	1,177,217	Large
Proceeds from borrowings		85,142	409,904	324,762	Large
Net cash flow before corporate financing and taxation		**(127,828)**	**(282,380)**	**(154,551)**	**121%**
Corporate financing activities		177,586	396,037	218,451	123%
Income tax paid		–	–	–	n.m.
Net increase/(decrease) in cash and cash equivalents		**49,758**	**113,657**	**63,900**	**128%**

Cash and cash equivalents increased by $113.7 million during FY20 and by $49.8 million during FY19 as a result of:

- negative operating cash flow of $23.6 million in FY20, with accounting loss for the period partly offset by non-cash expenses (notably impairment charges of $23.5 million), broadly in line with the negative operating cash flow of $28.6 million in FY19;
- capital expenditure increased from $2.2 million in FY19 to $5.8 million in FY20, primarily due to investment in intangible technology assets of $3.9 million and property, plant and equipment of $1.9 million;

- net cash investing outflow other than capital expenditure increased by $156.0 million, from $97.0 million in FY19 to $252.9 million in FY20, primarily due to:
  - outflow from increase in loans and advances increased by $1,322.5 million from $227.9 million in FY19 to $1,550.4 million in FY20;
  - outflow from change in treasury investments increased by $335.4 million from $58.8 million in FY19 to $394.3 million in FY20 due to growth in regulatory liquidity requirements under the MLH regime;
  - inflow from customer deposits increased by $1,177.2 million from $104.6 million in FY19 to $1,281.9 million in FY20, reflecting the fact that the ADI license was obtained in April 2019 and the retail deposit product was launched during FY20; and
  - inflow from increase in borrowings increased by $324.8 million from $85.1 million in FY19 to $409.9 million in FY20, with the addition of two new wholesale financiers in FY20;
- cash inflow of $396.0 million from equity raising in FY20, which was 123% higher than $177.6 million in FY19.

5.8.3 Comparison of the Pro Forma Historical Income Statement and Cash Flows for FY20 to Pro Forma Historical Income Statement and Cash Flows for FY21

Table 59. Pro Forma Historical Income Statements: FY21 compared to FY20

		Pro forma historical			
$'000	**Notes**	**FY20**	**FY21**	**Change**	**Change (%)**
Interest income		52,389	126,380	73,991	141%
Interest expense		(24,549)	(41,927)	(17,378)	71%
Net interest income		**27,840**	**84,453**	**56,613**	**Large**
Other operating income		416	5,343	4,927	Large
Net banking income		**28,256**	**89,796**	**61,540**	**Large**
Employee benefits expense		(36,330)	(50,938)	(14,608)	40%
IT expense		(5,911)	(12,662)	(6,751)	114%
Marketing expense		(3,023)	(4,258)	(1,235)	41%
Occupancy expense		(959)	(1,225)	(266)	28%
Other expenses		(10,899)	(14,207)	(3,308)	30%
Depreciation and amortisation		(2,622)	(3,653)	(1,031)	39%
Total operating expenses		**(59,744)**	**(86,943)**	**(27,199)**	**46%**
Net profit/(loss) before impairment		**(31,488)**	**2,853**	**34,341**	**n.m.**
Impairment on loans and advances, and treasury investments		(23,504)	(9,983)	13,521	(58%)
Net profit/(loss) before tax		**(54,992)**	**(7,130)**	**47,862**	**(87%)**
Income tax (expense)/benefit		16,893	2,139	(14,754)	(87%)
Profit/(loss) after tax		**(38,098)**	**(4,991)**	**33,107**	**(87%)**

5.8.3.1 Interest income

Interest income increased from $52.4 million in FY20 to $126.4 million in FY21, an increase of 141%. This reflects the following factors:

- the average loan book grew by $1,606.3 million from $970.1 million in FY20 to $2,576.4 million in FY21, an increase of 166%, supported by Judo's expanding national footprint and continued investment in increasing the number of relationship bankers; and
- the average yield on loans decreasing from 5.05% in FY20 to 4.73% in FY21, primarily due to a decrease in the 1-Month BBSW Bid rate used as a benchmark for the Judo Market Base Rate, which reduced from an average of 0.81% in FY20 to 0.34% in FY21. The reduction in the 1-Month BBSW Bid rate was partially offset by the inclusion of a 0.25% discretionary premium in the Judo Market Base Rate at the beginning of FY21.

5.8.3.2 Interest expense

Total interest expense increased from $24.5 million in FY20 to $41.9 million in FY21, an increase of 71%, consistent with the increase in the loan book but significantly below the growth in interest income. This was primarily due to:

- the introduction of the RBA's TFF (see **Section 3.7.3.3**), which provides funding at 0.10% until its repayment or maturity (three years from the initial drawdown with final maturity on 30 June 2024). As of 30 June 2021, Judo had drawn a total of $2,860.1 million on the RBA's TFF, representing 23% of its funding (see **Sections 5.5.4** and **3.7.3.3**);
- the increase in deposits, from $1,386.3 million in FY20 to $2,547.7 million in FY21, with the increased balance significantly offset by a decrease in the average rate on outstanding deposits, from 2.0% for the quarter ending 30 June 2020 to 1.2% for the quarter ending 30 June 2021.

5.8.3.3 Net interest income

Net interest income increased by $56.6 million, from $27.8 million in FY20 to $84.5 million in FY21, driven by:

- the increase in the average loan book; and
- the expansion in net interest margin, from 2.00% in FY20 to 2.09% in FY21, with Underlying NIM at 2.59% in FY21.

Net interest margin expansion was driven by a reduction in the overall cost of funding due to a decrease in the cost of Term Deposits, with a positive impact from the RBA's TFF, albeit for only part of FY21 as the self-securitisation program was established in February 2021.

See **Sections 5.7** and **5.7.1** for details and comparison of the net interest margin and the Underlying NIM.

5.8.3.4 Other operating income

Other operating income increased by $4.9 million, from $0.4 million in FY20 to $5.3 million in FY21, as a result of:

- a $4.3 million gain on sale of assets within the treasury investments portfolio as part of a business decision to switch to Australian Commonwealth Government Bonds and state government securities in the treasury investments portfolio; and
- an increase of $0.5 million in Bank Guarantee fees.

5.8.3.5 Employee benefits expense

Employee benefits expense increased by $14.6 million, from $36.3 million in FY20 to $50.9 million in FY21. This was due to additions to total FTE in FY21, from 197 employees at 30 June 2020 to 320 at 30 June 2021, as Judo continued to scale the business, including:

- an increase in relationship bankers from 57 at June 2020 to 87 at June 2021; and
- continued investment in back-office operations as required to support growth and strategic priorities.

An additional $0.8 million has been added to the FY20 and FY21 pro forma employee benefit expense as an adjustment to reflect additional NED fees that will be incurred by Judo as a listed company.

5.8.3.6 Other operating expenses

Other operating expenses, excluding depreciation and amortisation, increased from $20.8 million in FY20 to $32.4 million in FY21, an increase of 56%. The main factors driving this change include:

- an increase in IT expense of $6.8 million, from $5.9 million in FY20 to $12.7 million in FY21. This change was driven by an increase in IT licensing in line with FTE growth, and an increase in IT maintenance and support as part of Judo's cloud-based technology strategy;
- an increase in marketing expense of $1.2 million, from $3.0 million in FY20 to $4.3 million in FY21, as Judo continued to invest in brand awareness and develop the direct distribution channel for both lending and deposits; and
- increased spending on occupancy, recruitment and consultancy costs, in line with increasing scale in the business.

An additional $3.3 million has been added to the FY20 and FY21 pro forma other operating expenses as an adjustment to reflect incremental professional, insurance and listing fees that will be incurred by Judo as a listed company.

5.8.3.7 Depreciation and amortisation

Depreciation and amortisation increased from $2.6 million in FY20 to $3.7 million in FY21, as a result of the accelerated depreciation of the previous relationship banker customer relationship management system, the useful life of which was shortened due to the implementation of an upgraded CRM system.

5.8.3.8 Impairment on loans and advances, and treasury investments

Impairment on loans and advances, and treasury investments, decreased from $23.5 million in FY20 to $10.0 million in FY21. This was primarily due to:

- growth in the loan book of $1,728.6 million during FY21;
- upfront recognition of expected credit losses on new originations (under AASB 9); and
- offset by a reduction in the provision coverage ratio (provision as a percentage of the loan book) from 1.42% at 30 June 2020 to 1.00% at 30 June 2021. This reflected a return to historical levels of provision coverage, consistent with an improved economic outlook in FY21, while maintaining a conservative approach to accounts as the COVID-19 situation developed post the end of FY21.

The impairment expense on average loan balance ratio was 0.39%. No loan write-offs were experienced.

5.8.3.9 Cash flows

Table 60. Pro Forma Historical Statements of Cash Flows: FY21 compared to FY20

		Pro forma historical			
$'000	**Notes**	**FY20**	**FY21**	**Change**	**Change (%)**
Profit/(loss) for the period		**(38,098)**	**(4,991)**	**33,107**	**(87%)**
Adjustments for non-cash items					
Depreciation and amortisation		2,622	3,653	1,031	39%
Reversal of income tax benefit/(expense)		(16,893)	(2,139)	14,754	(87%)
Impairment on loans and advances, and treasury investments		23,504	9,983	(13,521)	(58%)
Accrued interest income		(1,271)	(321)	950	(75%)
Accrued interest expense		7,707	2,648	(5,059)	(66%)
Working capital movements		(820)	2,520	3,340	n.m.
Other non-cash items		567	1,655	1,088	192%
Net movement in lease liability		(944)	(1,120)	(176)	19%
Net operating cash flow before financing and taxation		**(23,627)**	**11,888**	**35,514**	**n.m.**
Capital expenditure		(5,817)	(12,677)	(6,860)	118%
Net movement in loan book		(1,550,423)	(1,728,642)	(178,219)	11%
Payment for treasury investments		(394,283)	(2,835,967)	(2,441,684)	Large
Net movement in customer deposits		1,281,866	1,161,372	(120,494)	(9%)
Proceeds from borrowings		409,904	3,033,700	2,623,796	Large
Net cash flow before corporate financing and taxation		**(282,380)**	**(370,326)**	**(87,947)**	**31%**
Corporate financing activities		396,037	500,077	104,040	26%
Income tax paid		–	–	–	n.m.
Net increase/(decrease) in cash and cash equivalents		**113,657**	**129,751**	**16,093**	**14%**

Cash and cash equivalents increased by $129.8 million during FY21 and by $113.7 million during FY20, as a result of:

- positive operating cash flow of $11.9 million in FY21, an increase of $35.5 million from the negative operating cash flow of $23.6 million in FY20. The accounting loss for FY21 was offset by non-cash expenses (notably impairment charges and depreciation of $10.0 million);
- an increase in capital expenditure from $5.8 million in FY20 to $12.7 million in FY21, primarily due to investment in intangible technology assets of $12.5 million;
- an increase in net cash investing outflow other than capital expenditure of $116.6 million, from $252.9 million in FY20 to $369.5 million in FY21, primarily due to:
  - outflow from increase in loans and advances increased by $178.2 million from $1,550.4 million in FY20 to $1,728.6 million in FY21;

  - outflow from change in treasury investments increased by $2,441.7 million from $394.3 million in FY20 to $2,836.0 million in FY21 as the treasury investment portfolio was grown significantly to execute Judo's strategy of preserving a component of the RBA's TFF (see **Section 3.7.3.3**);
  - inflow from customer deposits decreased by $120.5 million from $1,281.9 million in FY20 to $1,161.4 million in FY21 as access to cheaper funding through the RBA's TFF allowed deposits to support a smaller proportion of the growth in funding requirements; and
  - inflow from change in borrowings increased by $2,623.8 million, from $409.9 million in FY20 to $3,033.7 million in FY21, with $2,771.6 million of this representing an increase in drawings under the RBA's TFF;
- cash inflow of $500.1 million from equity raising in FY21, which was 26% higher than $396.0 million in FY20.

5.8.4 General assumptions underlying the preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared for the 12 months ending 30 June 2022, based on an assessment of current economic and operating conditions. The Forecast Financial Information reflects one month of actual results from Judo's unaudited management accounts, for the period from 1 July 2021 to 31 July 2021.

The general assumptions below are a summary only and do not represent all the factors that will affect Judo's forecast financial performance.

This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation of the Forecast Financial Information as set out in **Section 5.2.3**, the risk factors set out in **Section 6**, the specific assumptions set out in **Section 5.8.5** and the sensitivity analysis in **Section 5.9**.

The general assumptions adopted in preparing the FY22 forecast are set out below:

- no material changes in the competitive and operating environments in which Judo operates;
- no material changes in current market and economic conditions, including economic growth, employment levels and consumer spending;
- no significant deviation from current market expectations of global or Australian economic or geopolitical conditions (including financial market stability or trade) relevant to Judo;
- no material changes in Commonwealth, state or territory, local or foreign government legislation (including tax legislation), regulatory requirements or government policy (including taxation and monetary policies providing support to consumer and business confidence) that would have a material impact on Judo's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosure;
- no material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act that would have a material effect on Judo's reported financial performance, financial position, accounting policies, financial reporting or disclosure, other than those discussed in **Section 5.2.4**;
- no business acquisitions or strategic partnerships undertaken that would have a material impact on Judo's FY22 financial performance, cash flows or financial position;
- no material industrial or employee relations disputes, strikes, acts of terrorism or other disturbances, environmental costs or legal claims that would have a material impact on Judo;
- key personnel, particularly the Management Board, are retained and Judo is able to maintain its ability to recruit and retain required personnel;
- no material changes to Judo's markets or industry sectors, other than any known as at the Prospectus Date, that would have a material impact on the demand for or prices of its services;

- no change in Judo's capital structure other than as set out in, or contemplated by, this Prospectus;
- no material amendment to any material agreement or arrangement relating to Judo other than as set out in, or contemplated by, this Prospectus;
- no significant disruptions to Judo's operations and no material changes in its business;
- no sustained and ongoing disruption from the COVID-19 pandemic – the economy recovers from the disruption generated by the pandemic-related lockdowns, with the Federal Government and state and territory governments continuing to provide support until lockdowns are no longer required and the vaccination rate in Australia permits the reopening of the economy to pre-COVID-19 activity levels;
- no material cash flow or income statement or financial position impact in relation to litigation (existing or otherwise);
- no material contingent liabilities arise or are realised to Judo's detriment;
- none of the risks listed in **Section 5.8.4** has a material adverse impact on Judo's operations; and
- the Offer proceeds to Completion in accordance with the timetable set out in the Key Offer dates table in the 'Important information' section.

5.8.5 Specific assumptions underlying the preparation of the Forecast Financial Information and comparison of the Pro Forma Historical Income Statement and Cash Flows for FY21 to Pro Forma Forecast Information

The discussion of the comparison of income statements and cash flows in this **Section 5.8.5** should also be read in conjunction with the key metrics set out in **Section 5.7** and the general assumptions set out in **Section 5.8.4**.

Table 61. Pro Forma Historical Income Statement to Pro Forma Forecast Income Statement: FY22 compared to FY21

		Pro forma historical and forecast			
$'000	**Notes**	**FY21**	**FY22F**	**Change**	**Change (%)**
Interest income		126,380	213,146	86,766	69%
Interest expense		(41,927)	(52,694)	(10,767)	26%
Net interest income		**84,453**	**160,451**	**75,998**	**90%**
Other operating income		5,343	1,849	(3,494)	(65%)
Net banking income		**89,796**	**162,300**	**72,504**	**81%**
Employee benefits expense		(50,938)	(76,030)	(25,092)	49%
IT expense		(12,662)	(17,139)	(4,477)	35%
Marketing expense		(4,258)	(4,845)	(588)	14%
Occupancy expense		(1,225)	(1,868)	(643)	53%
Other expenses		(14,207)	(19,097)	(4,890)	34%
Depreciation and amortisation		(3,653)	(7,361)	(3,708)	102%
Total operating expenses		**(86,943)**	**(126,341)**	**(39,399)**	**45%**
Net profit/(loss) before impairment		**2,853**	**35,959**	**33,105**	**Large**
Impairment on loans and advances, and treasury investments		(9,983)	(28,548)	(18,565)	186%
Net profit/(loss) before tax		**(7,130)**	**7,410**	**14,540**	**n.m.**
Income tax (expense)/benefit		2,139	(2,185)	(4,324)	n.m.
Profit/(loss) after tax		**(4,991)**	**5,225**	**10,216**	**n.m.**

5.8.5.1 Interest income

Interest income is forecast to increase by 69%, from $126.4 million in FY21 to $213.1 million in FY22. This reflects the following factors:

- loan book is forecast to grow by 71% from $3,517.2 million in FY21 to $6,000.0 million in FY22. The growth in loan book is driven by:
    - an increase in AUM per relationship banker from $41 million as at June 2021 to approximately $60 million as at June 2022, reflecting the increased utilisation possible from within the existing relationship banker workforce and improved productivity enabled by technology and operations projects. AUM per relationship banker increased from $7 million as at June 2019 and $31 million as at June 2020 (see **Section 3.11.1.2**);
    - a further increase in the number of relationship bankers employed by Judo, projected to increase from 87 relationship bankers as at June 2021 to 98 relationship bankers as at June 2022, growing from 32 relationship bankers as at June 2019; and
    - the rate of loan repayment (including contractual amortisation of principal and refinancing) remains broadly in line with that experienced during FY21;
- mix of lending originations by product remains in line with the split of the loan book as at 30 June 2021 (78% Business Loans, 10% SME Home Loans, 7% Lines of Credit and 5% Asset Finance);
- average lending margin above the 1-Month BBSW Bid rate on the back book as of September 2021 was 4.6%, which has moderated slightly in the recent months to September 2021 as a result of a year-end campaign to respond to competitors' behaviour while maintaining momentum in loan book growth;
- average lending margin above the 1-Month BBSW Bid rate on new originations is forecast to be 4.3% which is reflective of the current competitive market dynamic for SME lending but compares to the current pipeline of applications-accepted-approved loans of 4.5% as of September 2021;
- floating rate loans are assumed to reprice monthly from the prevailing 1-Month BBSW Bid rate, which is assumed to remain flat at its 30 June 2021 level of 6 basis points (**bps**) throughout FY22;
- portion of originations sourced through the third-party channel to remain approximately flat with the overall mix as at June 2021 of 73%, with rates for upfront and trailing commission to remain in line with level of FY21;
- yield on treasury investment portfolio is assumed to remain in line with the yield on the portfolio as at 30 June 2021 at 0.3%, reflecting the weighting of low yielding Australian Commonwealth Government Bonds and State government securities in the treasury investments portfolio;
- regulatory liquidity requirements remain at the level as at 30 June 2021;
- revenue from establishment fees increases by 84%, from $5.0 million in FY21 to $9.2 million in FY22:
    - part of this increase is driven by new originations in FY22, with average establishment fees as a proportion of the loan amount assumed to remain broadly in line with FY21; and
    - part of this increase is driven by establishment fees received prior to June 2021 and recognised during FY22, based on a balance of prepaid loan establishment fees as at June 2021 of $15.7 million; and
- revenue from Line of Credit facility fees increases by $1.0 million from $0.2 million in FY21 to $1.2 million in FY22, reflecting increased penetration of facility fees charged on total facility limit which was introduced part way through FY21. As of June 2021, 15% of active Line of Credit facilities had a facility fee attached, with this percentage projected to approximately double during FY22.

5.8.5.2 Interest expense

Interest expense includes interest paid on funding (including deposits, wholesale debt and the RBA's TFF) as well as commissions, establishment fees and commitment fees associated with this funding. Interest expense is driven by the total funding requirement and the funding mix utilised. Total interest expense is forecast to increase from $41.9 million in FY21 to $52.7 million in FY22, an increase of 26%. Forecast FY22 interest expense is based on the following assumptions:

- total funding requirements increase during FY22 at a lower rate than loan book growth. This is due to the impact of the RBA's TFF, which is assumed to remain drawn at the June 2021 level of $2.9 billion throughout the forecast period. Specifically, the impact of the TFF on FY22 funding requirements is as follows:
  - at 30 June 2021, Judo had drawn the TFF to $2.9 billion. Of this, $2.2 billion was secured by treasury investments, primarily Australian Commonwealth Government Bonds and state government securities, and $0.7 billion was secured by notes from Judo's self-securitisation facility, which are invested in customer loans underwritten by Judo;
  - the $2.2 billion secured by treasury investments was a preserved component of Judo's total TFF allowance. The treasury investments securing the TFF are not eligible for regulatory liquidity purposes. Hence, this component of the TFF was effectively initially used to fund additional treasury investments instead of Judo loans;
  - over the course of FY22, Judo projects that the proportion of the TFF secured by self-securitisation notes will increase as new loans are originated. The rate at which the preserved component is replaced with self-securitisation notes will primarily be a function of the level of new originations and is forecast to be approximately 35% of new loan originations. Forecast originations for FY22 are $3.5 billion, which indicates a projected additional funding benefit from the TFF of approximately $1.2 billion by June 2022; and
  - this is forecast to result in the total balance of treasury investments to reduce during FY22, the balance of customers loans funded by the existing RBA TFF's to increase and hence the total funding requirements to increase by less than the loan book growth (more details of Judo's use of the RBA's TFF are set out in **Section 3.7.3.3**);
- deposits are forecast to increase from $2,547.7 million in FY21 to $3,778.3 million in FY22, with rates paid on new deposits assumed to be in line with originations in the second half of FY21;
- the 1- and 3-Month BBSW rates, used as benchmarks for the floating rate borrowings (wholesale debt facilities and Tier 2 capital), are assumed to remain flat at the 30 June 2021 level of 6 bps throughout FY22; and
- incremental use of wholesale debt facilities is expected to be minimal in the FY22 forecast, with TFF and deposit growth providing a sufficient platform to manage funding requirements. Rates paid on wholesale debt are assumed to remain in line with FY21 and facilities are assumed to be renewed on similar terms, where applicable.

5.8.5.3 Net interest income

Net interest income is forecast to increase by 90%, from $84.5 million in FY21 to $160.5 million in FY22, in line with loan book growth. Net interest margin is forecast to decrease slightly, from 2.09% in FY21 to 2.03% in FY22, while Underlying NIM is forecast to increase from 2.59% in FY21 to 2.69% in FY22. See **Sections 5.7** and **5.7.1** for details and a comparison of the net interest margin and the Underlying NIM.

The primary driver of Underlying NIM expansion is a projected reduction in the overall cost of funds, with several contributing factors:

- the full-year effect in FY22 of the $0.7 billion of the RBA's TFF drawings secured by self-securitisation notes;
- the partial-year effect in FY22 of the utilisation of Judo's preserved component of the RBA's TFF of $2.2 billion, by replacing treasury investments with self-securitisation notes as the loan book grows;

- a reduction in the average cost of deposit funding as deposits originated at higher rates during FY21 mature and are either renewed or replaced at lower rates, consistent with the dynamic in the term deposit market observed in the second half of FY21; and
- minimal incremental use of wholesale debt facilities, which are projected to reduce as a proportion of the total funding mix during FY22. These facilities have a higher cost of funds than either deposits or the RBA's TFF.

The impact of the RBA's TFF on Judo's cost of funding is temporary, with all borrowings under this facility due for repayment at or before June 2024 (see **Section 3.7.3.3** for further details on Judo's use of the TFF, including its refinancing).

The forecast reduction in funding costs is partially offset by a modest reduction in the forecast blended interest margin above the 1-Month BBSW Bid rate on lending assets, from 4.6% at July 2021 to an average of 4.5% during FY22 given new originations in FY22 are assumed to be priced at a margin of 4.3%, which reflects the current competitive market dynamic for SME lending.

The evolution of net interest margin in FY22 will:

- benefit from the same expansion drivers as Underlying NIM; and
- continue to experience compression from the full-year effect of the preserved component of the RBA's TFF secured by treasury investments, resulting in FY22 net interest margin not accurately describing the performance of Judo's core lending business. As of 30 June 2021, this preserved component was $2.2 billion, which is expected to decrease over FY22 as the treasury investments are progressively replaced with self-securitisation notes. This is expected to result in easing of the compression on net interest margin from the lower-yielding treasury investments and the convergence of net interest margin towards Underlying NIM, as described in **Section 5.7.1**.

5.8.5.4 Other operating income

Other operating income is forecast to decrease by $3.5 million, from $5.3 million in FY21 to $1.8 million in FY22, due to the following:

- FY21 was positively impacted by a $4.3 million gain on sale of assets within the liquid assets portfolio as Judo rotated the portfolio into Australian Commonwealth Government Bonds and state government securities, which is not forecast to be repeated in FY22;
- ancillary income from Judo's Bank Guarantee product is forecast to increase by 148%, from $0.6 million in FY21 to $1.5 million in FY22, with the increase made up by both the full-year impact of Bank Guarantees originated during FY21 and further growth in this product, in line with growth in new lending customers. No incremental ancillary income is assumed in FY22 from an expansion of Judo's product offering; and
- the receipt in FY22 of $0.4 million from the final instalment of a grant awarded by the Victorian Government under the Department of Economic Development, Jobs, Transport and Resources 'Investment Attraction and Assistance Program'.

5.8.5.5 Employee benefits expense

Employee benefits expense is forecast to increase by $25.1 million from $50.9 million in FY21 to $76.0 million in FY22. This is based on the following assumptions:

- full-year cost of the 320 FTE employed at June 2021, notably of the 123 FTE added since June 2020, which only partially impacted FY21 employee benefits expense;
- projected additions to the total FTE in FY22 as Judo builds its business to the scale that will support future growth, which includes a forecast increase in relationship bankers from 87 at June 2021 to 98 at June 2022; and
- $2.4 million of non-cash expense associated with Judo's long-term incentive plan (see **Section 5.4.4** and **Table 44**).

The FY22 forecast does not include the cost of Judo's short-term incentive plan as the performance hurdles set for the plan are not met by the forecast. Should the hurdles be met, Judo's intention is to pay a short-term incentive to eligible employees, which will increase the employee benefits expense, although this incentive would be offset by additional net income (see **Section 5.4.4**).

5.8.5.6 Other operating expenses

Other operating expenses excluding depreciation and amortisation are forecast to increase from $32.4 million in FY21 to $43.0 million in FY22, an increase of 33% as a result of the following:

- a forecast increase in IT expense of $4.5 million to finance further investment in technology, data and operational enhancements to increase relationship banker efficiency and continue to improve risk management, with part of this uplift allocated to support the operation of the business at a larger scale (e.g. increased software licensing costs);
- marketing expense is forecast to increase by 14% in FY22 at $4.8 million compared to $4.3 million in FY21. The level of loan originations is not tied to direct marketing spend as the mix of distribution channels is forecast to remain in FY22 in line with June 2021;
- an increase in occupancy expense of $0.6 million from $1.2 million in FY21 to $1.9 million in FY22 reflecting the expansion of the geographic footprint and the opening of additional locations, as well as to support the growth in FTEs; and
- an increase in other expenses of $4.9 million, reflecting greater spend across a number of areas (such as audit fees, regulator fees, legal expenses, lending documentation costs and recruitment) as the organisation establishes a platform to support greater scale. The travel expense is also projected to increase from FY21, which was impacted by the COVID-19 pandemic.

Other operating expenses also include the additional costs incurred by Judo as a listed company, including professional, insurance and listing fees. Those costs are added for the full-year to FY21 and partly added to FY22 for the five-month period prior to Listing (see **Section 5.4.3**).

5.8.5.7 Depreciation and amortisation

Depreciation and amortisation expense is forecast to increase by $3.7 million from $3.7 million in FY21 to $7.4 million in FY22 as a result of:

- the impact of historical and forecast investments in technology, including projects expected to deliver productivity gains to relationship bankers and improve the access of external parties to Judo's deposits platforms, which are expected to begin depreciating during FY22.

5.8.5.8 Impairment on loans and advances, and treasury investments

FY22 impairment expense is forecast to consist of:

- recognition of expected credit losses on new originations (under AASB 9); and
- additional impairment charges and write-offs on existing loans as at the end of FY21.

Forecast impairment expense is based on the following assumptions:

- the risk profile of new originations is in line with FY21 and earlier, with upfront expected credit losses similar to previous origination cohorts;
- the proportion of loans transitioning between ECL stages (e.g. from Stage 1 to Stage 2 and from Stage 2 to Stage 3) are broadly consistent with FY21 experience; and
- the potential impact of the COVID-19 pandemic on the existing loan book is adequately reflected in the provision coverage as at 30 June 2021.

The provision coverage ratio (defined as the collective and specific provision as a percentage of the end-of-period loan book) is forecast to reduce from 1.00% as at 30 June 2021 to 0.90% at 30 June 2022. This reflects the increasing contribution of front book originations (which generally require less provision) to the overall loan book and assumes no further deterioration of the economic outlook due to the impact of the COVID-19 pandemic. No change in Judo's underlying provision settings has been assumed.

5.8.5.9 Income tax expense

Based on forecast taxable income for FY22, Judo is expected to accrue income tax expense of $2.2 million, assuming a corporate tax rate of 30%.

5.8.5.10 Cash flows

Table 62. Pro Forma Historical Statement of Cash Flows to Pro Forma Forecast Statement of Cash Flows: FY22 compared to FY21

		Pro forma historical	Pro forma forecast		
$'000	**Notes**	**FY21**	**FY22F**	**Change**	**Change (%)**
Profit/(loss) for the period		**(4,991)**	**5,225**	**10,216**	**n.m.**
Adjustments for non-cash items					
Depreciation and amortisation		3,653	7,369	3,716	102%
Reversal of income tax benefit/(expense)		(2,139)	2,185	4,324	n.m.
Impairment on loans and advances, and treasury investments		9,983	28,548	18,565	186%
Accrued interest income		(321)	1,185	1,506	n.m.
Accrued interest expense		2,648	7,105	4,457	168%
Working capital movements		2,520	4,971	2,452	97%
Other non-cash items		1,655	2,366	711	43%
Net movement in lease liability		(1,120)	(2,052)	(932)	83%
Net operating cash flow before financing and taxation		**11,888**	**56,902**	**45,014**	**Large**
Capital expenditure		(12,677)	(19,151)	(6,474)	51%
Net movement in loan book		(1,728,642)	(2,492,546)	(763,903)	44%
Payment for treasury investments		(2,835,967)	1,009,602	3,845,569	n.m.
Net movement in customer deposits		1,161,372	1,229,662	68,290	6%
Proceeds from borrowings		3,033,700	12,717	(3,020,983)	(100%)
Net cash flow before corporate financing and taxation		**(370,326)**	**(202,814)**	**167,513**	**(45%)**
Corporate financing activities		500,077	305,341	(194,736)	(39%)
Income tax paid		–	–	–	n.m.
Net increase/(decrease) in cash and cash equivalents		**129,751**	**102,527**	**(27,223)**	**(21%)**

Cash and cash equivalents is forecast to increase by $102.5 million during FY22 and increased by $129.8 million during FY21, as a result of:

- positive operating cash flow of $56.9 million, with accounting profit for the period increased by non-cash expenses (notably impairment charges and depreciation of $28.5 million); an increase of $45.0 million from operating cash flow of $11.9 million in FY21;
- capital expenditure forecast to increase from $12.7 million in FY21 to $19.2 million in FY22 with the business continuing to invest in projects to increase relationship banker efficiency and enhance risk management. These investments are in line with Judo's goal to support relationship bankers' productivity, technology optimisation and growth initiatives, as explained in **Section 3.8.2**;
- net cash investing outflow other than capital expenditure forecast to decrease by $129.0 million from $369.5 million in FY21 to $240.6 million in FY21 primarily due to:
  - outflow from increase in loans and advances forecast to increase by $763.9 million from $1,728.6 million in FY21 to $2,492.5 million in FY22;
  - change in treasury investments forecast to contribute a cash inflow of $1,009.6 million in FY22 from a cash outflow of $2,836.0 million in FY21. This forecast reflects the net receipt of cash from maturing treasury investments replaced by self-securitisation notes as part of Judo's strategy to fund a significant part of FY22 origination with the preserved component of the RBA's TFF (see **Section 5.8.5.2**), partially offset by an increase in treasury investments to support increasing regulatory liquidity requirements as the business grows (see **Section 3.7.3.3**);
  - inflow from customer deposits forecast to increase by 6% from $1,161.4 million in FY21 to $1,229.7 million in FY22; and
  - inflow from change in borrowings forecast to decrease by $3,021.0 million, from $3,033.7 million in FY21 to $12.7 million in FY22, as the preserved component of the RBA's TFF is utilised to fund new lending;
- cash inflow of $305.3 million from equity raising in FY22:
  - $19.6 million of this relating to final outstanding settlement of capital the Company raised in June 2021 that was received in July 2021 following regulatory approval;
  - $5.7 million of this relating to the exercise of warrants in October 2021; and
  - the balance relating to the gross proceeds of the Offer.

5.9. Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions described in **Sections 5.8.4** and **5.8.5**. These estimates and assumptions are subject to business, economic and competitive uncertainties, many of which are beyond Judo's control. These estimates are also based on assumptions in relation to future business developments that are subject to change. Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecast period, set out below is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key variables. The changes in 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. Care should be taken in interpreting these sensitivities. The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the range shown.

Table 63. Sensitivity analysis

$'000	Notes	FY22F Assumption	Sensitivity range	FY22F revenue impact +/-	FY22F net profit after tax impact +/-
New lending originations +/- 10%	1	n.a.	+/- 10%	4,463	1,302
Loan book run-off rate +/-5 pp	2	20%	+/- 5 pp	(3,196)	(978)
Interest rate movement: -25 bps	3	n.a.	- 25 bps	(1,679)	(1,176)
Interest rate movement: +25 bps	3	n.a.	+ 25 bps	6,530	4,571
Interest rate movement: -50 bps	3	n.a.	- 50 bps	(1,955)	(1,369)
Interest rate movement: +50 bps	3	n.a.	+ 50 bps	12,869	9,008
Underlying NIM +/- 10 bps	4	2.69%	+/- 10 bps	5,494	3,846
Operating expenses +/- 5%	5	$126,341	+/- 5%	–	(4,422)
Impairment on loans and advances provision expenses on loan balance +/- 5bps	6	0.62%	+/- 5 bps	–	(1,622)

Notes:

1. ***New lending originations:*** lending originations impact the rate at which the loan book grows. The sensitivity describes the effect of a positive or negative 10% change in total originations for the last 11 months of FY22, excluding any impact in undrawn Line of Credit. The product mix is not assumed to be impacted.
2. ***Loan book run-off rate:*** run-off includes scheduled amortisation of principal and discretionary repayments by customers, both of which offset new lending originations and hence impact the rate at which the loan book grows. The forecast rate of run-off for FY22 is 20% and the sensitivity illustrates the impact of increasing or decreasing this amount by 5 percentage points (pp) for the last 11 months of FY22.
3. ***Interest rate movement:*** effect of a positive or negative change in the general level of interest rates, including the 1-Month BBSW rates, which are reference for the Judo Market Base Rate and the wholesale funding and the 3-Month BBSW rates, which are reference for the subordinated debt. This change would impact the 91% of the loan book that was floating at 30 June 2021, the warehouse debt funding and the Tier 2 instrument. Term deposits are assumed to be impacted at maturity (market rates for new term deposits are assumed to move up or down by the sensitivity amount) while the rate paid on the RBA's TFF is not impacted. The sensitivity for an increase and a decrease in the interest rate is shown separately, as the balance sheet at 30 June 2021 is structurally protected against a significant decrease in the general level of interest rates as floating rate loans are referenced against the Judo Market Base Rate, which has a zero floor on the measurement of its benchmark. Further explanation is available in **Section 5.5.6**.
4. ***Underlying NIM:*** effect of a change of the net interest income to average loan book balance, adjusted for the impact of the RBA's TFF preservation strategy. This change could be the result of a change in lending margins or a change in the cost of funding. The Underlying NIM is projected to be 2.69% for FY22 and the sensitivity illustrates the impact of this being increased or decreased by 10 bps for the last 11 months of FY22.
5. ***Operating expenses:*** pro forma operating expenses, including depreciation and amortisation but excluding impairment on loans and advances, and treasury investments, are forecast to be $126.3 million for FY22. The sensitivity illustrates the impact of expenses being increased or decreased by 5% ($6.3 million).
6. ***Impairment on loans and advances provision expenses on loan balance:*** the ratio of impairment on loans on the average loan book is forecast to be 0.62% in FY22. The sensitivity illustrates the impact of this rate being increased and decreased by 5 bps.

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 forecast. Variations in actual performance could exceed the ranges shown. In practice, changes in variables may offset each other or may be additive, and a change in one variable is likely to have a flow-on effect on other variables and may also affect the way in which Judo responds to one or more of these variables. In addition, the sensitivities set out in **Table 63** do not reflect any action that management might take to manage the impact of the change.

5.10. Dividend policy

Judo is a high-growth business, and the current dividend policy as at the date of this Prospectus is to reinvest all cash flows, and any excess capital generated by the Offer, into the business to support and maximise future growth. Accordingly, Judo does not expect to pay any dividends to Shareholders in the near term following its Listing on the ASX.

Any future payment of dividends by Judo will be subject to the discretion of the Directors and will be a function of many factors, including general business and economic conditions; its financial results, including available profits; its capital and future funding requirements; its future business prospects; taxation considerations, including the level of franking credits available for distribution; any legal, contractual or regulatory restrictions on the payment of dividends by Judo; and any other factors the Directors may consider relevant.

No assurances can be given by any person, including by the Directors, about the payment or level of future dividends, or the level of franking on any such dividend (also see **Section 6.3.5**).

Section 6.

Investment Risks.

6.1. Introduction

Section 6 sets out the matters Judo reasonably believes as at the date of this Prospectus to be the most significant risk factors specific to Judo's business and the industry in which it operates. **Section 6** also considers the general risks associated with an investment in Judo's Shares. Further key risk categories are discussed in **Section 4**.

Investors should be aware that:

- this section does not purport to exhaustively list every risk that may be associated with Judo, its industry or an investment in its shares, now or in the future. The risks described in this section have been selected based on Judo's assessment of the probability of the relevant risk occurring, its ability to mitigate that risk, and the impact of the risk if it did occur; and
- there can be no guarantee or assurance that the significance of different risks will not change or that other risks will not emerge, or that any mitigation measure that Judo may take will succeed.

Judo is subject to risk factors that are both specific to its business activities and that are more general in nature. If any of these risks eventuate (whether individually or in aggregate), they may have a material adverse impact on Judo's business, assets and liabilities, financial position, operating and financial performance, prospects, reputation, or the price and/or value of Judo's shares, and your investment returns, which are not guaranteed. Many of the risks and attendant consequences described in this section are wholly or partially outside the control of Judo, its Directors and senior management. This section should be read in conjunction with all other information disclosed in this Prospectus.

Before applying for Shares, you should read the entire Prospectus and satisfy yourself that you have a sufficient understanding of the risks described in this section and of all other information set out in this Prospectus. You should carefully consider whether Shares in Judo are a suitable investment for you, having regard to your own particular investment objectives, financial situation and needs (including in light of financial and taxation issues particular to you). If you do not understand any part of the Prospectus, or are in any doubt as to whether to invest in Judo, you should seek professional advice from your stockbroker, accountant, lawyer, financial adviser, tax adviser and/or other independent professional adviser before deciding whether to invest.

In this section, risk factors specific to an investment in Judo or the industry in which it operates are set out in **Section 6.2** and general investment risk factors are set out in **Section 6.3**.

6.2. Risks specific to an investment in Judo or the industry in which it operates

6.2.1 Compliance and regulatory risks

Judo operates in a highly regulated industry sector and as a holder of an authorised deposit-taking institution (**ADI**) licence, an Australian Financial Services Licence (**AFSL**) and an Australian Credit Licence (**ACL**), is subject to specific laws, regulations and prudential standards. These legal and regulatory obligations are overseen by regulators including the Australian Prudential Regulation Authority (**APRA**), the Australian Securities and Investments Commission (**ASIC**) and the Australian Transaction Reports and Analysis Centre (**AUSTRAC**). As a lender, Judo is also subject to a number of additional applicable laws administered by ASIC, the Australian Competition and Consumer Commission (**ACCC**), the Office of the Australian Information Commissioner (**OAIC**), the Australian Financial Complaints Authority (**AFCA**), the Reserve Bank of Australia (**RBA**) and the Australian Taxation Office (**ATO**). Judo must comply with strict legislative and prudential requirements, which include obligations in relation to licensing, registration and disclosure, capital and liquidity, responsible lending, unfair contract terms, the Consumer Data Right/'Open Banking', design and distribution of its products, the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML/CTF Act**) and the *Privacy Act 1988* (Cth) (**Privacy Act**). Recent reforms have led to increased supervision and regulatory oversight, including by APRA, AUSTRAC and

ASIC, and more serious repercussions for contravention, including larger penalties. Further, recent reforms in the regulation of the financial services and banking sector have resulted in the regulatory framework that Judo is subject to becoming more complex, and some areas of regulatory change involve multiple jurisdictions seeking to adopt a co-ordinated approach or certain jurisdictions seeking to expand the territorial reach of their regulation. This trend towards increased regulation, and increasingly severe penalties for failing to meet compliance obligations, could continue in the future and be expanded into other areas of regulation that Judo is subject to.

Judo's regulators have broad administrative and enforcement powers including, for example, APRA's broad investigative and enforcement powers under the *Banking Act 1959* (Cth) (**Banking Act**). APRA has stated that it will use enforcement, where appropriate, to prevent and address serious prudential risks and hold entities and individuals to account. The current environment may see a shift in the nature of enforcement proceedings commenced by regulators.

Judo's business activities are subject to laws and regulations including the AML/CTF Act. AUSTRAC oversees the compliance of Australian businesses that offer 'designated services' as defined in the AML/CTF Act. As Judo provides designated services in the form of loan and term deposit products, Judo is a reporting entity for the purposes of the AML/CTF Act and is subject to a number of obligations. In recent years, there has been increased focus on compliance with financial crime obligations, with regulators around the globe commencing large-scale investigations and taking enforcement action where they have identified non-compliance, often seeking significant monetary penalties.

Judo is also subject to the Privacy Act, which regulates how Judo must comply with a number of obligations in respect of its handling of individuals' personal information. This includes the obligation to take reasonable steps to protect personal information Judo holds from misuse, interference and loss, and from unauthorised access, modification or disclosure. As a credit provider, additional obligations are imposed on Judo under the Privacy Act (including the *Privacy (Credit Reporting) Code 2014* and the Privacy Regulation) in respect of Judo's handling of credit information, credit eligibility information and credit reporting body-derived information. A breach by Judo in any of these areas could result in fines or penalties, and the payment of compensation to affected parties, which could have a material adverse effect on Judo's business, financial conditions, and operating and financial performance.

In 2019, the Australian Government legislated for a Consumer Data Right (**CDR**) to give consumers access to, and control over, their data. The banking sector was designated by the Australian Government as the first sector of the economy to which the CDR will apply (referred to as Open Banking). The various obligations under the Open Banking legislation (including Part IVD of the *Competition and Consumer Act 2010* (Cth), the *Competition and Consumer (Consumer Data Right) Rules 2020* (Cth) and data standards) are being implemented progressively by the Australian Government from February 2020 onwards. Participants in Open Banking are subject to highly detailed and prescriptive requirements and there are potentially significant penalties for failing to meet them.

If Judo does not comply with its compliance and regulatory obligations, there is a risk that it may, among other matters, (1) cease to be authorised or licensed to carry on its business or that conditions may be imposed on its authorisations or licences; (2) be subject to penalties or other enforcement or class actions; (3) be subject to higher operational and compliance costs; (4) be subject to additional regulatory capital obligations; (5) be unable to recover fees, charges or interest; and (6) be required to refund amounts paid to it by customers under loan contracts, or undertake other remediation activities.

Regulatory investigations, inquiries, litigation, fines, penalties, revocations, suspensions or variations of conditions of relevant regulatory licences or other enforcement or administrative actions or agreements (such as enforceable undertakings) could, either individually or in aggregate with other regulatory action, adversely affect Judo's business, prospects, reputation, financial performance or financial condition. Furthermore, regulatory action may result in Judo being exposed to the risk of litigation brought by third parties (including through class action proceedings). The outcome of such litigation may be payment of compensation to third parties, further remediation activities and higher insurance premiums.

This risk is exacerbated by the increasing complexity and volume of regulation. Compliance risk can also arise where Judo interprets its regulatory obligations, compliance requirements and rights differently to regulators, or a court. The potential for this to occur may be heightened in the period that follows the introduction of significant changes to regulation, particularly where that new regulation is untested and/or not subject to extensive regulatory guidance. Judo employs a compliance management system, which is designed to identify, assess and manage compliance risk. This system includes (among other things) frameworks, policies, procedures, controls and assurance oversight. While this system is currently in place, it may not always have been, or continue to be, effective at all times. Breakdowns may occur in this compliance management system due, for example, to flaws in the design of controls or poor execution of underlying processes. This could result in potential breaches of Judo's compliance obligations, as well as poor customer outcomes.

6.2.2 Judo is subject to highly prescriptive regulatory capital requirements

As an ADI, Judo is required by APRA to maintain adequate regulatory capital. The regulatory capital requirements are set out in Prudential Standards that are monitored on an ongoing basis by APRA. These Prudential Standards include obligations as to Judo's governance, outsourcing obligations, risk management function, minimum liquidity holdings and ongoing capital requirements. Regulatory capital requirements influence how Judo uses its capital, and can restrict its ability to pay dividends and Additional Tier 1 distributions, or to make share buy-backs.

Under current regulatory requirements, as a counterparty's risk grade worsens, Judo's loan provisions increase, which can impact Judo's capital position. Judo's risk-weighted assets can increase if a borrower defaults or if their risk grades are downgraded. Additional regulatory capital requirements, arising as a consequence of increased loan provisioning, may be exacerbated during times of financial stress, particularly if there are lower profit levels. As a result, greater volatility in capital ratios may arise and may require Judo to raise additional capital. There can be no certainty that any additional capital required would be available or could be raised on reasonable terms. Judo's regulatory capital ratios may also be impacted by a number of factors including lower profitability, higher asset growth and changes in business strategy.

Australian banks (including Judo) have been subject to APRA's 'unquestionably strong' target benchmark capital ratios since January 2020, although a temporary suspension of these requirements in response to COVID-19 is in effect. Final revised prudential standards in relation to the risk-weighting framework and other capital requirements have been suspended until 1 January 2023. Implementation of these requirements may require Judo to hold additional capital. Judo seeks to maintain a prudent capital base that adequately supports the risks being taken through the normal operation of the business. This includes providing for effective and efficient capital buffers to protect depositors and investors, and allowing the business to grow. In response to COVID-19, APRA provided guidance to all ADIs on capital management in April and July 2020, in response to which Judo undertook certain steps, including additional stress testing.

Judo operates an Internal Capital Adequacy Assessment Process (**ICAAP**) to manage its capital levels and to maintain them above the minimum levels approved by the Board (which are currently set to exceed regulatory requirements). The ICAAP includes forecasting and stress testing of capital levels, which guide Judo in selecting any capital management initiatives it may undertake. Should the ICAAP forecasts or stress tests prove to be ineffective, Judo may not be holding sufficient capital and may need to raise capital to manage balance sheet growth and/or stress.

A breach by Judo of its regulatory capital requirements or the associated Prudential Standards or its licence conditions could result in APRA imposing higher regulatory capital requirements on Judo, which could have a material impact on Judo's financial performance.

6.2.3 Judo's business may be impacted by existing, new or proposed regulations

As a diversified financial institution, Judo is subject to specific regulations, including financial services and other industry-specific regulations. Regulatory agencies and governments frequently review and revise banking and financial services laws, security and competition laws, fiscal laws and other laws, regulations and policies that may impact the financial sector in which Judo operates. Changes to laws, regulations or policies, including changes in interpretation or implementation of laws, regulations or policies, could substantially affect Judo or its businesses, the products and services it offers or the value of its assets, or have unintended consequences or impacts across its business.

These may include changing required levels of liquidity and capital adequacy, increasing tax burdens generally or on financial institutions or transactions, limiting the types of financial services and products that can be offered and/or increasing the ability of other providers to offer competing financial services and products.

The regulatory framework in which Judo operates is subject to constant change, which may cause adverse impacts on Judo or its financial performance. Judo may also be adversely affected if the pace or extent of regulatory change exceeds Judo's ability to adapt to such changes and embed appropriate compliance processes adequately. The pace of regulatory change means that the regulatory context in which Judo operates is often uncertain and complex. The nature and impact of future changes are unpredictable and beyond Judo's control, and may result in potentially conflicting requirements resulting in additional legal and compliance expenses and changes to business practices that could adversely affect Judo.

APRA may introduce new prudential regulations or modify existing regulations, including those that apply to Judo as an ADI. Any such event could result in changes to the organisational structure of Judo and adversely affect Judo.

As at the date of this Prospectus, a number of recent or prospective legislative or regulatory changes or reviews may impact Judo's business or operations, where the consequences of these changes may not yet be fully known or realised. These include:

- **Open Banking:** the Open Banking regulatory regime has been subject to regular change, and this appears likely to continue for a period, increasing compliance costs and risk. Judo would expect there to be an increase in competition in the banking markets in which Judo operates as a result of it being required to share its consumer data with competitors upon consumer request.
- **Responsible lending:** potentially wide-ranging changes to the responsible lending regime in Australia are currently before the Senate of the Australian Parliament, as discussed in **Section 2.5**.
- **Financial Accountability Regime (FAR):** while Judo is already subject to the Banking Executive Accountability Regime (**BEAR**), the proposed FAR will eventually replace BEAR and, if adopted in accordance with the proposed draft legislation, would extend similar obligations to other APRA-regulated entities and, in future, potentially to other ASIC-regulated entities. Until the form of FAR is finalised, there remains some uncertainty about its impact on Judo.
- **Design and distribution obligations:** the Corporations Act has recently been amended to introduce design and distribution obligations for issuers and distributors of financial products, as described in **Section 2.5**. These will apply to Judo's regulated Home Loans and to its deposit products for 'retail clients' within the meaning of the Corporations Act. These requirements commenced on 5 October 2021, and the full impact on Judo cannot yet be determined as they are very recent and are likely to require a high level of continuous review, as discussed in **Section 2.5**.
- **Product intervention power:** ASIC now has a product intervention power, enabling it to make an individual product intervention order applicable to specific person(s) in relation to an in-scope financial or credit product or a market-wide order that is applicable to a person in relation to a class of products. Again, as this power is relatively new, the impact on Judo cannot yet be determined.

- **Breach reporting:** the *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* (Cth) has, among other matters, introduced breach reporting and remediation obligations in relation to consumer credit. Judo will be required to implement new breach reporting systems in relation to its in-scope credit products and, as these have not yet been utilised, the efficacy or effect of them cannot yet be determined.
- **Privacy:** in response to the ACCC's Digital Platforms Inquiry, the Australian Attorney-General is undertaking a review of the Privacy Act. At the date of this Prospectus, the industry is still awaiting the issue of a 2021 discussion paper seeking further feedback on possible reforms. Any amendments to the Privacy Act have not been enacted and so there is uncertainty as to the changes, if any, that will occur. The key impacts on Judo, as a holder of a significant amount of 'personal information', are likely to be the following:
  - **Penalty Regime:** the Australian Government has announced that the penalties for privacy breaches will be increased to the greater of (1) $10 million; (2) three times (3x) the value of any benefit obtained through the misuse of information; and (3) 10% of Judo's annual turnover.
  - **'In Principle' Changes:** the Australian Government has also announced that 'in principle' it will make a number of additional changes to the Privacy Act, with the changes most likely to have an adverse impact on Judo being:
    - changing the regime from having broad rights to handle personal information to a consent-based regime;
    - enabling the erasure of personal information of a consumer upon request from the consumer; and
    - introducing a right of direct action for individuals to enforce obligations under the Privacy Act.
- **AML/CTF:** the AML/CTF laws were recently amended with the aim of strengthening Australia's AML/CTF framework and changes to customer identification procedures, correspondent banking relationships, tipping-off offences and access to information came into effect on 17 June 2021, with changes to cross-border movements of money expected to commence on 17 June 2022. Judo has already implemented additional processes and systems to meet many of these new requirements, but the ongoing impact on Judo cannot yet be fully determined.
- **Continued implementation/impact of recommendations arising out of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission):** while some of the key outcomes of the Royal Commission relevant to Judo are noted above, the potential implementation or impact of other recommendations, or the potential for heightened enforcement action by Australian regulators arising out of the Royal Commission, may have an impact on Judo that cannot yet be fully determined.
- **APRA consultations:** APRA has recently finalised APRA Prudential Standard CPS 511 Remuneration. The impact on Judo cannot yet be determined and may be significant.

6.2.4 Judo is subject to APRA's broad powers under the Banking Act

Under the Banking Act, APRA has wide powers to supervise and, where necessary, intervene in the affairs of an ADI. The nature and extent of APRA's supervisory relationship with Judo depends on how much of a risk APRA considers that Judo could pose to its statutory objectives. APRA's supervisory interventions will focus on reducing the likelihood of Judo failing and on ensuring that it is prepared so that if it does fail, it does so in an orderly manner.

APRA will undertake a range of supervisory activities and have a range of statutory powers it can exercise in its work to promote the safety and soundness of ADIs. For instance, APRA can require Judo to provide particular information or documents to it, or formally investigate Judo. APRA has broad power of direction over qualifying unregulated undertakings of Judo and its subsidiaries.

Under the Banking Act, APRA also has power to issue specific directions to Judo. These powers of APRA are broad and may be exercised to interfere with the performance of obligations by Judo, including the power to appoint a Banking Act statutory manager. The Banking Act gives APRA extensive powers to facilitate the resolution of the entities that it regulates (and their subsidiaries) in times of distress, which include oversight, management and directions powers in relation to Judo and other Judo Group members, and powers with respect to statutory management.

In certain circumstances, APRA may appoint a statutory manager to take control of the business of an ADI, such as Judo. Those circumstances are defined in the Banking Act to include:

- where the ADI informs APRA that it is likely to become unable to meet its obligations, or is about to suspend payment;
- where APRA considers that, in the absence of external support:
  - the ADI may become unable to meet its obligations;
  - the ADI may suspend payment;
  - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the interests of its depositors; or
  - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the stability of the financial system in Australia;
- the ADI becomes unable to meet its obligations or suspends payment; or
- where, in certain circumstances, the ADI is in default of compliance with a direction by the Federal Court to comply with the Banking Act or regulations made under it, and the Federal Court authorises APRA to assume control of the ADI's business.

The powers of an ADI statutory manager include the power to alter an ADI's constitution, to issue, cancel or sell shares (or rights to acquire shares) in the ADI and to vary or cancel rights or restrictions attached to shares in a class of shares in the ADI. The ADI statutory manager is authorised to do so despite the Corporations Act, the ADI's constitution, any contract or arrangement to which the ADI is party or the ASX Listing Rules. In the event that a statutory manager is appointed to Judo in the future, these broad powers of an ADI statutory manager may be exercised in a way that adversely affects the rights and interests of Shareholders.

In addition, APRA may (in certain circumstances) require Judo to transfer all or part of its business to another entity under the *Financial Sector (Transfer and Restructure) Act 1999* (Cth). A transfer under this legislation overrides anything in any contract or agreement to which Judo is a party, and thus may have an adverse effect on the rights and interests of Shareholders.

APRA may also place Judo under confidentiality obligations in relation to action taken by APRA. This means that Judo may not be able to disclose information about action taken by APRA (including in exercise of its powers under the Banking Act).

6.2.5 Impact of competitors on Judo's position

Judo operates in a market that faces the risk of increasing levels of competition, including from new business or marketing models (such as less-regulated, non-bank entrants) and/or technology platforms. Judo also faces competition from the incumbent larger financial institutions, many of which have greater scale and financial resources, stronger brand recognition, broader product offerings or more extensive distribution networks or aggressive pricing models. This competition could result in reduced revenue, reduced operating margins or loss of market share, which could have a material adverse impact on Judo's business, reputation, future loan originations, operating and financial performance, financial condition and future prospects.

The regulatory compliance or performance of Judo's competitors may also impact the regulatory regime governing the sector and therefore Judo's own regulatory obligations. There is a risk that where one or more of Judo's competitors suffer material instance(s) of regulatory non-compliance, leading to changes in the regulatory framework for the industry, Judo's own regulatory obligations, systems and processes may be impacted.

Judo's compliance with its own regulatory obligations, especially under the Open Banking requirements may also lead to increased competition due to the facilitation of write access to competitors and broad sharing of consumer data across the banking markets in which Judo operates.

6.2.6 Failure to achieve growth objectives

Judo plans to continue to grow its loan book and increase its share of the Australian SME lending market through strategies described in **Section 3.11**. There is no guarantee that any or all of Judo's growth strategies will be successfully implemented, deliver the expected returns or do so profitably. There is also a risk that the growth strategies may be subjected to unexpected delays and additional implementation costs. For example, continued investment in human capital and/or continued investment of resources in innovation and product development opportunities may fail to realise benefits, value or revenue in a timely manner. There is no guarantee that these initiatives will be successful.

Judo may also pursue mergers, acquisitions, joint ventures, partnerships and other inorganic growth opportunities in the future, which may or may not be successful in delivering targeted financial outcomes or other expected benefits.

Judo may also fail to adopt and execute growth strategies that will enable it to successfully maintain or improve its product offering and match any change in customer preferences. Failure to do so could result in customers choosing Judo's competitors for their requirements, which could have a materially adverse impact on Judo's business, operating and financial performance, and/or growth.

As a fast-growing company, any change to Judo's ability to achieve any or all of its growth strategies, or the market's perception of Judo's ability to deliver growth to Shareholders, is likely to have a significant impact on Judo's Share price.

6.2.7 Judo's reliance on distribution networks

Aside from Judo's own relationship bankers, who originate loans directly for Judo, Judo's lending business materially depends on loan origination through its accredited business lending broker network, which includes brokers, aggregators and finance professionals.

Additionally, while the vast majority of Judo's term deposit customers are gained through Judo's direct, online, electronic application platform, accessible via Judo's own website, a proportion of Judo's term deposit customers are originated via its accredited wholesale term deposits broker network, which includes brokers.

The success of Judo's business, and its ability to profitably maintain, or grow, its existing loan or deposit volumes and portfolios are heavily reliant on Judo's ability to:

- retain its existing key distribution networks and maintain or increase the number of loans or deposits referred by them, noting that Judo's distributors are likely to also maintain relationships with one or more of Judo's competitors;
- increase the number of accredited distribution partners referring new customers to Judo and maintaining or increasing the number of loans or deposits referred by them;
- maintain the attractiveness of Judo's product offerings to those distribution networks; and
- distribute its products through those networks at acceptable commission rates.

Additionally, a small number of aggregators account for over 25% of Judo's loan originations (see **Section 3.6.3.2**). There can be no guarantee that Judo will be able to retain its relationships with these aggregators, or that Judo will be able to enter into direct relationships with the brokers in an aggregator's network in the absence of a relationship with the aggregator. The loss of any one or more of these relationships may have a material adverse effect on Judo's business, financial condition, operating and financial performance, and growth.

To the extent that Judo's business relies on these networks in an increasingly competitive market for lending and deposit products, Judo may also be adversely impacted by:

- any significant changes in the business practices of the brokers within those networks or any aggregator upon whom the broker relies for the broker's authorisation, such as Judo being downgraded as a preferred lender or deposit taker, or the broker and/or aggregator seeking an increase in any current upfront or trail commission terms;
- Judo's current or prospective distributors entering into exclusive arrangements with Judo's competitors; or
- Judo's competitors realising a higher share of the referred volume from Judo's current or prospective distributors, any of which would have a material adverse impact on Judo.

There can be no guarantee or assurance that Judo will continue to be able to maintain its preferred status with the distributors on which it relies, the loss of which, or reduction in which, may adversely impact Judo's business, competitive advantage, reputation, operating and financial position, and future growth prospects.

Other risks in relation to its broker networks include:

- **Incomplete oversight:** while Judo maintains documented agreements with its broker networks, it does not have day-to-day or complete oversight of its brokers' interactions with prospective or existing customers and, consequently, faces potential risks related to the conduct of its brokers.
- **Ongoing relationships with brokers:** Judo may fail to maintain or develop attractive products or services, or to maintain relationships with its current brokers or develop relationships with new brokers.

6.2.8 Judo's provisioning levels might be insufficient to cover actual losses

Judo's lending activities cover a range of sectors, customers and products, including business lending to Small and Medium Enterprises (**SMEs**), Asset Finance, residential mortgages to business owners and other finance products. As part of the normal course of business, a percentage of Judo's lending customers will fail to meet their financial obligations under the borrowing terms agreed with Judo at some point. As a result, Judo expects to incur some degree of financial losses across its lending portfolio and sets aside provisions in anticipation of such losses. There is a risk that the level of provisions set aside by Judo may be insufficient to cover actual losses realised on Judo's lending portfolio. This risk may arise from failures within Judo's internal processes involved in estimating such provisions, or due to events or developments that would be unreasonable for Judo's internal provisioning processes to anticipate. Such events or developments could include less favourable than expected economic or business conditions and a greater than expected deterioration in commercial and residential property markets, whether generally or in a specific industry sector or geographic region, or unexpected external events such as natural disasters and natural hazards (including climatic, biological (such as the COVID-19 pandemic), meteorological or geological events). Such events could expose Judo to an increased risk that a percentage of customers across Judo's lending portfolio fail to meet their financial obligations, giving rise to actual losses realised by Judo in excess of Judo's levels of provisioning.

Specifically, Judo's customers may experience:

- temporary, sudden or permanent vulnerability or challenges arising from their specific circumstances, giving rise to significant deterioration in that customer's business financial performance or the customer prioritising other financial payments ahead of their payments to Judo;

- adverse macroeconomic conditions resulting in a deterioration of the financial performance of the customer and an inability to pay (see **Sections 6.2.20** to **6.2.24**); and
- Judo may also fail to appropriately assess which customers are able to repay their obligations and, as a consequence, loans have been entered into with customers with insufficient capacity to repay their obligations to Judo.

An increase in the failure of customers to meet their obligations above the levels for which Judo has provisioned could result in a decrease in revenue, an increase in expenses (including an increase in cost of risk and in funding costs), and/or decrease in operating cash flows received, which may have a material adverse impact on Judo's business, financial condition, operating and financial performance, reputation, and availability and cost of funding, as it may not be economically viable to pursue full or partial repayment or enforcement action in all cases. Credit losses can, and have, resulted in financial services organisations realising significant losses and, in some cases, failing altogether, particularly if capital levels are insufficient to withstand losses in excess of provisions.

Judo's funding arrangements, described further below in the **Section 6.2.9**, include four securitisation Warehouse Facilities that also contain trigger events (akin to covenants) on arrears and losses. That is, if customers within Judo's portfolio fail to meet their financial obligations to Judo, giving rise to losses in excess of Judo's provisions, or if customers within Judo' s portfolio show signs of increased risk of financial distress, this may trigger accelerated repayment of the debt.

The risk of credit-related losses has increased as a result of the ongoing impact of COVID-19. The risk of credit-related losses may further increase as a result of a number of factors, including deterioration in the financial condition of the stable economies in which Judo, its customers or its counterparties operate; a sustained high level of unemployment in the markets in which Judo, its customers or its counterparties operate; more expensive imports into Australia due to the reduced strength of the Australian dollar relative to other currencies; a deterioration of the financial condition of Judo's customers or counterparties; a reduction in the value of assets Judo holds as collateral; and a reduction in the market value of the counterparty instruments and obligations it holds. Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, as well as the occurrence of events such as natural disasters or pandemics, could cause customers or counterparties to fail to meet their obligations in accordance with agreed terms. Some of Judo's customers and counterparties in, or with exposures to, the below-mentioned sectors are likely to face, or are already experiencing, increasing vulnerability, including:

- **COVID-impacted industries:** industries impacted by the COVID-19 pandemic, particularly transportation (including airlines, shipping, road and rail); ports, tourism and travel (including accommodation, food and beverage); health care; agriculture; entertainment; education; retail (including e-commerce due to impacts on logistics activity); property (particularly shopping malls, office buildings and hotels); construction and contractors;
- **tourism, hospitality and other stimulus-reliant industries:** industries exposed to the unwinding of government stimulus packages and/or the timing of the opening of borders (both domestic and international), as well as industries reliant on consumer discretionary spending;
- **real estate industry:** the property sector (including construction and contractors), which is exposed to a number of factors impacting the valuation of real estate, including demand for residential apartments and commercial buildings, net migration and reduced business activity;
- **geopolitically exposed industries:** industries at risk of sanctions, geopolitical tensions or trade disputes (for example, technology, agriculture and communications) and/or declining global growth and disruption to global supply chains (including food and beverage, manufacturing and construction);
- **climate-exposed industries:** customers and industries exposed to disruption from physical climate risk (for example, bushfires, floods, storms and drought), and transition risk (for example, industries exposed to carbon reduction requirements and resulting changes in demand for goods and services or liquidity); and
- **dollar-exposed industries:** industries exposed to the volatility of the United States dollar and the Australian dollar.

Judo provided customers impacted by the COVID-19 pandemic with the option of suspending or deferring certain mortgage or loan repayments. There can be no guarantee that at the conclusion of any deferral or suspension period, customers will be able to recommence their loan repayment obligations, leading to a potential increase in credit risk–related losses, which could have a material adverse effect on Judo's funding position. In addition, in assessing whether to extend credit or enter into other transactions with customers and/or counterparties, Judo relies on information provided by or on behalf of customers and/or counterparties, including financial statements and other financial information. Judo may also rely on the representations of customers and independent consultants as to the accuracy and completeness of that information. Judo's financial performance could be negatively impacted to the extent that it relies on information that is incomplete, inaccurate or materially misleading.

For further details on how Judo manages credit risk, see **Section 4.8.1**.

6.2.9 Judo may be unable to access funding or funding may only be available on less favourable terms

Judo's funding sources comprise a combination of securitisation facilities, a debt issuance program for Australian dollar medium-term notes, RBA repurchase agreement (**repo**) facilities and customer deposits. Judo relies on these sources to fund loan originations and, accordingly, has potential exposure to funding risks, as described below. An adverse impact on, or loss of, one or more of Judo's funding sources, without access to comparable or acceptable alternatives, may adversely impact Judo's ability to originate new business (including on favourable terms) or to refinance expiring Warehouse Facilities, which may have a materially adverse impact on Judo's business, financial condition, operating and financial performance, reputation and availability and cost of funding.

Judo is a participant in the RBA's TFF, which provides access to 3-year funding (fixed at 0.10% per annum) to ADIs so that, among other things, loans can be made to business customers at lower interest rates (see **Section 3.7.3.3**). The TFF offers Judo a significant cost of funding benefit relative to other wholesale debt available to it. While the lower interest rate of the TFF compared to other funding sources represents a benefit to Judo's financial outcomes, the TFF program has a finite term, and the benefits will fully unwind by the end of the program (30 June 2024). As and when the TFF unwinds, there is a risk that Judo may be unable to secure funding from the alternative funding sources described in **Section 6.2.9** on equivalent or commercially acceptable terms, which may have a materially adverse impact on Judo's cost of funding and, consequently, its financial condition and performance.

Further, the terms of the funding of the TFF are subject to, among other things, the RBA's TFF Operational Notes. These notes are published by the RBA from time to time and contain further details in respect of the TFF, including how certain allowances are calculated and may be utilised. The TFF Operational Notes can be unilaterally amended by the RBA at any time without notice to Judo, by publishing such amendments or a revised version of the TFF Operational Notes on the RBA website. Should these terms be amended by the RBA in such a way as to make the terms of the TFF less favourable to Judo, this may reduce the cost of funding benefit currently available to Judo, thereby reducing Judo's financial condition and performance. Such a risk is outside Judo's control.

6.2.9.1 Warehouse facilities and term securitisations

Judo maintains four Warehouse Facilities, as described in **Section 3.7.3.2**. The Warehouse Facilities are revolving facilities under which Judo periodically assigns loan receivables (**Receivables**) to an SPV warehouse funding trust (in each case, an **SPV Trust**). The trustee of the relevant SPV Trust has issued, and may issue, multiple classes of notes backed by the portfolio of Receivables acquired from Judo, with Judo subscribing for the most subordinated class of notes in respect of each SPV Trust and third-party investors subscribing for senior notes.

Judo has also entered into a rated self-securitisation transaction for the purposes of accessing the RBA's liquidity repurchase agreement facility.

If borrowers default, or are in arrears, on the repayment of Receivables that have been assigned to an SPV Trust, this may cause the relevant Warehouse Facility to amortise and there will be no further funding provided by the relevant financiers. While there is no recourse to Judo if such a scenario were to occur, Judo's capital position may be materially adversely impacted as it may have reduced access to funding for the origination of new loans, as well as reduced access to working capital, which would have a material adverse impact on Judo's business, financial condition, operating and financial performance and/or growth. There is also a risk that the financiers may not extend funding availability periods under the Warehouse Facilities and, if Judo is unable to find alternative sources of funding, this could impact Judo's business, including in the context of origination of new loans.

Under each of the Warehouse Facilities, Judo as 'Seller' and 'Servicer' provides certain representations and undertakings to the Trustee of the SPV Trust and the relevant financiers. Judo will, subject to compliance with APRA Prudential Standard APS 120, be liable for non-compliance with such representations and undertakings (and may be required to repurchase ineligible Receivables as permitted under APRA Prudential Standard APS 120). If a material breach occurs, Judo will be replaced as Servicer of the Receivables assigned to the relevant SPV Trust.

Additionally, as Judo holds the subordinated notes in respect of each Warehouse Facility, it will suffer portfolio losses first, ahead of the senior financiers, and Judo may not receive repayment of the subordinated notes held by it.

6.2.9.2 Debt issuance program

In June 2021, Judo established a debt issuance program, under which it can issue notes in Australia and other countries, where it is permitted to do so. The program enables Judo to issue senior notes and subordinated notes.

As at the date of the Prospectus, Judo has issued $50 million floating rate subordinated notes (**Notes**). The Notes constitute direct and subordinated obligations of Judo and any claims in respect of the Notes would rank in a winding up of Judo:

- behind claims in respect of present and future deposits and other senior ranking obligations of Judo (including claims preferred by applicable laws), which would be entitled to be admitted in the winding up of Judo;
- equally among themselves and with claims in respect of equal ranking securities of Judo (including other securities that constitute Tier 2 capital (as defined by APRA) of Judo); and
- ahead of claims in respect of junior ranking securities of Judo, including claims in respect of any instrument issued by Judo that constitutes Tier 1 capital (as defined by the Prudential Standards) of Judo, and ordinary shares of Judo and any claims referred to in sections 563AA and 563A of the Corporations Act.

The Notes constitute Tier 2 capital (as defined by the Prudential Standards) of Judo.

The conditions of the Notes contain certain provisions that are required for them to be treated as Tier 2 capital (as defined by APRA) of Judo, in accordance with applicable laws and regulations (including APRA's Prudential Standards). In the event that Judo fails to meet any of its obligations under the conditions of the Notes, including a failure to pay amounts when due under the Notes, or in the event that Judo is wound up, noteholders have limited remedies. However, noteholders can accelerate the Notes if Judo is being wound up. The conditions of the Notes contain provisions that enable them to be partially or fully written-off in certain circumstances if a 'non-viability trigger event' has occurred. To the extent that the Notes have not been written off, then noteholders will rank ahead of Shareholders in a winding up of Judo.

6.2.9.3 Judo may not originate and/or retain a sufficient volume of deposits to fund balance sheet growth

Term deposits are a substantial source of funding for Judo's balance sheet. As such, there is a risk that any change in the Australian Government's Financial Claims Scheme, general macroeconomic or market conditions (including a pandemic such as COVID-19, or financial crisis) or any reputational damage to Judo, may cause depositors to seek to withdraw their funds or require Judo to substantially increase its deposit rate to retain existing or attract new customers.

If these risks eventuate, Judo may experience a funding gap that may need to be met from other sources such as warehouse funding and/or other wholesale funding sources. These alternative funding sources may not be available at short notice or may require a significant pricing premium to access.

If Judo is unable to originate and/or retain sufficient volumes of deposits, or the deposit rates rise significantly above Judo's expectations, this may materially adversely impact Judo's business, financial condition, operating and financial performance, and growth trajectory.

For further information on how Judo manages liquidity risk, see **Section 4.8.2**.

6.2.9.4 Judo may be adversely impacted by a change in cost of funding margins

Judo earns interest income and associated revenue from gross loan receivables which are offset by funding costs relating to the funding of those receivables through the sources noted in this **Section 6.2.9.4**.

If wholesale funding market margins rise, Judo may be exposed to increased funding costs on renegotiation of existing Warehouse Facilities as part of the renewal process, future warehouse or term securitisation transactions, or future issues of debt securities. While the funding margins for existing Warehouse Facilities are generally fixed, in certain circumstances the cost of funding of the senior notes may also increase.

Judo may be exposed to increasing funding costs if the notional margin over market reference rates for term deposits increases. Volatility in term deposit pricing, when compared to market reference rates, can occur due to market sentiment, supply and demand dynamics, and idiosyncratic events. Changes to the marginal cost of deposits may impact new deposit originations and rollovers of existing deposits.

If Judo is unable to pass on higher marginal funding costs to its SME Customers, there is a risk that Judo's net interest income will be reduced.

6.2.9.5 Interest rate risk in the banking book (IRRBB) arising from ordinary business activities

Judo's exposure to interest rate risk arises from mismatches in repricing, or differences in the repricing characteristics, of its assets and liabilities, as part of the ordinary course of the business of providing banking services.

This gives rise to current, or potential future, risk to Judo's earnings and capital from movements in the market reference rates and how changes flow through over time; repricing income generating assets (for example, variable rate loans repricing monthly) and expense-incurring liabilities (for example, term deposits that have a fixed rate for the term). This risk has the potential to increase or reduce net interest income or the notional market value of assets and liabilities, from structural mismatches.

Judo manages interest rate risk on a whole-of-balance-sheet basis using an Asset and Liability Management system and has a range of operating limits around the level of reduction in net interest income at risk from movements in rates. Interest rate risk positions are managed through a combination of natural hedges between assets and liabilities (for example, a three-year fixed rate loan asset being naturally hedged by an equivalent amount of three-year fixed rate TFF liability) and/or hedging via interest rate derivatives (for example, receive fixed rate/pay floating rate swaps).

Judo's balance sheet has a number of structural features that impact and reduce its interest rate risk:

- Judo has a zero rate floor as part of its variable rate Judo Market Base Rate calculation, which management expect will mitigate some risk of a reduction in interest income in the event of negative rates.
- Judo's TFF liability is fixed for three years from drawdown at 10% per annum:
  - In the event of negative rates, the TFF fixed rate liability cost is significantly below current alternative funding sources (for example Term Deposits), and is able to be repaid early with no break costs in the event of cheaper options.
  - In the event of a rising interest rate environment, Judo's variable rate lending will reprice within a month, while TFF funding interest expense will remain constant until its expiry.

As and when the TFF unwinds, there is a risk that Judo may be unable to secure funding from the alternative funding sources described in this **Section 6.2.9.5** on equivalent or commercially acceptable terms, which may have a materially adverse impact on Judo's cost of funding and, consequently, its financial condition and performance.

Judo's interest rate risk is managed within Board-approved limits and its balance sheet is structurally positioned to increase net interest income from rising interest rates and limit net interest income reduction resulting from reducing interest rates.

6.2.10 Balance sheet and capital risks

As an ADI, Judo is required to maintain adequate capital resources and liquidity prescribed by APRA. See **Section 3.7.4** for more information in relation to Judo's capital and liquidity requirements and **Section 4.8.2** on Balance Sheet and Liquidity Risk management.

Depending on factors such as general macroeconomic conditions, current or future capital and/or liquidity requirements and/or changes in the methodology for calculating risk exposure, qualifying regulatory capital or liquidity requirements, Judo may be required to raise additional regulatory capital or hold additional liquidity buffers.

If Judo is unable to adequately manage its liquidity position, it may not meet its short-term financial obligations. APRA may also require Judo to hold more liquid assets as a proportion of liabilities, or impose additional liquidity and/or more stable funding requirements, which may result in higher funding costs and/or lower revenue.

Any of these matters may have a material adverse impact on Judo's business, financial condition, operating and financial performance, growth, liquidity or regulatory capital position. Any perceived or actual shortage of capital held by Judo could also result in regulatory action.

In addition, Judo is subject to periodic stress testing by APRA in respect of its resilience to adverse market developments. The outcome of stress tests, and any other regulatory inquiries, could adversely affect financing costs and trigger an increase in capital and liquidity requirements, which could have an adverse effect on Judo's business, financial performance and operations.

Judo is also subject to ongoing regulatory change, including proposed APRA changes to SME and other risk weightings. While these changes are expected to have a positive impact on Judo's regulatory capital changes, there can be no assurance that this impact will be realised until APRA's proposed changes are finalised.

6.2.11 Liquidity risk

Judo is exposed to the risk that it may become unable to meet its financial commitments when they fall due, which could arise due to mismatches in cash flows. Liquidity is essential to the operation of Judo's business. Liquidity may be impaired by an inability to access debt and capital markets, or to sell assets, or if Judo experiences unforeseen outflows of cash or collateral. Liquidity may also be impaired due to circumstances that Judo may be unable to control, such as general market disruptions, which may occur suddenly and dramatically, an operational problem that affects Judo or its trading clients, or changes in credit spreads, which are market-driven, and subject at times to unpredictable and highly volatile movements. If economic conditions deteriorate or remain uncertain for a prolonged period, Judo's funding costs may increase and this may limit its ability to replace maturing liabilities, which could adversely affect the Judo Group's ability to fund and grow its business. In the event that Judo's current sources of funding prove to be insufficient, Judo may be forced to seek alternative financing, which could include selling assets, including illiquid assets. The availability of alternative financing will depend on a variety of factors, including prevailing market conditions, the availability of credit, Judo's credit ratings and credit capacity. The cost of these alternatives may be higher than current sources of funding, or include other unfavourable terms, or Judo may be unable to raise as much funding as it needs to support its business activities. This could slow the growth rate of Judo's business, cause it to reduce its term assets or increase its cost of funding, any of which could adversely affect Judo.

If Judo is unable to adequately manage its liquidity position, it may not meet its short-term financial obligations. APRA may also require Judo to hold more liquid assets as a proportion of liabilities, or impose additional liquidity and/or more stable funding requirements, which may result in higher funding costs and/or lower revenue.

For further information on how Judo manages liquidity risk, see **Section 4.8.2**.

6.2.12 Credit rating

At the date of this Prospectus, Judo has obtained a public external credit rating, which reflects an independent opinion of Judo's credit worthiness. A credit rating can affect the cost and availability of Judo's funding and may be important to certain customers or counterparties when evaluating its products and services.

Future credit ratings assigned to Judo by rating agencies will be based on an evaluation of a number of factors, including Judo's financial strength, track record, the quality of Judo's governance, structural consideration regarding the Australian financial system and economy, and Australia's sovereign credit rating. A future rating downgrade could be driven by a downgrade of Australia's sovereign credit rating, or one or more of the risks identified in this section or other events, including changes to the methodologies rating agencies use to determine ratings.

A future downgrade, or withdrawal of any credit rating obtained by Judo, could have an adverse effect on Judo's funding costs, collateral requirements, liquidity, competitive position and access to capital markets. The extent and nature of these impacts would depend on various factors including the extent of any potential rating change, differences across agencies (split ratings) and whether competitors or the sector are also impacted.

6.2.13 Information technology risks

Judo's ability to service its customers is reliant on the efficient and uninterrupted operation of its technology platform. While Judo's disaster recovery and business continuity capabilities are continually tested for efficacy, Judo's technology platform may, in whole or part, at any time, be subject to system failures, interoperability issues, service outages, programming or human errors, natural disasters, fire, power outages or other events outside Judo's control. Measures implemented by Judo to protect against such events may also be ineffective. Any failure could cause significant damage to Judo's reputation, its ability to make informed credit decisions or to effectively service its customer base, any of which may have a materially adverse impact on Judo's operating and financial performance and/or growth.

Judo is still in the process of developing and evolving its information technology (**IT**) systems as it grows to scale and expands its business offering. Additionally, as we continue to develop and evolve our IT systems this may involve upgrading, changing and replacing certain systems and service providers. Any failure by Judo to appropriately design, develop, implement, maintain or upgrade our IT systems, or any investment in new technology that does not meet Judo's expectations or keep pace with rapid technological change, consumer expectations or the regulatory environment, may also negatively affect Judo's business, reputation, operating and financial performance, and/or growth, and expose Judo to regulatory sanctions (including for privacy breaches or breaches of APRA's Prudential Standards). These failures may also contribute to an increase in manual processes and interventions, which may carry additional operational risks.

Further, elements of Judo's technology platform are reliant on services provided by outsourced providers (see **Section 6.2.15**). These providers may choose to cease to do business, or change the terms on which they do business, with Judo. Additionally, many of the contracts that Judo holds with these providers are based on the provider's standard terms and conditions, which:

- can be terminated on short notice; and/or
- may contain termination for convenience provisions, allowing the provider to terminate the contract and stop providing Judo with the relevant service.

These third-party service providers may maintain the right to amend their standard terms and conditions from time to time, without consultation with Judo.

In light of this, there can be no guarantee that Judo will be able to renew any contract on similar or not-less-favourable terms. As a result, any change to the relationships with these providers may have an adverse impact on Judo's operations, financial performance and/or growth. While some of these services could be replaced quickly, other services may take a longer period of time.

For further information on how Judo manages technology risk, see **Section 4.8.4**.

6.2.14 Cybersecurity and data risks

As part of offering and promoting its products and services, Judo collects, processes, handles and retains personal, sensitive, credit and confidential information regarding its customers, and other personal information relating to its service providers, business partners and investors. Judo also maintains data-sharing arrangements with its service providers, broker networks and other parties (such as government or regulatory bodies) through which it shares, discloses and/or receives information about persons who are, or may become, Judo's customers.

As Judo relies on cloud-based technology providers to host a number of its core systems and processes, including customer and other data, there is a material risk that Judo may be exposed to a security breach or service interruptions. That is, all or part of its technology platform or applications may experience downtime, delays, interruption or corruption as a result of cyberattacks (which have risen markedly during the COVID-19 pandemic) including from computer viruses, bugs, worms, data theft, technical failures, natural disasters, fraud or other events outside Judo's influence or control including problems with the cloud-based technology providers' infrastructure and natural disasters. In such cases, the measures taken by Judo may not be sufficient to detect or prevent unauthorised access to, or disclosure of, personal or confidential information, whether malicious or inadvertent.

In some instances, Judo may not be able to identify the cause or causes of these performance problems involving cloud providers within a period of time acceptable to its clients. It is possible that Judo's clients and potential clients would hold it accountable for any breach of security affecting a cloud provider's infrastructure and Judo may incur liability from those clients and from third parties with respect to any breach affecting these systems. Judo may not be able to recover liabilities to its clients and third parties from a certain cloud provider. It may also become increasingly difficult to maintain and improve Judo's performance, especially during peak usage times, as its platform becomes more complex and the usage of the network increases.

As a bank, Judo is also subject to prudential standards that apply to the security of its IT systems (including APRA Prudential Standard CPS 234 Information Security and APRA Prudential Standard CPS 220 Risk Management). CPS 234 requires Judo to have measures in place so it is resilient against information security incidents (including cyberattacks) by maintaining an information security capability commensurate with information security vulnerabilities and threats. Consistent with many other Australian banks, our program of work to ensure compliance with CPS234 on information security is a work in progress as we continue to work on enhancing our risk framework to appropriately manage information security and cyber threats. CPS 220 requires Judo to make an annual risk management declaration to APRA regarding its risk management systems (including IT systems) and requires Judo to inform APRA if there has been any significant breach of, or material deviation from, the risk management framework or the requirements set out in CPS 220. In 2021, the declaration given to APRA under CPS 220 included qualification regarding its compliance with CPS 234.

Any cybersecurity or data breach or breach of the Prudential Standards regarding information security may cause significant damage to Judo's reputation, its ability to provide its products and services, its ability to service customers in a timely manner and its ability to retain existing customers and attract new customers, any of which could have a materially adverse impact on Judo's business, reputation, operating and financial performance and/or growth, and expose Judo to regulatory actions (including being subject to higher operational and compliance costs, penalties or enforcement actions, having conditions imposed on its banking licence or ceasing to be authorised as an ADI deposit-taking institution).

To manage these data risks, Judo has policies (as required by APRA) to maintain registers of third-party service providers, undertake response planning and testing procedures in relation to possible cybersecurity and data breaches, and conduct assurance reviews in relation to these matters. These procedures include a requirement to seek similar assurance from third-party service providers. Practices and capabilities in these areas vary by provider. Judo will further develop its own capabilities in this area as well as work with providers to do the same. There is a risk that these processes will prove inadequate and expose Judo to system failures and the risk of regulatory action.

For further information on how Judo manages information security, see **Section 4.8.4**.

6.2.15 Judo's reliance on outsourced service providers

As a cloud-based bank, Judo's business is highly dependent on arrangements with key outsourced providers, including legal service, credit reporting, data, operational and business process support service and payment systems providers, communications and IT suppliers, and other software and infrastructure providers and could face significant additional costs or business disruption if, among other matters:

- its providers fail to provide Judo with the agreed services in a timely, secure, professional, effective or reliable manner;
- its relationships are terminated, altered or affected by circumstances outside Judo's influence or control, including any change, default interruption, reduced availability or accuracy, or an insolvency event in relation to a key provider;
- its suppliers become subject to any information or data breach incident or other reputational issue that makes a key third-party vendor ineligible to be a supplier of material services to an ADI;
- a supplier fails to undertake response planning and testing procedures as required by Judo's cybersecurity and data risk policies, which increases the likelihood or severity of a cybersecurity incident;
- Judo is unable to execute or renew any required service contracts on commercially acceptable or favourable terms; or
- Judo is unable to comply with its contractual obligations, or is unable to adequately fund or minimise its exposure to potential liability, under the relevant agreement.

Judo is heavily reliant on a number of key outsourced providers including:

- cloud-based infrastructure solutions such as Amazon Web Services (as cloud services provider);
- participants that provide Judo with access to the payments system;
- legal and settlement service providers Judo utilises in relation to its lending products; and
- credit agencies and/or data analytics providers whose data Judo relies on to assist in its credit assessment processes or to meet its AML/CTF obligations.

A number of the contracts with these suppliers may be terminated on short notice, service levels may be varied or suspended without Judo's consent, or the supplier may vary the terms of the agreement governing the service levels. Further, some contracts contain change-of-control provisions, which give the relevant supplier the right to terminate the contract. While these provisions are not triggered by the Offer, in the event there is a change in control after the Listing and consent is not obtained from the relevant supplier, there remains a risk that the relevant supplier could terminate its agreement with Judo. Should this occur, Judo may not be able to obtain the same supplies or may have to accept materially worse terms to obtain these supplies.

While some of these services could be replaced quickly, other services may take a longer period of time. Accordingly, any change to the services or relationships that Judo relies on may have an adverse impact on its business, financial and operational performance, and future prospects.

6.2.16 Retention of key management or employees

Judo's success relies on its ability to attract and retain qualified and skilled Board members and a senior management team with significant depth and breadth of experience and specialist skills in SME lending, and retail and wholesale term deposit products, among other matters. Further, as a relationship-focused bank, Judo's business and success are also reliant on the hiring and retention of employees with specialist skills, including high-quality relationship bankers and IT, procurement, compliance, legal and risk professionals. The ongoing search for talent remains a key focus for Judo, which will further improve as the Judo brand continues to grow in the market. For an ADI, Judo maintains a relatively small central team that provides support services across the business, and Judo is reliant on certain key personnel with the critical skills necessary for its effective operation and successful functional performance.

The Chief Executive Officer, senior management team and Board have skills that are critical to setting the strategic direction, driving an appropriate organisational culture, successful management and growth of Judo, and any failure to retain key executives and members of the Board, or to engage suitable replacements, or any failure to retain employees with the necessary specialist skills, may materially adversely impact Judo's business, its ability to drive and maintain an appropriate organisational culture, its distributor relationships, its financial and operational performance and prospects, and may also lead to the loss of, or a change in, the conditions attached to one or more of Judo's licences or authorisations.

6.2.17 Risk governance framework failures

Section 4 describes the Risk Management Framework applicable to the conduct of Judo's business, including the Risk Appetite Statement (**RAS**) adopted by the Judo Board.

There is a risk that this governance framework is not properly implemented within the organisation or not properly supervised, exposing Judo to levels of risk that are not contemplated by the RAS.

Judo has achieved rapid growth in its lending operations and expects to continue to do so to achieve scale in its activities. As Judo continues to grow it will need to undertake ongoing development of the risk management framework and the assurance processes required to monitor the framework so that Judo's systems and processes remain appropriate for that increasing scale of activities. There is a risk that the governance framework will not keep pace with that growth or not remain appropriate to manage the risks associated with the size of Judo's business activities, with the result that Judo assumes risk that is not contemplated by the RAS.

Judo is also seeking to grow the number of relationship bankers employed in the business. In doing so, it needs to instil in its relationship bankers the culture that 'everyone is a risk manager', which is core to Judo's approach to risk management. There is a risk that this objective is not properly imbedded in the culture of the organisation or that Judo's risk management framework and RAS are not sufficiently understood by its relationship bankers, with the result that Judo assumes risk that is not contemplated by the RAS.

If Judo were to operate outside its RAS, it may confront the risk of unforeseen lending losses, and scrutiny and sanctions imposed by APRA.

6.2.18 Operational, conduct and business continuity risks

Judo is exposed to significant operational, conduct and business risks including risks arising from process, communications or systems errors, outsourced service provider or broker conduct, system failure, failure of security and/or physical infrastructure, human error, and product development and review, or monitoring failures. Risks of this nature, and any failure of Judo's internal controls, policies and processes to combat such risks, have the potential to materially adversely impact Judo's reputation, its ability to provide its products and services, its ability to service customers in a timely manner and its ability to retain existing customers and attract new customers, any of which could have a materially adverse impact on Judo's business, operating and financial performance, and/or growth, and expose Judo to regulatory sanctions or litigation.

Operational risk is the risk of loss and/or non-compliance with laws resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, cyber risk, conduct and culture risk, and the risk of loss or damage arising from inadequate or failed internal processes, people and/or systems, but excludes strategic risk and reputational risk.

Operational risk categories include, but are not limited to:

- internal fraud (for example, involving employees, suppliers or contractors);
- external fraud (for example, fraudulent customers, broker networks or referrers);
- regulatory reporting obligations (such as failure to provide timely and accurate regulatory reporting due to technology or human error);
- employment practices, loss of key staff, inadequate workplace safety, and failure to effectively implement employment policies;
- impacts on clients, products and business practices (for example, misuse of customer data or anti-competitive behaviour);
- business disruption (including systems failures);
- cyber risk;
- culture risks;
- conduct-related risk, including the possibility of mis-selling of financial products, in a manner that is not aligned with the customer's risk appetite, objectives, financial situation or needs, or to the issuer's target market determinations or other disclosure documents;
- damage to physical assets; and
- execution, delivery and process management (for example, processing errors or data management failures).

Loss from operational risk events may adversely affect Judo's financial position. Such losses can 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.

Pursuant to APRA requirements, Judo must also maintain 'operational risk capital' reserves in the event that future operational events occur.

COVID-19 challenges have resulted in a number of changes in how Judo is undertaking its operations, including rapid adaptation to remote working arrangements. While, subject to rolling restrictions, a number of Judo staff have been able to return to work at Judo's premises, many Judo staff continue to work remotely. Although technology has been successfully deployed to ensure remote working capabilities are available to the relevant staff, greater reliance on digital channels creates heightened risks associated with cyberattacks and the impact those attacks might have on Judo's systems and service availability, which could affect Judo's technology assets as well as outsourced technology suppliers and critical services on which Judo relies, such as telecommunications operators. Any or all of the impacts described above may cause a reduction in productivity, delays in completing important activities or increased regulatory scrutiny, which could subsequently result in customer remediation activities, or fines, all of which may adversely affect Judo's position.

There can be no guarantee or assurance that Judo's internal controls, policies or processes will reduce or prevent the incidence of operational risks, and any failure of them to detect, reduce or prevent such risks may materially adversely impact Judo's business, reputation, operating and financial performance, and/or growth, and expose Judo to regulatory sanctions or litigation.

For further detail on how Judo managers operational risk, see **Section 4.8.3**.

6.2.19 Reputation risk

Judo's business and growth prospects are heavily reliant on its relationships, networks and its reputation to attract and retain customers and other business partners, sources of funding, talent, key stakeholders or suppliers.

Any factors that damage Judo's reputation (including a number of the risks described in this section) may give rise to reputational damage and potentially result in failure to win or retain relationships with customers, maintain its funding program, and attract and retain employees, which could materially adversely affect Judo's business, and operating and financial performance. These factors include breaches of legal and regulatory requirements (such as money laundering, counter-terrorism financing, trade sanctions and privacy laws), technology and information security failures, unsuccessful strategies or strategies that are not in line with community expectations, and non-compliance with internal policies and procedures. Judo's reputation may also be adversely affected by community perception of the broader financial services industry, or from the actions of its competitors, customers or suppliers.

6.2.20 Macroeconomic conditions

As Judo's business is located wholly in Australia, its performance depends on the state of the Australian economy, customer and investor confidence, and prevailing market conditions in Australia, which in turn, are impacted by events in the global economy (such as the downturn in Australia's trade relationship with China). These conditions include global factors such as COVID-19 (see **Section 6.2.22**) and market volatility (including capital or financial market volatility), and local factors such as unemployment, interest rates, lack of income or wages growth, consumer sentiment, business investment, government spending or policy, exchange rates and inflation. Any one or more of these could affect the business and economic environment and, ultimately, the origination volume, future prospects and profitability of Judo's business.

Further, while interest rates are expected to stay at historically low rates in the short to medium term, in the event of higher interest rates or a deterioration in Australia's economic conditions, the ability of Judo's customers to meet their obligations to Judo, or to retain their deposits with Judo, may be adversely impacted, thereby materially adversely impacting Judo's business, operating and financial performance, and prospects.

6.2.21 Environmental and social risks

As Judo expands, it could be exposed to financial losses or brand damage from the adverse impacts of environmental and social risks (including climate change–related risks impacting Judo, its customers, suppliers or the broader economy, such as increases in temperature, sea levels or the frequency or severity of adverse events, including fires, storms, floods, droughts or pandemics) or from failing to meet community or regulatory expectations in relation to environmental and social issues, such as operating or lending more sustainably, or developing and offering more sustainable products and services.

These risks, whether acute or chronic, may directly impact Judo and its customers through reputational damage, environmental factors, insurance risks and business disruption, and may have an adverse impact on financial performance (including through an increase in defaults in credit exposures, or an increased risk that Judo's assets, including those held as collateral or as investments, could become impaired or higher risk over time). While Judo's product design and life-cycle management processes reflect its drive to improve customer financial wellbeing, inclusion and resilience – and its employment and supply chain policies have a focus on diversity and inclusion and the avoidance of human rights harm – there is a risk that Judo may fail to keep pace with employee, customer, community or regulatory expectations, or fail to develop attractive products and services with an appropriate sustainability focus. Disruption is also likely to occur to Judo's business or assets from any adjustment to a low-carbon economy, including through the nature and volume of regulatory policy or market, technological or community-led transition requirements. Any increased regulatory focus on Judo may also increase the risk of compliance breaches or litigation (including enforcement or class actions).

Any initiatives to mitigate or respond to the adverse impacts of climate change by Judo or its suppliers, competitors or customers, may in turn impact market and asset prices, economic activity and behaviours, particularly in geographic locations and industry sectors adversely affected by climate change. Failure to effectively manage these risks could adversely impact Judo's business, prospects, reputation, and financial performance or condition, including Judo's ability to recover amounts owing to it.

Judo recognises that climate change–related risk is just one of a range of potential environmental and social risks that could adversely impact Judo, and that it is systemic in nature, and a significant long-term driver of financial, non-financial and strategic risk to Judo. A failure to respond adequately to the potential and expected impacts of, or opportunities presented by, climate change is likely to affect Judo's long-term performance.

6.2.22 Risks arising from the COVID-19 pandemic and future communicable disease outbreaks

The outbreak of the novel strain of coronavirus in late 2019, known as SARS-CoV-2, or COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Governments, including the Federal Government, and those of the Australian states and territories, have imposed wide-ranging restrictions on or advice against domestic and international travel, events, meetings, gatherings and many other customary activities, and undertaken significant and costly monetary, fiscal and other interventions aimed at stabilising sovereign nations, economies and financial markets.

The situation remains fluid, and governments continue to reintroduce prior restrictions or implement and introduce further measures to contain the COVID-19 pandemic. Additionally, while COVID-19 vaccines have been deployed domestically and internationally, there continue to be uncertainties associated with the long-term effectiveness and success of nationwide vaccination programs. Accordingly, the full duration of the COVID-19 pandemic and the full extent of its impact, as well as the effectiveness of the various government and central bank responses to it, remain subject to significant uncertainties.

In response to the COVID-19 pandemic, Judo established a range of accommodations and measures, such as loan payment deferral, capitalisation of interest, loan conversion from principal and interest to interest only, and allowing the early breaking of term deposits for hardship, to support its customers. But there can be no assurance that these accommodations and measures will be sufficient to prevent or mitigate further hardship, or ensure the delivery of Judo's products and services, and there is a risk that Judo's financial position and prospects may be materially adversely affected. These, and any future, accommodations and measures, while supporting Judo's customers, may in turn negatively impact Judo's financial performance, among other matters, and may result in Judo assuming a greater level of risk than it would have under ordinary circumstances, and Judo's position and prospects may be materially adversely affected as a result. It remains uncertain, at this stage, what percentage of Judo's lending portfolio or deposit book will be impacted by hardship requests or accommodation measures.

In the longer term, asset values may deteriorate if a large quantity of retail and/or business customers liquidate their assets, which may also be exacerbated by the cessation of government assistance either during or after the COVID-19 pandemic, or due to a decrease in demand for such assets. In these situations, loan-to-value ratios are likely to be affected.

6.2.23 Risks arising from changes in political, economic and business conditions

Judo's financial performance is heavily influenced by the political and economic conditions, and level of business activity, in the countries and regions in which Judo, its customers, suppliers or counterparties operate or raise funding. These political, economic and business conditions are affected by, among other matters, domestic and international economic events, developments in domestic and global financial markets, political regimes and related events, and natural disasters.

Political conditions impacting the global economy have led to, and may in future result in, extended periods of increased political, economic and business uncertainty and volatility in the global financial markets, which may adversely affect Judo's financial position. This uncertainty has, in the past, led to declines in market liquidity and activity levels, market volatility, a contraction of available credit, lower or negative interest rates, weaker economic growth and reduced business activity, each of which may adversely affect Judo's position.

These conditions may also adversely affect Judo's ability to raise medium- or long-term funding in the capital markets. Where difficult economic conditions in markets in which Judo or its customers, suppliers or counterparties operate develop or continue, housing, commercial or rural property market asset values could decline, unemployment may rise and corporate and personal incomes could be detrimentally impacted. Deterioration in global markets, including securities, property, currency and other markets, may impact Judo's customers and the security Judo holds against loans and other credit exposures, which may impact Judo's ability to recover in the event of defaults.

Judo's financial performance may also be adversely affected if it is unable to adapt its cost structures or pricing, among other matters, in response to a drop in demand for its products or services, or lower than expected revenues. Judo's financial performance may also be adversely impacted by higher than expected costs (such as funding costs) due to adverse changes in the economy, general business conditions, or the political or operating environment in the countries or regions to which Judo, its customers, suppliers or counterparties are exposed.

Any or all of the negative political, economic or business conditions described in this section may result in reduced demand for Judo's products and services, and/or an increase in loan and other credit defaults and bad debts, which may adversely affect Judo's financial position.

As mentioned in **Section 2.4**, the Australian Government has introduced measures aimed at partially mitigating the impact of the COVID-19 pandemic. These interventions make it difficult to assess the underlying state of the economy. If the state of the economy is worse than expected, it may have a material negative impact on Judo's future financial performance and growth trajectory.

6.2.24 Risk related to Australian real estate markets

Residential and commercial property lending constitutes an important segment within the Australian banking market. Since the global financial crisis (**GFC**), the central banks of many sovereign nations have undertaken unprecedented monetary policy stimulus. Arguably, these activities continue to be a significant driver underlying Australian property markets. Apart from the fall in Australian house prices in 2018 (the largest since the GFC), property prices in Australia continue to rise; and this trend was only briefly disrupted by COVID-19 in 2020.

Despite initial concerns about the negative impacts of COVID-19 and the potential for a long-term recession, most commercial property markets have been resilient due to factors including government stimulus, historically low interest rates and strong liquidity seeking long-term defensive assets. However, some segments of the market have experienced more direct and ongoing consequences of the COVID-19 pandemic, particularly those affected by mobility and tourism, including discretionary retail, hotel accommodation, student accommodation and large-scale inner city residential development.

Additionally, a highly competitive construction sector with declining profit margins could present an indirect risk to Judo's commercial property financing activities. Over the longer term, given a prolonged period of asset price inflation and historically low interest rates, Judo's portfolio of commercial property loans may be impacted by a sudden and material increase in interest rates, which could cause a decline in interest coverage ratios and asset values, potentially increasing refinancing risk.

6.2.25 Underpayment of wages and failure to comply with industry awards

Despite a number of controls in place that seek to ensure compliance with all employment laws, there is a risk that an issue with underpayment of employees could occur within Judo's business. These issues could arise where employees work hours in addition to a standard work week and these hours are not recorded or accounted for when determining whether an industry award has been complied with. Underpayment of employees could have significant consequences for Judo, which may involve significant financial liability related to correcting accumulated past underpayments, a loss in trust in Judo resulting in reduced ability to attract and retain employees, negative media, which impacts the reputation of Judo and its brand, and regulatory scrutiny, such as from the Fair Work Commission.

6.2.26 Potential litigation against Judo

Judo relies on an extensive array of contractual arrangements including with its broker networks, customers and outsourced service providers.

A dispute may arise under those contracts, and Judo may commence, or be subject to, investigation, litigation or other proceedings to resolve such a dispute. Such actions have the potential to disrupt Judo's business, adversely affect its financial or operational performance and affect Judo's reputation and ability to maintain or source its funding requirements.

6.2.27 Insufficient insurance coverage

Judo seeks to maintain comprehensive insurance for building and contents, directors and officers liability, employee practices, professional indemnity, cyber liability and travel insurance. However, Judo's insurance policies do not cover all types of potential losses and liabilities, and are subject to certain exclusions, limits and excesses. As a result, Judo's insurance coverage may not be sufficient to cover the full extent of any losses or liabilities for which it is ultimately responsible, and Judo may be held liable for material claims beyond its insurance coverage limits that could materially and adversely impact its financial performance and reputation. In addition, if Judo made any significant claims against its insurance policies, this could lead to increased premiums on renewal and/or additional exclusions to the terms of future policies, which could have an adverse impact on Judo's financial performance.

6.3. General risks of investment

6.3.1 General market risk

Once Judo is a publicly listed company on the ASX, it will be subject to the general market risk inherent in all entities whose securities are listed on a securities exchange. This may result in fluctuations in the Share price that have no correlation to the fundamental operations and activities of Judo.

The price at which securities are traded on the ASX may rise or fall due to a number of factors including, without limitation:

- the market or appetite for equity securities on the ASX at any given time;
- fluctuations in the domestic and international markets for listed stocks;
- general economic conditions, including the unemployment rate, interest rate, inflation rate, exchange rate movements, the general economic outlook, and changes to government spending or policies;
- legislative or regulatory changes;
- recommendations by brokers or analysts;
- inclusion in, or removal from, market indices;
- global hostilities, pandemics, tensions and acts of war or terrorism;
- the nature of the industry, markets or sectors in which Judo operates;
- certain investor strategies that may adversely impact Judo's Share price (for example, a short selling campaign by an activist or hedge fund investor); and
- general operational and business risks.

These factors may cause the Shares in Judo to trade at prices below the price at which they are being offered under this Prospectus. There is no guarantee or assurance that the price of the Shares will increase following quotation on the ASX, and investors should be aware that the Shares may trade on the ASX at a price that is below the price they paid for the Shares.

6.3.2 Liquidity and Escrowed Shareholders

There is currently no public market through which the Shares may be sold. On and from Listing, there can be no guarantee or assurance that an active market will develop, or that the price of the Shares will increase.

There may be relatively few potential buyers or sellers of the Shares on the ASX at any given time, which may increase the volatility of the market price of the Shares, prevent investors from acquiring or disposing of the Shares, or result in Shareholders receiving a market price for their Shares that is less than the price they paid for them.

Escrowed Shareholders will hold approximately 53.1% of the Shares on Completion, which may impact liquidity. This may affect the volatility and/or market price of the Shares and may prevent investors from acquiring more Shares or disposing of Shares acquired under the Offer, and may result in Shareholders realising a market price for their Shares that is less than the price Shareholders paid for them.

6.3.3 Future issues of Shares or other securities

In future, Judo may issue Shares, options (including awards under employee incentive plans), hybrid securities and debt that can, in certain circumstances, convert into Shares to new or Existing Shareholders, to finance its operations and growth strategy, meet its regulatory capital obligations and to incentivise staff.

While Judo will do so in accordance with the requirements of the ASX Listing Rules, as a result of any new issue of Shares, an investor's proportional beneficial ownership in the underlying assets of Judo may be diluted and Shareholders may experience a loss in value of their Shares as a result of such issues and fundraising activities.

In future, Judo may also issue hybrid instruments to raise regulatory capital to satisfy APRA's regulatory capital requirements. Those hybrid instruments may rank for dividends or payments of capital (including on a winding up of Judo) ahead of ordinary Shares. A holding of Shares does not confer any right to participate in future issues of hybrid securities by Judo.

6.3.4 Potential changes to legal, accounting and regulatory requirements

An investment in, or return on, the Shares may be adversely affected by legal, accounting and/or regulatory changes or requirements, and any actions taken pursuant to such requirements, including any change to the existing rate of company income tax, or a change to the tax payable by Shareholders.

Potential changes to existing laws, or the introduction of new laws, could also increase Judo's compliance costs and obligations. If Judo fails to comply with any changes to applicable laws or regulations, it may be subject to penalties or other enforcement action, be required to undertake remediation, suffer total or partial suspension of regulatory approvals or other sanctions that may have an adverse effect on an investment in the Shares.

6.3.5 Risk of dividends not being paid or fully franked

As Judo intends to invest all cash flow and equity raised into the business to maximise growth, no dividends are expected to be paid in the short term following its listing on the ASX.

In the medium to longer term, the payment of dividends by Judo may be determined by the Board, in its absolute discretion, and will depend on a multitude of factors including the profitability and cash flow of Judo's business, its tax and financial position, liquidity and capital requirements and general economic conditions prevailing at the time.

Judo also requires APRA's written consent prior to paying any dividend that exceeds its after-tax earnings (after including any payments on more senior capital instruments in the financial year to which they relate). Moreover, APRA may, from time to time, issue guidance on Judo's payment of dividends. For example, APRA's current guidance to ADIs in light of the economic volatility caused by the COVID-19 pandemic is for ADIs to exercise caution in capital distributions, with an ongoing measured approach to dividends taking into account the outlook for profitability, capital and the economic environment.

Circumstances may also arise in the future that result in Judo reducing or ceasing to pay dividends for a period of time.

To the extent that Judo may pay any dividend in the future, it may not have sufficient franking credits to frank its dividends, or the franking system may be subject to review or reform. The value and availability of franking credits to a Shareholder will differ, depending on their particular tax and financial circumstances.

Shareholders should also be aware that the ability to utilise franking credits will depend on the individual tax position of each Shareholder. See **Section 10.13** for more information on tax issues and considerations in relation to the Offer.

6.3.6 Inability to meet forecasts and other forward-looking statements

Some statements in this Prospectus constitute forward-looking statements, opinions or estimates, including the Forecast Financial Information discussed in **Section 5**. Such forward-looking statements are based on the assumptions set out in **Sections 3.12.1** and **5.2.3**, and involve various risks, uncertainties and factors, known and unknown, that may impact the actual results, performance and achievements of Judo, and cause them to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, opinions or estimates.

There can be no guarantee or assurance that Judo will achieve its stated objectives or that a particular outcome, future event, forward-looking statement or forecast is guaranteed or will eventuate.

6.3.7 Changes to Australian Accounting Standards

The Australian Accounting Standards Board (**AASB**) may, from time to time, introduce new, modified or replacement Australian Accounting Standards (**AAS**), which may affect the future measurement and recognition of key income statement and balance sheet items, including revenue and receivables. There is also a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key statements of profit and loss and balance sheet items, including revenue and receivables, may change or differ.

Changes to the AAS, or changes to the commonly held views on the application of the AAS, could materially and adversely affect the financial performance and position reported in Judo's financial statements, as set out in this Prospectus.

6.3.8 Force majeure

Events, known as 'force majeure' events, may occur within or outside Australia that may impact Judo's operations, prospects and the price of the Shares. These could include, without limitation, acts of terrorism, pandemics, an outbreak of international hostilities, bushfires, floods, earthquakes, labour strikes, civil wars and other natural or man-made events or occurrences (such as cybersecurity attacks) that may have an adverse impact on the demand for Judo's products or services, and its ability to conduct its business.

Section 7.

Directors, Management and Governance.

7.1. Board of Directors

Members of Judo's Board of Directors have deep and relevant experience across a diverse range of industries including financial services, private equity, wealth and asset management, investment advisory, financial technology (**FinTech**), business management, technology, technology services, health services, corporate governance and consulting. As at the Prospectus Date, Judo's Board comprises eight members, all of whom are non-executive and six of whom are independent, including the Chairman. Geoffrey Lord has resigned with his resignation to take effect prior to Listing. Accordingly, on Listing it is anticipated that Judo's Board will comprise seven members, all of whom will be non-executive and five of whom will be independent. The Board exhibits both gender and cultural diversity.

A biography of each of the Directors on Listing is set out in the table below.

	Directors and their experience
	**Peter Hodgson – Independent Chairman** • Peter joined the Board in January 2017. • Peter has over 37 years of experience in financial services in Australia and overseas and holds a number of Board positions, including as a Director and Chair. He is currently on the advisory boards of Drummond Capital Partners and Planum Partners and is also a member of Trinity College Investment Management Committee. He is Chair of the Centre of Evidence and Implementation; Chair of Paranta Biosciences Limited; and was appointed to the Board of Fintech for International Development, representing Save the Children International. Peter was previously Chair of Save the Children Australia for nine years, and Chair of Greengate Aged Care Partnership. He was also a Trustee and Director of Save the Children International and chaired the Audit and Risk Committee of the organisation. • Peter holds a Master of Arts (Hons) in Law from Cambridge University and is a member of the Australian Institute of Company Directors.
	**John Fraser – Independent Non-Executive Director** • John joined the Board in October 2018 and is Chair of Judo's Board Risk Committee. • John has more than 40 years of experience in leadership roles in economics, public policy, capital markets and asset management in Australia and overseas. He was Secretary to the Treasury from 2015 to 2018, serving as a member of the Board of the Reserve Bank of Australia, a member of the Australian Council of Financial Regulators and Chairman of the G20 Global Infrastructure Hub. John is currently on the Board of the Guardians of the Australian Future Fund and the Advisory Board of Accountability in New York and the Advisory Board of Credi Consulting in Sydney. He is also currently the Australian Observer for the G7 Panel on economic resilience. Prior to this, John was Chairman and CEO of UBS Global Asset Management, based in London; a member of the UBS Group Executive Board; and Chairman of UBS Saudi Arabia. He has also served as an Australian Stock Exchange Board Director and as Chairman of Victorian Funds Management Corporation. • John holds a Bachelor of Economics (Hons) from Monash University.

Directors and their experience

Manda Trautwein – Independent Non-Executive Director

- Manda joined the Board in April 2019 and is Chair of Judo's Board Audit Committee.
- Manda has over 22 years of experience as an accountant in public practice, with a specific focus on advising SMEs. She is currently a Partner of William Buck in Sydney. Manda was previously the National Chair of the Chartered Accountants Australia and New Zealand Business Valuation Community and an Adjunct Fellow at Macquarie University, where she lectured to postgraduate students in Applied Finance.
- Manda holds a Bachelor of Commerce from Macquarie University, a Master of Applied Finance from Macquarie University and a Master of Applied Taxation from UNSW. She is a Fellow of Chartered Accountants ANZ and a Member of CPA Australia.

Mette Schepers – Independent Non-Executive Director

- Mette joined the Board in April 2019 and is Chair of Judo's Board Remuneration and Nominations Committee.
- Mette has over 30 years of international experience in banking and professional services, and is a Chartered Accountant. Mette has held senior executive roles at Mercer, ANZ, Esanda and FleetPartners, and has extensive experience serving large corporates, small to medium businesses and retail customers. Prior to this, Mette worked internationally with PwC. Mette is currently a Board member of the Public Interest Journalism Initiative. Previously, Mette served on the boards of a variety of private and for-purpose companies, and a statutory authority.
- Mette holds a Bachelor of Commerce from the University of Melbourne, a Graduate Diploma of Applied Finance and Investments from the Securities Institute of Australia (now FINSIA), a Graduate Diploma of Mobile Banking from Illinois Institute of Technology and an Associate Degree in Design (Furniture) from RMIT. Mette is a Graduate of the Australian Institute of Company Directors.

Jennifer Douglas – Independent Non-Executive Director

- Jennifer joined the Board in August 2021.
- Jennifer has over 25 years of experience in the technology and media sectors first as a lawyer and then executive before moving into board roles. She has significant experience in driving growth through customer-centred thinking and use of technology and her executive roles included $3 billion financial performance accountability and responsibility for customer experience at Telstra, and General Counsel and Head of Regulatory at Sensis. She is currently a Non-Executive Director and Chair of the Risk Committee of GUD Holdings Ltd (ASX:GUD), a Non-Executive Director of Hansen Technologies Ltd (ASX:HSN) and a Non-Executive Director of Essential Energy. She is also a Non-Executive Director of St Kilda Football Club and Peter MacCallum Cancer Foundation, and a former Non-Executive Director of Opticomm Limited, Telstra SNP Monitoring, Family Life Inc and Pacific Access Superannuation Fund.
- Jennifer holds degrees in Law (Hons) and Science from Monash University and a Master of Law and Master of Business Administration from Melbourne University. Jennifer is also a Graduate of the Australian Institute of Company Directors.

Directors and their experience

David Hornery – Non-Executive Director

- David joined the Board in October 2021.
- David is a co-founder of Judo and was previously the Co-Chief Executive Officer. He is a highly experienced international banker with 35 years of experience across some of Australia's leading investment and business banks. These include National Australia Bank as the Head of Corporate Institutional and Specialised Banking; ANZ, as their Global Head of Capital Markets, and then as CEO Asia spanning 13 countries across the region; and Macquarie Bank, as Global Head of Capital Markets.
- David has been a Board member of the Australian Financial Markets Association, and Chair of its Dealer Accreditation Taskforce. He has served as a Board member of the Asian Bankers Association and the European Australian Business Council. He currently chairs StudioTHI, in the not-for-profit sector.
- David holds a Bachelor of Economics degree from Sydney University.

Geoffrey Lord – Independent Non-Executive Director

- Geoffrey joined the Board in January 2017.
- Geoffrey has over 46 years of experience in leadership roles across a range of businesses. He created the Belgravia Group, a privately owned investment group that owns Belgravia Leisure, Genesis Fitness Gyms, Novofit, Belgravia Technologies, Australian Sports Camps, Community Sports Games, Belgravia Kids, Belgravia Clothing and Profile Corporate Clothing (NZ). Geoffrey has also held a number of Chairman and Director positions with several public listed companies, including as Founder and former Chairman of UXC Limited, one of Australia's largest IT services companies; Chairman of Tersserent Ltd; Chairman of Salvest; and Director of Melbourne Business School.
- Geoffrey has resigned with his resignation to take effect prior to Listing.
- Geoffrey holds a Master of Business Administration (Distinction) from the University of Melbourne, a Bachelor of Economics (Hons) from Monash University and is a Fellow of the Australian Institute of Company Directors and a member of the Australian Security Industry Association.

Malcolm McHutchison – Non-Executive Director

- Malcolm joined the Board in February 2020.
- Malcolm has over 25 years of experience in business and financial services. He is currently the Group Chief Executive of Modern Star, Australia's market-leading education resources business. Prior to this, Malcolm was the Chief Executive of Interactive, one of Australia's largest IT services companies and prior to Interactive, Malcolm led the Macquarie Capital Asset Management function, responsible for the operating performance of an $800 million portfolio of equity investments across Australia, China and New Zealand. During this time, he served on several Boards, most notably Domino's Pizza China, Quadrant Energy and Mine Site Technology.
- Malcolm is a Shareholder Representative Director, representing Prince Issuer Designated Activity Company (an entity managed by Bain Capital Credit LP).
- Malcolm holds a Bachelor of Economics from Monash University, a Master of Business Administration from the Australian Graduate School of Management at UNSW and is also a Graduate of the Australian Institute of Company Directors.

7.2. Management Board

The Management Board includes senior executive team members who have deep expertise, experience and skills across a diverse range of industries, including retail, business and institutional banking, consumer lending, specialist lending, private equity, media, telecom, wealth and asset management, investment advisory, FinTech, business management, legal, risk management, capital markets, technology, human resources, marketing and consulting.

Management Board members and their experience

Joseph Healy – Chief Executive Officer

- Joseph is a co-founder of Judo and a career international banker with over 35 years of experience in banking across a range of roles.
- Joseph has held executive positions at Lloyds Bank, CIBC World Markets, Citibank, Australian and New Zealand Bank (ANZ) and National Australia Bank (NAB) including as Group Executive/Divisional CEO Business Banking for NAB from 2008 to 2014 where he was responsible for SME, Corporate, Institutional, Financial Institutions, Private Banking and Asia.
- Joseph was an Adjunct Professor at the University of Queensland and holds a Master of Science (Finance), an MBA, a Master of Science in International Management (China), a Master of Arts in Contemporary Chinese Studies, a Master of Science in Psychology & Neuroscience of Mental Health and an MBA (Banking) from institutions including the School of Oriental and African Studies, University of London; London Business School; Kings College, London; and the University of Nottingham in China. He is a Fellow of the Chartered Institute of Bankers in Scotland and a Fellow of FINSIA.

Chris Bayliss – Deputy Chief Executive Officer and Chief Financial Officer

- Chris is a co-founder of Judo and a career international banker with over 35 years of experience across all facets of retail and business banking in the Asia Pacific, UK and Europe.
- Chris's career has spanned many global banks and markets, including executive positions at Clydesdale/Yorkshire Bank, Bank of New Zealand, National Australia Bank, and Standard Chartered Bank in Singapore. Chris has held various positions, including Chief Risk Officer, Chief Relationship Officer, Chief Operating Officer and Chief Financial Officer.
- Chris is the Chairman of the Retail and Business Banking Council FINSIA, a Fellow of FINSIA, an Associate of the UK Chartered Institute of Bankers and has a Financial Services Master of Business Administration from Sheffield Hallam University in the UK.

Management Board members and their experience

Megan Collins – Chief People and Culture Officer

- Megan joined Judo in May 2019 and has over 22 years of experience in human resources across multiple industries, operating models and geographies, including Australia, New Zealand, Asia and the United States.
- Megan is an experienced Chief People Officer and has held executive roles across multiple divisions of General Electric and within the Business Bank of NAB. She was previously Chief People & Communications Officer at Treasury Wine Estates, where she led the people, culture and communications strategy for ~3,500 people globally.
- Megan holds a Bachelor of Arts (Major in Business Development and Politics) and a Post Graduate Diploma in Human Resources and Industrial Relations from the University of Melbourne. Megan is a member of the Women for Women Fundraising Committee, part of the Sacred Heart Women's Mission.

Lisa Frazier – Chief Operating Officer

- Lisa joined Judo in April 2021 and has over 25 years of international experience across the banking, investing, media, telecom and technology industries.
- Lisa's prior roles include Chief Innovation Officer at Wells Fargo, where she built and operated new enterprise technology platforms such as Artificial Intelligence and Blockchain; Chief Digital Officer at Commonwealth Bank, where she established digital for the bank; and Partner at McKinsey & Company in New York and San Francisco. She was also Founder and CEO of a media start-up in San Francisco and has operated and advised multiple start-up companies in the Silicon Valley region. Lisa was an Independent Non-Executive Director of OFX Group and a Digital and Technology Advisor to ANZ's Board.
- Lisa holds a Bachelor of Engineering from the University of Melbourne, a Master of Business Administration from the Kellogg Graduate School of Management, Illinois USA, and a Graduate Diploma in Applied Finance and Investment from FINSIA. She is a Graduate of the Australian Institute of Company Directors.

Yien Hong – General Counsel and Company Secretary

- Yien joined Judo in September 2019 and is an accomplished General Counsel and Company Secretary with over 20 years of experience.
- Yien has held senior legal roles at Deutsche Bank, NAB, and was General Counsel and Company Secretary at Growthpoint Properties Australia Limited. She was a Managing Associate at Linklaters (London) and worked at Herbert Smith Freehills for a number of years.
- Yien holds Bachelor of Laws (Hons), Bachelor of Commerce (Hons) and Bachelor of Arts degrees from the University of Adelaide and is a Fellow of the Governance Institute.

Management Board members and their experience

Angelo Manos – Chief Relationship Officer

- Angelo joined Judo in July 2021 and is a career banker with over 27 years of experience in the banking industry.
- Prior to Judo, Angelo worked at ANZ in various senior roles including General Manager (Commercial Broker) in which he led a national team (~150 bankers) to support aggregators and brokers navigate through regulatory reforms in the mortgage broking industry and COVID-19 and contributed to ANZ's response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Angelo also led ANZ's Specialist Segments national team and developed market-leading propositions in Health, Commercial Property and Emerging Corporate. He was also responsible for ANZ's Financial Institutions – Banks portfolio in New York and managed its fallout, restructure and recovery during the global financial crisis.
- Angelo holds a Bachelor of Business (Banking and Finance) and a Master of Practicing Accounting from Monash University.

George Obeid – Chief Third-Party Officer

- George joined Judo in February 2017 and is a career banker with over 20 years of experience in financial services.
- Prior to joining Judo, George worked at ANZ in various senior roles and functions, including risk management, leadership, and senior relationship roles within the Corporate and Commercial division. While at ANZ, George headed up the bank's strategic relationships with national aggregator groups and major brokers with annual turnover of $10 billion, ensuring synergies across the business were maximised and aligned with the bank.
- George is President of the Mortgage & Finance Association of Australia's Commercial and Asset Finance Forum, and a Chartered Banker with the Chartered Bankers Institute in Scotland. He holds a Diploma of Management from Deakin University.

Kevin Ramsdale – Chief Marketing Officer

- Kevin joined Judo in September 2020 and has over 25 years of experience in marketing, digital, product, sales and service across a diverse range of industries and operating environments.
- Prior to joining Judo, Kevin was the Executive General Manager of Membership at RACV with responsibility for Digital, Data and Analytics, Marketing, Corporate Affairs, Communications and Community. Kevin has held senior positions in marketing at JB Hi-Fi and NAB, including as Chief Marketing Officer.
- Kevin holds a Bachelor of Commerce from the University of Melbourne and an MBA (Distinction) from Melbourne Business School. He is also a fellow of Leadership Victoria's Williamson Leadership Program.

Management Board members and their experience

Frank Versace – Chief Risk Officer

- Frank joined Judo in January 2017 and is a career banker with over 20 years of experience in the banking industry.
- Frank's career includes commercial, corporate and retail banking experience through executive and leadership roles at ANZ and Macquarie Bank, which have included an extensive focus on managing business risks of all forms. He has experience running large relationship distribution businesses such as ANZ Mobile Lending, which is a scaled retail and commercial franchise system of over 500 staff, the Northern Melbourne Region for ANZ Business Bank and was Judo's Chief Relationship Officer prior to assuming his current role. Frank has obtained extensive risk experience over his career across various disciplines including a deep understanding of transactional credit risk, portfolio risk management, risk strategy development and policy design.
- Frank is a Chartered Banker with the Chartered Bankers Institute in Scotland and holds a Bachelor of Commerce and a Bachelor of Economics (Hons) from Monash University.

In addition to the Management Board, there is also the Management Board Risk Committee and the Asset and Liability Committee, which assist the Management Board and the Board of Directors in running Judo Bank. See **Section 4.2** for further details on the governance structure.

7.3. Interests and remuneration

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus 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
- financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of this Prospectus with the Australian Securities and Investments Commission (**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 Offer; or
- the Offer,

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 Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

7.3.1 Directors' remuneration

As described in **Section 8.21.13**, under the Constitution, Judo may, in general meeting, determine the maximum aggregate remuneration to be provided to or for the benefit of the Non-Executive Directors as remuneration for their services as a Director. The current maximum aggregate Directors' remuneration is $1,600,000 per annum.

The following annual base and committee fees are payable to Directors (with effect from Completion)[1]:

Table 64. Director annual base fees

Directors' fees	Number of Directors (from Listing)	Fees payable ($)
Chairman	1	270,000
Other Directors	6	135,000

Table 65. Committee fees

Directors' fees	Number of members	Chair fee ($)	Member fee ($)
Board Audit Committee	4	25,000	15,000
Board Risk Committee	4	25,000	15,000
Board Remuneration and Nominations Committee	4	25,000	15,000

All Directors' fees include superannuation payments required by law to be made by the Company.

7.3.1.1 Deeds of access, insurance and indemnity for Directors

The Company has entered into a deed of access, insurance and indemnity with each Director that confirms the Director's right to access Board papers and requires the Company to indemnify the Director, on a full indemnity basis and to the maximum extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the Director as an officer of the Company or any subsidiary of the Company.

Under the deeds of access, insurance and indemnity, the Company must maintain a directors' or officers' insurance policy insuring each Director (among others) against liability as a Director or Officer of the Company and its related bodies corporate until seven years after a Director ceases to hold office as a Director of the Company or a related body corporate (or the date any relevant proceedings commenced during the seven-year period have been finally resolved).

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1. With the exception of the annual base fees payable to Jennifer Douglas and David Hornery, who have been paid $135,000 per annum since they joined the board on 23 August 2021 and 7 October 2021, respectively.

7.3.1.2 Directors' interests in Shares and other securities

Directors are not required under the Constitution to hold any Shares or other securities.

The Directors are expected to hold the Shares and other securities in the Company at the relevant dates set out below.

Table 66. Directors' interests in Shares and other securities

	As at the Prospectus Date					On Completion	
Director[1]	**Shares[2]**	**Performance Rights**	**Warrants**	**Options**	**Pro forma interest in Shares[3]**	**Shares[4,5]**	
	#	#	#	#	%	#	%
Peter Hodgson	105,429	236	–	–	0.2%	2,374,979	0.2%
John Fraser	2,370,783	177	1,000,000	–	0.5%	4,596,755	0.4%
Manda Trautwein	353,449	10	–	–	0.0%	449,616	0.0%
Mette Schepers	101,429	10	–	–	0.0%	197,596	0.0%
Jennifer Douglas	–	–	–	-	–	–	–
David Hornery	2,176,170	2,648	200,000	–	2.9%	20,427,713	1.9%
Geoffrey Lord	1,244,602	177	1,000,000	2,000,000	0.5%	4,518,193	0.4%
Malcolm McHutchison	–	–	–	–	–	–	–
Total	**6,351,862**	**3,258**	**2,200,000**	**2,000,000**	**4.1%**	**32,564,852**	**3.0%**

Notes:

1. Directors may hold their interests in the securities shown above directly and indirectly through holdings by a family member, company or trust.
2. These shares are A Class Shares. As described in **Section 10.4.5**, A Class Shares will convert into (ordinary) Shares on a one-for-one basis immediately prior to Completion.
3. Provided for illustrative purposes only. These pro forma interests represent the effective interest in Shares prior to Completion, following the cashless exercise of the Warrants and Options and assuming the exercise of all of the 14,927 Performance Rights issued under the MIP and MMIP.
4. Includes Shares issued to Directors as a result of Performance Rights, Warrants and Options that are exercised.
5. Does not include any other Shares that may be acquired by Directors (or their associated entities) through the Offer. Final Directors' shareholdings will be notified to ASX on Completion.

All Shares held by Directors on Completion (except for any Shares held by Geoffrey Lord who will resign before this time) will be subject to the voluntary escrow arrangements set out in **Section 7.3.1.4**.

On Completion, no Director will hold any Performance Rights, Warrants or Options as the Performance Rights will have been exercised or acquired and cancelled and the Warrants and Options will have been exercised (see **Section 10.4.2**).

As at the Prospectus Date, each Director (other than David Hornery) has elected to exercise all of their Performance Rights. David Hornery has elected to have 761 Performance Rights acquired for the Acquisition Price, for which he will be paid an amount of $15.4 million.

7.3.1.3 Other interests of Directors

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 that are not in the capacity as Non-Executive Director of the Company or a subsidiary of the Company.

7.3.1.4 Directors' voluntary escrow arrangements

All Shares held by Directors on Completion (except for any Shares held by Geoffrey Lord who will resign before this time) (their **Escrowed Shares**) will be subject to voluntary escrow arrangements, which will prevent them from dealing in their Escrowed Shares for the applicable periods set out below. Further details of the voluntary escrow arrangements are provided in **Section 10.8**.

For the Directors subject to voluntary escrow arrangements (other than David Hornery):

- 50% of their Escrowed Shares will be subject to escrow until 4:15pm on the date on which Judo's preliminary financial report on the financial results for the financial year ending 30 June 2022 is released to the ASX; and
- the remaining 50% of their Escrowed Shares will be subject to escrow until 4:15pm on the date on which Judo's preliminary financial report on the financial results for the financial year ending 30 June 2023 is released to the ASX.[2]

100% of David Hornery's Escrowed Shares will be subject to escrow until 4:15pm on the date on which Judo's preliminary financial report on the financial results for the financial year ending 30 June 2023 is released to the ASX.[3]

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[2] Note: In the event of the death or permanent incapacity of the relevant director, the escrow period will automatically end and the Shares held by that director and (if applicable) their associated entities will no longer be subject to the voluntary escrow arrangements.

[3] Note: In the event of the death or permanent incapacity of David Hornery, the escrow period will automatically end and the Shares held by him and his associated entities will no longer be subject to the voluntary escrow arrangements.

7.3.2 Senior management interests and remuneration

7.3.2.1 Chief Executive Officer remuneration

Table 67. Key terms of Chief Executive Officer remuneration

Term	Description
Name	Joseph Healy is employed by Judo as the Chief Executive Officer.
Total fixed remuneration (TFR)	Joseph is entitled to receive annual (**TFR**) of $1,100,000 (inclusive of base salary and statutory superannuation). In addition, Joseph is eligible to receive both a short-term incentive (**STI**) and a long-term incentive (**LTI**) (as described below) under the Omnibus Plan, further details of which are set out in **Section 7.4.2**.
'Judo Grows' – annual short-term incentive	For the period commencing 1 January 2022, Joseph is eligible under his employment agreement to receive an annual incentive under the Judo Grows annual STI program (further details of which are provided in **Section 7.4.2.1**) of up to 70% of his TFR at target (up to a maximum of 120% of target STI opportunity for outperformance), subject to the achievement of Judo Group performance metrics. For FY22, the opportunity will be prorated for half a financial year. To the extent the performance conditions are met and Joseph remains employed with Judo, 100% of the incentive will be delivered in Deferred Share Rights, which will vest 12 months and 24 months after the end of the performance period, in equal tranches.
'Judo Grows+' – long-term incentive	Joseph is also eligible to receive an LTI. It is intended that Joseph will receive a Judo Grows+ award on an annual basis. Further details of Judo Grows+, including the key terms and conditions applicable to the granting of awards, are outlined in **Section 7.4.2.2**. Joseph's annual eligible quantum for Judo Grows+ is 70% of his TFR and he will be granted a first award of $770,000 prior to the Listing Date. The award will be made in Premium Priced Options, with an exercise price set at a 30% premium to the Offer Price. The number of instruments that will be awarded are based on his eligible quantum divided by a Black-Scholes valuation for the Premium Priced Options. Joseph's initial grant will be 2.6 million Premium Priced Options. The Judo Grows+ award will vest to the extent that Joseph meets the relevant vesting conditions under the Omnibus Plan, which includes a five-year service condition.
Termination	Joseph's employment may be terminated by either party upon giving 12 months' notice. Judo may make payment in lieu of notice. In the event of circumstances warranting summary dismissal, Judo may terminate Joseph's employment contract immediately without payment in lieu of notice. In addition, the Board has the ability to exercise the malus and clawback provisions in the Omnibus Plan (as described in **Table 74**) in respect of the awards granted to Joseph under the Judo Grows and Judo Grows+ programs, including the lapsing or forfeiture of unvested awards.

Term	Description
Restraint	Following termination of Joseph's employment, he will be subject to post-employment non-competition and non-solicitation restraints that apply across Australia for a period of up to 12 months. The enforceability of the restraint clause is subject to all usual legal requirements.

7.3.2.2 Deputy Chief Executive Officer and Chief Financial Officer remuneration

Table 68. Key terms of the Deputy Chief Executive Officer and Chief Financial Officer remuneration

Term	Description
Name	Chris Bayliss is employed by Judo as the Deputy Chief Executive Officer and Chief Financial Officer.
Total fixed remuneration	Chris is entitled to receive annual TFR of $700,000 (inclusive of base salary and statutory superannuation). In addition, Chris is eligible to receive an STI, an LTI and an IPO Top-up Award (as described below) under the Omnibus Plan, further details of which are set out in **Section 7.4.2**.
'Judo Grows' – annual short-term incentive	For the period commencing 1 January 2022, Chris is eligible under his employment agreement to receive an annual incentive under the Judo Grows STI incentive program (further details of which are provided in **Section 7.4.2.1**) of up to 50% of his TFR at target (up to a maximum of 120% of target STI opportunity for outperformance), subject to the achievement of Judo Group performance metrics. For FY22, the opportunity will be prorated for half a financial year. To the extent the performance conditions are met and Chris remains employed with Judo, 100% of the incentive will be delivered in Deferred Share Rights, which will vest 12 months and 24 months after the end of the performance period, in equal tranches.
'Judo Grows+' – long-term incentive	Chris is also eligible to receive an LTI. It is intended that Chris will receive a Judo Grows+ award on an annual basis. Further details of Judo Grows+, including the key terms and conditions applicable to the grant of awards, are outlined in **Section 7.4.2.2**. Chris's annual eligible quantum for Judo Grows+ is 50% of his TFR, and he will be granted a first award of $350,000 prior to the Listing Date. The award will be made in Premium Priced Options, with an exercise price set at a 30% premium to the Offer Price. The number of instruments that will be awarded are based on his eligible quantum divided by a Black-Scholes valuation for the Premium Priced Options. Chris's initial grant will be 1.2 million Premium Priced Options. The Judo Grows+ award will vest to the extent that Chris meets the relevant vesting conditions under the Omnibus Plan, which includes a five-year service condition.

Term	Description
IPO Top-up Award	Chris will be entitled to an IPO Top-up Award. This award is a once-off award and will be delivered as a combination of Deferred Share Rights and Premium Priced Options prior to Completion. Further details of the IPO Top-up Award, including the key terms and conditions applicable to the grant of awards, are outlined in **Section 7.4.3**.
Termination	Chris's employment may be terminated by Judo by giving 12 months' notice. Upon resignation, Chris is required to give 6 months' notice. Judo may make payment in lieu of notice. In the event of circumstances warranting summary dismissal, Judo may terminate Chris's employment contract immediately without payment in lieu of notice. In addition, the Board has the ability to exercise the malus and clawback provisions in the Omnibus Plan (as described in **Table 74** below) in respect of the awards granted to Chris under the Judo Grows, Judo Grows+ programs and the IPO Top-up Award, including the lapsing or forfeiture of unvested awards.
Restraint	Following termination of Chris's employment, he will be subject to post-employment non-competition and non-solicitation restraints that apply across Australia for a period of up to 12 months. The enforceability of the restraint clause is subject to all usual legal requirements.

7.3.2.3 Remuneration of other members of the Management Board

Other executives – Judo's Management Board – are employed by Judo and have entered into individual employment agreements. Excluding the Chief Executive Officer and Deputy Chief Executive Officer/ Chief Financial Officer, details of the aggregate annual remuneration arrangements for the remaining seven Management Board members are summarised below.

Table 69. Key terms for the remuneration of other members of the Management Board

Term	Description
Total fixed remuneration	In aggregate, the remaining seven members of the Management Board are entitled to receive annual TFR of $3,600,000 (inclusive of base salary and statutory superannuation). In addition, they are each eligible to receive an STI and an LTI (as described below) under the Omnibus Plan, further details of which are set out in **Section 7.4.2**.
'Judo Grows' – annual short-term incentive	For the period commencing 1 January 2022, all other Management Board members are eligible under their employment agreements to receive an annual incentive under the Judo Grows STI incentive program (further details of which are provided in **Section 7.4.2.1**) of up to $1,700,000 in aggregate on-target payments (up to a maximum of $2.04 million for outperformance), subject to the achievement of Judo Group performance metrics. For FY22, the opportunity will be prorated for half a financial year. To the extent the performance conditions are met and individuals remain employed with Judo, 100% of the incentive will be delivered in Deferred Share Rights, which will vest 12 months and 24 months after the end of the performance period, in equal tranches.

Term	Description
'Judo Grows+' – long-term incentive	All Management Board members are also eligible to receive a long-term incentive under the Judo Grows+ program. It is intended that all Management Board members will receive a Judo Grows+ award on an annual basis. Further details of Judo Grows+, including the key terms and conditions applicable to the grant of awards, are outlined in **Section 7.4.2.2**. In aggregate, the annual award value for all remaining Management Board members is $1,700,000. The initial grant of awards under the Judo Grows+ program will be granted prior to the Listing Date. The award will be made in Premium Priced Options. The number of instruments that will be awarded are based on eligible quantum divided by a Black-Scholes valuation for the Premium Priced Options. The grant in aggregate will be 5.8 million Premium Priced Options, for all remaining Management Board members. The Judo Grows+ award will vest to the extent that Management Board members meet the relevant vesting conditions under the Omnibus Plan, which includes a five-year service condition.

7.3.2.4 Senior managements' interests in Shares and other securities

Members of the Management Board are expected to hold the Shares and Legacy Options at the relevant dates set out below.

Table 70. Management Board Members' interests in Shares and other securities

	As at the Prospectus Date				On Completion	
Member of the Management Board[1]	**Shares[2]**	**Performance Rights**	**Warrants**	**Pro forma interest in Shares[3]**	**Shares[4,5]**	
	#	**#**	**#**	**%**	**#**	**%**
Joseph Healy	4,614,526	3,236	1,500,000	3.8%	34,183,130	3.1%
Chris Bayliss	750,000	1,412	550,000	1.5%	9,520,161	0.9%
Other members	201,133	645	60,000	0.7%	4,415,842	0.4%
Total	**5,565,659**	**5,293**	**2,110,000**	**5.9%**	**48,119,133**	**4.4%**

Notes:

1. Members of the Management Board may hold their interests in the securities shown above directly and indirectly through holdings by a family member, companies or trusts (including the Employee Trust Trustee).
2. These shares are A Class Shares. As described in **Section 10.4.5**, A Class Shares will convert into (ordinary) Shares on a one-for-one basis immediately prior to Completion.
3. Provided for illustrative purposes only. Represents the effective interest in Shares prior to Completion, following the cashless exercise of the Warrants and Options and assuming the exercise of all of the 14,927 Performance Rights issued under the MIP and MMIP.
4. Includes Shares issued to Management Board members as a result of Performance Rights and Warrants that are exercised.
5. Does not include any Shares that may be purchased by members of the Management Board (or their associated entities) under the Offer.

In addition to the Shares and other securities set out in **Table 70** above, members of the Management Board (excluding Joseph Healy and Chris Bayliss) have been issued 2,530,852 Legacy Options under the Legacy LTI Plan, and will continue to hold these Legacy Options on Completion. The terms of the Legacy Options are described in **Section 7.4.1**.

Certain of the Shares held by members of the Management Board on Completion will be subject to the voluntary escrow arrangements set out in **Section 7.3.2.6**.

As at Completion, no member of the Management Board will hold any Performance Rights or Warrants, as the Performance Rights will have been exercised or acquired and cancelled, and the Warrants will have been exercised (see **Section 10.4.2**).

As described in **Section 10.4.3**, each Participant in the MIP and MMIP has elected to either exercise their Performance Rights or have them acquired for the Acquisition Price. **Table 71** indicates the number of Shares held by members of the Management Board at Completion and includes any Shares acquired on the exercise of Performance Rights and the conversion of B Class Shares to Shares.

As at the Prospectus Date, Joseph Healy, Chris Bayliss and other members of the Management Board have elected to have the number of Performance Rights set out below acquired for the Acquisition Price and will be paid the amount set out below for those Performance Rights:

Table 71. Members of the Management Board's Performance Rights and acquired amounts

Members of the Management Board	Performance Rights to be acquired by Judo	Amount paid for those Performance Rights
Joseph Healy	243	$4.9 million
Chris Bayliss	452	$9.1 million
Other members of the Management Board	210	$4.2 million

7.3.2.5 Senior management loans

Judo has previously provided loans to certain officers and senior managers for the purpose of acquiring A Class Shares in Judo's previous funding rounds, conducted in May 2020 and December 2020. These loans were provided on arm's length terms. Under the terms of these loans, the relevant officer or senior manager is required to repay the outstanding loan amount prior to an 'exit event', which includes Completion.

Below is a summary of the loans that are outstanding as at the Prospectus Date, noting that each loan will be repaid shortly post Listing.

Table 72. Outstanding officer and senior manager loans

Borrower	Outstanding loan amounts as at the Prospectus Date
David Hornery	$1.3 million
Chris Bayliss	$0.3 million
Yien Hong	$0.1 million
Former member of the Management Board	$0.4 million
TOTAL	**$2.1 million**

7.3.2.6 Senior management's voluntary escrow arrangements

All Shares held by Joseph Healy and Chris Bayliss on Completion (their **Escrowed Shares**), 100% of the Shares held by Lisa Frazier as a result of the wind up of the MMIP and 50% of the Shares held by the other members of the Management Board as a result of the wind up of the MMIP, will be subject to voluntary escrow arrangements that prevent them from dealing in their Escrowed Shares for the applicable periods set out below (the **Escrow Periods**). Further details of the voluntary escrow arrangements are provided in **Section 10.8**.

The relevant Escrow Periods are as follows:

- Joseph Healy and Chris Bayliss' Escrowed Shares will be escrowed until 4:15pm on the date on which Judo's preliminary financial report on the financial results for the financial year ending 30 June 2023 is released to the ASX; and
- the other members of the Management Board (including Lisa Frazier) who hold their Shares as a result of the wind up of the MMIP (described in **Section 10.4.3**) will be escrowed until the first anniversary of the date of Listing.[4]

7.3.2.7 Interests of advisers

The Company has engaged the following professional advisers in connection with the Offer and preparation of this Prospectus:

- Barrenjoey, Citi, Credit Suisse and Goldman Sachs have acted as Joint Lead Managers to the Offer. The Company has agreed to pay Barrenjoey, Citi, Credit Suisse and Goldman Sachs the fees described in **Section 10.6** for these services;
- Bell Potter, E&P and Wilsons have acted as Co-Lead Managers to the Offer. The Company has agreed to pay the fees described in **Section 10.6** for these services;
- CommSec Limited has acted as Co-Manager to the Offer. The Company has agreed to pay the fees described in **Section 10.6** for these services;
- Ashurst has acted as Australian legal adviser and tax adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $1.8 million (excluding disbursements and GST) for legal advisory services up until the Prospectus Date. Further amounts may be paid to Ashurst in accordance with its normal time based charges. The Company has paid, or agreed to pay, approximately $0.2 million (excluding disbursements and GST) for tax advisory services up until the Prospectus Date. Further amounts may be paid to Ashurst in accordance with its normal time based charges;
- PricewaterhouseCoopers Securities Ltd has acted as the Investigating Accountant and performed work in relation to the Financial Information included in **Section 5** and its Investigating Accountant's Report included in **Section 9**. The Company has paid, or agreed to pay, approximately $1.0 million (excluding disbursements and GST) for these services up until the Prospectus Date;
- PricewaterhouseCoopers has provided Australian legal advice to the Company in relation to the Employee Discount Offer and Employee Gift Offer and the employee incentive arrangements detailed in this Prospectus. The Company has paid, or agreed to pay, approximately $0.05 million (excluding disbursements and GST) for the services in connection with the Employee Gift Offer and Employee Discount Offer up until the Prospectus Date; and
- DBM Consultants have provided information on the Australian SME lending market to Judo in connection with the Offer. Judo has paid, or agreed to pay, approximately $0.1 million (excluding disbursements and GST) for these services.

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4. Note: In the event of the death or permanent incapacity of the relevant Management Board member, the escrow period will automatically end and the Shares held by them and (if applicable) their associated entities will no longer be subject to the voluntary escrow arrangements.

7.4. Employee incentive plans

The Company currently has the following incentive arrangements in place to assist in the motivation and retention of key employees and officers (including Directors) of the Company:

- a Long Term Incentive Plan (Legacy LTI Plan), which the Company is in the process of winding up; and
- a Go Forward Incentive Plan (Go Forward Plan), which the Company intends to use as the sole equity incentive arrangement for key employees and officers following Completion.

Each of the Legacy LTI Plan and the Go Forward Plan are designed to:

- promote the long-term success of the Company;
- provide a strategic, value-based reward for key individuals who make a key contribution to the success of the Company;
- allow key individuals to share in the success of the Company; and
- align the interests of such individuals with the interests of Shareholders by providing an opportunity for them to receive an equity interest in the Company.

Further details on the Legacy LTI Plan are set out in **Section 7.4.1**, and further details on the Omnibus Plan are set out in **Section 7.4.2**.

In addition to the Legacy LTI Plan and the Omnibus Plan, the Company is implementing the Employee Gift Offer as a once-off incentive to be extended to all Eligible Gift Offer Employees in connection with the Offer. Further details on the Employee Gift Offer are set out in **Section 8.11**.

7.4.1 Legacy LTI Plan

The Legacy LTI Plan was established by the Company in 2019 and has assisted the Company in incentivising employees and officers through grants of options over Shares in the Company.

The rules of the Legacy LTI Plan (**Legacy LTI Plan Rules**) and the offer documents issued to each employee and officer who received Legacy Options set out the terms of the Legacy Options. **Table 73** below provides a summary of the key terms of the Legacy LTI Plan and Legacy Options. As at the Prospectus Date, the Company does not intend to grant any further securities or incentives under the Legacy LTI Plan.

Table 73. Key terms of the Legacy LTI Plan and Legacy Options

Term	Description
Approval	The Legacy LTI Plan was approved by the Board in October 2019.
Type of securities issued	The Company has granted options, being an option to acquire one Share subject to the satisfaction of any vesting conditions outlined in the participant's invitation and payment of the exercise price (**Legacy Options**) under the Legacy LTI Plan. The Legacy LTI Plan historically provided flexibility for the Company to award a range of other securities and incentives; however, at the Prospectus Date the Company has not issued anything other than Legacy Options under the Legacy LTI Plan and does not intend to make further grants under the Legacy LTI Plan.
Number of Legacy Options Issued	The Company has issued 12,212,428 Legacy Options, which will result in the issue of 12,212,428 Shares, assuming all Legacy Options are exercised.
Issue price	All Legacy Options were issued for nil consideration.

Term	Description
Exercise price	The exercise price for each Legacy Option varies from participant to participant and generally reflects the market price of Ordinary Shares in the Company at the time the Legacy Option was issued. Each Legacy Option has an exercise price of at least 20 cents and the weighted average exercise price of all Legacy Options is $1.48.
Vesting and exercise of Legacy Options	Subject to Completion, a Legacy Option may be exercised by the participant paying the exercise price. In connection with the Listing, the Board intends to exercise its discretion under the Legacy LTI Plan to waive all outstanding vesting conditions applicable to all Legacy Options other than 2,619,152 Legacy Options which will continue to be subject to vesting conditions linked to service and financial performance. These relate to 319,152 Legacy Options issued to a former executive employee which are not permitted to vest due to regulatory requirements and 2,300,000 Legacy Options issued to two executive employees who commenced employment with the Company in the past eight months.
Issue, allocation or acquisition of Shares	Subject to applicable laws, Shares to be delivered to participants upon the exercise of Legacy Options may be issued by the Company, transferred from existing shareholders, and/or allocated within an employee share trust.
Ranking of Shares	Shares issued on exercise of Legacy Options will rank equally in all respects with existing Shares.
Voting and dividend rights	Shares issued on vesting and exercise of Legacy Options, carry the same voting and dividend rights as Ordinary Shares. Legacy Options carry no voting or dividend rights.
Quotation	Subject to the ASX Listing Rules, the Company will apply to the ASX for the quotation of any Shares issued to participants pursuant to the exercise of Legacy Options. Legacy Options will not be quoted on the ASX.
Disposal restrictions on Legacy Options	Except as permitted by the Board, a participant must not sell, transfer, encumber, hedge or otherwise deal with Legacy Options. Legacy Options and Shares issued or allocated following the exercise of Legacy Options, cannot be disposed of by the participant until the third anniversary from the date of grant of the Legacy Options or until the relevant employee or officer ceases employment with the Judo Group (if earlier).
Expiry of Legacy Options	Legacy Options will expire on a date fixed in the offer letter to the particular employee or officer. The expiry date varies from employee to employee, with all Legacy Options expiring between 20 December 2029 and 29 July 2031. On the expiry date for a Legacy Option, the Legacy Option will lapse (unless it has been validly exercised).

Term	Description
Lapse/forfeiture of Legacy Options	The Legacy LTI Plan contains provisions concerning the treatment of Legacy Options and any Shares issued, allocated or transferred following the exercise of Legacy Options, including without limitation in the event that: ● the vesting conditions or exercise conditions attaching to the relevant Legacy Options are not satisfied or the Board forms the view they cannot be satisfied; ● the Legacy Options are not exercised before the applicable expiry date; ● a holder of Legacy Options wilfully or materially commits a material breach of their obligations to any member of the Judo Group; ● a participant fails to exercise their powers and discharge their duties with reasonable care and diligence and such failure results in, or materially contributes to, any member of the Judo Group: o incurring a significant unexpected financial loss, impairment charge, cost or provision; o incurring significant reputational harm or damage to its prudential standing; o making a material financial misstatement or omission of financial statement; or o breaching a significant legal or regulatory requirement; ● a participant becomes insolvent; ● a participant disposes of its Legacy Options or Shares in breach of the Constitution or the Legacy LTI Plan Rules; ● a participant fails to adhere to the prudent risk management policy set by the Company in any material respect; ● a participant is subject to disciplinary action or sanction by any member of the Judo Group for misconduct or failure to perform his or her duties; ● a participant fails to perform their duties to any member of the Judo Group and fails to rectify that failure; or ● a participant becomes an employee, officer or contractor to an ASX-listed competitor of the Judo Group in the 12 months following Completion.
Cessation of employment/office (unvested Legacy Options)	Under the Legacy LTI Plan Rules, the Board retains full discretion to determine the manner in which a participant's unvested Legacy Options will be dealt with in the event that the participant ceases employment or engagement with the Judo Group, including to determine that the participant forfeits all unvested Legacy Options. The individual offer documents provide specific information on how an unvested Legacy Option will be treated where a participant ceases employment or engagement with the Judo Group.

Term	Description
Change of control event	Where the Board expects that a change of control event will occur, the Board may: • determine that any unvested Awards should remain unvested, in which case they will expire immediately prior to the change of control event; • determine to buy back or cancel some or all of the awards (whether vested or not) in exchange for their fair market value; or • facilitate the vesting or exercise of a participant's unvested Awards in connection with the change of control event. Where the Board determines to buy back or cancel some or all of the awards, the fair market value of those awards will be determined based on a valuation from an independent adviser on the following basis: • ignoring the impact of the change of control event; • accounting for the assumed life of any Option; • assessing the underlying Share price with regard to the expected change of control event; and • basing the expected volatility and dividend yield on the expected outlook for the business excluding the change of control event.
Employee share trust	The Company may operate an employee share trust in conjunction with the Legacy LTI Plan.
Other terms	The Legacy LTI Plan contains customary and usual terms having regard to Australian law for dealing with the administration, variation and termination of the Legacy LTI Plan (including in relation to the treatment of Legacy Options in the event of a reorganisation of the Company's share capital structure, a rights issue or bonus share issue).

7.4.2 Go-forward incentive arrangements

The Legacy LTI Plan was adopted by the Company in October 2019 and reflects the Company's then current reward principles as endorsed by the Board Remuneration and Nominations Committee in July 2019 (**Legacy Reward Principles**). Two years on, the Legacy Reward Principles have supported the growth and development of the Company, helping to attract more than 150 people and retaining almost all of those who have been with Judo for the journey to this stage.

However, as the Company moves into the next stage of its maturity and in considering the future strategy for reward in the context of the Company's current strategic objectives, the Board Remuneration and Nominations Committee endorsed a set of updated reward principles in July 2021 (**Updated Reward Principles**). The Updated Reward Principles are as follows:

- inspire talented people to build and grow a sustainable challenger bank;
- drive performance and a customer-centric approach;
- enable a long-term shareholder mindset;
- reinforce a commitment to the fundamentals of banking;
- 'it's not all about the money'; and
- ensure a simple and consistent approach.

To ensure the Updated Reward Principles were properly reflected in its incentive arrangements, the Company adopted the Omnibus Plan in September 2021 to assist the Company to continue to motivate and retain employees and officers after Listing.

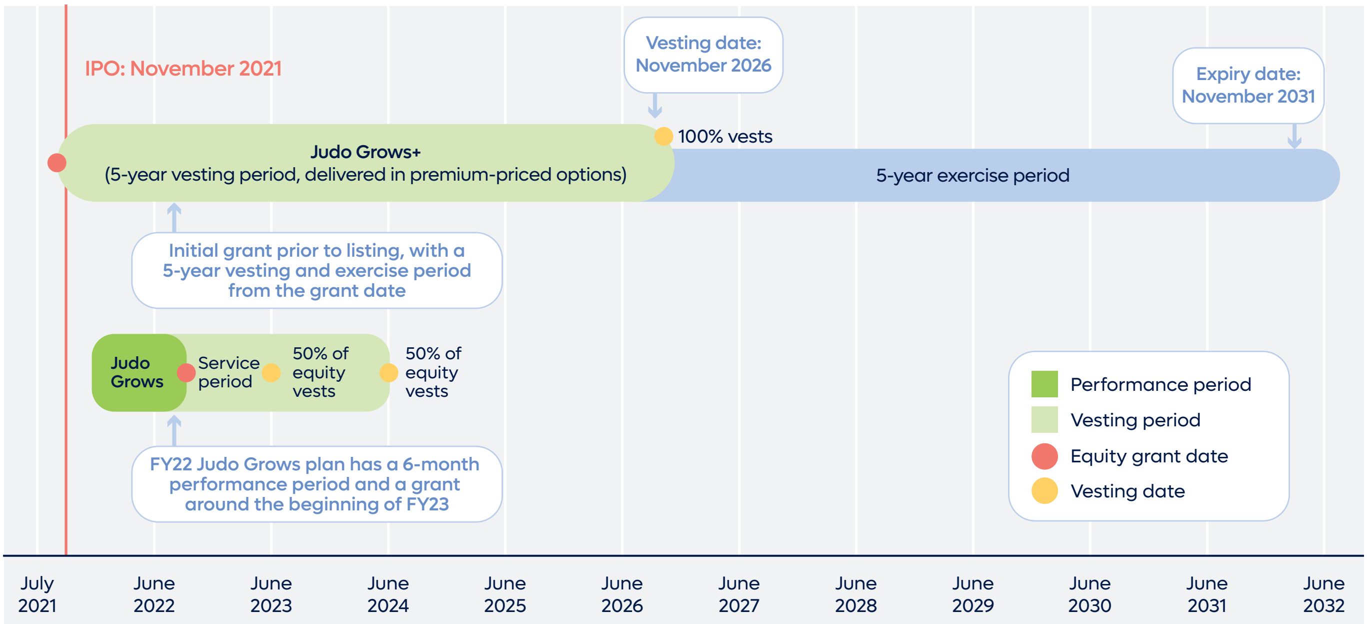
The rules of the Omnibus Plan (**Omnibus Plan Rules**) and the offer documents provide the framework under which grants of Awards under the Omnibus Plan will operate. **Table 74** below provides a summary of the key terms of the Omnibus Plan.

As at the Prospectus Date, the Company intends to grant Awards under the Omnibus Plan to certain population groups under the following programs:

- **Judo Grows** – an annual program designed specifically for the Company's broad base of employees and executives. The first grant of awards under the Judo Grows program is currently intended to be awarded around the start of FY23, subject to meeting the relevant annual performance metrics; and
- **Judo Grows+** – an LTI program designed specifically for the Management Board and senior leaders to commence with an initial grant of Awards prior to the Listing Date; and
- **IPO Top-up Award** – a program designed specifically for two key executives, which will include a grant of Awards prior to the Listing Date.

A timeline of the initial proposed equity grants under the Omnibus Plan for members of the Management Board, together with the relevant vesting dates for each such grant, is illustrated in **Figure 100**.

Figure 100: Go-forward Management Board remuneration structure (initial grants)



Further details of the initial grants of Awards to be made under the:

- Judo Grows program, on or around the start of FY23, are set out in **Table 75**;
- Judo Grows+ program, prior to the Listing Date, are set out in **Table 76**; and
- IPO Top-up Award, prior to the Listing Date, are set out in **Table 78**.

Following the initial grant of Awards, the Board may determine to offer additional Awards under the Omnibus Plan on similar or different terms. As at the Prospectus Date, Judo does not intend to grant any Awards (other than those Awards already made as described in this **Section 7.4.2**) for the remainder of FY22; however, it may grant further Awards over the course of the year to individuals who commence employment with Judo after Completion.

Table 74. Key terms of the Omnibus Plan

Term	Description
Approval	The Omnibus Plan was approved by the Board in September 2021.
Type of securities	The Omnibus Plan provides flexibility for the Company to grant the following instruments (each an **Award**) to eligible Participants: • options, being an option to acquire one Share subject to the satisfaction of any vesting conditions outlined in the Participant's invitation and payment of the exercise price (**Options**); • deferred share rights, being a right to acquire one Share subject to the satisfaction of any vesting conditions outlined in a Participant's invitation (**Deferred Share Rights**); and • cash awards.
Grants and eligibility	Awards may be granted under the Omnibus Plan to eligible Participants from time to time in the absolute discretion of the Board. Eligible Participants include employees and officers (including both executive and Non-Executive Directors) of the Judo Group, as selected by the Board from time to time.
Terms and conditions	The Board has the absolute discretion to determine the terms and conditions applicable to an offer of Awards under the Omnibus Plan, including: • any conditions required to be satisfied before an Award will be granted; • any vesting, performance or other conditions required to be satisfied before an Award vests and may be exercised; • any period during which the relevant vesting conditions must be satisfied before an Award vests; • the exercise period during which an Award may be exercised, subject to the terms of the Omnibus Plan and the Offer; • any applicable issue price and/or exercise price; • any disposal restrictions on Shares or Options; and • any other specific terms and conditions applicable to the Offer. The specific terms and conditions applicable to the offer must be set out in the Offer invitation.
Voting and dividend rights	Shares carry the same voting and dividend and other rights as other ordinary shares in the capital of the Company. All other Awards do not carry any voting or dividend rights or rights to participate in any capital raising by the Company.
Vesting and exercise of Awards	An Award will not vest until all applicable vesting conditions have been satisfied or waived by the Company in its discretion, and the Company has issued the Participant a vesting notice in respect of that Award. Following receipt of a vesting notice, an Award may be exercised in accordance with the relevant Participant's invitation and by the Participant paying the exercise price (if any).

Term	Description
Issue, allocation or acquisition of Shares	Subject to applicable laws, Shares to be delivered to Participants upon the exercise of vested Awards or upon the grant of Shares may be issued by the Company, acquired on or off market and transferred, and/or allocated within an employee share trust.
Ranking of Shares	Shares (including those issued on vesting and exercise of Awards) under the Omnibus Plan will rank equally in all respects with existing Shares.
Quotation	Subject to the ASX Listing Rules, the Company will apply to the ASX for the quotation of any Shares (including those issued to Participants pursuant to the exercise of Awards) under the Omnibus Plan. All other Awards will not be quoted on the ASX.
Disposal restrictions on Awards	Except as permitted by the Board, a Participant must not sell, transfer, encumber, hedge or otherwise deal with Awards until they are vested. Prior to the grant of Awards, the Board has the discretion to impose disposal restrictions on Shares received following the exercise of Awards; for example, by way of an employee share trust or an ASX holding lock.
Expiry of Awards	Awards will expire on a date fixed in the offer letter to the particular employee. This may vary from employee to employee. On the expiry date for an Award, the Award will lapse (unless it has been validly exercised).
Lapse/forfeiture of Awards	The Omnibus Plan contains provisions concerning the treatment of Awards and any Shares issued, allocated or transferred following the exercise of Awards, including without limitation in the event that: • the vesting conditions or exercise conditions attaching to the relevant Awards are not satisfied or the Board forms the view they cannot be satisfied; • the Awards are not exercised before the applicable expiry date; • a Malus Event occurs in respect of a holder of Awards (**Participant**) or another person; • a Participant becomes insolvent; • a Participant disposes of its Awards or Shares in breach of the Constitution or the Omnibus Plan Rules; or • a Participant is in breach of the Omnibus Plan.
Malus and clawback	**Malus Events** Under the terms of the Omnibus Plan, the Board has the power to reduce or lapse/forfeit a Participant's unvested Awards in circumstances that would lead to the Participant receiving or being eligible to receive an unfair benefit or in circumstances in which the Board determines that a reduction in unvested Awards is otherwise warranted (**Malus Event**), including without limitation in the event that: • a Participant is found to have engaged in serious misconduct or fraud;

Term	Description
Malus and clawback continued	• a Participant is found to have engaged in conduct resulting in significant losses to the Company or significant deterioration in the Company's reputation; • a Participant materially breaches their obligations; • a Participant who is an 'Accountable Person' (for the purposes of the *Banking Act 1959* (Cth) (**Banking Act**)) fails to comply with their accountability obligations under the Banking Act; or • a Participant is aware of a material misstatement or omission of financial statements of the Company. An unfair benefit may, in the opinion of the Board, be considered to arise where an Award, which would not have otherwise vested, vests or remains capable of vesting as a result of such circumstances. **Clawback** Under the terms of the Omnibus Plan, where in the reasonable opinion of the Board: • a Malus Event has occurred in respect of a Participant; or • a Participant's Awards have vested as a result of a Malus Event occurring in respect of another person, the Board has the discretion to claw back any or all of a Participant's Awards or resulting Shares (or any proceeds from the sale of such Awards or Shares) so as to ensure that no unfair benefit is obtained by a Participant.
Cessation of employment/office	Under the Omnibus Plan Rules, the Board retains full discretion to determine the manner in which a Participant's Awards will be dealt with in the event that the Participant ceases employment or engagement with the Judo Group, including to determine that the Participant forfeits all Awards (whether vested or unvested). The individual offer documents provide specific information on how an Award will be treated where a Participant ceases employment or engagement with the Judo Group.
Change of control event	Where the Board expects that a change of control event will occur, the Board may: • determine that any unvested Awards should remain unvested, in which case they will expire immediately prior to the change of control event; • determine to buy back or cancel some or all the Awards (whether vested or not) in exchange for their fair market value; or • facilitate the vesting or exercise of a Participant's unvested Awards in connection with the change of control event.

Term	Description
Change of control event continued	Where the Board determines to buy back or cancel some or all the Awards, the fair market value of those Awards will be determined based on a valuation from an independent adviser on the following basis: • ignoring the impact of the change of control event; • accounting for the assumed life of any Option; • assessing the underlying Share price with regard to the expected change of control event; and • basing the expected volatility and dividend yield on the expected outlook for the business excluding the change of control event.
Employee share trust	The Company may operate an employee share trust in conjunction with the Omnibus Plan.
Other terms	The Omnibus Plan contains customary and usual terms having regard to Australian law for dealing with the administration, variation and termination of the Omnibus Plan (including in relation to the treatment of Awards in the event of a reorganisation of the Company's share capital structure, a rights issue or bonus share issue).

7.4.2.1 Judo Grows

Judo Grows is an annual program designed specifically for the Company's broad base of employees and executives. The first grant of Awards under the Judo Grows program (**Judo Grows Offer**) is currently intended to be awarded, subject to meeting the relevant annual performance metrics, around the start of FY23. **Table 75** below provides a summary of the key terms of the Judo Grows Offer:

Table 75. Key terms of the Judo Grows Offer

Term	Description
Award vehicle	It is currently intended that Participants in the Judo Grows Offer will be granted the following Awards: • Deferred Share Rights; and/or • cash awards.
Quantum	Subject to meeting the relevant annual performance metrics, the Company expects to issue approximately the following number of Awards under the Judo Grows Offer following the announcement of the full-year FY22 Judo Group results:[5] • up to 3.2 million Deferred Share Rights with an aggregate value of $6.7 million; and • cash awards with an aggregate value of $2.2 million. Additionally, the Company intends to make future grants of Awards as part of the Judo Grows program and expects that, for the purposes of Listing Rule 7.2 Exception 13(a), in the three years following the Prospectus Date, the maximum number of Awards it will issue will be 15.9 million Deferred Share Rights.

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[5] The precise number of Deferred Share Rights to be granted under the Judo Grows Offer will be determined by the final eligible participant list and the 10-day Volume Weighted Average Price (**VWAP**) of Judo Shares following the announcement of the full-year FY22 Judo Group results, and dividing the equity component of each individual's Judo Grows incentive outcome by that 10-day VWAP, subject to all relevant performance and service conditions being met.

Term	Description
Quantum continued	This maximum number is not intended to be a prediction of the actual number of Awards to be issued under the Judo Grows program. An issue of Awards 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.
Issue price	It is intended that all Awards to be issued under the Judo Grows Offer will be granted for nil consideration.
Vesting conditions	It is intended that all Awards to be issued under the Judo Grows Offer will be subject to vesting conditions. Currently, the Company expects that Awards issued in the initial grant of the Judo Grows Offer will be subject to the following vesting conditions: ● a service-based vesting condition, such that the Awards granted will vest at a future date provided the participant remains engaged by the Company at such date, as follows: ○ for Judo's Management Board (who will receive Deferred Share Rights only), 50% will vest on the first anniversary of the date of grant of the Awards and 50% will vest on the second anniversary of the date of grant of the Awards; and ○ for all other Participants, cash awards will vest immediately following the performance period, and (if applicable) the Deferred Share Rights will vest on the first anniversary of the date of grant of the Awards; ● a performance-based vesting condition linked to the Company's performance against certain key performance indicators over a 12-month performance period, such that the number of Awards that will vest is determined based on the performance achieved; and ● a vesting condition that the Board is satisfied that the Participant has at all times satisfied the risk, values and conduct requirements of the Company. All Awards are subject to malus and clawback provisions, as described in **Table 74** above.
Expiry date	Awards granted under the Judo Grows Offer will expire on the 10th anniversary of the date of grant of the Awards, unless exercised first.
Exercise price	Not applicable – the only Awards to be issued under the Judo Grows Offer are Deferred Share Rights and cash awards, neither of which have an exercise price.
Exercise conditions	Not applicable – the only Awards to be issued under the Judo Grows Offer are Deferred Share Rights and cash awards, neither of which will be subject to any Exercise Conditions. Vested Awards may be exercised at any time before the expiry date following the receipt of a vesting notice.
Disposal restrictions	All Awards granted under the Judo Grows Offer will be subject to a disposal restriction that they cannot be disposed of while subject to unsatisfied vesting conditions. Shares issued upon the exercise of Awards will only be able to be disposed of in accordance with the Company's securities trading policy.

7.4.2.2 Judo Grows+

The Company intends to make a grant of Awards under the Omnibus Plan to certain members of its Management Board and senior leadership team prior to the Listing Date (**Judo Grows+ Offer**). **Table 76** below provides a summary of the key terms of the Judo Grows+ Offer:

Table 76. Key terms of the Judo Grows+ Offer

Term	Description
Award vehicle	It is currently intended that Participants in the Judo Grows+ Offer will be granted Options, with an exercise price set at a 30% premium to the value of the underlying shares at the time of the grant (**Premium Priced Options**).
Quantum	The Company expects to issue 19.9 million Premium Priced Options with an aggregate value of up to $5.8 million under the Judo Grows+ Offer. Additionally, the Company intends to make future grants of Awards as part of the Judo Grows+ program and expects that, for the purposes of Listing Rule 7.2 Exception 13(a), in the three years following the Prospectus Date, the maximum number of Awards it will issue will be 59.6 million Premium Priced Options. As demonstrated in **Table 77** below, the dilutive impact of the Premium Priced Options is less than 1-to-1 and the resultant number of Shares to be issued as the result of any exercise of the Premium Priced Options will be less than the number of Premium Priced Options issued. This maximum number is not intended to be a prediction of the actual number of Awards to be issued under the Judo Grows+ program. An issue of Awards 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.
Issue price	It is intended that all Premium Priced Options to be issued under the Judo Grows+ Offer will be granted for nil consideration.
Vesting conditions	It is intended that all Premium Priced Options to be issued under the Judo Grows+ Offer will be subject to vesting conditions. Currently, the Company expects that Premium Priced Options issued under the Judo Grows+ Offer will be subject to the following vesting conditions: • a service-based vesting condition, such that the Premium Priced Options granted will vest at a future date, provided the Participant remains engaged by the Company at such date, as follows: o for Judo's Management Board, the vesting date will be the fifth anniversary of the date of grant of the Options; and o for Judo's senior leadership, the vesting date will be the fourth anniversary of the date of grant of the Premium Priced Options; and • a vesting condition that the Board is satisfied that the Participant has at all times satisfied the risk, values and conduct requirements of the Company. All Awards are subject to malus and clawback, as described in **Table 74** above.
Expiry date	Premium Priced Options granted under the Judo Grows+ Offer will expire on the 10th anniversary of the date of grant of the Premium Priced Options, unless exercised first.

Term	Description
Exercise price	The exercise price for each Premium Priced Option to be issued under the Judo Grows+ Offer will be $2.73.[6]
Exercise conditions	The Premium Priced Options to be issued under the Judo Grows+ Offer will not be subject to any exercise conditions. Vested Premium Priced Options may be exercised at any time before the expiry date following the receipt of a vesting notice and provided the Participant pays the exercise price.
Disposal restrictions	All Premium Priced Options granted under the Judo Grows Offer will be subject to a disposal restriction that they cannot be disposed of unless the Board determines otherwise. Shares issued upon the exercise of Premium Priced Options will only be able to be disposed of in accordance with the Company's securities trading policy.
ASX Listing Rule Compliance	For the purpose of the ASX Listing Rules, the Premium Priced Options are being issued in connection with the Company's initial listing on the ASX to assist in the motivation, reward and retention of executives, senior managers and other selected employees. Details of Joseph Healy's total remuneration package are contained in **Section 7.3.2.1**. The Premium Priced Options to be issued to Joseph Healy under the Judo Grows+ Offer will have an initial value of $770,000. Details of Chris Bayliss's total remuneration package are contained in **Section 7.3.2.2**. The Premium Priced Options to be issued to Chris Bayliss under the Judo Grows+ Offer will have an initial value of $350,000. Details of the other members of the Judo Management Board's total remuneration package are contained in **Section 7.3.2.3**. The Premium Priced Options to be issued under the Judo Grows+ Offer to other members of the Management Board will have an aggregate initial value of $1,700,000 The Omnibus Plan is a new plan. Accordingly, no Premium Priced Options have previously been issued to Joseph Healy, Chris Bayliss or other executives under the Omnibus Plan. No loans will be made by the Company in relation to the Premium Priced Options. The details of any Premium Priced Options issued under the Omnibus Plan as described above will be published in the Company's annual report relating to the period in which they were issued. Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of Premium Priced Options under the Omnibus Plan after the Prospectus Date and who are not named in this **Section 7.4.2.2** will not participate until Shareholder approval is obtained under that rule.

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6. The exercise price for the Premium Priced Options to be granted under the Judo Grows+ Offer has been determined by applying the 30% premium to the Offer Price.

Premium Priced Options: Expected dilution

As at the Prospectus Date, the maximum number of Shares that may be issued should all holders of Premium Priced Options will be 19.9 million Shares (**Resultant Premium Priced Option Shares**). Under the Omnibus Plan Rules, holders of vested Premium Priced Options may request the Company to cancel their vested Premium Priced Options in exchange for being issued a number of Shares equal to the net value of the vested Premium Priced Options (the net value of a Premium Priced Option is the market value of a Share on that day minus the exercise price) (**Premium Priced Option Cancellation**). If the holders of vested Premium Priced Options request the Premium Priced Option Cancellation, the Company, in its sole discretion, may approve or reject that request.

The Premium Priced Options have an exercise price of $2.73, which is higher than the Offer Price. As a result, the Company considers it likely that some or all participants would request the Premium Priced Option Cancellation rather than pay the full exercise price on their Options.

The net number of Resultant Premium Priced Option Shares to be issued if all holders of Premium Priced Options requested the Premium Priced Option Cancellation, and the Company allowed it, would depend on the Share price on that day of Premium Priced Option Cancellation (noting that where the Share price on the day of Premium Priced Option Cancellation is below the exercise price, it is assumed none of the Premium Priced Options will be exercised and therefore no Resultant Premium Priced Option Shares will be issued):

Table 77. Resultant Premium Priced Options

Offer Price		**$2.10**	
Exercise price		$2.73	
Resultant Premium Priced Option Shares assuming full vesting and exercise		19.9 million	
Assumed aggregate exercise price for Premium Priced Option Shares at the exercise price		$54.2 million	
5-year Share price compound annual growth rate (% p.a.)	5.0%	10.0%	15.0%
Share price on the day of Premium Priced Option Cancellation	$2.68	$3.38	$4.22
Net value if all holders requested a Premium Priced Option Cancellation	Nil	$13.0 million	$29.7 million
Net Resultant Premium Priced Option Shares to be issued	Nil	3.8 million	7.0 million

The actual number of Resultant Premium Priced Option Shares that would be issued depends on how many of them vest, how many participants request a Premium Priced Option Cancellation, the Share price on the day of Premium Priced Option Cancellation and whether the Company chooses to allow a Premium Priced Option Cancellation at that time.

The effect of any Premium Priced Option Cancellation will be a reduction in the total number of Resultant Premium Priced Option Shares issued.

7.4.3 IPO Top-up Award

The Company intends to make a grant of Awards under the Omnibus Plan to Chris Bayliss and Lisa Frazier prior to the Listing Date (**IPO Top-up Award**). **Table 78** provides a summary of the key terms of the IPO Top-up Award.

Table 78. Key terms of the IPO Top-up Award

Term	Description
Award vehicle	It is currently intended that participants in the IPO Top-up Award will be granted: • Deferred Share Rights; and • Premium Priced Options.
Quantum	The total value of the IPO Top-up Award will be $7,000,000. The Company expects to issue approximately: • 2.5 million Deferred Share Rights;[7] and • 6.0 million Premium Priced Options,[8] under the IPO Top-up Award. The value of the Awards to be issued to the participants is as follows: • an Award of $5,000,000 to Lisa Frazier, who will be issued 1.8 million Deferred Share Rights and 4.3 million Premium Priced Options; and • an Award of $2,000,000 to Chris Bayliss, who will be issued 0.7 million Deferred Share Rights and 1.7 million Premium Priced Options.
Issue price	It is intended that all Awards to be issued under the IPO Top-up Award will be granted for nil consideration.
Vesting conditions	It is intended that all Awards to be issued under the IPO Top-up Award will be subject to vesting conditions. Currently, the Company expects that Awards issued under the IPO Top-up Award will be subject to a service-based vesting condition, such that the Awards granted will vest on the fifth anniversary of the date of grant of the Awards provided the participant remains engaged by the Company at that date. All Awards are subject to malus and clawback provisions, as described in **Table 74** above.
Expiry date	Awards granted under the IPO Top-up Award will expire on the 10th anniversary of the date of grant of the Awards, unless exercised first.

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7. The precise number of Deferred Share Rights to be granted under the IPO Top-up Award has been determined by taking the nominal value of the award to be made to individual participants and dividing it by the implied value of Deferred Share Rights based on the Offer Price.
8. The precise number of Premium Priced Options to be granted under the IPO Top-up Award has been determined by taking the nominal value of the award to be made to individual participants and dividing it by the implied value of Options based on the Offer Price using a Black-Scholes calculation.

Term	Description
Exercise price	The exercise price for each: • Deferred Share Right to be issued under the IPO Top-up Award will be nil; and • Premium Priced Option to be issued under the IPO Top-up Award will be $2.73.[9]
Exercise conditions	The Awards to be issued under the IPO Top-up Award will not be subject to any exercise conditions. Vested Awards may be exercised at any time before the Expiry Date following the receipt of a vesting notice and provided the participant pays the exercise price.
Disposal restrictions	All Awards granted under the IPO Top-up Award will be subject to a disposal restriction that they cannot be disposed of while subject to unsatisfied vesting conditions. Shares issued upon the exercise of Awards will only be able to be disposed of in accordance with the Company's securities trading policy.
ASX Listing Rule Compliance	For the purpose of the ASX Listing Rules, the Awards under the IPO Top-up Award are being issued in connection with the Company's initial listing on the ASX to assist in the motivation, reward and retention of eligible employees. The Omnibus Plan is a new plan. Accordingly, no Awards have previously been issued to eligible employees under the Omnibus Plan. No loans will be made by the Company to eligible employees. The details of any Awards issued under the Omnibus Plan as described above will be published in the Company's annual report relating to the period in which they were issued. Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of Awards under the Omnibus Plan after the Prospectus Date and who are not named in this **Section 7.4.3** will not participate until Shareholder approval is obtained under that rule.

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[9] The precise exercise price for the Premium Priced Options to be granted under the IPO Top-up Award has been determined by applying the 30% premium to the implied value of Options based on the Offer Price.

7.5. Corporate governance

7.5.1 Overview

This **Section 7.5** describes how the Board oversees the management of business, operational and financial position, and performance. Judo's main policies and principles are outlined below. Details of key policies and principles, and the charters for the Board and each of its committees, will be available on the website **www.judo.bank** from listing on the ASX.

The Board is responsible for the overall corporate governance, including providing strategic direction and establishing and monitoring key performance goals against the strategies, and is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining long-term growth and success. In managing the business in accordance with these objectives, the Board seeks to ensure that Judo is properly managed to protect and enhance all key stakeholder interests, including those of Judo's Shareholders, customers and employees, and that Judo, and its Directors, officers, employees and representatives operate in an appropriately governed environment. Accordingly, the Board has created a framework for managing the business, including adopting relevant internal controls, risk management processes and corporate governance policies, principles and practices that it believes are appropriate for the business and are designed to promote the responsible management and conduct of Judo.

The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations for ASX-listed entities (**ASX Recommendations**) to promote investor confidence and assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptive but are guidelines. Under the ASX Listing Rules, Judo will be required to provide a corporate governance statement in its annual report in each reporting period, disclosing the extent to which it has followed the ASX Recommendations. Where Judo does not follow an ASX Recommendation, it must identify the relevant recommendation that has not been followed and give reasons for not doing so. On and from Listing, Judo will comply with all of the ASX Recommendations.

7.5.2 Board of Directors

7.5.2.1 Board composition

As at the Prospectus Date, the Board is comprised of eight Non Executive Directors (six of whom are independent, including the Chairman). On Completion, the Board will comprise of seven Non-Executive Directors (five of whom are expected to be independent, including the Chairman). Detailed biographies of the Directors are set out in **Section 7.1**.

7.5.2.2 Independence of the Board

Each Director must bring independent judgement to the Board and must declare all actual or potential conflicts of interest on appointment, and on an ongoing basis.

The Board considers an independent Director to be a Non-Executive Director who is not a member of Judo's management and who is free from any business or other association – including those arising out of a substantial shareholding, involvement in past management or as a supplier, customer or adviser – that could materially interfere with the exercise of their independent judgement. The Board will consider the materiality of an interest, position or relationship for the purposes of determining 'independence' on a case-by-case basis, in line with the definition and considerations set out in APRA Prudential Standard CPS 510 (**CPS 510**) and the ASX Recommendations.

Six of the eight members of the Board as at the Prospectus Date are considered independent. The Board considers that each of Peter Hodgson, Jennifer Douglas, John Fraser, Mette Schepers, Manda Trautwein and Geoffrey Lord is free from any business, interest, position, association or other relationship that could materially influence, or reasonably be perceived to materially influence, the independent and unfettered exercise of the Director's judgement, and that each of them is able to fulfil the role of independent Director for the purposes of CPS 510 and the ASX Recommendations (noting that Geoffrey has resigned with his resignation to take effect prior to Listing).

Malcolm McHutchison, who is a Shareholder Representative Director, is not currently considered by the Board to be independent. Nor is David Hornery considered to be independent, due to his prior executive role with Judo as Co-Chief Executive Officer until July 2021. Accordingly, the Board will consist of a majority of independent Directors, on Listing, consistent with ASX Recommendation 2.4.

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.

7.5.2.3 Board charter

The Board has adopted a charter to provide a strong framework for the effective operation of the Board, which sets out the responsibilities of the Board in greater detail including, among other matters:

- approval of the business strategy and the financial objectives of Judo, and monitoring the implementation of those strategies and objectives;
- approval of Judo's annual budgets (and any re-forecasts) and financial statements, and monitoring financial performance against forecast and prior periods;
- approval of the capital management of Judo, including approval of the Internal Capital Adequacy Assessment Process;
- overseeing the operational and financial performance of Judo;
- forming a view of Judo's risk culture and the extent to which the risk culture supports the ability of Judo to operate consistently within Judo's Risk Assessment Strategy (**RAS**);
- approving Judo's Risk Management Framework (**RMF**), Risk Management Strategy (**RMS**) and RAS and, with the guidance of the Board Risk Committee (see **Section 7.5.3.2** for more information on the Board Risk Committee), reviewing and undertaking oversight and challenge to ensure the Management Board's implementation and operation of the RMS and Judo's operational structure continues to facilitate effective risk management and adequate risk management resources are available;
- overseeing Judo's processes for making timely and balanced disclosure of all material information concerning Judo that a reasonable person would expect to have a material effect on the price or value of Judo's securities;
- reviewing and approving, with the guidance of the Board Remuneration and Nominations Committee (see **Section 7.5.3.3** for more information on the Board Remuneration and Nominations Committee), the appointment and replacement of the CEO, members of the Management Board and the Company Secretary;
- reviewing and approving, with the guidance of the Board Remuneration and Nominations Committee, the remuneration framework including the Remuneration Policy;
- reviewing and approving, with the guidance of the Board Remuneration & Nominations Committee, Judo's statement of values and code of conduct;
- reviewing and approving, with the guidance of the Board Remuneration & Nominations Committee, Board composition, process and performance, evaluating performance of the Board and its Committees and individual directors in accordance with Judo's board skills matrix;
- reviewing, with the guidance of the Board Audit Committee (see **Section 7.5.3.1** for more information on the Board Audit Committee), the integrity of financial, regulatory and other reporting, and reviewing and evaluating the performance and independence of the external auditor and the internal auditor;
- ensuring that an appropriate framework exists for relevant information to be reported by management to the Board, and whenever required, challenging management and holding it to account;
- maintaining an open, constructive, co-operative and ongoing dialogue with Judo's external auditors, APRA, ASIC and other regulators, to provide them with reasonable assurance of compliance with all regulatory requirements; and
- approving policies and procedures required to be approved by the Board.

While the Board is ultimately responsible for Judo's overall strategy and performance, the Board has delegated authority for the day-to-day management and administration of Judo to the CEO and the Management Board within approved limits and other specified delegations of authority approved by the Board (see **Section 4.2**).

Under the board charter, Directors may individually or collectively seek independent professional advice at Judo's expense whenever they consider such advice necessary to fulfil their responsibilities as Directors and permit independent judgement in decision-making.

The Board will review the board charter at least annually and make amendments, as necessary. A copy of the board charter will be made available at **www.judo.bank** on and from Listing on the ASX.

7.5.3 Board Committees

The Board may, from time to time, establish appropriate committees to assist in the discharge of its responsibilities. The Board has established three Committees – the Board Audit Committee, the Board Risk Committee and the Board Remuneration and Nominations Committee – to assist it in fulfilling its responsibilities. Under the board charter, the Board may also establish other committees from time to time, to consider matters of special importance or to exercise the delegated authority of the Board.

Each of these Committees has adopted its own charter (which has been prepared having regard to the ASX Recommendations), approved by the Board, setting out matters relevant to its composition and responsibilities, as briefly described below. A copy of each board committee charter will be made available at **www.judo.bank** on and from Listing on the ASX.

7.5.3.1 Board Audit Committee

In accordance with the ASX Recommendations and ASX Listing Rules, the Board 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.

Some of the Board Audit Committee's key responsibilities and duties are to oversee Judo's:

- financial and regulatory reporting processes;
- internal audit function, including reviewing the engagement with the Judo internal auditor and addressing any significant findings and recommendations;
- relationship with the external auditor and the external audit function generally; and
- financial controls and systems.

The current members of the Board Audit Committee are:

- Manda Trautwein (Independent Chair)
- Peter Hodgson
- David Hornery
- Mette Schepers.

The Chief Executive Officer and Directors of the Board who are not members of the Board Audit Committee are entitled to attend Committee meetings at any time and may request to receive copies of the papers. The CFO (or their nominee, subject to prior clearance by the Committee Chair) must attend Board Audit Committee meetings. Additionally, the internal and external auditors are invited to attend Committee meetings.

7.5.3.2 Board Risk Committee

In accordance with the ASX Recommendations and ASX Listing Rules, the Board Risk Committee comprises at least three Non-Executive Directors, a majority of whom are independent, and an independent chair.

The Board Risk Committee assists the Board in discharging its risk-related responsibilities in relation to risk management, including as outlined in Judo's RMF, RMS and RAS, and its risk culture.

Some of the Board Risk Committee's key responsibilities and duties are to:

- review and advise the Board on Judo's RAS, RMF and RMS;
- review any significant breaches of the RAS, RMF and RMS, material incidents involving fraud or a breakdown of risk controls and other significant risk matters;
- consider, review and, if deemed satisfactory, approve credit exposures outside the Judo Lending Authority Framework;
- provide oversight of the management team's implementation of the RMS and constructive challenge of the management team's decisions on all aspects of risk management arising from Judo's activities;
- provide oversight that all material risks relevant to Judo have been appropriately identified, managed and reported to the Board in accordance with the RMF, RAS and RMS;
- oversee Judo's insurance program, having regard to Judo's business and the insurable risk associated with its business; and
- review and monitor emerging risk changes and advise the Board.

The current members of the Board Risk Committee are:

- John Fraser (Independent Chair)
- Peter Hodgson
- David Hornery
- Mette Schepers
- Manda Trautwein (currently observer).

The CEO and Directors of the Board who are not members of the Board Risk Committee are entitled to attend Committee meetings at any time and may request to receive copies of the papers. The CRO (or their nominee, subject to prior clearance by the Committee Chair) must attend all relevant sections of the Committee meetings.

7.5.3.3 Board Remuneration and Nominations Committee

In accordance with the ASX Recommendations and ASX Listing Rules, the Board Remuneration and Nominations Committee comprises at least three Non-Executive Directors, a majority of whom are independent, and an independent chair.

The Board Remuneration and Nominations Committee assists the Board in discharging its responsibilities in relation to Judo's Management Board, people and remuneration matters, including remuneration strategies, policies and frameworks for implementation, and how these support Judo's strategy and culture.

Some of the Board Remuneration and Nominations Committee's key responsibilities and duties are to:

- review Directors' fees as required and make recommendations to the Board regarding any proposed increases;
- review and recommend to the Board the terms of any Share or option schemes for Directors and/or employees;
- review and make recommendations to the Board on any applicable variable remuneration of the CEO and, on the recommendation of the CEO, of staff who report directly to the CEO;
- review and recommend to the Board the terms of the CEO's employment agreement;
- receive reports from the Management Board on the remuneration framework (including whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees) and attend to any other issues relating to the remuneration framework;
- review compliance with and oversee the review of the Remuneration Policy;
- develop recommendations to the Board regarding new Board appointments and nominations; and
- recommend to the Board Judo's statement of values and code of conduct.

The current members of the Board Remuneration and Nominations Committee are:

- Mette Schepers (Independent Chair)
- Jennifer Douglas
- John Fraser
- Peter Hodgson.

The CEO and Directors of the Board who are not members of the Board Remuneration and Nominations Committee are entitled to attend Committee meetings at any time and may request to receive copies of the papers. The Chief People and Culture Officer (or their nominee, subject to prior clearance by the Committee Chair) must attend all relevant sections of the Committee meetings. The Committee may request members of the Management Board to attend part, or all, of any Committee meeting.

7.5.4 Corporate governance policies

Judo has adopted the following policies, each of which has been prepared having regard to the ASX Recommendations and will be made available at **www.judo.bank** on and from Listing on the ASX. Judo's corporate governance policies will continue to be reviewed at least annually and will continue to be developed and refined as required to meet Judo's needs, operations and structure.

7.5.4.1 Whistleblower Policy

Judo maintains a Whistleblower Policy, which sets out its commitment to creating and fostering an environment of honest and ethical behaviour, where individuals feel able to safely and confidentially report known, or suspected, business misconduct or wrongdoing without fear of reprisal or detrimental treatment.

The Whistleblower Policy applies to 'eligible whistleblowers' who disclose information that amounts to a 'disclosable matter' to an 'eligible recipient' that is protected under relevant legislation.

The Whistleblower Policy sets out what and how matters can be disclosed, who they can be disclosed to, the protections that are available for eligible whistleblowers, how those the subject of a disclosure will be treated and how a disclosed matter will be sensitively handled and investigated.

7.5.4.2 Anti-Bribery and Corruption Policy

Judo maintains an Anti-Bribery and Corruption Policy for Directors, employees, contractors, consultants and other representatives and persons who act on behalf of Judo and its associates. The Anti-Bribery and Corruption Policy sets out Judo's 'zero tolerance' approach to bribery and corruption and outlines its approach to identifying, managing and preventing bribery and corruption in business dealings and business relationships.

The Anti-Bribery and Corruption Policy covers bribery and corruption, gifts and hospitality, secret commissions, facilitation payments, dealings with politicians and government officials, and charitable and political contributions.

The Anti-Bribery and Corruption Policy sets out responsibilities for Judo staff and other representatives, and the mechanisms for persons to report conduct that breaches the Policy. It also describes the consequences that persons may face if they breach the Policy.

7.5.4.3 Securities Trading Policy

Judo has adopted a Securities Trading Policy, to take effect on and from Listing on the ASX, which describes prohibited types of conduct in relation to dealings in securities under the Corporations Act.

The Securities Trading Policy establishes procedures for the buying and selling of securities by Directors and employees of Judo and their families and associates. The Policy also describes the restrictions applicable to those persons when dealing in securities (as defined in the Policy) other than during certain permitted periods after the release of Judo's half-year and full-year financial results and annual general meeting, and any extensions of those periods.

The Securities Trading Policy also requires Directors and employees of Judo in possession of inside information to not at any time deal in securities of Judo, or advise or suggest another person do so, or communicate the inside information to a person who may deal in Judo's securities and, among other matters, describes the relevant laws relating to insider trading and the consequences that persons may face if they are in breach of the trading restrictions.

7.5.4.4 Diversity and Inclusion Policy

Judo has adopted a Diversity and Inclusion Policy that sets out its commitment to a strong and diverse workforce. Under the Diversity and Inclusion Policy, the Board will set measurable objectives to improve diversity and inclusion, including the representation of women in leadership roles at Judo.

On and from Listing on the ASX, the Board will include in its annual report each year a summary of Judo's progress towards achieving the measurable objectives set under the Diversity and Inclusion Policy for the year to which the annual report relates, and details of the measurable objectives set under the Diversity and Inclusion Policy for the subsequent financial year.

7.5.4.5 Continuous Disclosure Policy

Judo has adopted a Continuous Disclosure Policy to take effect on and from Listing on the ASX, which complies with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to any exceptions contained in the ASX Listing Rules, Judo will be required to immediately disclose to the ASX any information concerning Judo that is generally not available and which a reasonable person would expect to have a material effect on the price or value of Judo's Shares.

On and from Listing, Judo's Policy will establish procedures aimed at ensuring that the Board, management and employees are aware of, and fulfil, their obligations in relation to the timely disclosure of material price-sensitive information. This information will be communicated to Shareholders and other stakeholders through the lodgement of all relevant financial and other information with the ASX and continuous disclosure announcements will also be made available on Judo's website at **www.judo.bank**.

7.6. Related party agreements

Other than as disclosed in this Prospectus, Judo is not party to any material related party agreements.

Section 8.

Details of the Offer.

8.1. Description of the Offer

This Prospectus relates to an initial public offering (**Offer**) of new Shares by the Company and the sale of existing Shares by SaleCo at an Offer Price of $2.10 per Share. A total of 313.5 million Shares are being offered under this Prospectus (excluding Shares offered under the Employee Discount Offer) to raise approximately $653 million. These Shares will represent 28.4% of the Shares on issue on Completion of the Offer.

The Company will offer to issue approximately 163.8 million new Shares (excluding Shares offered for issue under the Employee Discount Offer) to raise $280 million[1] to support regulatory capital requirements for future growth and to fund the costs of the Offer; and to raise approximately $64 million to fund the payment of the Acquisition Price in respect of cancelled Vested Performance Rights under the MIP and MMIP.[2]

SaleCo will offer 147.3 million existing Shares for sale to raise approximately $309 million.

Successful Applicants under the Offer will pay the Offer Price per Share (other than for Shares under the Employee Discount Offer, as described in **Section 8.10** and for Shares offered under the Employee Gift Offer, as described in **Section 8.11**).

All Shares issued pursuant to the Offer under this Prospectus will rank equally with each other and will rank equally with existing Shares.

The Offer (other than the Employee Discount Offer and the Employee Gift Offer) has been underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement is set out in **Section 10.6**.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

8.2. Structure of the Offer

The Offer comprises the Retail Offer and the Institutional Offer.

The **Retail Offer** consists of the:

- **Broker Firm Offer** – which is open to Australian resident retail clients of participating Brokers, who have received a firm allocation of Shares from their Broker (see **Section 8.8**); and
- **Priority Offer** – which is open to selected investors, who have received an invitation from the Company to apply for Shares under the Priority Offer under this Prospectus (see **Section 8.9**); and
- **Employee Discount Offer** – which is open to Eligible Discount Employees in Australia who have received an invitation from the Company to apply for Shares under the Employee Discount Offer under this Prospectus (see **Section 8.10**); and
- **Employee Gift Offer** – which is open to Eligible Gift Offer Employees who have received an invitation from the Company to apply for Shares under the Employee Gift Offer under this Prospectus (see **Section 8.11**).

The Institutional Offer consisted of an offer to Institutional Investors in Australia and certain other jurisdictions around the world (other than the United States), made under this Prospectus.

No general public offer of Shares will be made under the Offer.

The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by the Company, SaleCo and the Joint Lead Managers, having regard to the Shares available under the Offer and the allocation policies outlined in **Sections 8.8.5, 8.9.5, 8.10.5** and **8.14**.

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[1] The amount raised is inclusive of an amount to fund the costs of the Offer (see **Section 8.4**).

[2] See **Section 10.4.3** for further details on the Acquisition Price of the Vested Performance Rights under the MIP and MMIP.

8.3. Purpose of the Offer

The Offer is being conducted to:

- allow Judo to support its regulatory capital requirements as the business continues to grow;
- allow existing securityholders to realise part of their investment in Judo via the Offer, and obtain future liquidity for Shares not sold into the Offer;
- broaden our Shareholder base and provide a liquid market for the Shares and an opportunity for other investors (beyond the Existing Shareholders) to invest in Judo; and
- provide Judo with the benefits of an increased brand profile that arises from being a publicly listed entity.

8.4. Sources and use of Offer proceeds

The proceeds of the Offer received by the Company will be used primarily to support the regulatory capital requirements associated with Judo's projected growth.

The proceeds of the Offer received by SaleCo will be used to pay Selling Shareholders in respect of the sale of Existing Shares.

Table 79. Sources and uses of funds

Sources	$m	%	Uses	$m	%
Judo Offer proceeds[1]	344	53%	Increase in cash (to support regulatory capital requirements for future growth)[1]	250	38%
			Costs of the Offer	30	5%
			Acquisition and cancellation of Vested Performance Rights	64	10%
SaleCo Offer proceeds received by SaleCo from the sale of Existing Shares	309	47%	Payments to Selling Shareholders	309	47%
Total	**653**	**100%**	**Total**	**653**	**100%**

Note:

1. Excludes the proceeds from any Shares issued to Eligible Discount Offer Employees under the Employee Discount Offer.

The above represents a statement of Judo's current intentions at the Prospectus Date. Investors should note that this may change, depending on such factors as changes in the competitive environment, business performance, strategic and operational considerations, regulatory developments, and market and general economic conditions. The Board retains the right to vary the uses of funds, acting in the best interests of Shareholders and as circumstances require.

The Directors expect that, on Completion, the Company will have sufficient cash flow from operations to meet its business needs and, together with the net proceeds of the Offer, will have sufficient working capital to carry out its stated objectives over the 12 months following the Listing.

8.5. Shareholder structure

The ownership structure of the Company immediately prior to, and following, Completion is shown in **Table 80**.

Table 80. Ownership structure

	Shares held at the Prospectus Date[2]		Shares expected to be held on Completion	
Shareholder[1]	**Shares (m)**	**Shares (%)**	**Shares (m)**	**Shares (%)**
Prince Issuer Designated Activity Company[3]	144.3	17.7%	103.9	9.4%
Sing Glow Investment Pte Ltd[4]	108.0	13.2%	77.7	7.0%
Other shareholders	543.3	66.5%	509.9	46.2%
Directors, members of the Management Board & employees[5]	21.8	2.7%	100.9	9.1%
Investors under the Offer	–	–	311.1	28.2%
Total	**817.4**	**100.0%**	**1,103.5**	**100.0%**

Notes:
1. Shareholders may hold their Shares in their own name or through investment vehicles.
2. These are A Class Shares which will convert into (ordinary) Shares on a one-for-one basis immediately prior to Completion.
3. Prince Issuer Design Activity Company is managed by Bain Capital Credit LP.
4. Sing Glow Investment Pte Ltd is wholly-owned by GIC (Ventures) Private Limited. Sing Glow Investment Pte Ltd is managed by GIC Special Investments Private Limited, which is wholly-owned by GIC Private Limited.
5. Includes Shares issued under Employee Gift Offer but does not include any other Shares that may be acquired through the Offer.

At Completion, approximately 53.1% of Shares will be subject to voluntary escrow arrangements (see **Section 10.8** for further details).

8.6. Control implications of the Offer

The Directors do not expect that any Shareholder will control (as defined under section 50AA of the Corporations Act the Company on Completion.

8.7. What is the Offer Period?

The Retail Offer is expected to open at 9:00am (Sydney time) on Friday, 22 October 2021 and is expected to close at 5:00pm (Sydney time) on Tuesday, 26 October 2021. The Institutional Offer was held prior to lodgement of the Prospectus.

These dates are indicative only and may change. The Company and SaleCo reserve the right to change any and all of the times and dates of the Retail Offer without notice, in their 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.

Applicants in the Retail Offer are therefore encouraged to submit their Application as early as possible after the Retail Offer opens at 9:00am (Sydney time) on Friday, 22 October 2021.

8.8. Broker Firm Offer

8.8.1 Who may apply

The Broker Firm Offer is open to Australian resident retail clients and sophisticated non-institutional clients of participating Brokers who have a registered address in Australia and who receive an invitation from a Broker to acquire Shares under this Prospectus. The Broker Firm Offer is not open to persons in the United States or who are 'US Persons' under the U.S. Securities Act.

You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer. If you receive an invitation to apply for Shares from your Broker, you will be treated as a Broker Firm Applicant in respect of that allocation.

8.8.2 How to apply

If you receive 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. 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. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Form or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a copy of this Prospectus and Broker Firm Offer Application Form, or download a copy at **www.ipo.judo.bank**. 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 (Sydney time) on the Closing Date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge their Broker Firm Offer Application Form with the Broker from whom they received their 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 in the Broker Firm Offer Application Form. By making an Application, you declare that you were given access to this Prospectus, together with a Broker Firm Offer 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.

The Company, SaleCo, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions of your Broker in connection with your Application.

The Broker Firm Offer opens at 9:00am (Sydney time) on Friday, 22 October 2021 and is expected to close at 5:00pm (Sydney time) on Tuesday, 26 October 2021. The Company, SaleCo and the Joint Lead Managers 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 notice and in their absolute discretion. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Application as early as possible after the Offer opens. Please contact your Broker for instructions.

8.8.3 Is there a minimum or maximum Application size?

Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum Application size. The Company, SaleCo and the Joint Lead Managers reserve the right not to accept Applications in the Broker Firm Offer that are from persons they believe may be Institutional Investors. 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 discretion in compliance with applicable laws.

8.8.4 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by their Broker.

8.8.5 Broker Firm Offer allocation policy

Shares which are allocated to Brokers for allocation to their Australian resident retail clients and sophisticated non-institutional clients will be issued or transferred to the Applicants who have received an allocation of Shares from those Brokers (subject to the right of the Company, SaleCo and the Joint Lead Managers to reject, aggregate or scale back Applications). It will be a matter for each Broker as to 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 an allocation from them receive the relevant Shares.

8.9. Priority Offer

8.9.1 Who may apply

The Priority Offer is open to selected investors as determined by the Company and SaleCo. If you are a Priority Offer Applicant, you will receive a personalised invitation to apply for Shares in the Priority Offer.

8.9.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer, and you wish to apply for all or some of those Shares, you must apply in accordance with the instructions provided in your personalised invitation to apply.

Recipients of the Priority Offer invitation should read the separate personalised invitation letter and this Prospectus carefully, and in their entirety, before deciding whether to apply under the Priority 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 accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

To apply under the Priority Offer, you must complete the online Priority Offer Application Form in accordance with the instructions provided in your Priority Offer invitation letter and on the website containing the Application Form.

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.

Applications must be received no later than 5:00pm (Sydney time) on Tuesday, 26 October 2021, and it is your responsibility to ensure that this occurs.

8.9.3 Is there a minimum or maximum Application size?

Your personalised invitation letter will indicate the maximum dollar amount of Shares you may apply for. This amount is not a guaranteed allocation, but will be granted subject to the overall level of Applications received under the Priority Offer. In the event that the aggregate demand for Shares under the Priority Offer exceeds the amount of Shares available under the Priority Offer, your Application may need to be scaled back.

Applications for an amount less than the dollar amount specified on your personalised Priority Offer Application Form must be for a minimum of $10,000.

8.9.4 How to pay

Applicants under the Priority Offer must pay their Application Monies by BPAY® in accordance with the instructions on the personalised Priority Offer Application Form.

When completing your BPAY® payment, please make sure to use the specific biller code and unique Customer Reference Number (**CRN**) provided to you or generated by the online Application Form. Application Monies paid via BPAY® must be received by the Share Registry by no later than 5:00pm (Sydney time) on Tuesday, 26 October 2021 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Company, SaleCo nor the Joint Lead Managers take any responsibility for any failure to receive Application Monies or payment by BPAY® before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

For more details, prospective Priority Offer Applicants should contact the Offer Information Line on 1800 754 866 between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays).

8.9.5 Priority Offer allocation policy

The Company and SaleCo have absolute discretion regarding the basis of allocation of Shares among Priority Offer Applicants and may reject an Application, or allocate fewer Shares than the dollar amount applied for. There is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which the Applicant applied.

Any refunds will be paid by the Share Registry following the allotment of Shares as described at **Section 8.12**.

8.10. Employee Discount Offer

8.10.1 Who may apply

The Employee Discount Offer is open to all Eligible Discount Offer Employees. Eligible Discount Offer Employees are:

- all permanent employees of the Judo Group resident in Australia as at 5:00pm (Sydney time) on Friday, 29 October 2021 who have not at that time given or received notice that their employment will cease; and
- Directors who are anticipated to be Directors on Listing.

8.10.2 How to apply

Eligible Discount Offer Employees will receive a personalised invitation to apply for Shares under the Employee Discount Offer together with this Prospectus. Eligible Discount Offer Employees who wish to apply for Shares must do so online and must comply with the instructions in the personalised invitation and as detailed on the Offer website at **www.ipo.judo.bank**.

Eligible Discount Offer Employees should read the personalised invitation and this Prospectus carefully, and in their entirety, before deciding whether to apply for Shares under the Employee Discount 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 accountant, financial adviser, stockbroker, lawyer or other 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.

Applications must be received no later than 5:00pm (Sydney time) on Tuesday, 26 October 2021.

8.10.3 Is there a minimum or maximum Application size?

Applications under the Employee Discount Offer must be a minimum of $2,000. The maximum number of Shares an Eligible Discount Offer Employee may apply for under the Employee Discount Offer at $1.90 per Share is 5,263 Shares ($10,000 worth of Shares). Eligible Discount Offer Employees may apply for additional Shares under the Employee Discount Offer at the Offer Price.

8.10.4 How to pay

Eligible Discount Offer Employees must pay their Application Monies by BPAY® in accordance with the instructions on the personalised Employee Discount Offer Application Form.

When completing your BPAY® payment, please make sure to use the specific biller code and unique CRN provided to you or generated by the online Application Form. Application Monies paid via BPAY® must be received by the Share Registry by no later than 5:00pm (Sydney time) on Tuesday, 26 October 2021 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Company, SaleCo nor the Joint Lead Managers take any responsibility for any failure to receive Application Monies or payment by BPAY® before the Employee Discount Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

For more details, prospective Employee Discount Offer Applicants should contact the Offer Information Line on 1800 754 866 between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays).

8.10.5 Employee Discount Offer allocation policy

The Employee Discount Offer is capped at a maximum aggregate value of $4.0 million. Each Eligible Discount Offer Employee who applies for up to 5,263 Shares at $1.90 per Share is guaranteed an allocation of the Shares applied for. The allocation of Shares applied for by Eligible Discount Offer Employees at the Offer Price will be at Judo's absolute discretion and Judo may reject an Application or allocate fewer Shares than the dollar amount applied for.

8.11. Employee Gift Offer

8.11.1 What is the Employee Gift Offer?

Under the Employee Gift Offer, the Company is offering all Eligible Gift Offer Employees the opportunity to acquire a fixed dollar value of Shares for nil consideration.

The Shares applied for under the Employee Gift Offer by an Eligible Gift Offer Employee will be issued on Completion and held by a trustee for six months after the date of Completion (the **Deferral Period**). An Applicant's right to receive their Shares under the Employee Gift Offer will be voided (unless the Board determined otherwise), if they cease to be employed by Judo Group and commence employment with any ASX-listed competitor of the Company during the Deferral Period.

8.11.2 Who may apply

The Employee Gift Offer is open to all Eligible Gift Offer Employees. Eligible Gift Offer Employees are all permanent employees of the Judo Group resident in Australia as at 5:00pm (Sydney time) on Friday, 29 October 2021, excluding members of the Management Board, who have not at that time given or received notice that their employment will cease.

8.11.3 How to apply

A separate personalised offer invitation, together with this Prospectus, will be provided to Eligible Gift Offer Employees, detailing the terms of the Employee Gift Offer. Eligible Gift Offer Employees should read the separate personalised offer invitation and this Prospectus carefully and in their entirety before deciding to apply for Shares under the Employee Gift 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 accountant, financial adviser, tax adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

The fixed dollar value of Shares an Eligible Gift Offer Employee can apply for under the Employee Gift Offer is determined based on certain criteria and will be detailed in the personalised offer invitation.

Applications under the Employee Gift Offer must be for the exact fixed dollar value of Shares set out in the separate personalised offer letter provided to that Eligible Gift Offer Employee.

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.

Applications must be received by no later than 5:00pm (Sydney time) on Tuesday, 26 October 2021.

8.11.4 Allocation policy

The Employee Gift Offer is capped at a maximum aggregate value of $5.0 million. Employee Gift Offer Applicants will receive a guaranteed allocation of the fixed dollar value of Shares (rounded down to the nearest whole Share based on the Offer Price) set out in their personalised offer invitation, at the end of the Deferral Period.

8.11.5 Further information about the Employee Gift Offer

Participation in the Employee Gift Offer does not automatically entitle Eligible Gift Offer Employees to participate in future grants under any other employee incentive program, scheme or plan implemented by the Company.

Shares that are issued to the trustee under the Employee Gift Offer are not subject to forfeiture and carry the same rights and entitlements of the Shares, including distribution and voting rights.

For more details, prospective Employee Gift Offer Applicants should contact the Offer Information Line on 1800 754 866 between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays).

8.12. Acceptance of Applications under the Retail Offer

An Application under the Retail Offer is an offer by the Applicant to the Company and SaleCo to acquire Shares in the dollar amount specified in the Application Form at the Offer Price (or in the case of the Employee Discount Offer at $1.90 or in the case of the Employee Gift Offer, for no cash consideration) on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. Applications received under the Retail Offer are irrevocable and may not be varied or withdrawn except as required by law. Acceptance of an Application will give rise to a binding contract, conditional on settlement, under the Underwriting Agreement and quotation of Shares on the ASX.

An Application may be accepted by the Company or SaleCo in respect of the full amount specified in the Application Form (or any amount lower than that) without further notice to the Applicant (with the exception of the Employee Gift Offer where Applicants will receive a guaranteed allocation). The Company and SaleCo reserves the right to decline any Application in whole or in part, without giving any reason.

The Company and SaleCo reserve the right to reject any Application (in whole or in part) if they believe any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not have been complied with in relation to the Application, or for any other reason.

The Company, SaleCo and the Joint Lead Managers reserve the right to reject any Application that is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application. In addition, the Company, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications they believe may be multiple Applications from the same person, or reject or scale back any Applications (or aggregation of Applications) they believe may be from an Institutional Investor.

No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.

8.13. Application Monies under the Retail Offer

Application Monies received under the Retail Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applicants. Applicants under the Retail Offer whose Application is not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. No refunds pursuant solely 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 the Company.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your BPAY® payment. If the amount of your BPAY® payment is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares or your Application may be rejected.

8.14. Institutional Offer

The Institutional Offer was held prior to lodgement of the Prospectus. The Company and SaleCo invited certain eligible Institutional Investors in Australia and selected other jurisdictions (other than the United States) to bid for an allocation of Shares in the Institutional Offer. The Joint Lead Managers separately advised Institutional Investors of the Application procedures for the Institutional Offer. Shares issued to Institutional Investors as part of the Institutional Offer will be issued under this Prospectus.

The allocation of Shares among bidders in the Institutional Offer was determined by the Company, SaleCo and the Joint Lead Managers. The allocation policy was influenced, but not constrained, by a range of factors including the following:

- the price and number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- the Company's desire for an orderly secondary market in the Shares following Completion;
- the Company's desire to establish a wide spread of institutional Shareholders;
- the overall anticipated level of demand under the Retail Offer and Institutional Offer;
- the size and type of funds under management of particular bidders;
- the investment style of particular Applicants;
- the likelihood that particular bidders will be long-term Shareholders; and
- any other factors the Company, SaleCo and the Joint Lead Managers consider appropriate.

8.15. Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed:
  - to become a Shareholder of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer; and
  - to being allocated and issued or transferred the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all; and
- acknowledged:
  - having personally received a complete and unaltered printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus), including or accompanied by the Application Form, and having read and understood them in full;
  - that the Applicant has applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
  - once the Company or a Broker receives the Application Form (including electronically), the Applicant may not withdraw it;
  - that the Company may not pay dividends, or that any dividends paid may not be franked;
  - 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 does not take into account the personal circumstances, investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s);
  - that the Offer may be withdrawn by the Company and SaleCo or may otherwise not proceed in the circumstances described in this Prospectus;
  - that if Listing does not occur for any reason, the Offer will not proceed;
  - none of the Company, SaleCo or the Joint Lead Managers guarantee the performance of the Shares or the performance of Company, the repayment of capital by the Company or any return on investment in Shares;
- declared that:
  - all details and statements in their Application Form are complete and accurate;
  - if they are a natural person, they are over 18 years of age and have full legal capacity and power to perform all of the Applicants' obligations under the Offer;
  - they are a resident of Australia (except as applicable to the Institutional Offer or Priority Offer) and are not a 'US Person' under the U.S. Securities Act; and
- authorised the Company, SaleCo and the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for 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.

Each Applicant in the Offer made under this Prospectus will be taken to have represented, warranted and agreed that:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold, pledged or transferred in the United States, except in accordance with the U.S. Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the U.S. Securities Act and any other applicable state securities laws;
- it is not in the United States and is not applying for Shares on behalf of, or for the account or benefit of, a person in the United States;
- it, and each person on whose account the Applicant is acting, has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States or that is acting for the account or benefit of a person in the United States;
- it is acquiring the Shares in an offshore transaction, meeting the requirements of Regulation S to the U.S. Securities Act; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the U.S. Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

8.16. Discretion to withdraw the Offer

The Company and SaleCo may withdraw the Offer at any time before the issue and transfer of Shares to Successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

8.17. Will the Company be Listed and the Shares quoted?

The Company will apply within seven days of the Prospectus Date for admission to the Official List and quotation of the Shares on the ASX. The Company's expected ASX code will be 'JDO'. Completion of the Offer is conditional on the issue and transfer of Shares to Successful Applicants. 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), 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.

Upon Listing, the Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

8.18. CHESS and issuer-sponsored holdings and holding statements

The Company has applied to participate in ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules on Listing. 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 sub-registers, being an electronic CHESS sub-register or an issuer-sponsored sub-register. 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 sub-register. All other Shares will be registered on the issuer-sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This holding statement will also provide details of a Shareholder's Holder Identification Number for CHESS holders or, where applicable, the Securityholder Reference

Number for issuer-sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Share certificates will not be issued.

It is expected that initial holding statements will be dispatched to Successful Applicants by standard post on or about Friday, 5 November 2021.

Shareholders will receive subsequent holding statements during the first week of the month following any change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional holding 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 sub-register) or through the Share Registry (in the case of a holding on the issuer-sponsored sub-register). The Company and the Share Registry may charge a fee for these additional issuer-sponsored statements.

8.19. When are Shares expected to commence trading?

8.19.1 Conditional and deferred settlement trading

It is expected that trading of the Shares on the ASX will commence on or about Monday, 1 November 2021, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications and bids will be conditional on settlement occurring under the Offer Management Agreement and SaleCo's acceptance of the irrevocable offers to sell Shares to be made by the Selling Shareholders to SaleCo. Trades occurring on the ASX before Completion occurring will be conditional on Completion occurring.

If the Offer is withdrawn after Shares have commenced trading on a conditional and deferred settlement basis, all contracts for the sale of Shares on the ASX will be cancelled and any Application Monies received will be refunded as soon as possible (without interest).

Normal settlement trading is expected to commence on or about Wednesday, 3 November 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 the Offer 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 ASX participating organisations during the conditional trading period will be cancelled and of no effect.

8.19.2 How do I confirm my allocation?

Applicants will be able to confirm their allocation by contacting their Broker or telephoning the Offer Information Line on 1800 754 866 between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays).

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, SaleCo and the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you received confirmation of your holding from the Offer Information Line, your Broker or otherwise.

8.20. Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules, the ASX Settlement Operating 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.

8.20.1 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each fully paid ordinary Share held and in respect of a partly paid Share, a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the Share.

The chair of the meeting does not have a second or casting vote. If an equal number of votes is cast for and against a resolution at a meeting of Shareholders, the matter is decided in the negative.

8.20.2 Meetings of Shareholders

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. Except as otherwise permitted by the Corporations Act, the Company must give at least 28 days' written notice of a general meeting to each Shareholder, Director and auditor of the Company.

8.20.3 Dividends

The Board may resolve to pay any dividend, including interim dividends, that it thinks appropriate and fix the time for, and method of, payment. The Board may also pay a dividend on one class of shares to the exclusion of another class.

For further information in respect of the Company's proposed dividend policy, see **Section 5.10**.

8.20.4 Capitalisation of profits

The Constitution permits the Company to capitalise profits, reserves or other amounts available for distribution to Shareholders. Subject to the terms of issue of Shares and the Constitution, Shareholders are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

8.20.5 Transfer of Shares

Subject to the Constitution, Shares may be transferred in accordance with the ASX Settlement Operating Rules, the ASX Listing Rules, the Corporations Act (and regulations) or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements.

The Board may refuse to register a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Constitution, the Corporations Act or the ASX Listing Rules.

8.20.6 Issue of further Shares

The Board may, subject to the Constitution, the Corporations Act and the ASX Listing Rules, issue, grant options over or otherwise dispose of unissued Shares to any person on the terms, with the rights, and at the time the Board decides.

8.20.7 Winding up

On a winding up of the Company, subject to the Constitution, the Corporations Act and the rights or restrictions attached to Shares, the surplus assets of the Company remaining after payment of its debts are divisible among the Shareholders in proportion to the number of fully paid Shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution of Shareholders, divide the assets of the Company among the Shareholders and decide how the division is to be carried out between the Shareholders and different classes of Shareholders.

8.20.8 Unmarketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution.

8.20.9 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those rules were adopted in the Constitution, or the date those rules were last renewed in accordance with the Corporations Act.

8.20.10 Variation of class rights

The rights attached to any class of Shares may be varied in accordance with the procedures set out in the Constitution and the Corporations Act.

8.20.11 Directors – appointment and removal

Under the Constitution, the Board must be comprised of a minimum of three Directors and a maximum of nine Directors, unless the Company resolves otherwise at general meeting. The Board may from time to time determine to increase the maximum number of Directors but the maximum applying at any time cannot be reduced except by the Company in general meeting. Directors are elected or re-elected at annual general meetings of the Company.

Retirement will occur on a rotational basis so that no Director (excluding the managing director) holds office without re-election beyond the third annual general meeting at which the Director was last elected or re-elected. The Board may also appoint a Director to fill a casual vacancy on the Board, or as an addition to the existing Directors, who will then hold office until the next annual general meeting of the Company following their appointment.

8.20.12 Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of the votes cast by Directors entitled to vote on the matter. If an equal number of votes is cast for and against a resolution, the chair of the meeting has a second or casting vote unless only two Directors are entitled to vote or the chair of the meeting is not entitled to vote, in which case the chair of the meeting does not have a second or casting vote and the matter is decided in the negative.

8.20.13 Directors – remuneration

Under the Constitution, the Board may fix the remuneration of an Executive Director but that remuneration must not include commission on, or a percentage of, operating revenue. The Board may decide the remuneration from the Company to which each Non-Executive Director is entitled for their services as a Director. However, the total aggregate amount provided to all Non-Executive Directors of the Company for their services as Directors must not exceed in any year the amount last fixed by the Company in a general meeting.

The remuneration of a Director (who is not an Executive Director) must not include commission on, or a percentage of, profits on operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in **Section 7.3.1**.

Under the Constitution, the Company must pay Directors all reasonable expenses (including travelling and accommodation expenses) incurred in attending and participating in general meetings of the Company, meetings of the Directors or any committee of the Directors, or otherwise in connection with the Company's business or in carrying out duties as a Director.

Directors may also receive additional fees for performing extra services or making special exertions at the request of the Board and for the purposes of the Company. These amounts may be either in addition to or in substitution for any remuneration that the Directors are entitled to under the Constitution.

8.20.14 Powers and duties of Directors

The Board has power to manage the business of the Company and may exercise every right, power or capacity of the Company to the exclusion of the Company in general meeting and the Shareholders.

8.20.15 Preference shares

The Company may issue preference shares (including preference shares that are liable to be redeemed or converted into ordinary shares). The rights attached to preference shares are the rights set out in, or determined in accordance with, the Constitution unless other rights have been approved by special resolution of the Company.

8.20.16 Indemnities

The Company must indemnify every officer of the Company and its wholly owned subsidiaries to the extent permitted by law against any liability of any kind (whether actual or contingent) incurred by that person as an officer of the Company or its wholly owned subsidiary, including a liability incurred as a result of appointment or nomination by the Company or subsidiary as a trustee or officer of another corporation (unless the liability arises out of conduct involving a lack of good faith). The Company, to the extent permitted by law, may make a payment (whether by way of advance, loan or otherwise) in respect of legal costs incurred by that person in defending an action for a liability of that person.

The Company, may, to the extent permitted by law, enter into and pay premiums on contracts of insurance in respect of any person.

8.20.17 Amendment

The Constitution may only be amended by special resolution passed by at least 75% of the votes cast by Shareholders entitled to vote on the resolution at a general meeting of the Company.

Section 9.

Investigating Accountant's Report.

The Directors
Judo Capital Holdings Limited
Level 3/40 City Rd
Southbank VIC 3006

Board of Directors
Judo Capital SaleCo Limited
Level 3/40 City Rd
Southbank VIC 3006

14 October 2021

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Judo Capital Holdings Limited historical and forecast financial information and Financial Services Guide

We have been engaged by Judo Capital Holdings Limited (the Company) and Judo Capital SaleCo Limited (SaleCo) to report on the historical and forecast financial information of the Company for the periods ended 30 June 2019, 30 June 2020 and 30 June 2021 and the period ending 30 June 2022 as described below for inclusion in the Prospectus dated on or about 14 October 2021 and relating to the issue of ordinary shares in the Company.

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested that PricewaterhouseCoopers Securities Ltd review the following financial information of the Company (the responsible party) included in the Prospectus:

Statutory Historical Financial Information

- the statutory historical statement of financial position as at 30 June 2021;
- the statutory historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021; and

- the statutory historical statements of cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from the financial reports of the Company for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, which were audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards. PricewaterhouseCoopers issued unmodified audit opinions on those financial reports. The Statutory 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.

Pro Forma Historical Financial Information

- the pro forma historical statement of financial position as at 30 June 2021;
- the pro forma historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021; and
- the pro forma historical statements of cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021,

in each case, which assumes the completion of the Offer.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of the Company, after adjusting for the effects of pro forma adjustments described in Section 5 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 5 of the Prospectus, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. 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.

Statutory Forecast Financial Information

- the statutory forecast income statement and cash flows for the year ending 30 June 2022, as described in Section 5 of the Prospectus.

The directors' best-estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 5 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Forecast Financial Information

- the pro forma forecast income statement and cash flows for the year ending 30 June 2022 which assumes completion of the Offer, as described in Section 5 of the Prospectus.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in Section 5 of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information being the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 5 of the Prospectus, as if those events or transactions had occurred as at 30 June 2021. Due to its nature, the Pro Forma Forecast Financial Information does not represent the Company's actual prospective financial performance, and/or cash flows for the year ending 30 June 2022.

Directors' responsibility

The directors of the Company are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including the basis of preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

The directors of the Company are also responsible for the preparation of the Statutory Forecast Financial Information, including its basis of preparation and the best-estimate assumptions underlying the Statutory Forecast Financial Information. They are also responsible for the preparation of the Pro Forma Forecast Financial Information, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, Pro Forma Historical Financial Information, Statutory Forecast Financial Information and Pro Forma Forecast Financial Information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro Forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information, and the reasonableness of the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of the Company, as described in Section 5 of the Prospectus, and comprising:

- the statutory historical statement of financial position as at 30 June 2021;
- the statutory historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021; and
- the statutory historical statements of cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 5 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in Section 5 of the Prospectus, and comprising:

- the pro forma historical statement of financial position as at 30 June 2021;
- the pro forma historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021; and
- the pro forma historical statements of cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021,

in each case, which assumes the completion of the Offer,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 5 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 5 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Statutory Historical Financial Information.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the statutory forecast income statement and cash flows of the Company for the year ending 30 June 2022, as described in Section 5 of the Prospectus, do not provide reasonable grounds for the Statutory Forecast Financial Information; or
- in all material respects, the Statutory Forecast Financial Information:

  - is not properly prepared on the basis of the directors' best-estimate assumptions as described in Section 5 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; or

- the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the pro forma forecast income statement and cash flows of the Company for the year ending 30 June 2022, which assume completion of the Offer, as described in Section 5 of the Prospectus, do not provide reasonable grounds for the Pro Forma Forecast Financial Information; or
- in all material respects, the Pro Forma Forecast Financial Information:

  - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in Section 5 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Statutory Forecast Financial Information and the pro forma adjustments as if those adjustments had occurred as at the date of the forecast; or

- the Pro Forma Forecast Financial Information itself is unreasonable.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information have been prepared by management and adopted by the directors of the Company in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 30 June 2022. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 6 and Section 5, respectively, of the Prospectus. The sensitivity analysis described in Section 5 of the Prospectus demonstrates the impact on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecast Financial Information or the Pro Forma Forecast Financial Information will be achieved.

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information have been prepared by the directors of the Company for the purpose of inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information or the Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed that, and relied on representations from certain members of management of the Company to the effect that, all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

Restriction on Use

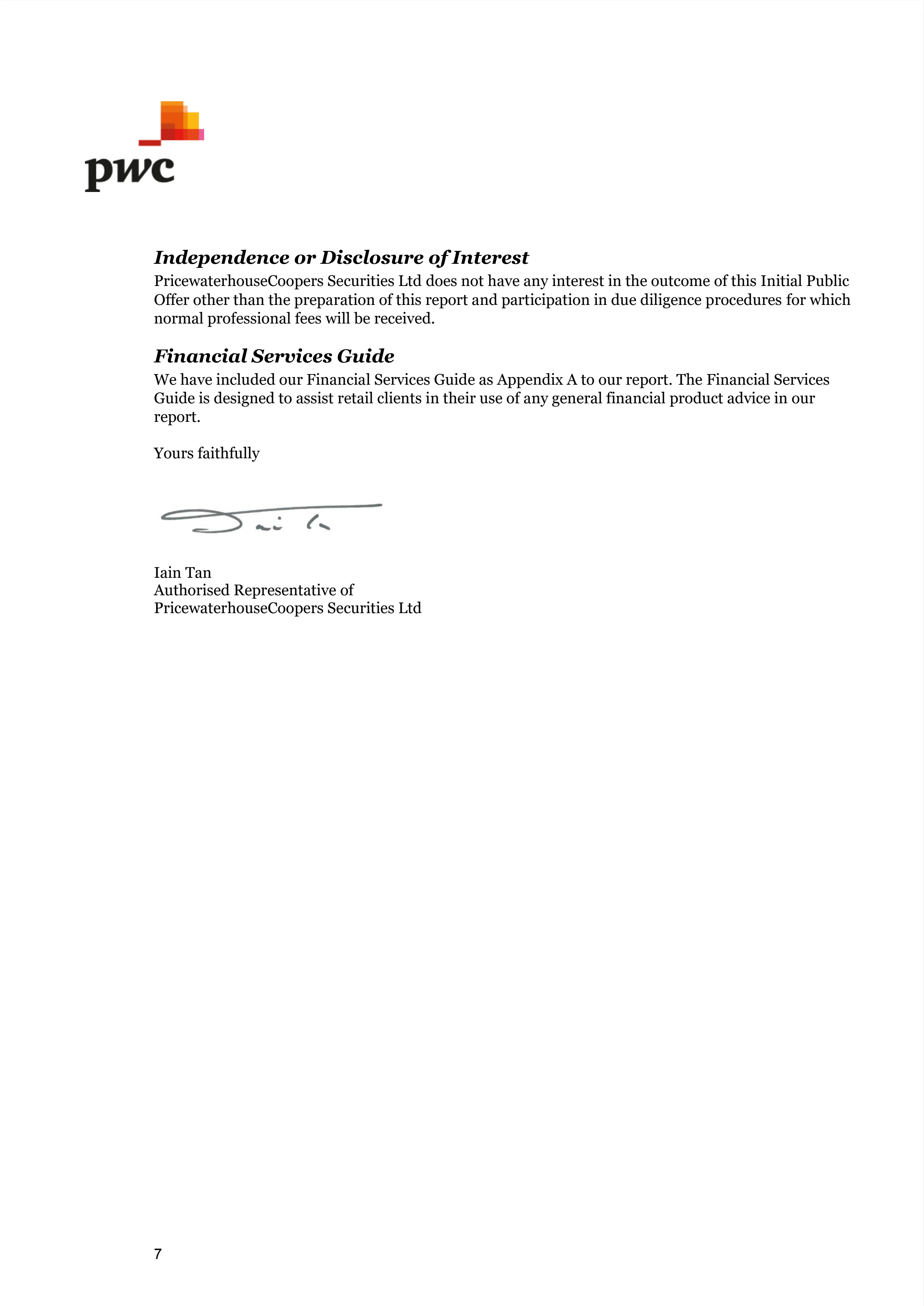
Without modifying our conclusions, we draw attention to Section 5 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.



Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this Initial Public Offer other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Iain Tan
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 14 October 2021

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Judo Capital Holdings Limited ("**the Company**") and Judo Capital SaleCo Limited ("**SaleCo**") to provide a report in the form of an Independent Accountant's Report in relation to the Financial Information (the "**Report**") for inclusion in the Prospectus dated 14 October 2021.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. Our fees charged for preparation of the Report are outlined in Section 7.3.2.7 of the Prospectus.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of the Company.

7. Complaints

If, for any reason, you are not satisfied with the advice or service you receive from PwC Securities or from our authorised representatives, you are entitled to make a complaint.

If you wish to make a complaint please initially lodge your complaint with your adviser. We have established procedures to ensure all complaints are resolved quickly and fairly. A copy of our internal complaints handling procedure can be provided to you upon request.

If you do not receive a satisfactory outcome to your complaint, you have the right to contact the Australian Financial Complaints Authority ("AFCA"). AFCA provides independent financial services complaint resolution that is free to consumers.

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
Tel: 1800 931 678 (Free Call)

E-mail: info@afca.org.au
Website: www.afca.org.au

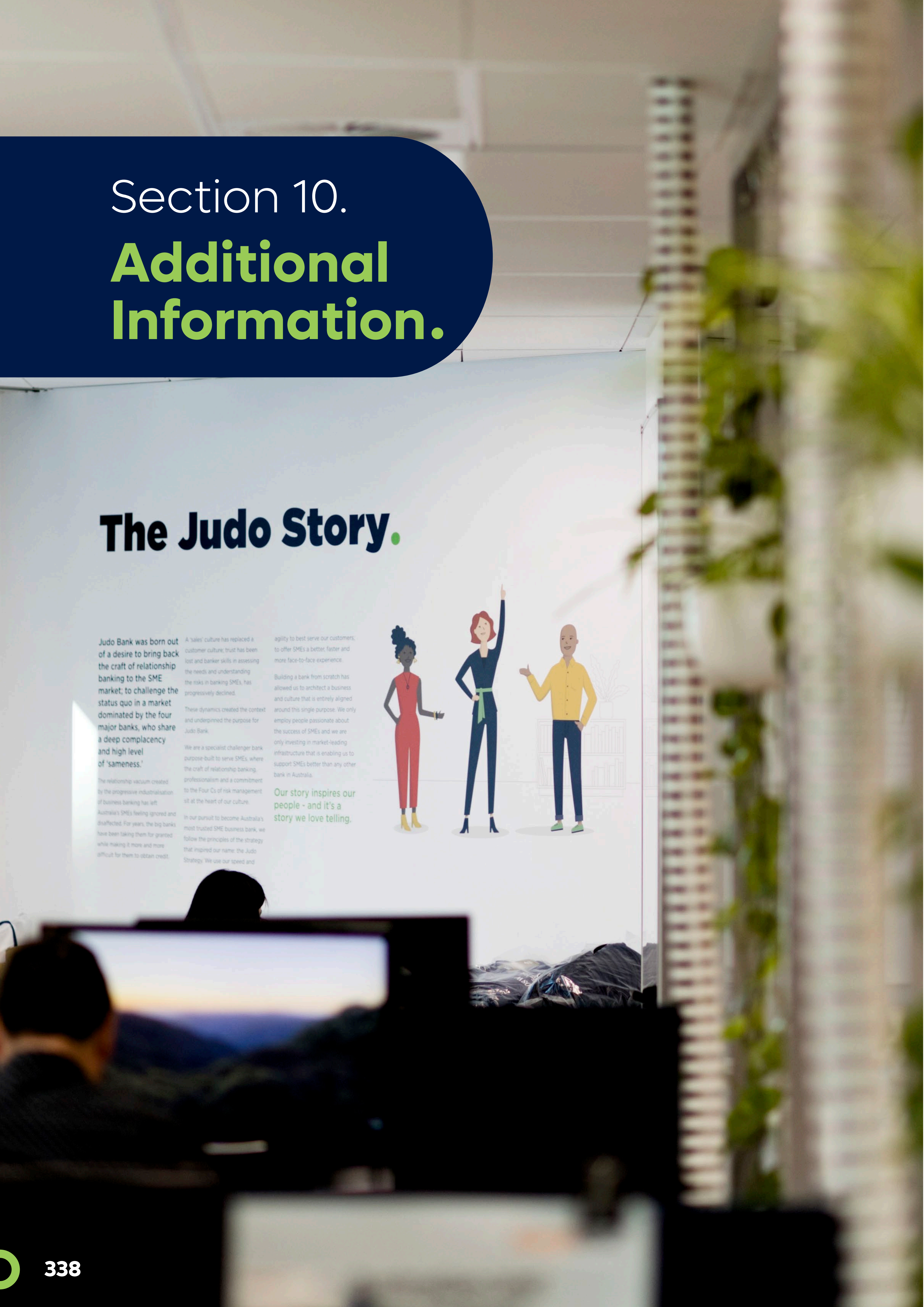
PwC Securities is a member of AFCA. You will not be charged for using the AFCA service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Mr Iain Tan
PricewaterhouseCoopers Securities Ltd
2 Riverside Quay
Southbank Victoria 3006

Section 10.
Additional Information.



The Judo Story.

Judo Bank was born out of a desire to bring back the craft of relationship banking to the SME market; to challenge the status quo in a market dominated by the four major banks, who share a deep complacency and high level of 'sameness.'

The relationship vacuum created by the progressive industrialisation of business banking has left Australia's SMEs feeling ignored and disaffected. For years, the big banks have been taking them for granted while making it more and more difficult for them to obtain credit.

A 'sales' culture has replaced a customer culture; trust has been lost and banker skills in assessing the needs and understanding the risks in banking SMEs, has progressively declined.

These dynamics created the context and underpinned the purpose for Judo Bank.

We are a specialist challenger bank purpose-built to serve SMEs, where the craft of relationship banking, professionalism and a commitment to the Four Cs of risk management sit at the heart of our culture.

In our pursuit to become Australia's most trusted SME business bank, we follow the principles of the strategy that inspired our name: the Judo Strategy. We use our speed and agility to best serve our customers, to offer SMEs a better, faster and more face-to-face experience.

Building a bank from scratch has allowed us to architect a business and culture that is entirely aligned around this single purpose. We only employ people passionate about the success of SMEs and we are only investing in market-leading infrastructure that is enabling us to support SMEs better than any other bank in Australia.

Our story inspires our people - and it's a story we love telling.

10.1. Registration

The Company was registered in Victoria, Australia, on 7 June 2016 as a public company limited by shares.

SaleCo was incorporated in Victoria, Australia, on 14 September 2021 as a public company limited by shares.

10.2. Company tax status and financial year

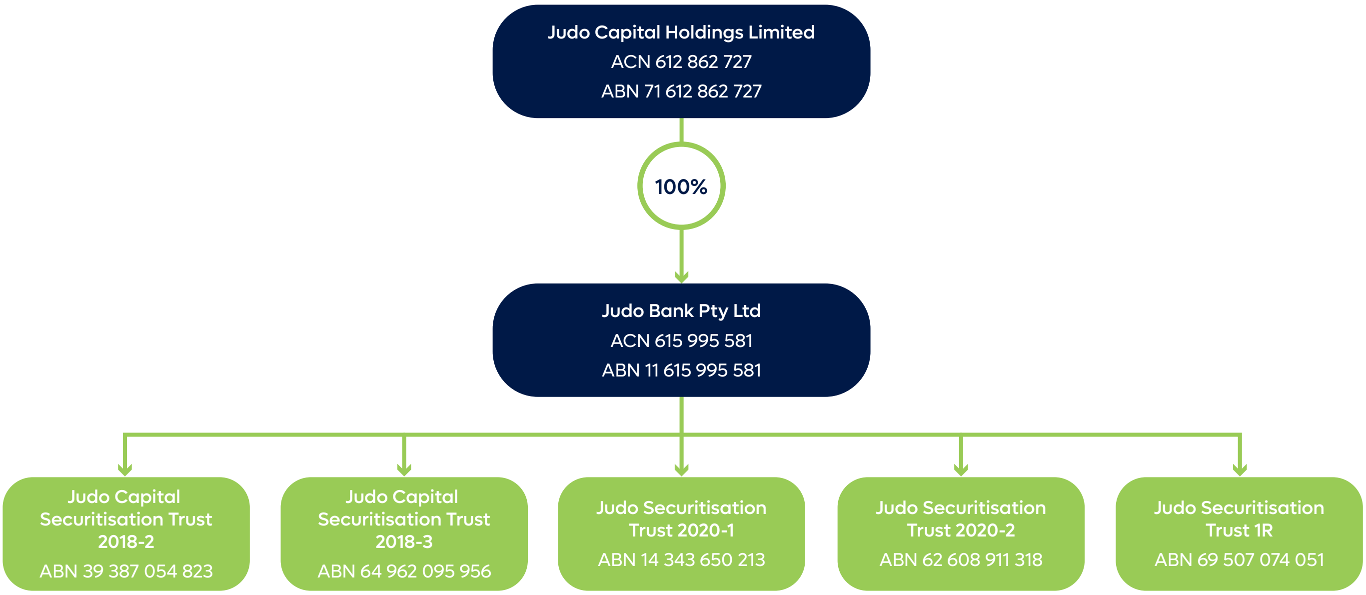
The Company's financial year ends on 30 June annually.

The Company is tax resident in Australia and is subject to tax at the Australian corporate tax rate.

10.3. Corporate structure

The diagram in **Figure 101** shows Judo's corporate structure on Completion.

Figure 101: Corporate structure



Each of the wholly owned entities above undertakes the business of Judo as set out in this Prospectus and was established or incorporated in Australia (as applicable).

10.4. Pre-Listing restructure

10.4.1 Capital structure

As at the Prospectus Date, the capital structure of the Company is as set out in **Table 81**.

Table 81. Capital structure

Securities	Prospectus Date
A Class Shares	817,422,550
Partly paid B Class Shares	15,000
Performance Rights issued under the MIP and Mirror MIP	14,927
Legacy Options	12,212,428
Warrants	10,965,000
Options	2,000,000

The partly paid B Class Shares are held by One Investment Group Limited (**Employee Trust Trustee**), on trust for the participants in the MIP and MMIP. Each Performance Right that has vested (a **Vested Performance Right**), if exercised, converts into one B Class Share. The exercise price payable on exercise of a Vested Performance Right is $0.99. All the B Class Shares are partly paid.

The Legacy Options have been issued pursuant to the legacy long-term incentive plan (**LTI Plan**) and are described in **Section 7.4.1**. The Legacy Options will remain on foot on Completion.

10.4.2 Treatment of the Warrants and Options

Each Warrant and each Option entitles its holder to acquire an A Class Share for $1.00. Each holder of a Warrant and each holder of an Option has elected cashless exercise of its Warrants and Options. The A Class Shares to be issued on exercise of the Warrants and Options will be issued immediately prior to Listing. The number of A Class Shares to which the holders of the Warrants and Options would have been entitled on exercise of the Warrants and Options is multiplied by the Offer Price (**Warrant and Option Total Amount**) and the exercise price of $1.00 per Warrant and $1.00 per Option that the holders would have been required to pay to exercise those Warrants and Options is deducted from the Warrant and Option Total Amount (the result being the **Warrant and Option Net Amount**) and the holders of the Warrants and Options are issued that number of A Class Shares, which equals the Net Amount divided by the Offer Price. This means that the number of A Class Shares that will be issued on exercise of the Warrants and Options is 6,791,191 A Class Shares.

10.4.3 Wind-up of Management Equity Plans

Participants in the MIP and MMIP (each a Participant) have been given an election to either exercise their Vested Performance Rights or to have their Vested Performance Rights acquired by Judo in exchange for cash on Completion and cancelled. The price payable to each Participant for each Vested Performance Right will be an amount equivalent to the amount the Participant would have received had the Participant exercised their Vested Performance Rights and been issued Shares and sold them under the Offer at the Offer Price less $0.99 per Vested Performance Right (**Acquisition Price**).

As at the Prospectus Date, Participants in the MIP and MMIP have elected to have 3,168 Vested Performance Rights acquired. The remainder of the Vested Performance Rights will be exercised, which will mean there will be 11,759 B Class Shares on issue immediately prior to Settlement (see **Section 10.4.1**).

10.4.4 Restructure steps

The following steps will occur immediately prior to Settlement and prior to Listing:

- cashless exercise of the Warrants and Options, which will result in the issue of additional A Class Shares (see **Section 10.4.2**);
- un-Vested Performance Rights on issue under the MIP and mirror MIP will vest;
- where a Participant has elected to exercise a Vested Performance Right, those Vested Performance Rights will be exercised;
- any partly paid B Class Shares held by the Employee Trust Trustee in respect of Vested Performance Rights that have been exercised will be paid up (see **Section 10.4.1**);
- the remaining partly paid B Class Shares held by the Employee Trust Trustee will be transferred to the Company and cancelled; and
- the remaining fully paid B Class Shares and A Class Shares will convert into Shares.

Accordingly, immediately prior to Settlement (before Shares are issued under the Offer or any securities are issued pursuant to the Go-Forward incentive arrangements described in **Section 7.4.2**), Judo will have 967.8 million Shares and 12.2 million Legacy Options on issue.

10.4.5 Conversion of A Class Shares and B Class Shares to ordinary Shares

The A Class Shares will convert into Shares on a 1:1 basis.

The B Class Shares will convert into such number of Shares as is determined by the Conversion Ratio (as defined in Judo's Constitution prior to adoption of the Constitution) without any further action required by Judo or the Employee Trust Trustee.

As at the Prospectus Date, the 15,000 B Class Shares (on conversion) would represent 15% of the total issued Shares, assuming no Vested Performance Rights are acquired and cancelled.

As at the Prospectus Date, Participants in the MIP and MMIP have elected to have 3,168 Vested Performance Rights acquired. The remainder of the Vested Performance Rights will be exercised, which will mean there will be 11,759 B Class Shares on issue following the close of the Retail Offer and prior to Settlement. The application of the Conversion Ratio will result in the holders of the B Class Shares holding such number of Shares equal to approximately 12% of the total issued Shares, with such number of Shares held by the former A Class Shareholders equal to approximately 88% of the total issued Shares.

10.5. SaleCo

10.5.1 Sale of Shares by SaleCo

SaleCo is a special purpose vehicle established to enable the Selling Shareholders to sell Shares.

SaleCo will acquire Shares from the Selling Shareholders who have made irrevocable offers to sell Shares to SaleCo under the sale deeds (the **Sale Deeds**). The Sale Deeds provide that Shares will be sold by the Selling Shareholders to SaleCo at the Offer Price on Completion, free from any encumbrances and third-party rights.

The Shares that SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interests in, and obligations under, the Underwriting Agreement and the Sale Deeds described above. The shareholder of SaleCo is Peter Hodgson, and the directors of SaleCo are Peter Hodgson, Manda Trautwein and Mette Schepers.

10.5.2 Indemnity of SaleCo by Judo

Judo has entered into arrangements under which it indemnifies each of SaleCo and its directors (**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 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 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, or any other person to pay, perform or otherwise properly discharge any liability of the Company or any of their affiliates, whether prior to or after Completion.

10.6. Underwriting Agreement

The Offer is being jointly managed and underwritten (with the exception of the Employee Discount Offer and the Employee Gift Offer) by the Joint Lead Managers pursuant to an underwriting agreement between the Joint Lead Managers, SaleCo and the Company (**Underwriting Agreement**). The key details of the Underwriting Agreement are set out below.

10.6.1 Commissions, fees and expenses

On the Settlement Date, the Company must pay the Joint Lead Managers:

- 2.25% of the total proceeds of the Offer (excluding GST) (to be split between the Joint Lead Managers in their respective proportions, as set out in the Underwriting Agreement); and
- In its discretion, an incentive fee of up to 0.6% of the total proceeds (excluding GST) (to be split between the Joint Lead Managers at the Company's discretion).

The Joint Lead Managers are responsible for the payment, on behalf of the Company, of any selling fees or commissions payable to any Co-Lead Managers or Co-Managers appointed in relation to the Broker Firm Offer.

In addition to the fees described above, the Company must reimburse the Joint Lead Managers for certain other reasonable agreed costs and expenses (as set out in the Underwriting Agreement) incurred in connection with the Offer.

10.6.2 Termination events and withdrawal of the Offer

Termination events not limited by materiality

If any of the following events occur at any time before 5.00pm on the Settlement Date or at any earlier time as specified below, any Joint Lead Manager may terminate its obligations under the Underwriting Agreement without cost or liability by notice to the Company, SaleCo and the other Joint Lead Managers:

- (**disclosures**) a statement in the Prospectus, other offer documents or certain public information is or becomes false, misleading or deceptive or is likely to mislead, deceive or confuse, or a matter required to be included is omitted from an offer document (including, without limitation, having regard to the provisions of Part 6D.2 of the Corporations Act);
- (**Supplementary Prospectus**)
    - the Company and SaleCo issue or, in the reasonable opinion of the terminating Joint Lead Manager, are required to issue, a Supplementary Prospectus to comply with section 719 of the Corporations Act; or
    - the Company and SaleCo lodge a Supplementary Prospectus with ASIC in a form that has not been approved by the Joint Lead Managers;

- (**forecasts**) there are not, or there ceases to be, reasonable grounds in the reasonable opinion of the terminating Joint Lead Manager for any statement or estimate in the Prospectus or other offer documents which relate to a future matter or any statement or estimate in the offer documents which relate to a future matter is in the opinion of the terminating Joint Lead Manager, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- (**fraud**) the Company or SaleCo or any of their respective directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- (**listing and quotation**) approval is refused or not granted, or approval is granted subject to conditions other than customary conditions (including customary conditions of a conditional market), to:
  - the Company's admission to the official list of ASX on or before 4.00pm on the Listing Approval Date; or
  - the quotation of the Shares on ASX or for the Shares to be traded through CHESS on or before the date on which Judo's Listing is approved,

  or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (**notifications**) any of the following notifications are made in respect of the Offer:
  - ASIC issues an order (including an interim order) under section 739 of the Corporations Act, in relation to the Offer or the Prospectus or ASIC prosecuting or commencing proceedings in relation to the Offer or the Prospectus;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or Prospectus or other offer document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or Prospectus;
  - any person (other than the terminating Joint Lead Manager) who has previously consented to the inclusion of its name in the Prospectus or other offer document withdraws that consent; or
  - any person (other than the terminating Joint Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
- (**certificate not provided**) the Company or SaleCo do not provide the closing certificate as and when required by the Underwriting Agreement;
- (**material contracts**) if any of the obligations of the relevant parties under the material contracts described in **Section 10.7** are not capable of being performed in accordance with their terms or if all or any part of any of such contracts:
  - is amended or varied without the prior written consent of the Joint Lead Managers;
  - is terminated;
  - is breached;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal;
- (**withdrawal**) the Company or SaleCo withdraw the Prospectus or other offer document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- (**insolvency events**) any Judo Group member becomes Insolvent, or there is an act or omission which is likely to result in a Judo Group member becoming Insolvent;
- (**Timetable**) an event specified in the Timetable up to and including the Settlement Date is delayed by more than 2 Business Days (other than any delay agreed between the Company and the Joint Lead Managers, at the direction of ASX or as a result of the extension of the ASIC exposure period by ASIC);

- (**unable to issue or transfer**) the Company is prevented from allotting and issuing the new Shares, or SaleCo is prevented from transferring the existing Shares, within the time required by the Timetable, the Prospectus or other offer document, the Listing Rules, the ASX Settlement Operating Rules or by any other applicable laws, an order of a court of competent jurisdiction or a government authority;
- (**change to Company**) the Company:
  - alters the issued capital of the Company or a Judo group member; or
  - disposes or attempts to dispose of a substantial part of the business or property of the Company or a Judo group member,

  without the prior consent of the Joint Lead Managers, except as disclosed in the Prospectus;
- (**regulatory approvals**) if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or SaleCo to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Prospectus or other offer document;
- (**force majeure**) there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency which makes it illegal for the Joint Lead Managers to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;
- (**change in management**) a change in the Chief Executive Offer, Chief Financial Officer, Chief Risk Officer or the board of directors of the Company occurs (except as disclosed in the Prospectus);
- (**prosecution**) any of the following occur:
  - a director or proposed director named in the Prospectus is charged with an indictable offence;
  - any government agency commences any public action against the Company or SaleCo or any of its directors in their capacity as a director of the Company or SaleCo, or announces that it intends to take action; or
  - any director or proposed director named in the Prospectus of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- (**disclosures in the due diligence report and any other information**) the due diligence report or verification material or any other information supplied by or on behalf of the Company or SaleCo to the Joint Lead Managers in relation to the Judo group or the Offer is, or becomes, misleading or deceptive, including by way of omission; and
- (**breach of laws**) there is a contravention by the Company or any other member of the Judo group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), ASIC Act, its constitution or any of the ASX Listing Rules;
- (**certificate incorrect**) a statement in the closing certificate is false, misleading, inaccurate or untrue or incorrect (including by way of omission).

Termination events limited by materiality

If any of the following events occur at any time before 5.00pm on the Settlement Date, a Joint Lead Manager may terminate its obligations under the Underwriting Agreement without cost or liability by notice to the Company, SaleCo and the other Joint Lead Managers if, in the reasonable opinion of that Joint Lead Manager, the event:

- has had or is likely to have a material adverse effect on:
  - the success or settlement of the Offer;
  - the ability of that Joint Lead Manager to market or promote the Offer;
  - the willingness of persons to apply for, or settle obligations to subscribe for, Offer Securities under the Offer; or
  - the price at which Securities are sold or traded on ASX; or
- has given or is likely to give rise to:
  - a contravention by that Joint Lead Managers or its affiliates of, or that Joint Lead Managers or its affiliates being involved in a contravention of, the Corporations Act or any other applicable law; or
  - a liability for that Joint Lead Manager or its affiliates.

A Joint Lead Manager can terminate as above, if any of the following events occur:

- (**adverse change**) any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and a member of the Judo group (insofar as the position in relation to a member in the Judo group affects the overall position of the Company), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Judo group from those respectively disclosed in the Prospectus, any offer document or certain public information;
- (**change of law**) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- (**compliance with law**) any of the Prospectus or other offer documents or any aspect of the Offer does not comply with the Corporations Act, the ASX Listing Rules or any other applicable law or regulation;
- (**representations and warranties**) a representation, warranty, undertaking or obligation contained in this agreement on the part of the Company or SaleCo (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- (**breach**) the Company or SaleCo defaults on one or more of its obligations under the Underwriting Agreement;
- (**constitution**) the Company varies any term of its constitution without the prior written consent of the Joint Lead Managers, except as agreed by the Company's members at the Company's 2021 annual general meeting;
- (**legal proceedings**) any of the following occurs:
  - the commencement of legal proceedings against the Company, any other member of the Judo group or against any director of the Company or any other member of the Judo group in that capacity; or
  - any regulatory body commences any enquiry or public action against a member of the Judo Group;
- (**debt covenants**) the Company or any member of the Judo group is in breach of any debt covenant;
- (**information supplied**) any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a member of the Judo group to the Joint Lead Managers in respect of the Offer or the Judo group is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including, by omission);

- (**hostilities**) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, the United States, Singapore, the United Kingdom, the People's Republic of China, South Korea, or any member state of the European Union, or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries; and
- (**disruption in financial markets**) any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, People's Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or a member state of the European Union 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;
  - any adverse effect on the financial markets in Australia, the People's Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or a member state of the European Union, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or
  - trading in all securities quoted or listed on ASX, London Stock Exchange, Hong Kong Stock Exchange or the Tokyo Stock Exchange is suspended or limited in a material respect for 2 or more consecutive days (or a substantial part of 2 or more consecutive days) on which that exchange is open for trading.

Effect of termination of the Underwriting Agreement

If a Joint Lead Manager validly terminates its obligations under the Underwriting Agreement, that Joint Lead Manager will be discharged from its obligations under the Underwriting Agreement. If a Joint Lead Manager terminates, the remaining Joint Lead Managers may elect to take up the rights and obligations of the terminating Joint Lead Manager by providing written notice of its election as prescribed under the Underwriting Agreement. If a Joint Lead Manager terminates and the remaining Joint Lead Managers do not make an election within the time frame prescribed by the Underwriting Agreement, the remaining Joint Lead Managers will be deemed to have terminated their remaining obligations under the Underwriting Agreement. If the remaining Joint Lead Managers elect to take up the right and obligations of the terminating Joint Lead Manager(s), the Company must pay the remaining Joint Lead Managers the fees that would have been payable to the terminating Joint Lead Manager(s) under the Underwriting Agreement had they not exercised their right.

10.6.3 Indemnity

Subject to certain exclusions under the Underwriting Agreement, relating to gross negligence, recklessness, wilful default or fraud of the party claiming benefit of the indemnity, the Company and SaleCo will indemnify and keep each of the Joint Lead Managers and certain of their affiliated parties, indemnified from and against all losses incurred in respect of the Offer, the Prospectus or other offer document, including for liability under the Corporations Act or any other applicable law in relation to the Offer, the Prospectus or other offer document.

10.6.4 Conditions, representations, warranties and undertakings

The Underwriting Agreement contains certain representations and warranties provided by the Company and SaleCo to the Joint Lead Managers, as well as customary conditions precedent (including relating to conducting due diligence, lodgement of the Prospectus and material contracts). The representations and warranties by the Company and SaleCo relate to matters such as the conduct of the Company, disclosure and compliance with applicable laws, due diligence, insolvency, ownership of assets, litigation, financial information in this Prospectus and the conduct of the Offer.

10.7. Material contracts

10.7.1 Warehouse Facilities and Term Securitisations

In 2018, Judo established a master trust program to facilitate the funding of receivables originated by Judo (**Receivables**) by private asset-backed securitisation warehouse facilities (**Warehouse Facilities**). As at the Prospectus Date, Judo maintains five Warehouse Facilities, as described below, including one self-securitisation facility.

Judo Capital Securitisation Trust 2018-2 warehouse

In September 2018, Judo established a warehouse securitisation under its master trust program entitled Judo Capital Securitisation Trust 2018-2 (**Trust 2018-2**). Trust 2018-2 is a revolving Warehouse Facility provided by a senior financier different to the financiers in the other warehouses. Judo provides subordinated funding to Trust 2018-2, which acts as credit enhancement for the senior financier.

Trust 2018-2 is a special purpose unit trust established for the purposes of funding Receivables originated by Judo. The trustee of Trust 2018-2 is AMAL Trustees Pty Limited (**Securitisation Trust Trustee**).

The Securitisation Trust Trustee as trustee for Trust 2018-2 issues debt instruments to the financier in the form of notes (**2018-2 Notes**), the proceeds of which are used to fund Trust 2018-2's acquisition of eligible Receivables from Judo. The facility is uncommitted for this warehouse and the financier may elect to subscribe for the 2018-2 Notes upon request. Principal collections from Receivables are the primary source of repayments of the 2018-2 Notes held by the financier, as well as by Judo as subordinated financier. Income collections service the interest payable on the notes.

The recourse of the financier to Trust 2018-2 (including in respect of the 2018-2 Notes) is limited to the assets of Trust 2018-2 (which are, primarily, the Receivables acquired from Judo, as well as rights under the warehouse transaction documents).

Judo Capital Securitisation Trust 2018-3 warehouse

In November 2018, Judo mandated another securitisation warehouse under the master trust program known as Judo Capital Securitisation Trust 2018-3 (**Trust 2018-3**). Trust 2018-3 is a revolving Warehouse Facility provided by a senior financier different to the financiers in the other warehouses. The senior financier provides a facility to Trust 2018-3, which has both a committed and an uncommitted portion. At present, the committed portion of this facility is set to zero. Judo provides subordinated funding to Trust 2018-3, which acts as credit enhancement for the senior financier.

Trust 2018-3 is a special purpose unit trust established for the purposes of funding Receivables originated by Judo. The Securitisation Trust Trustee is also the trustee of Trust 2018-3.

The Securitisation Trust Trustee as trustee of Trust 2018-3 issues debt instruments to the financier in the form of loan notes (**2018-3 Loan Notes**), the proceeds of which are used to fund Trust 2018-3's acquisition of eligible Receivables from Judo. Collections from Receivables are the primary source of repayments of the financier's debt. Repayments from customers in respect of the Receivables are during the availability period recycled to acquire more eligible Receivables (subject to the satisfaction of conditions precedent) and otherwise passed through to Trust 2018-3's financier in order to service interest and principal payments on the 2018-3 Loan Notes as well as payments on Judo's subordinated debt.

The recourse of the financier to Trust 2018-3 (including in respect of the 2018-3 Loan Notes) is limited to the assets of Trust 2018-3 (which are, primarily, the Receivables acquired from Judo, as well as rights under the warehouse transaction documents).

Judo Securitisation Warehouse Trust 2020-1

In March 2020, Judo entered into another securitisation warehouse under the master trust program, the Judo Securitisation Warehouse Trust 2020-1 (**Trust 2020-1**). Trust 2020-1 is a revolving Warehouse Facility provided by a senior financier different to the financiers in the other warehouses. The senior financier provides a committed facility to Trust 2020-1. Judo provides subordinated funding to Trust 2020-1, which acts as credit enhancement for the senior financiers.

Trust 2020-1 is a special purpose unit trust established for the purposes of funding Receivables originated by Judo. The Securitisation Trust Trustee is also the trustee of Trust 2020-1.

The Securitisation Trust Trustee as trustee of Trust 2020-1 issues debt instruments to the senior financier in the form of loan notes (**2020-1 Loan Notes**), the proceeds of which are used to fund Trust 2020-1's acquisition of eligible Receivables from Judo. Collections from Receivables are the primary source of repayments of the financier's debt. Repayments from customers in respect of the Receivables are during the availability period recycled to acquire more Receivables (subject to the satisfaction of conditions precedent) and otherwise passed through to Trust 2020-1's financier in order to service interest and principal payments on the 2020-1 Loan Notes held by the senior financier, as well as Judo as subordinated financier.

The recourse of the financier to Trust 2020-1 (including in respect of the 2020-1 Loan Notes) is limited to the assets of Trust 2020-1 (which are, primarily, the Receivables acquired from Judo, as well as rights under the warehouse transaction documents).

Judo Securitisation Warehouse Trust 2020-2

In June 2020, Judo entered into another securitisation warehouse under the master trust program, the Judo Securitisation Warehouse Trust 2020-2 (**Trust 2020-2**). Trust 2020-2 is a revolving Warehouse Facility provided by funds managed by the Australian Office of Financial Management that represents the Commonwealth of Australia. An offshore financial institution acceded as senior financier to this warehouse in April 2021. The senior financiers provide a committed facility to Trust 2020-2. Judo provides subordinated funding to Trust 2020-2, which acts as credit enhancement for the senior financiers.

Trust 2020-2 is a special purpose unit trust established for the purposes of funding Receivables originated by Judo. The Securitisation Trust Trustee is also the trustee of Trust 2020-2.

The Securitisation Trust Trustee as trustee of Trust 2020-2 issues debt instruments to the financiers in the form of notes (**2020-2 Notes**), the proceeds of which are used to fund Trust 2020-2's acquisition of eligible Receivables from Judo. Collections from Receivables are the primary source of repayments of the financiers' debt. Repayments from customers in respect of the Receivables are during the availability period recycled to acquire more eligible Receivables (subject to the satisfaction of conditions precedent) and otherwise passed through to Trust 2020-2's financiers in order to service interest and principal payments on the 2020-2 Notes.

The recourse of financiers to Trust 2020-2 (including in respect of the 2020-2 Notes) is limited to the assets of Trust 2020-2 (which are, primarily, the Receivables acquired from Judo, as well as rights under the warehouse transaction documents).

Judo Securitisation Trust 1R (self-securitisation transaction)

In February 2021, Judo entered into a rated self-securitisation transaction, known as the Judo Securitisation Trust 1R (**Trust 1R**). Trust 1R is an asset-backed securities self-securitisation transaction established by Judo as the senior and subordinated financier for the purposes of obtaining funding against the rated senior notes via repurchase agreement (**repo**) arrangements with the Reserve Bank of Australia (**RBA**).

Trust 1R is a special purpose unit trust established for the purpose of funding the Receivables originated by Judo. The Securitisation Trust Trustee of Trust 1R is also the trustee of the Warehouse Facilities described immediately above.

The Securitisation Trust Trustee as trustee of Trust 1R issues debt instruments to Judo in the form of notes (**1R Notes**) as the senior and subordinated financier. The proceeds of the 1R Notes are used to fund Trust 1R's acquisition of eligible Receivables from Judo. The senior 1R Notes are, and in the future are intended to be, listed as repo-eligible securities with the RBA.

The recourse of financiers and noteholders to Trust 1R is limited to the assets of Trust 1R (which are, primarily, the Receivables acquired from Judo, as well as rights under the self-securitisation transaction documents).

10.7.2 RBA's Term Funding Facility

As noted above in **Sections 3.7.1** and **3.7.3.3**, Judo has entered into various Australian dollar Term Funding Facility (**TFF**) repurchase agreements (each a **TFF Repo**) with the RBA pursuant to the TFF announced by the RBA on 19 March 2020.

The terms of each TFF Repo are subject to the terms of the Global Master Repurchase Agreement (2011 Version) published by the Securities Industry and Financial Markets Association and International Capital Market Association (excluding all annexes) (**SIFMA/ICMA Agreement**) as well as Annexure F of the RBA's RITS Regulations and the TFF Operational Notes published by the RBA. The RBA publishes the TFF Operational Notes from time to time, which contain further details in respect of the TFF, including how the TFF Initial Allowance, TFF Additional Allowance and TFF Supplementary Allowance (as defined in the TFF Operational Notes) are calculated and how each may be utilised. The TFF Operational Notes can be unilaterally amended by the RBA at any time without notice by publishing such amendments, or a revised version of the TFF Operational Notes, on the RBA's website.

Under the terms of each TFF Repo, Judo agrees to sell to the RBA, and the RBA agrees to purchase, eligible securities against the payment of the purchase price by the RBA to Judo as seller, with a simultaneous agreement by the RBA as buyer to sell to Judo as seller, securities equivalent to the ones sold at a date certain or on demand against the payment of the repurchase price by Judo as seller to the RBA. The purchase price paid by the RBA to Judo is at a discount or 'haircut' to the value of the relevant securities that are the subject of the TFF Repo.

Under a TFF Repo, Judo will be required to make a margin transfer to the RBA if the RBA has a net exposure in respect of the securities that are the subject of the TFF Repo (with such net exposure calculated by reference to the market value of the equivalent securities to be delivered to the seller at the termination of the TFF Repo).

The pricing rate for each TFF Repo will be 0.10% per annum calculated and payable in accordance with the TFF Operational Notes. Pursuant to Annexure F Clause 5 of the RITS Regulations, each TFF Repo will be for a fixed term of three years.

Judo may terminate a TFF Repo on demand provided a demand for termination of a TFF Repo by Judo must provide for termination to occur after not less than the minimum period as is provided in the TFF Operational Notes.

The RBA may specify a date for termination of a TFF Repo at any time if:

(i) an Event of Default (as defined in the SIFMA/ICMA Agreement) has occurred and is continuing with respect to Judo;

(ii) Judo's TFF drawn amount exceeds Judo's TFF Funding Allowance; or

(iii) the RBA is not satisfied that Judo has acted at all times:

  (A) in good faith in connection with the TFF; or

  (B) in a manner consistent with the RBA's stated objectives for the TFF,

or as otherwise specified in the TFF Operational Notes.

If the TFF Repo is terminated by the RBA pursuant to paragraph (ii) above, the RBA undertakes to offer to enter into replacement TFF Repo with Judo subject to satisfaction of conditions precedent specified in Annexure F Clause 5.3(b) of the RITS Regulations. If a TFF Repo is terminated by the RBA pursuant to paragraph (ii) above and replaced with a replacement TFF Repo, then Judo must pay a price differential in so far it relates to the Excess Amount (the amount by which the aggregate purchase price of all such terminated TFF Repos exceeds the aggregate purchase price of all replacement TFF Repos).

An Event of Default (as defined in the SIFMA/ICMA Agreement) includes an Act of Insolvency with respect to Judo; a failure to pay the repurchase price in respect of equivalent securities on the agreed repurchase date under a TFF Repo; a failure of Judo to provide margin in respect of the relevant securities that are the subject of a TFF Repo when required under the terms of the TFF Repo; representations of Judo under the TFF Repo being incorrect or untrue in any material respect; or a failure of Judo to perform obligations under the TFF Repo, which failure is not remedied within the applicable grace period.

10.7.3 Debt issuance program

In June 2021, Judo established a debt issuance program (**Program**). The Program enables the issuance of senior and subordinated unsecured medium-term notes by Judo Bank Pty Ltd (the **Issuer**) (**Senior Notes** and **Subordinated Notes**, and collectively, **Capital Notes**). Dealers and/or managers appointed by the Issuer under the Program can agree to subscribe for Capital Notes, to be on-sold to other investors. Barrenjoey is currently the sole arranger and dealer for the Program.

The Program is used to provide general corporate funding for the Issuer. The Australian Prudential Regulation Authority (**APRA**) has reviewed the general terms and conditions of the Subordinated Notes and, as at the date of this Prospectus and subject to the pricing terms of any future issuances of Subordinated Notes, has approved them as meeting the requirements to qualify as Tier 2 regulatory capital of the Issuer.

To date, there has been one issuance of Capital Notes under the Program. On 24 June 2021, the Issuer issued $50,000,000 of Subordinated Notes, due on 14 July 2031, which qualify as Tier 2 regulatory capital of the Issuer.

No Senior Notes have been issued under the Program as at the date of this Prospectus.

10.8. Voluntary escrow arrangements for Shareholders

10.8.1 Shares subject to voluntary escrow

At Completion, approximately 53.1% of the Shares on issue will be subject to voluntary escrow arrangements.

Table 82. Shares subject to voluntary escrow

Shareholder	Number of Escrowed Shares on Completion[1]	Escrowed Shares (as a % of Shares on issue on Completion)
Prince Issuer Designated Activity Company[2]	103,898,782	9.4%
Sing Glow Investment Pte Ltd[3]	77,728,137	7.0%
Other institutional shareholders	326,670,345	29.6%
Peter Hodgson	2,374,979	0.2%
John Fraser	4,596,755	0.4%
Manda Trautwein	449,616	0.0%
Mette Schepers	197,596	0.0%
David Hornery	20,427,713	1.9%
Joseph Healy	34,183,130	3.1%
Chris Bayliss	9,520,161	0.9%
Management Board MMIP Participants[4]	2,620,561	0.2%
Remaining MMIP Participants[5]	2,923,488	0.3%
TOTAL	**585,591,263**	**53.1%**

Notes:

1. Does not include Shares acquired through the Offer.
2. Prince Issuer Designated Activity Company is managed by Bain Capital Credit LP.
3. Sing Glow Investment Pte Ltd is wholly-owned by GIC (Ventures) Private Limited. Sing Glow Investment Pte Ltd is managed by GIC Special Investments Private Limited, which is wholly-owned by GIC Private Limited.
4. Does not include Joseph Healy and Chris Bayliss.
5. Remaining MMIP Participants are employees who, on Completion, hold their Shares as a result of the wind up of the MMIP (not including any Directors and members of the Management Board who hold Shares as a result of the wind up of the MMIP).

Each Escrowed Shareholder has entered or will enter into a Voluntary Escrow Deed on the terms set out in **Section 10.8.2** in respect of their Shares.

The voluntary escrow arrangements are as follows:

- all of the Shares held by Directors and by members of the Management Board on Completion are subject to the voluntary escrow arrangements and applicable escrow periods set out in **Sections 7.3.1.4** and **7.3.2.6**, respectively;
- 50% of the Shares held by Remaining MMIP Participants on Completion as a result of the wind up of the MMIP will be subject to the voluntary escrow arrangements until the first anniversary of the date of Listing;[1] and
- all of the Shares held by the other Shareholders listed in the table above on Completion will be subject to voluntary escrow arrangements until 4:15pm on the date on which Judo's preliminary financial report on the financial results for the financial year ending 30 June 2022 is released on the ASX.

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[1] Note: In the event of the death or permanent incapacity of the relevant Remaining MMIP Participant, the escrow period will automatically end and the Shares held by them and (if applicable) their associated entities will no longer be subject to the voluntary escrow arrangements.

Table 83. Voluntary escrow periods

Escrow Release Date	Number of Escrow Shares	Number of Escrow Shares (as a % of Shares on issue on Completion)
Release of financial results for the financial year ending 30 June 2022	512,106,738	46.4%
First anniversary of the date of Listing	5,544,049	0.5%
Release of financial results for the financial year ending 30 June 2023	67,940,476	6.2%
TOTAL	**585,591,263**	**53.1%**

10.8.2 Terms of the Voluntary Escrow Deeds

Under the terms of the Voluntary Escrow Deeds, subject to certain customary exceptions, each Escrowed Shareholder has agreed or will agree not to:

- deal with any or all their Escrowed Shares;
- deal in any interest (including any legal, beneficial or economic interest) or right in respect of any or all of their Escrowed Shares; or
- do, or omit to do, any act if the act or omission would (or would be likely to) have the effect of resulting in a dealing with, or in any interest (including any legal, beneficial or economic interest) or right in respect of any or all of their Escrowed Shares;

where 'dealing' is broadly defined and includes, among other things, disposing of, or agreeing or offering to dispose of, their Escrowed Shares or any legal, beneficial or economic interest in the Escrowed Shares or to create, or agree or offer to create, any security interest in the Shares.

During an Escrow Period, the Escrowed Shareholders will be permitted to deal in their Escrowed Shares in the following manner:

- to enable the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Escrowed Shares;
- to enable the Escrowed Shareholders' Escrowed Shares to be transferred or cancelled as part of a merger by scheme of arrangement;
- to the extent required by applicable law (including an order of a governmental authority or a court of competent jurisdiction);
- to enable the Escrowed Shareholder to participate in an equal access share buyback or an equal capital reduction or return;
- in the case of an Escrowed Shareholder who is a Selling Shareholder, to grant a security interest over its Escrowed Shares to a bona fide third party financial institution as security for a loan, hedge or other financial accommodation, provided that doing so does not otherwise reduce the economic interest of the Escrowed Shareholder in the Escrowed Shares and no Escrowed Shares are transferred; or delivered to the financial institution or any other person in connection with the security interest and the financial institution agrees that the Escrowed Shares are to remain in escrow and be subject to the terms of the Voluntary Escrow Deeds; or
- in the case of an Escrowed Shareholder who is a Selling Shareholder, if the dealing is to an affiliate, provided that such dealing does not result in a change in the beneficial ownership of that Escrow Share and such affiliate agrees to be bound by the terms and conditions of the Voluntary Escrow Deed.

10.9. ASIC and ASX waivers and confirmations

10.9.1 ASIC

The Company has applied for certain exemptions from, modifications to, and relief from the application of sections 707(3) and 707(4) of the Corporations Act to permit the 'on sale' of certain Shares offered other than under this Prospectus.

10.9.2 ASX

The Company has obtained the following ASX Listing Rule confirmations from the ASX:

- in-principle confirmation that Judo has a structure and operations acceptable to the ASX for admission to the official list for the purposes of Listing Rule 1.1 (Condition 1); and
- in-principle confirmation that Judo satisfies the requirements of ASX Listing Rule 9.2(b) Condition 12 and the requirements of mandatory escrow will not apply to Judo.

The Company has sought the following ASX Listing Rule waivers and confirmation from the ASX:

- confirmation that the Shares may begin trading on a conditional and deferred settlement basis, subject to certain conditions to be approved by the ASX;
- waiver from the requirement under Listing Rule 1.3.3(c) that Judo's working capital, as shown in its reviewed pro forma statement of financial position under Listing Rule 1.3.5(d), must be at least $1.5 million; and
- confirmation that the provisions of the Legacy LTI Plan and Go Forward incentive arrangements are appropriate and equitable for the purposes of ASX Listing Rule 6.12.1.

10.10. Ownership restrictions

The sale and purchase of Shares is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This **Section 10.10** contains a general description of these laws.

10.10.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, 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 disclosure obligations on persons having voting power of 5% or more in the Company.

10.10.2 Financial Sector (Shareholdings) Act

Under the *Financial Sector (Shareholdings) Act 1998* (Cth) (**FSSA**), a person (including a company) must not acquire an interest in an Australian financial sector company (including an authorised deposit-taking institution (**ADI**) and any holding company of an ADI) 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.

10.10.3 Foreign Acquisitions and Takeovers Act

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) applies to the acquisition of shares and voting power in a company of 20% or more by a single foreign person and its associates, or 40% or more by two or more unassociated foreign persons and their associates, where the acquisition meets a threshold value (which varies by investor type and industry). The FATA does not apply in relation to acquisitions of interests in financial sector companies (within the meaning of the FSSA) such as ADIs, except for acquisitions by foreign government investors where those acquisitions are of a direct interest. A 'direct interest' is an interest of 10% in the entity, but may also include an interest of less than 10% where the investor has entered into business arrangements with the entity or the investor is in a position to influence or participate in the management and control or policy of the entity.

Where the FATA applies to an acquisition, it may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either notified that there is no objection to the proposed acquisition (with or without conditions) or a statutory period has expired without the Federal Treasurer objecting.

An acquisition to which the FATA applies may be the subject of a divestment order by the Federal Treasurer unless the process of notification, and either a non-objection notification or expiry of a statutory period without objection, has occurred. Criminal offences and civil penalties can apply to failing to give notification of certain acquisitions, undertaking certain acquisitions without any objection notification, or contravening a condition in a no-objection notification.

10.11. Legal proceedings

The Company and its subsidiaries may, from time to time, be party to various disputes and legal proceedings incidental to the conduct of its business.

As at the Prospectus Date, there are no current, pending or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company or its subsidiaries are directly or indirectly concerned that is likely to have a material adverse impact on the business or financial position of the Company.

10.12. Foreign selling restrictions

10.12.1 International Offer restrictions

This Prospectus 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, except to the extent permitted below.

10.12.2 Hong Kong

WARNING: This Prospectus 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 Prospectus or to permit the distribution of this Prospectus 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 purpose 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 Prospectus 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 Prospectus, you should obtain independent professional advice.

10.12.3 New Zealand

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (**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;
- is large within the meaning of clause 39 of Schedule 1;
- is a government agency within the meaning of clause 40 of Schedule 1; or
- is an eligible investor within the meaning of clause 41 of Schedule 1.

10.12.4 Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in the Norwegian Securities Trading Act).

10.12.5 Singapore

This Prospectus 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 Prospectus 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, (Cap. 289) of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an existing holder of the Shares; (ii) an 'institutional investor' (as defined in the SFA); or (iii) an 'accredited investor' (as defined in the SFA). If you are not an investor falling within one of these categories, please return this Prospectus immediately. You may not forward or circulate this Prospectus 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.

10.12.6 Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

No offering or marketing material relating to the Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this Prospectus will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority.

Neither this Prospectus nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to investors who qualify as "professional clients" (as defined in the Swiss Financial Services Act). This Prospectus is personal to the recipient and not for general circulation in Switzerland.

10.12.7 Canada (British Columbia, Ontario and Quebec provinces)

This Prospectus constitutes an offering of Shares only in the Provinces of British Columbia, Ontario and Quebec (**Provinces**), only to persons to whom Shares may be lawfully distributed in the Provinces, and only by persons permitted to sell such securities. This Prospectus is not a prospectus, an advertisement or a public offering of securities in the Provinces. This Prospectus may only be distributed in the Provinces to persons who are 'accredited investors' within the meaning of National Instrument 45-106 – Prospectus Exemptions, of the Canadian Securities Administrators.

No securities commission or authority in the Provinces has reviewed or in any way passed upon this Prospectus, the merits of the Shares or the offering of the Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of Shares or the resale of such securities. Any person in the Provinces lawfully participating in the Offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the Shares in the Provinces must be made in accordance with applicable Canadian securities laws (including any applicable exemptions from dealer registration or disclosure requirements). While such resale restrictions generally do not apply to a first trade in a security of a foreign, non-Canadian reporting issuer that is made through an exchange or market outside Canada, Canadian purchasers should seek legal advice prior to any resale of the Shares.

The Company, as well as its directors and officers, may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgement against the Company or such persons in Canada or to enforce a judgement obtained in Canadian courts against the Company or such persons outside Canada.

Any financial statements contained in this Prospectus have been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this Prospectus are in Australian dollars.

Statutory rights of action for damages and rescission

Securities legislation in certain Provinces may provide a purchaser with remedies for rescission and/or damages if an offering memorandum contains a misrepresentation, provided the remedies are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's Province. A purchaser may refer to any applicable provision of the securities legislation of the purchaser's Province for particulars of these rights or consult with a legal adviser. These remedies are not described in this Prospectus.

Certain Canadian income tax considerations

Prospective purchasers of the Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the Shares as there are Canadian tax implications for investors in the Provinces.

Language of documents in Canada

Upon receipt of this Prospectus, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement*.

10.12.8 United Kingdom

Neither this Prospectus nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been, or is intended to be, published in respect of the Shares.

The Shares may not be offered or sold in the United Kingdom by means of this Prospectus or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This Prospectus is issued on a confidential basis in the United Kingdom to 'qualified investors' within the meaning of Article 2(e) of the UK Prospectus Regulation. This Prospectus may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**); (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high-net-worth companies, unincorporated associations, etc.) of the FPO; or (iii) to whom it may otherwise be lawfully communicated (together **Relevant Persons**). The investment to which this Prospectus relates is available only to Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Prospectus.

10.12.9 United Arab Emirates (UAE)

This Prospectus does not constitute a public offer of securities in the UAE and the Shares may not be offered or sold, directly or indirectly, to the public in the UAE. Neither this Prospectus nor the Shares have been approved by the Securities and Commodities Authority (**SCA**) or any other authority in the UAE.

This document may be distributed in the UAE only to 'qualified investors' (as defined in the SCA Board of Directors' Chairman Decision No. 37 RM of 2019, as amended) and may not be provided to any person other than the original recipient. No marketing of the Shares has been, or will be, made from within the UAE other than in compliance with the laws of the UAE and no subscription for any securities may be consummated within the UAE. No offer or invitation to subscribe for Shares is valid, or permitted from any person, in the Abu Dhabi Global Market or the Dubai International Financial Centre.

10.12.10 European Union

This Prospectus has not been, and will not be, registered with or approved by any securities regulator in the European Union (**EU**). Accordingly, this Prospectus may not be made available, nor may the Shares be offered for sale, in the EU except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (**EU Prospectus Regulation**).

In accordance with Article 1(4)(a) of the EU Prospectus Regulation, an offer of Shares in the EU is limited to persons who are 'qualified investors' (as defined in Article 2(e) of the Prospectus Regulation).

10.12.11 United States

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. 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 U.S. Securities Act and applicable US state securities laws. Accordingly, the Shares will be offered and sold in the United States only to dealers or other professional fiduciaries organised in the United States that are acting for a discretionary or similar account held for the benefit or account of non-US persons (**Eligible US Fund Managers**) in compliance with Regulation S to the U.S. Securities Act.

10.13. Australia taxation considerations

The following information is a general summary of the Australian income tax implications for Australian tax residents that hold Shares on capital account. These comments do not apply to any eligible investors that are not residents of Australia for tax purposes or are exempt from Australian income tax, investors that hold Shares other than on capital account or investors who have opted into any of the elective tax timing methods under the Taxation of Financial Arrangements regime in Division 230 of the *Income Tax Assessment Act 1997* (Cth).

The comments in this section 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, is not advice and is not intended to be an authoritative or complete statement of the applicable law. During an investor's period of ownership of the Shares, taxation laws and/or their interpretation may change.

Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares. Taxation is only one of a number of matters you may need to consider when making a decision about your investments.

10.13.1 Dividends on a Share

Dividends (if any) paid by the Company on a Share to an investor will generally constitute assessable income of that investor.

Dividends may be franked (broadly, where a franking credit is attached to the dividend) or unfranked (no franking credit is attached). To the extent that a dividend is unfranked, the relevant investor will generally be assessed at their prevailing marginal rate on the dividend received (with no tax offset).

Investors who are individuals or complying superannuation entities should include the dividend in their assessable income, together with any franking credit attached to that dividend. Such investors should 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.

Corporate investors should include the dividend and the associated franking credit in their assessable income, and are entitled to a tax offset up to the amount of the franking credit attached to the dividend. A 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. Excess franking credits received by corporate investors will not give rise to a refund entitlement, but may be able to be converted into carry forward tax losses.

Investors who are trustees (other than trustees of complying superannuation entities and certain other trusts) or partnerships (other than corporate limited 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 in respect of the franking credit in proportion to the beneficiary's or partner's share of the net income of the trust or partnership (as applicable).

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: the holding period rule and, if necessary, the related payment rule. The holding period rule requires an investor to hold the Shares 'at risk' for a continuous period, commencing the day after the investor acquires the Shares and ending on the 45th day after the day Shares become ex-dividend. The 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 $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. In that case, the investor must have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

There are also 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.

Investors should seek professional advice to determine how the tax rules relating to dividends and dividend imputation apply to their own circumstances.

10.13.2 Disposal of Shares

The disposal of a Share by an investor will be a capital gains tax (**CGT**) event.

An investor will derive a capital gain on the disposal of Shares where the capital proceeds received on the disposal exceed the CGT cost base of the Shares. Broadly, the CGT cost base of the Shares is 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 and investors that are complying superannuation entities, provided the particular Shares are held for at least 12 months prior to entering into any agreement effecting the disposal and certain other requirements are met. The CGT discount (if available) for individuals and certain trusts is 50% and for complying superannuation entities is 33⅓%. The CGT discount and related rules applying to trusts and their beneficiaries are particularly complex.

Any current year or carry forward capital losses for that investor should offset the capital gain first before the CGT discount can be applied. Investors should seek professional advice on how the CGT rules apply to their circumstances.

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. Capital losses may only be offset against capital gains and cannot be used to offset other types of income.

If an investor derives a net capital gain in a year, this amount is generally 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.

10.13.3 Tax file numbers

Investors are not required to quote their tax file number (**TFN**) to the Company. Investors holding Shares as part of an enterprise may quote their Australian Business Number (**ABN**) instead of their TFN.

If an investor does not validly quote its TFN, ABN or details of a relevant exemption, Australian tax may be required to be deducted by the Company from distributions and/or dividends at the top individual marginal rate plus the Medicare levy.

10.13.4 Goods and services tax

No goods and services tax (**GST**) should be payable by investors in respect of the acquisition of Shares. The extent to which an investor is entitled to recover any GST incurred on costs relating to their acquisition of Shares will depend on the particular circumstances of that investor.

No GST should be payable by investors on receiving dividends distributed by the Company.

10.13.5 Stamp duty

No Australian stamp duty should be payable by investors in respect of the acquisition of Shares.

10.14. Consents to be named and disclaimers of responsibility

Each of the parties referred to below (each a **Consenting Party**), 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.

- Barrenjoey has given, and not withdrawn prior to the Prospectus Date, its written consent to be named in the Prospectus as Joint Lead Manager and Strategic Adviser to the Offer;
- Citi, Credit Suisse and Goldman Sachs have given, and have not withdrawn prior to the Prospectus Date, their written consent to be named in this Prospectus as Joint Lead Managers to the Offer;
- Bell Potter, E&P and Wilsons have given, and have not withdrawn prior to the Prospectus Date, their written consent to be named in this Prospectus as Co-Lead Managers to the Offer;
- CommSec has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Co-Manager to the Offer;
- Ashurst Australia has given, and not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Australian Legal Advisor to the Company in relation to the Offer in the form and context in which it is named;
- PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and to the inclusion in this Prospectus of its Investigating Accountant's Report in **Section 9** in the form and context in which it is included;
- Link Market Services Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as the Share Registry to the Company in the form and context in which it is named;
- DBM Consultants has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus in the form and context in which it is named and its consent to all statements by it or said to be based on statements by it in the form and context in which they are included;

- East & Partners has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus in the form and context in which it is named and its consent to all statements by it or said to be based on statements by it in the form and context in which they are included;
- RFi Group has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus in the form and context in which it is named and its consent to all statements by it or said to be based on statements by it in the form and context in which they are included;
- Thomas Frost Executive has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus in the form and context in which it is named and its consent to all statements by it or said to be based on statements by it in the form and context in which they are included;
- The Evolved Group has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus in the form and context in which it is named and its consent to all statements by it or said to be based on statements by it in the form and context in which they are included; and
- Us+Us has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus in the form and context in which it is named and its consent to all statements by it or said to be based on statements by it in the form and context in which they are included.

No Consenting Party referred to in this **Section 10.14** has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each Consenting Party referred to in this **Section 10.14** has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, except as stated above in this **Section 10.14**.

Statements made by, attributed to or based on statements made by other sources who are referred to in this Prospectus have not been consented to by the relevant party for the purpose of section 716 of the Corporations Act, and are included in this Prospectus by the Company on the basis of relief under *ASIC Corporations (Consent to Statements) Instrument 2016/72* from the Corporations Act for statements made in books, journals or comparable publications.

10.15. Costs of the Offer

The costs of the Offer are expected to be approximately $30.3 million (including advisory, legal, accounting, tax and duty, listing and administrative fees, the Joint Lead Managers' fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses). These costs have been, or will be, borne by the Company from the proceeds of the Offer.

10.16. 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 under this Prospectus submits to the exclusive jurisdiction of the courts of Victoria, Australia.

10.17. Statement of Directors and SaleCo directors

The issue of this Prospectus has been authorised by each Director and each director of SaleCo. Each Director and each director of SaleCo has consented to the lodgement of this Prospectus with ASIC and its issue, and has not withdrawn that consent.

Appendix A.

Significant Accounting Policies.

Summary of significant accounting policies

This appendix provides a list of the significant accounting policies adopted by Judo Capital Holdings Limited and its controlled entities. Refer to Judo's Audited Financial Statements for a more complete list of accounting policies.

(a) Net interest income

Loan interest revenue is calculated on the daily loan balance outstanding and charged in arrears to the customer's loan account. Loan interest revenue is recognised as it accrues in accordance with the effective interest method, which is the rate that exactly discounts estimated cash receipts over the expected life of the financial asset to the net carrying amount of the financial asset. For financial assets classified within Stage 1 and 2 of Expected Credit Loss Provisions, interest income is calculated by applying the effective interest rate to the gross carrying amount of the assets. Interest income on financial assets in Stage 3 is recognised by applying the effective interest rate to the gross carrying amount, net of provisions for impairment.

Interest income on Equipment Loans is recognised on a time proportion basis using the effective interest method.

Interest income on investments, along with all interest expenses, are recognised using their effective interest rates.

All revenue is measured net of the amount of goods and services tax (GST).

(b) Other operating income

Fees and commissions are recognised typically upon execution of a contract with a customer, at the point where the performance obligation relating to the contract has been met.

Gains/(losses) on the disposal of property, plant and equipment are determined through the difference between the carrying value of the asset and the proceeds received.

Realised gains/(losses) on investments measured at amortised cost are recognised in the period in which they are crystallised.

(c) Income tax

The income tax expense or credit 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 (**DTAs**) and liabilities attributable to temporary differences and to unused tax losses.

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 in the financial statements. However, 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 only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Tax consolidation

Judo Capital Holdings Limited and its controlled entities have implemented the tax consolidation legislation and have formed a tax-consolidated group. The Group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the controlled entities recognise current or deferred tax amounts arising in respect of their own transactions, events and balances; and
- current tax liabilities and DTAs arising in respect of tax losses, are transferred from the controlled entity to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of the controlled entities in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, bank overdrafts, and funds held in trust by third-party service providers for the purposes of fulfilling loan settlements. Bank overdrafts are shown within borrowings in liabilities.

(e) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (**OCI**). For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (**FVOCI**).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (**FVPL**), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

All financial liabilities, including deposits and borrowings, are recognised by the Group initially at fair value net of any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Investments

Subsequent measurement of investments is at amortised cost. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost, and is not part of a hedging relationship, is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in effective interest income recognised using the effective interest rate method.

(iii) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the Australian Accounting Standards Board's AASB 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(f) Property, plant and equipment

Each class of plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

(i) Plant and equipment

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

(ii) Depreciation

The depreciable amount of plant and equipment is depreciated over their estimated useful lives, commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements at cost	20%–50%	Straight line and diminishing value
Office equipment at cost	20%–50%	Straight line and diminishing value
Furniture, fixtures and fittings at cost	10%–20%	Straight line and diminishing value

The residual value and the useful life of an asset is reviewed at least at the end of each annual reporting period and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

(g) Intangible assets

Intangible assets are identifiable non-tangible, non-monetary assets. They are recognised when the Group can demonstrate its intention to complete the development for use, use the asset to generate future economic benefits and the costs of the development can be reliably measured. IT software development costs that can be reliably measured and where control can be established are recognised as an intangible asset.

IT software development costs incurred are categorised into buckets, being either research, which may include discovery activities, formulation and design of new systems, and development, which may include construction, coding and testing. Research costs are expensed as incurred, whereas development costs are capitalised as an intangible asset where control has been established. All other development costs that cannot be reliably measured or where control cannot be established are expensed as incurred.

(i) Software-as-a-Service

Configuration and customisation costs of a Software-as-a-Service (**SaaS**) arrangement are expensed when incurred when control has not been established. Development costs are capitalised where control of an asset in relation to a SaaS arrangement has been established. Under this arrangement, configuration and customisation costs have been capitalised where control has been established, otherwise costs are recognised as a prepaid service and amortised over the life of the contract – or in certain instances, are immediately expensed as incurred.

(ii) Amortisation of intangible assets

Patents, trademarks and licences are not amortised.

Capitalised information technology costs are not amortised throughout the development stage. Once software under development is ready for use, management will determine a suitable amortisation rate between two and five years.

(h) Impairment of assets

Intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows (**cash-generating units**). Accordingly, most assets are tested for impairment at the cash-generating unit level.

Assets other than intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds the asset's or cash-generating unit's recoverable amount. The recoverable amount of an asset or cash-generating unit is defined as the higher of its fair value less costs to sell and value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount, such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease. Impairment losses in respect of cash-generating units are allocated first against the carrying amount of any goodwill attributed to the cash-generating unit, with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash-generating unit.

(i) Leases

At the commencement date of a lease (other than leases of 12 months or less and leases of low-value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

(i) Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

(ii) Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e. the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e. the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

(iii) Leases of 12 months or less and leases of low-value assets

Lease payments made in relation to leases of 12 months or less and leases of low-value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

(j) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they 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 certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

To the extent that these instruments do not qualify for hedge accounting, the movements in fair value are recognised through profit and loss.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

(k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. 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. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(l) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave 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.

(ii) Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before 12 months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high-quality corporate bonds. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

The equity-based compensation record is recorded as part of the share-based payments reserve and is calculated as the value of equity benefits provided to employees as part of their remuneration. The calculation is based on independent valuation in line with AASB 2 *Share-based Payment.*

(iii) Share-based payments

The Group operates share-based payment employee share schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares expected to vest is reviewed and adjusted at each reporting date.

(iv) Retirement benefit obligations

Defined contribution superannuation plan

The Group makes superannuation contributions to each employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The Group's obligation with respect to each employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as liabilities.

(m) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method and finance charges in respect of finance leases.

(n) 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 amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables.

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.

Appendix B.

Glossary.

Term	Meaning
1R Notes	Notes issued by the trustee of Trust 1R under the Judo Securitisation Trust
2018-2 Notes	Notes issued by the trustee of Trust 2018-2 under the Judo Capital Securitisation Trust 2018-2 warehouse
2018-3 Loan Notes	Loan notes issued by the trustee of Trust 2018-3 under the Judo Capital Securitisation Trust 2018-3 warehouse
2020-1 Loan Notes	Loan notes issued by the trustee of Trust 2020-1 under the Judo Capital Securitisation Trust 2020-1 warehouse
4 Cs of Credit	Judo's credit assessment approach based on character, capacity (or cash flow), capital (or equity) and collateral
86 400	86 400 Ltd (ACN 621 804 813)
$	Dollar amounts (in Australian dollars or AUD unless stated otherwise)
A Class Share	An A Class share in the Company
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ABN	Australian business number
ABS	Australian Bureau of Statistics
ABSF	Australian Business Securitisation Fund
ACCC	Australian Competition and Consumer Commission
ACL	Australian Credit Licence
Acquisition Price	The price payable by Judo to a Participant in consideration for the acquisition of a Vested Performance Right, as determined in **Section 10.4.3**
Additional Tier 1	As defined by APRA
ADI	Authorised deposit-taking institution
AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services Licence
Afterpay	Afterpay Limited (ACN 618 280 649)
Aggregator	An intermediary between lenders and brokers. Aggregators often provide services to brokers such as software and technology, training, general business support and back-office administration
AI	Artificial intelligence
ALCO	Judo's Asset and Liability Committee
Aldermore	Aldermore Bank Plc
Amazon Web Services	Amazon Web Services Australia Pty Ltd (ACN 605 345 891)
AML/CTF Act	*Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth)

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Term	Meaning
AMP Bank	AMP Bank Limited (ACN 081 586 009)
ANZ	ANZ Banking Group (ACN 005 357 522)
AOFM	Australian Office of Financial Management
Applicant	A person who submits an Application
Application	An application to subscribe for or buy Shares offered under this Prospectus
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 monies accompanying an Application Form submitted by an Applicant
APRA	Australian Prudential Regulation Authority
APS 220 Credit Risk Management	APRA Prudential Standard APS 220 *Credit Risk Management*
ASIC	Australian Securities and Investments Commission
Asset Finance	As defined in **Section 3.4.5**
ASX	ASX Limited (ABN 98 008 624 691) or the securities exchange that it operates (the Australian Securities Exchange), as the context requires
ASX Listing Rules	The listing rules of the ASX
ASX Recommendations	ASX Corporate Governance Principles and Recommendations
ASX Settlement Operating Rules	The settlement operating rules of the ASX
ATO	Australian Taxation Office
Audited Financial Statements	Judo's audited general-purpose financial statements for FY19, FY20 and FY21
AUM	Assets under management
AUSTRAC	Australian Transactions Reports and Analysis Centre
Australian Money Market	Australian Moneymarket Pty Ltd (ACN 126 032 755)
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the AASB
Australian Privacy Principles	The Australian Privacy Principles under the *Privacy Act 1988* (Cth) as amended from time to time
Award	The awards made under the Omnibus Plan, as described in **Section 7.4.2**
B Class Share	A B Class share in the Company
Bank	An ADI which has consent from APRA to call itself a bank

Term	Meaning
Bank Guarantee	As defined in **Section 3.4.4**
Banking Act	*Banking Act 1959* (Cth)
Barclays	Barclays Bank UK Plc
Barrenjoey	Barrenjoey Advisory Pty Limited (ACN 636 976 228)
Basel III	An internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007 to 2009. Basel III standards are minimum requirements that apply to internationally active banks
BBSW	Bank Bill Swap Rate
BEAR	Banking Executive Accountability Regime
Bendigo and Adelaide Bank	Bendigo and Adelaide Bank Limited (ACN 068 049 178)
BFO	Banking and Finance Oath
Bigstone	Bigstone Capital Pty Ltd (ACN 603 289 658)
BNPL	Buy now pay later
Board or **Board of Directors**	The board of directors of the Company
Board Audit Committee	The sub-committee of the Board that has membership, key responsibilities and duties set out in **Section 7.5.3.1**
Board Remuneration and Nominations Committee	The sub-committee of the Board that has membership, key responsibilities and duties set out in **Section 7.5.3.3**
Board Risk Committee	The sub-committee of the Board that has membership, key responsibilities and duties set out in **Section 7.5.3.2**
Bookbuild	The process through which Institutional Investors may be invited to bid under the Institutional Offer, as described in **Section 8.14**
BOQ	Bank of Queensland (ACN 009 656 740)
BPAY®	The payment mechanism used to pay Application Monies online
bps	Basis points (**bps**) refers to a unit of measure for interest rates and other percentages. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001
Broker	An ASX participating organisation selected by the Joint Lead Managers and the Company to act as a broker to the Offer or an intermediary between lenders and customers, as the context requires
Broker Firm Applicant	An applicant under the Broker Firm Offer
Broker Firm Offer	The offer of Shares under this Prospectus to Australian resident retail clients of participating Brokers who have received a firm allocation from their Broker, as described in **Section 8.8**

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Term	Meaning
Broker Firm Offer Application Form	The Application Form made available with a copy of this Prospectus, identified as the 'Broker Firm Offer Application Form'
Brokerage and Commissions	As defined in **Section 3.4.2**
BSLR	Balance Sheet and Liquidity Risk
Business Loan	As defined in **Section 3.4.1**
CAFBA	Commercial and Asset Finance Brokers Association of Australia
CAGR	Compound annual growth rate
Canstar	Canstar Research Pty Limited (ACN 114 422 909)
Capex	Capital expenditure
Capital Notes	Senior Notes and Subordinated Notes, collectively
CBA	Commonwealth Bank of Australia (ACN 123 123 124)
CCR	Comprehensive credit reporting
CD	Certificates of deposit
CEO	Chief Executive Officer
CET1	Common Equity Tier 1 capital
CFO	Chief Financial Officer
CGT	Capital gains tax
Chartered Banker Institute	A not-for-profit global professional education body for bankers, based in the United Kingdom
CHESS	Clearing House Electronic Sub-register System operated in accordance with the ASX Listing Rules and ASX Settlement Operating Rules
Chairman	Chairman of the Board
Citi	Citigroup Global Markets Australia Pty Limited (ACN 003 114 832)
Closing Date	The date on which the Retail Offer is expected to close, being Tuesday, 26 October 2021
Co-Lead Managers	Bell Potter Securities Limited (ACN 006 390 772), E&P Corporate Advisory Pty Limited (ACN 137 980 520) and Wilsons Advisory and Stockbroking Limited (ACN 010 529 665)
Co-Manager	Commonwealth Securities Limited (ACN 067 254 399)
Common Equity Tier 1 capital	As defined by APRA

Term	**Meaning**
Commonwealth Government, **Australian Government**, **Federal Government** or **Government**	Commonwealth Government of Australia
Company	Judo Capital Holdings Limited (ACN 612 862 727)
Completion	When Shares are issued or transferred to Successful Applicants pursuant to the terms of the Offer and the Underwriting Agreement
Confluent	Data platform provider
Consenting Party	Each of the parties listed in **Section 10.14**
Constitution	The constitution of the Company
Coronavirus SME Guarantee Scheme	As defined in **Section 3.4.6**
Corporations Act	*Corporations Act 2001* (Cth)
Cost of risk	See 'Impairment expense on loans and advances, and treasury investments' (at **Section 5.8.2.8**)
Cost-to-income ratio	Total expenses (excluding fee and commission expense, interest expense, impairment on financial assets, and amortisation of intangible assets), divided by net banking income as defined in **Section 5.3**
COVID-19	The infectious disease caused by the coronavirus, SARS-CoV-2, a respiratory pathogen, declared a pandemic by the World Health Organisation on 11 March 2020
CPS 510	APRA Prudential Standard CPS 510
Credit Suisse	Credit Suisse (Australia) Limited (ACN 007 016 300)
CRM	Customer relationship management
CRMF	Judo's Credit Risk Management Framework, as defined in **Section 4.8.1.1**
CRN	Customer reference number for making a BPAY® payment in respect of the offer
CRO	Chief Risk Officer
CTI ratio	Cost-to-income ratio
Curve Securities	Curve Securities Pty Ltd (ACN 143 558 598)
Customer Owned Bank	A collective term for mutual banks, credit unions and building societies, that refers to any bank that is owned by its members. As a customer, you also become a part owner of the organisation
CVP	Customer value proposition

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Term	Meaning
DBM Consultants	A specialist financial services research and insights consultancy, engaged by Judo to conduct an analysis of the SME lending market, based on publicly available RBA data and a proprietary DBM Consultants dataset. DBM Consultants Pty Ltd (ACN 053 336 799)
DBM Atlas	A proprietary dataset developed by DBM Consultants
Deferred Share Right	A deferred share right, being a right to acquire one Share subject to the satisfaction of any vesting conditions outlined in an invitation to a participant
Deposit Customer	A customer who has a deposit product with Judo, including an Intermediated Middle Market Term Deposit, Intermediated SMSF/Retail Term Deposit, Direct Retail Term Deposit or other deposit product
Deposit CVP	Judo's Deposit Customer Value Proposition, as defined in **Section 3.2.3.2**
Direct Retail Term Deposit	As defined in **Section 3.7.3.1**
Director	A member of the Board
D-SIB	Domestic systemically important bank
DTA	Deferred tax asset
East & Partners	East & Partners Pty Ltd (ACN 151 025 599)
ECL	Expected credit losses
Eclipx Group	Eclipx Group Limited (ACN 131 557 901)
Employee Discount Offer	The offer of Shares under this Prospectus to Eligible Discount Offer Employees in Australia, as set out in **Section 8.10**
Employee Discount Offer Applicant	An applicant under the Employee Discount Offer
Eligible Discount Offer Employees	Employees of the Judo Group and Directors who are resident in Australia and receive an invitation to apply for Shares under the Employee Discount Offer
Employee Gift Offer	The offer of Shares under this Prospectus to Eligible Gift Offer Employees in Australia, as set out in **Section 8.11**
Employee Gift Offer Applicant	An applicant under the Employee Gift Offer
Eligible Gift Offer Employees	Employees of the Judo Group who are resident in Australia and receive an invitation to apply for Shares under the Employee Gift Offer
Eligible US Fund Managers	As defined in Rule 902(k)(2)(i) of Regulation S to the U.S. Securities Act
Employee Trust Trustee	One Investment Group Limited, the trustee of the employee share trust
Equipment Loan	As defined in **Section 3.4.5**
Escrow Period	The relevant period for which the voluntary escrow arrangements apply, as outlined in **Section 10.8**

Term	Meaning
Escrowed Shareholders	The holders of Shares that are escrowed subject to the voluntary escrow arrangements described in **Section 10.8**
Escrowed Shares	The Shares held by the Escrowed Shareholders at Completion that are subject to the voluntary escrow arrangements described in **Section 10.8**
Establishment and Line Fees	As defined in **Section 3.2.4**
Establishment Fees	As defined in **Section 3.2.4**
Existing Shareholders	Persons owning Shares in the Company prior to Completion
Expiry Date	The date which is 13 months after the Prospectus Date
EU Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum period of seven days after the Prospectus Date, during which an Application must not be accepted. ASIC may extend this period to no more than 14 days after the Prospectus Date
Facility Fees	As defined in **Section 3.2.4**
FAR	Financial Accountability Regime
FATA	*Foreign Acquisitions and Takeovers Act 1975* (Cth)
FBAA	Finance Brokers Association of Australia
FCS	The Financial Claims Scheme established under the Banking Act
Federal Treasurer	The Federal Treasurer of Australia
FIIG Securities	FIIG Securities Limited (ACN 085 661 632)
Financial Information	The Historical Financial Information and the Forecast Financial Information
Financial Institutions Remuneration Group	Financial Institutions Remuneration Group Inc., a member-based not-for-profit organisation that provides remuneration and benefits data to the financial services industry
Finder	Hive Empire Pty Ltd (trading as finder.com.au, ACN 118 785 121)
FINSIA	Financial Services Institute of Australasia
Firstmac	Firstmac Limited (ACN 094 145 963)
Flex@Judo	Guidelines for Judo's employees to manage a hybrid working model and support for home office set-up
FMC Act	Financial Markets Conduct Act 2013 (NZ)
Force majeure	Events, known as 'force majeure' events, may occur within or outside Australia that may impact Judo's operations, prospects and the price of the Shares

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Term	Meaning
Forecast Financial Information	The financial information described as Forecast Financial Information in **Section 5**
FPO	Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (UK)
FSMA	Financial Services and Markets Act 2000 (UK)
FSSA	*Financial Sector (Shareholdings) Act 1998* (Cth)
FTE	Full-time equivalent
FY	Financial year
FY19	Financial year ended 30 June 2019
FY20	Financial year ended 30 June 2020
FY21	Financial year ended 30 June 2021
FY22	Financial year ending 30 June 2022
GCRA	Governance, Culture, Remuneration and Accountability
General Reserve for Credit Losses	As defined by APRA
GFC	Global financial crisis
GM	General Manager
Goldman Sachs	Goldman Sachs Australia Pty Ltd (ACN 006 797 897)
Gross Interest on Lending Products	As defined in **Section 3.2.4**
Go Forward Plan	The long-term incentive plan the Company intends to use as the sole equity incentive arrangement for key employees and officers following Completion
GSA	General Security Agreement
GST	Goods and services tax
Historical Financial Information	The financial information described as Historical Financial Information in **Section 5.1**
Home Loan	As defined in **Section 3.4.3**
HSBC	HSBC Bank Australia Limited (ACN 006 431 162)
Humm Group	Humm Group Limited (ACN 122 574 583)
IAM Capital Markets	IAM Capital Markets Limited AFSL 283119 is a wholly owned subsidiary of Income Asset Management Group Limited (ASX:INY)
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process

Term	Meaning
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
Impairment on loans and advances, and treasury investments	Represents bad debts written off and the movement in the specific and collective provision for financial asset impairment, as explained in **Section 5.8.1.6**. Also see **Appendix A**
Independent Limited Assurance Report	The Independent Limited Assurance Report as set out in **Section 9**
Independent Limited Assurance Report on the Forecast Financial Information	The Independent Limited Assurance Report on the Forecast Financial Information as set out in **Section 9**
Independent Limited Assurance Report on the Historical Financial Information	The Independent Limited Assurance Report on the Forecast Financial Information as set out in **Section 9**
InfoChoice	InfoChoice Pty Ltd (ACN 061 105 735)
ING Bank	ING Bank (Australia) Limited (ACN 000 893 292)
Institutional Investors	Investors who are: • persons in Australia who 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; or • Institutional Investors in certain other jurisdictions, as agreed by the Company and the Joint Lead Managers, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approved by, any government agency (expect one with which the Company is willing in its discretion to comply), provided that in each case such investors are not in the United States
Institutional Offer	The offer of Shares under this Prospectus to Institutional Investors, as described in **Section 8.14**
Intermediated Middle Market Term Deposit	As defined in **Section 3.7.3.1**
Intermediated SMSF/ Retail Term Deposit	As defined in **Section 3.7.3.1**
Interest Expense	As defined in **Section 3.2.4**
Interest on Liquid Assets	As defined in **Section 3.2.4**
Intuit	Intuit, Inc.
Investigating Accountant's Report	The Investigating Accountant's report as set out in **Section 9**

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Term	Meaning
IPO Top-up Award	The award to Chris Bayliss and Lisa Frazier, described in **Section 7.4.3**
IRB	Internal ratings-based approach
IRRBB	Interest rate risk in the banking book
JEDI	Judo Employee Delight Index
JEV	Judo Extended Value
Joint Lead Managers	Barrenjoey, Citi, Credit Suisse and Goldman Sachs
J-PO	Judo's human resources information portal
Judo Grows	Judo's short-term incentive plan, as defined in **Section 7.4.2.1**
Judo Grows Offer	The first grant of Awards under the Judo Grows program to be awarded, subject to meeting the relevant annual performance metrics around the start of FY23
Judo Grows+	Judo's long-term incentive plan, as defined in **Section 7.4.2.2**
Judo Grows+ Offer	The first grant of Awards under the Judo Grows+ program to be awarded to certain members of the Management Board and Judo's senior leadership team prior to the Listing Date
Judo Lending Category	As defined in **Section 4.8.1.4**
Judo Market Base Rate	Judo's internal reference rate benchmarked on the 1-Month BBSW Bid rate, primarily used for lending products
Judo Masters	Judo's employee recognition program
Judo or **Judo Group**	The Company, Judo Bank Pty Ltd (ACN 615 995 581), and where the context requires, the business conducted by those entities
Judo Perks	Judo's employee benefits program
Judo Tracks	Judo's performance management process
KRI	Key Risk Indicators
KYC	Know Your Client
Laminar Capital	Laminar Capital Pty Ltd 2021 ABN 33 134 784 740
Latitude Financial Services	Latitude Group Holdings Limited (ACN 604 747 391)
La Trobe	La Trobe Financial Services Pty Ltd (ACN 006 479 527)
Legacy LTI Plan	The long-term incentive plan the Company is in the process of winding up, as described in **Section 7.4.1**
Legacy Options	The options over Shares in the Company granted pursuant to the Legacy LTI Plan, as described in **Section 7.4.1**
Legacy Reward Principles	The reward principles endorsed by the Board Remuneration and Nominations Committee in July 2019, reflected in the Legacy LTI Plan

Term	Meaning
Liberty	Liberty Financial Pty Ltd (ACN 077 248 983)
Line of Credit or **LoC**	As defined in **Section 3.4.2**
Listing	Admission of the Company to the ASX Official List
Listing Date	The date of Listing
Lloyds Banking Group	Lloyds Banking Group Plc
LRMF	Liquidity Risk Management Framework
LTI	Long-term incentive plan
M&A	Mergers and acquisitions
Macquarie Bank	Macquarie Bank Limited (ACN 008 583 542)
Major Banks	Four major Australian banks being ANZ, CBA, NAB, Westpac
Management Board	As defined in **Section 4.2**
ME Bank	Members Equity Bank Limited (ACN 070 887 679)
MFAA	Mortgage & Finance Association of Australia
MIP	The management incentive plan
MLH	Minimum Liquidity Holdings under the Minimum Liquidity Holdings regime where APRA requires Judo to hold a minimum buffer in cash and eligible securities
MMIP	The "mirror" management incentive plan
Moula	Moula Money Pty. Ltd. (ACN 164 875 325)
Mozo	Mozo Pty ltd (ACN 128 199 208)
n.m.	Not meaningful
NAB	National Australia Bank (ABN 12 004 044 937)
Natwest Group	Natwest Group Plc
NCCP Act	*National Consumer Credit Protection Act 2009* (Cth)
NCD	Negotiable certificates of deposit
nCino	nCino APAC Pty Ltd (ACN 622 945 493)
Net banking income	As defined in **Section 3.2.4**
Net charge-off	The difference between gross charge-offs and any subsequent recoveries of delinquent debt
NII	Net interest income, as defined in **Section 5.3**
NIM	Net interest margin, as defined in **Section 5.3**
Non-Executive Director	A member of the Board who does not form part of the Company's management

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Term	Meaning
NPS	Net promoter score
OAIC	Office of the Australian Information Commissioner
OECD	Organisation for Economic Co-operation and Development
Offer	The offer by the Company and SaleCo to apply for Shares under this Prospectus
Offer Information Line	1800 754 866 from 8:30am to 5:30pm (Sydney time), Monday to Friday (excluding public holidays)
Offer Price	The price per Share that all Successful Applicants under the Offer will pay for Shares, being $2.10 per Share
Official List	The official list of entities that ASX has admitted and not removed from listing
Omnibus Plan	The employee incentive plan described in **Section 7.4.2**
Omnibus Plan Rules	The plans governing the Omnibus Plan, summarised in **Section 7.4.2**
OnDeck	On Deck Capital Australia Pty Ltd (ACN 603 753 215)
OneSavings Bank	OSB Group Plc
Open Banking	The system of allowing access and control of consumer banking and financial accounts through third-party applications that have been accredited by the ACCC
Open Data	Data anyone is able to find, explore and reuse
Open Market Operations	The purchase and sale of securities in domestic financial markets by the RBA
Option	An option granted under the Omnibus Plan, being an option to acquire Shares subject to satisfaction of any vesting conditions as outlined in an invitation to a participant and payment of the exercise price
Ord Minnett	Ord Minnett Limited (ACN 002 733 048)
Origination	The process of creating a loan
Other Operating Income	As defined in **Section 3.2.4**
P&L	Profit and loss statement
Participant	A participant under either the MIP, MMIP or Omnibus Plan, as the context requires
PayPal	PayPal Australia Pty Limited (ACN 111 195 389)
Pepper Money	Pepper Money Limited (ACN 094 317 665)
Performance Right	A performance right over one B Class Share in the Company, issued under the MIP or MMIP
Premium Priced Option	An Option granted under the Judo Grows+ program or IPO Top-up Award, which carries an exercise price set at a 30% premium to the value of the underlying Shares at the time of the grant

Term	Meaning
pp	Percentage points
Premium Priced Option Cancellation	The procedure whereby a holder of a Premium Priced Option requests that their Premium Priced Option be cancelled in exchange for a set number of Shares, calculated as described in **Section 7.4.2.2**
Preserved TFF	As defined in **Section 3.7.1**
Pricewaterhouse Coopers	PricewaterhouseCoopers (ABN 52 780 433 757)
Pricewaterhouse Coopers Securities Ltd	PricewaterhouseCoopers Securities Ltd (ACN 003 311 617)
Priority Offer	The offer of Shares to selected investors nominated by the Company, who have received a personalised invitation to acquire Shares under this Prospectus
Priority Offer Applicant	An applicant under the Priority Offer
Priority Offer Application Form	The electronic personalised application form for the Priority Offer
Privacy Act	*Privacy Act 1988* (Cth)
Prospa Group	Prospa Group Limited (ACN 625 649 722)
Pro Forma Forecast Cash Flows	As defined in **Section 5.1**
Pro Forma Forecast Financial Information	As defined in **Section 5.1**
Pro Forma Forecast Income Statement	As defined in **Section 5.1**
Pro Forma Historical Cash Flows	As defined in **Section 5.1**
Pro Forma Historical Financial Information	As defined in **Section 5.1**
Pro Forma Historical Income Statements	As defined in **Section 5.1**
Pro Forma Historical Statement of Financial Position	As defined in **Section 5.1**
Program	The debt issuance program established by Judo in June 2021, as described in **Section 10.7.3**
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document
Prospectus Date	The date on which a copy of this Prospectus is lodged with ASIC, being Thursday, 14 October 2021

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Term	Meaning
Provinces	The provinces of Canada, being British Columbia, Ontario and Quebec
Prudential Standards	Legally binding standards established by APRA for regulated institutions
PwC	PricewaterhouseCoopers
PwCS	PricewaterhouseCoopers Securities Ltd
Rabobank	Rabobank Australia Limited (ACN 001 621 129)
RateCity	Ratecity Pty Limited (ACN 122 743 542)
RBA	Reserve Bank of Australia
Receivables	Loan receivables, the balance of all loans owed by the borrower
Regional Banks	Bank of Queensland, Bendigo and Adelaide Bank, and Suncorp Bank
Relationship analyst	Judo employees who support the relationship bankers with a range of tasks including credit analysis, compliance and annual reviews, business development and creating SME Customer profiles
Relationship banker	Judo employees who hold the relationship with Judo clients and originate loans
Remaining MMIP Participant	Shareholders who, on Completion, hold their Shares as a result of the wind up of the MMIP (not including any Directors and members of the Management Board who hold Shares as a result of the wind up of the MMIP)
Resimac	Resimac Group Limited (ACN 095 034 003)
Resultant Premium Priced Option Share	A Share that may be issued should a Premium Priced Option holder exercise their Option
Retail Offer	The Broker Firm Offer, the Priority Offer, Employee Discount Offer and Employee Gift Offer
Retail Offer Period	The period from Friday, 22 October 2021 to Tuesday, 26 October 2021
RFi Group	Retail Finance Intelligence Pty Ltd (ACN 121 015 192)
RITS Regulations	The regulations published by the RBA from time to time in relation to the Reserve Bank Information and Transfer System
Risk Appetite Statement or **RAS**	Judo's Risk Appetite Statement, as defined in **Section 4.4**
Risk Management Framework or **RMF**	Judo's Risk Management Framework, as defined in **Section 4.3**
Risk Management Strategy or **RMS**	Judo's Risk Management Strategy
ROE	Return on equity
Royal Commission	Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
RWA	Risk-weighted asset

Term	Meaning
SaaS	Software-as-a-Service
SaleCo	Judo Capital SaleCo Limited (ACN 653 674 698)
Sale Deeds	The deeds under which the Selling Shareholders have made irrevocable offers to sell some or all of their existing Shares to SaleCo, as referred to in **Section 10.5.1**
Scottish Pacific	Scottish Pacific Business Finance Pty Ltd (ACN 008 636 388)
Securitisation Trust Trustee	The trustee of Trust 2018-2, Trust 2018-3, Trust 2020-1, Trust 2020-2 and Trust 1R
Selling Shareholders	Existing Shareholders who sell existing Shares through SaleCo
Senior Note	A senior note issued under the Program
Settlement	The settlement in respect of the Shares that are the subject of the Offer occurring under the Underwriting Agreement
SFA	Securities and Futures Act (Cap. 289) of Singapore
SFSF	Structured Finance Support Fund
SFO	Securities and Futures Ordinance (Cap. 571) of Hong Kong
Share	A fully paid ordinary share in the capital of the Company
Share Registry	Link Market Services Limited (ACN 083 214 537)
Shareholder	A registered holder of a Share
Shawbrook	Shawbrook Bank Limited
SIFMA/ICMA Agreement	An agreement subject to the terms of the Global Master Repurchase Agreement (2011 version) published by the Securities Industry and Financial Markets Association and International Capital Markets Association
SME	Small and Medium Enterprise
SME business lending	Lending provided to SMEs for business purposes
SME Customer	A customer who has a lending product with Judo, including a Business Loan, Line of Credit, Home Loan, Bank Guarantee, Asset Finance facility, Coronavirus SME Government Guarantee Scheme Loan, or other lending product
SME CVP	Judo's SME Customer Value Proposition, as defined in **Section 3.2.3.1**
SME lending	Includes SME business lending as well as Home Loans provided to SME business owners
SME Recovery Loan Scheme	As defined in **Section 2.4.3**
SMSF	Self-managed super fund
Société Générale	Societe Generale Australia Limited (ACN 002 093 021)

Term	Meaning
SOC2	Systems and Organisations Controls 2, an auditing and control procedure for managing customer data based on five 'trust service principles' – security, availability, processing, integrity, confidentiality and privacy
SPV	Special purpose vehicle
SPV Trust	SPV warehouse funding trust
Square	Squareup Pte. Ltd.
SSA	Specific Security Agreement
STI	Short-term incentive
State government	Refers to any of Australia's state or territory governments
Statutory Forecast Cash Flows	As defined in **Section 5.1**
Statutory Forecast Financial Information	As defined in **Section 5.1**
Statutory Forecast Income Statement	As defined in **Section 5.1**
Statutory Historical Cash Flows	As defined in **Section 5.1**
Statutory Historical Financial Information	As defined in **Section 5.1**
Statutory Historical Income Statements	As defined in **Section 5.1**
Statutory Historical Statement of Financial Position	As defined in **Section 5.1**
STI	Short-term incentive
Subordinated Note	A subordinate note issued under the Program
Successful Applicants	An Applicant who is issued or transferred Shares under the Offer
Suncorp Bank	Suncorp-Metway Limited (ACN 010 831 722)
TAM	Total addressable market
Temenos	Temenos Australia Operations Pty Ltd (ACN 104 331 795)
Tenor	The length of time that will be taken by the borrower to repay the loan along with the interest
TFF	Term Funding Facility, as described in **Section 2.4.2**
TFF Operational Notes	The operational notes published by the RBA from time to time that relate to the TFF
TFF Repo	RBA repurchase agreements pursuant to the TFF

Term	Meaning
TFN	Tax file number
TFR	Total fixed remuneration of an employee
The Evolved Group	Evolved Insights Pty Ltd (141 289 705)
Thomas Frost Executive	Thomas Frost Executive Pty Ltd (ACN 133 692 270)
Three lines of defence	As defined in **Section 4.5**
Tier 2 capital	As defined by APRA
Trust 1R	Judo Securitisation Trust 1R
Trust 2018-2	Judo Capital Securitisation Trust 2018-2
Trust 2018-3	Judo Capital Securitisation Trust 2018-3
Trust 2020-1	Judo Capital Securitisation Warehouse Trust 2020-1
Trust 2020-2	Judo Capital Securitisation Warehouse Trust 2020-2
Ubank	UBank, a division of NAB
Underlying NIM	Net interest margin adjusted to remove the impact of the Judo's "preservation strategy" with respect to the RBA's Term Funding Facility, as defined in **Section 5.3**
Underwriting Agreement	The underwriting agreement between the Company, SaleCo and the Joint Lead Managers in relation to the Offer, as described in **Section 10.6**
Updated Reward Principles	The reward principles endorsed by the Board Remuneration and Nominations Committee in July 2021, reflected in the Go Forward Plan
Up	Up Money Pty Ltd (ACN 624 373 084)
Us+Us	US & US Creative Pty Ltd (ACN 638 925 210)
US Person	Has the meaning given to it under the U.S. Securities Act
U.S. Securities Act	United States Securities Act of 1933, as amended
UX	User experience
Vested Performance Right	A Performance Right that has vested
Voluntary Escrow Deeds	The voluntary escrow deeds between the Company and the Escrowed Shareholders, the terms of which are described in **Section 10.8**
VWAP	Volume weighted average price
Warehouse Facilities	As defined in **Section 3.7.3.2**
Warehouse Facility	A revolving credit facility extended by a financial institution to a loan originator for the funding of loans
Warrant	A warrant, which entitles its holder to acquire one A Class Share on the payment of the exercise price

Appendix B.
Glossary

Term	Meaning
Warrant and Option Net Amount	The exercise price of $1.00 per Warrant and $1.00 per Option that the holders of the Warrants and Options would have been required to pay to exercise those Warrants and Options deducted from the Warrant and Option Total Amount
Warrant and Option Total Amount	The number of A Class Shares to which the holders of the Warrants and Options would have been entitled on exercise of the Warrants and Options multiplied by the Offer Price
Westpac	Westpac Banking Corporation (ACN 007 457 141)
Women in Banking and Finance	A not-for-profit membership association aimed at increasing the representation of female leaders in the banking and finance sector
Workplace Gender Equality Agency	An Australian Government statutory agency created by the *Workplace Gender Equality Act 2012*, charged with promoting and improving gender equality in Australian workplaces
Xero	Xero Limited (ACN 160 293 630)
Zip Co	Zip Co Limited (ACN 139 546 428)

Corporate Directory

Company's Registered Office

Judo Capital Holdings Limited

Level 3, 40 City Road,
Southbank, VIC 3006

Joint Lead Managers

Barrenjoey Advisory Pty Limited

Liberty Place
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Credit Suisse (Australia) Limited

Gateway
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Goldman Sachs Australia Pty Ltd

Governor Philip Tower
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Strategic Adviser

Barrenjoey Advisory Pty Limited

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Legal and Tax Adviser

Ashurst Australia

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Investigating Accountant

PricewaterhouseCoopers Securities Ltd

2 Riverside Quay,
Southbank, VIC 3006

Co-Lead Managers

Bell Potter Securities

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Level 38, 88 Phillip Street,
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E&P Corporate Advisory Pty Ltd

Level 32, 1 O'Connell Street,
Sydney, NSW 2000

Wilsons Advisory and Stockbroking Limited

Governor Macquarie Tower
Level 32, 1 Farrer Place,
Sydney, NSW 2000

Co-Managers

Commonwealth Securities Limited

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Sydney, NSW 2000

Share Registry

Link Market Services Limited

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Offer Information Line

1800 754 866

Between 8:30am and 5:30pm (Sydney time),
Monday to Friday (excluding public holidays).

Offer Website

www.ipo.judo.bank

Company Website

www.judo.bank