2022

Half Year Report.

Incorporating the requirements of Appendix 4D

Boldly backing business.

judobank

Appendix 4D.

Results for announcement to the market.

Reporting period	
Reporting period – six months ended:	31 December 2021
Previous corresponding period – six months ended:	30 June 2021

Results for announcement to the market	Direction	%		$m
Statutory Operating Income from Ordinary Activities	up	39%	to	99.4
Statutory Profit from Ordinary Activities attributable to Shareholders	down	(947%)	to	(16.1)
Statutory Profit attributable to Shareholders	down	(947%)	to	(16.1)

Dividends	Amount per share (cents)	Franked amount per share	Record Date	Payment Date
Interim Dividend	nil	nil	NA	NA

Net tangible assets per ordinary share	1H22	2H21	1H21
Net tangible assets per ordinary share	$1.25	$1.32	$1.15

Judo Bank customer Hydraulic Steels Australia

Disclaimer

This document consisting of Appendix 4D, Result Overview, Analyst Pack and Statutory Financial Report ("2022 Half Year Report") has been prepared for Judo Capital Holdings Limited ABN 71 612 862 727 ("parent entity") and its controlled entities (variously described as "Judo", "the Group", "the consolidated entity", "us", "we" or "our").

This 2022 Half Year Report contains statements that are, or may be deemed to be, forward-looking statements. When used in this 2022 Half Year Report the words "estimate", "projects", "believe", "will", "forecast", "likely", "targeted", "may" and similar expressions, as they relate to Judo and its management, are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements and comments about future events. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

To the extent that the information may constitute forward-looking statements, the information reflects Judo's intent, belief or current expectations with respect to the business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the above date. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, assumptions and uncertainties, many of which are beyond Judo's control, which may cause actual results to differ materially from those expressed or implied. Undue reliance should not be placed on any forward-looking statement and other than as required by law, Judo does not give any representation, assurance or guarantee that the occurrence of the events, results and outcomes expressed or implied in any forward-looking information will actually occur. Subject to any continuing obligations under applicable law, Judo expressly disclaims any obligation to provide any updates or revisions to any forward-looking statements in this presentation to reflect events or circumstances after the above date.

There are a number of other important factors which could cause actual results to differ materially from those set out in this presentation, including the risks and uncertainties associated with the ongoing impacts from COVID-19.

Basis of preparation

Judo Bank is comprised of Judo Capital Holdings Limited and its subsidiaries. The Group's results and historical financial information are reported as a single segment.

Pro forma Financial Information included in this document is aligned to the financial information disclosed in Section 5 of Judo's IPO Prospectus dated 14 October 2021. A reconciliation between Pro forma and Statutory Results is detailed in Section 2.1.

All figures relate to the half year ended 31 December 2021 and comparatives are for the half year ended 30 June 2021, unless otherwise stated.

All figures are presented in Australian dollars ('A$' or '$') and, unless otherwise noted, are rounded to the nearest A$0.1 million. Calculations within tables, percentage movements and movements with the commentary have been calculated from underlying source information and hence may not reconcile with rounded calculations.

Movements within the financial tables have been labelled 'large' where there has been a percentage movement greater than 500% (or less than 500%), or 'NM' if a line item changes from negative to positive (or vice versa) between periods.

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OUR PURPOSE
TO BE THE most trusted
SME BUSINESS BANK in AUSTRALIA
DECISIVE

1.0 Result overview.

Pro Forma Profit Before Tax (PBT)

$3.0m

2H21: ($0.7)m

Statutory Net Profit/(Loss) After Tax

$(16.1)m

2H21: $1.9m

Gross Loans & Advances (GLA)

$4.85bn

Jun-21: $3.52bn

Net Interest Income (NIL)

$73.5m

2H21: $49.5m

Underlying Net Interest Margin

2.73%

2H21: 2.65%

Net Interest Margin (NIM)

1.90%

2H21: 2.02%

Pro Forma Cost to Income ratio (CTI)

83%

2H21: 98%

Common Equity Tier 1 ratio (CET1)

23.3%

Jun-21: 24.5%

1.1 1H22 result summary

Judo's 1H22 result demonstrates strong momentum and rapid progress towards becoming a scale player in Australian banking. Judo is confident of achieving its prospectus FY22 GLA forecast of $6.0 billion and of modestly exceeding FY22 prospectus revenue and profit forecasts.

Judo's Pro forma profit before tax for 1H22 was $3.0 million, up from a net loss of $0.7 million, driven by continued strong lending growth, improved underlying net interest margins, low impairment expenses, and strong cost control.

Pro forma profit before impairments was $12.6 million, up from $0.8 million, demonstrating the significant operational leverage the business will deliver as the loan book grows.

Statutory net loss after tax was $16.1 million due to one-off costs associated with the IPO. A reconciliation between pro forma and statutory results is included in Section 2.1 of this report.

Net interest income was $73.5 million, up 48 per cent, primarily driven by an increase in gross loans and advances and an improvement in underlying NIM.

GLA at 31 December 2021 were $4.85 billion, up 38 per cent, with growth in all lending products and geographies underpinned by Judo's strong customer value proposition (CVP) and ongoing recruitment of experienced relationship bankers.

Relationship banker FTE increased to 91 at 31 December 2021, up from 87. An additional 4 relationship bankers have been recruited since the beginning of January 2022 bringing the current number to 95, on track with the FY22 prospectus forecast of 98 relationship bankers as at 30 June 2022. The number of relationship analysts also increased to 36 from 27 in 1H22, providing Judo with an additional pipeline of future bankers that understand Judo's culture and CVP.

Underlying net interest margin[1] was 2.73 per cent for the half, an increase of 8 basis points. The improvement was driven by reduced funding costs, which more than offset the full period impact of lower lending margins in the prior half, and the modest impact of lower treasury yields. Underlying NIM adjusts for the impact of Judo's Term Funding Facility (TFF) preservation strategy[2]. The underlying NIM calculation is described in detail in section 2.3 of this report.

NIM was 1.90 per cent, down 12 basis points from 2.02 per cent in 2H21. The decline was a result of Judo's TFF preservation strategy[2], which resulted in the Group holding a significantly higher average balance of low yielding treasury investment assets in 1H22 relative to 2H21, creating a 19 basis points drag on NIM. The other drivers of NIM are the same as Underlying NIM.

Pro forma operating expenses were $61.3 million, up 24 per cent from $49.3 million in 2H21, largely driven by continued recruitment and growth-related expenditure.

Pro forma cost to income ratio was 83 per cent, a 15 per cent improvement, due to the emerging benefit of Judo's legacy-free operating platform in both people and technology.

Impairment expense was $9.6 million, up $8.1 million from $1.5 million in 2H21. Impairment expense in 1H22 was primarily due to growth in the loan book and the associated upfront recognition of expected credit losses, with no loan write-offs incurred during the period. Impairment expense in 2H21 was low due to release of COVID-19 overlay provisions as the economic outlook improved.

Total provisions remain conservative reflecting the Group's prudent approach to provisioning for sectors directly impacted by COVID-19 and the ongoing uncertainty in the operating environment. The ECL provision increased to $44.7 million, up 28 per cent, driven by growth in the lending book. Provision coverage of 0.92 per cent declined by 8 basis points, as the proportion of new lending, which carries lower provisioning levels, increased as a total proportion of the lending book.

Capital remained strong with a CET1 ratio of 23.3 per cent, significantly above prudential minimums. The key drivers of CET1 were growth in lending assets, offset by capital raised in the IPO and a modest reduction in risk weighting on lending.

1. Underlying NIM is net interest margin adjusted to remove the temporary impacts of excess liquid assets attributable to Judo's TFF preservation strategy.
2. Refer to section 2.3 for more details on Judo's TFF preservation strategy and impact on net interest margin.

2.0 Half year result analyst pack.

2.1 Income statement

$m	Pro forma 1H22	Pro forma 2H21	Pro forma 1H21	1H vs 2H %	1H vs 1H %
Interest income	99.0	70.9	55.5	40%	78%
Interest expense	(25.5)	(21.4)	(20.5)	19%	24%
Net interest income	**73.5**	**49.5**	**35.0**	**48%**	**110%**
Other operating income	0.4	0.6	4.7	(33%)	(91%)
Net banking income	**73.9**	**50.1**	**39.7**	**48%**	**86%**
Employee benefits expense	(36.8)	(28.3)	(22.7)	30%	62%
Other expenses	(24.5)	(21.0)	(15.1)	17%	62%
Total operating expenses	**(61.3)**	**(49.3)**	**(37.8)**	**24%**	**62%**
Net profit/(loss) before impairment	**12.6**	**0.8**	**1.9**	**large**	**large**
Impairment	(9.6)	(1.5)	(8.5)	large	13%
Net profit/(loss) before tax	**3.0**	**(0.7)**	**(6.6)**	**NM**	**NM**
Income tax (expense)/benefit	(2.3)	2.0	0.1	(215%)	NM
Pro forma net profit after tax	**0.7**	**1.3**	**(6.5)**	**(46%)**	**NM**
Transaction and other related costs of the Offer expensed	(23.0)	(1.3)	–		
Public company costs	1.1	2.1	2.1		
Existing Performance Rights triggered by the Offer	(1.7)	–	–		
Cost of post-Listing employee incentive plans	0.8	–	–		
Tax effect of above adjustments	6.0	(0.2)	(0.6)		
Re-allocation of tax losses recognised in FY21	–	–	31.8		
Statutory net profit after tax	**(16.1)**	**1.9**	**26.8**	**NM**	**NM**

Pro forma adjustments

Pro forma Financial Information included in this 2022 Half Year Report document is aligned to the financial information disclosed in Section 5 of Judo's IPO Prospectus dated 14 October 2021. A reconciliation between Pro forma and Statutory Results is shown above.

Pro forma adjustments include incremental costs to be incurred upon becoming a publicly listed company (to reflect a full 12 months), removal of non-recurring costs related to the IPO, the elimination of non-recurring, non-cash share-based payment expenses associated with existing employee incentive plans, incremental costs related to new incentive plans introduced post the IPO (to reflect a full 12 months) and the tax impact of these adjustments where applicable.

2.2 Operating metrics

$m	1H22	2H21	1H21	1H vs 2H %	1H vs 1H %
GLA					
GLA (end of period)	4,848	3,517	2,627	38%	85%
GLA (average)	4,169	2,959	2,200	41%	90%
Performance					
Net interest margin (%)	1.90%	2.02%	2.28%	(12 bps)	(38 bps)
Underlying net interest margin (%)	2.73%	2.65%	2.52%	8 bps	21 bps
Cost-to-income ratio (%)	83%	98%	95%	(15%)	(12%)
Capital adequacy					
Total RWAs	5,520	4,094	3,091	35%	79%
Lending RWAs/GLA (%)	88%	92%	93%	(4%)	(5%)
Leverage ratio (%)	13.9%	13.2%	16.0%	0.7%	(2.1%)
Common Equity Tier 1 capital ratio (%)	23.3%	24.5%	20.4%	(1.2%)	2.9%
Total capital ratio (%)	24.9%	26.4%	21.0%	(1.5%)	3.9%
Asset quality					
Impairment expense/average GLA (%)	0.46%	0.10%	0.77%	36 bps	(31 bps)
Losses ratio (%)	0.00%	0.00%	0.00%	0 bps	0 bps
Collective provision/GLA (%)	0.80%	0.83%	1.19%	(3 bps)	(39 bps)
Specific provision/GLA (%)	0.12%	0.17%	0.10%	(5 bps)	2 bps
Total provision/GLA (%)	0.92%	1.00%	1.29%	(8 bps)	(37 bps)
Operations (end of period)					
Total staff	359	320	246	12%	46%
Number of relationship bankers	91	87	66	6%	38%
No. of customers: lending products	2,250	1,650	1,229	36%	83%
No. of customers: lending products per relationship banker	25	19	19	29%	32%

Note, all metrics except for capital adequacy are shown on a pro forma basis.

2.3 Net interest income

$m	1H22	2H21	1H21	1H vs 2H %	1H vs 1H %
Interest income	99.0	70.9	55.5	40%	78%
Interest expense	(25.5)	(21.4)	(20.5)	19%	24%
Net interest income	**73.5**	**49.5**	**35.0**	**48%**	**110%**
Average gross loans and advances	4,169	2,959	2,200	41%	90%
Average trading and investment securities	3,520	1,990	845	77%	316%
Average interest earning assets	**7,689**	**4,949**	**3,045**	**55%**	**152%**
Net interest margin (%)	1.90%	2.02%	2.28%	(12 bps)	(38 bps)
Underlying net interest margin (%)	2.73%	2.65%	2.52%	8 bps	21 bps
Gross lending rate (%)	4.6%	4.8%	4.9%	(20 bps)	(30 bps)
Yield on treasury assets (%)	0.24%	0.30%	0.66%	(6 bps)	(42 bps)
Blended cost of funding (%)	1.1%	1.4%	1.8%	(30 bps)	(70 bps)

Gross lending rate is the average reported rate on customer borrowing for the period, gross of any establishment fees/facility fees/commissions.

Net interest income

Net interest income of $73.5 million increased by 48 per cent. 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.

Average interest earning assets

Average gross loans and advances increased to $4.2 billion, up 41 per cent, discussed in more detail in section 2.6.

Average trading and investment securities increased due to an increase in the average preserved component of Judo's TFF allocation (a temporary impact as this preserved component is consumed) and regulatory liquidity requirements.

Net interest margin

Comparison of Underlying NIM and NIM

Judo discloses Underlying NIM and NIM. NIM is calculated as net interest income divided by average total interest earning assets. Underlying NIM reflects NIM adjusted for the impacts of the Judo's TFF preservation strategy, discussed below, which Judo believes is a better representation of the core performance of the business while the temporary impacts of the preserved TFF are in effect.

Judo is participating in the RBA's TFF. The RBA requires lenders to collateralise their TFF funding with eligible securities, including self-securitisation assets and other instruments. Judo did not initially have sufficient lending assets to collateralise its full TFF limit with self-securitisation notes. Judo subsequently 'preserved' an amount of TFF funding at 10bps using treasury securities as collateral. These treasury securities are being progressively replaced with self-securitisation assets as the lending book grows.

The Underlying NIM does not remove all impacts of the TFF, which would require assumptions to be made about the alternative sources of funds. The Underlying NIM includes the cost of funding associated with RBA's TFF, which is 10 basis points, but excludes the temporary impact of excess treasury assets which are relatively low yielding.

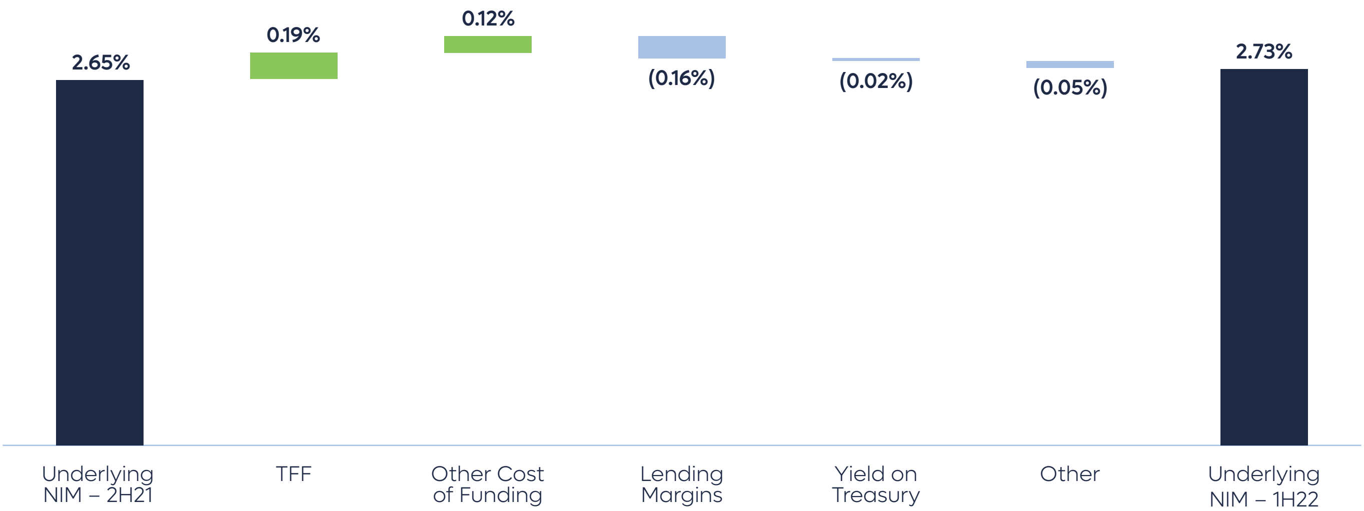
As Judo progressively replaces its holding in liquid treasury investments, securing the preserved component of the TFF with self-securitisation notes, the gap between net interest margin and Underlying NIM will narrow.

Reporting of Underlying NIM will cease when the measures converge, which will be at the earliest of the full utilisation of the preserved component of the TFF, or repayment of the TFF in its entirety.

Underlying NIM

Underlying NIM for 1H22 was 2.73 per cent, an increase of 8 bps, driven by a lower blended cost of funds, including increased utilisation of the TFF, which more than offset a decline in lending margins.

Underlying NIM Waterfall – 2H21 to 1H22 (%)



NIM

NIM decreased by 12 basis points, from 2.02 per cent in 2H21 to 1.90 per cent in 1H22.

Drivers of NIM are the same as Underlying NIM, plus the impact of the TFF preservation strategy. The higher average balance of the preserved component of the TFF was a 20 basis point drag on NIM due to excess low yielding treasury assets.

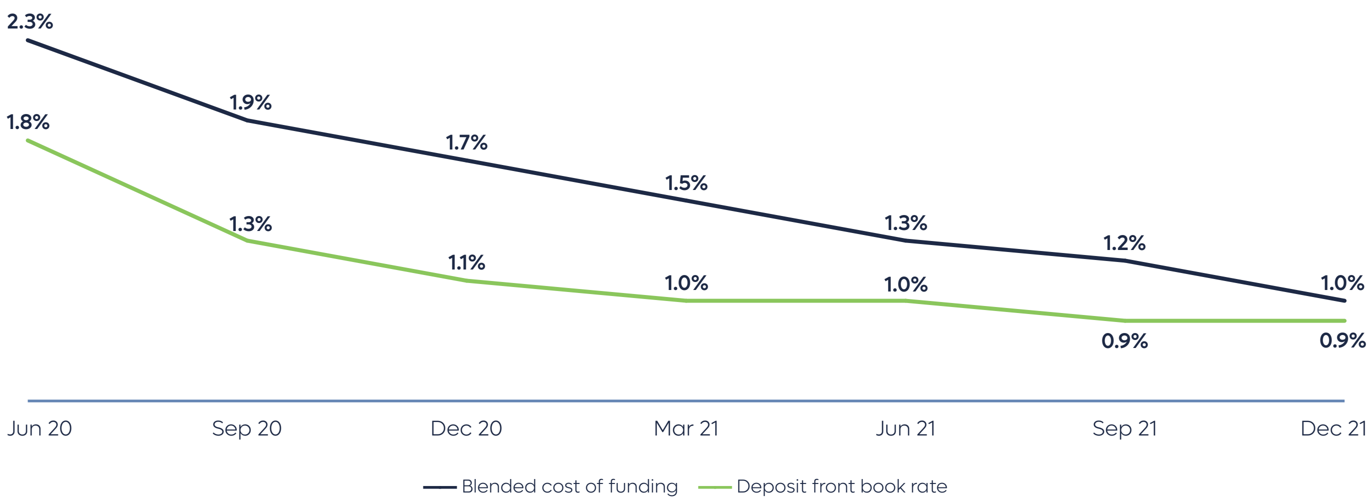
Cost of funding

Judo's funding program has continued to mature, with growth in existing channels and establishment of new channels.

Blended cost of funding for 1H22 was 1.1 per cent, down 30 bps from 1.4 per cent in 2H21. The key drivers of this movement included an increase in TFF debt secured by self-securitisation notes, lower deposit costs reflecting the external credit rating and market dynamics, restructure of warehouse facilities and the launch of NCD and senior unsecured programs in November 2021.

Consistent with the above, the quarterly graph below highlights Judo's sustained reduction in cost of funding and deposit front book rate over time.

Blended cost of funding and deposit front book rate (%)



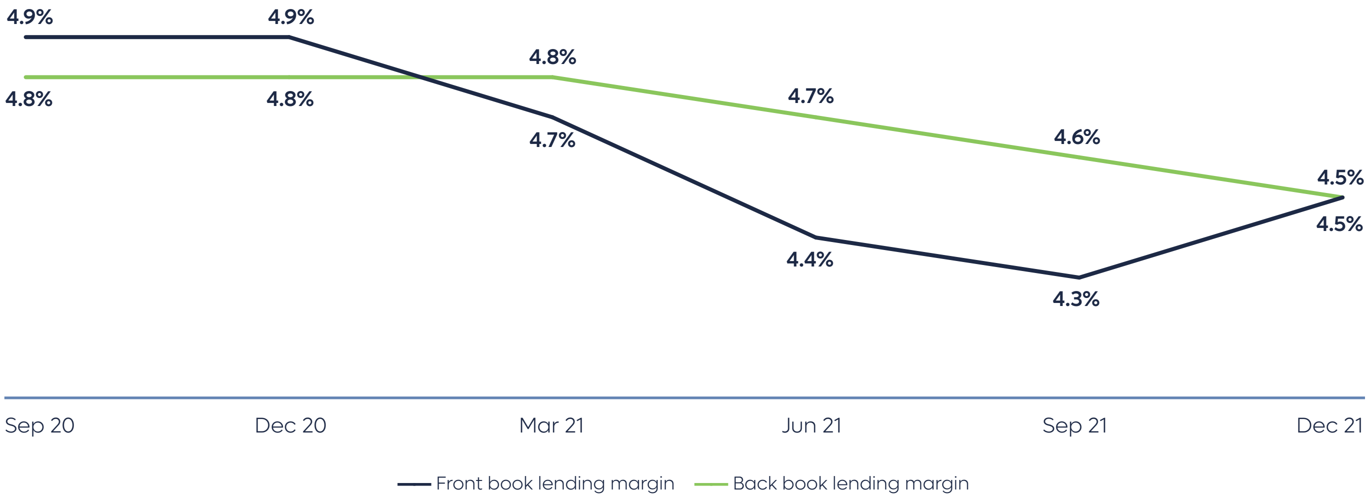
Lending margins

Front book lending margins of 4.5 per cent in the Dec-21 quarter were above FY22 prospectus guidance of 4.3 per cent.

Front book margins in the Jun-21 and Sep-21 quarters were impacted by a short-term period of competition, which began to abate in the Dec-21 quarter resulting in a stabilisation of back book lending margins at 4.5 per cent. Front book and current pipeline margins as at the end of January are 4.6 per cent.

The full year impact of lower lending margins in the prior half resulted in a 16 basis point headwind to Underlying NIM in 1H22.

Front book and back book lending margin above 1m BBSW (%)



2.4 Other operating income

$m	1H22	2H21	1H21	1H vs 2H %	1H vs 1H %
Realised gains on sale of investments	–	–	4.3	NM	(100%)
Fee income	0.4	0.4	0.2	(5%)	104%
Other income	–	0.2	0.2	(100%)	(100%)
Total other operating income	**0.4**	**0.6**	**4.7**	**(36%)**	**(92%)**

Other operating income includes ancillary income related to products and services that do not necessarily require regulatory capital to be committed under the source of the fee, such as Bank Guarantee products, government grants, and gain on sale of assets within the liquid assets portfolio.

Other operating income was $0.4 million, down $0.2 million.

Fee income was primarily driven by Judo's Bank Guarantee product and remained consistent with the prior half.

Other income, which includes government grants, was nil in 1H22 due to timing of payments.

Judo had no gains on sale of investments in the current period. Judo's policy is to hold securities to maturity. Gains in 1H21 were a one-off occurrence as a result of a portfolio rotation to facilitate the TFF preservation strategy.

2.5 Pro forma operating expenses

$m	Pro forma 1H22	Pro forma 2H21	Pro forma 1H21	1H vs 2H %	1H vs 1H %
Employee benefits expense	36.8	28.3	22.7	30%	62%
IT expense	8.5	8.3	4.4	2%	93%
Marketing expense	1.7	2.0	2.3	(15%)	(26%)
Occupancy and depreciation	2.2	1.6	1.5	38%	47%
Other expenses	12.1	9.1	6.9	33%	75%
Total pro forma operating expenses	**61.3**	**49.3**	**37.8**	**24%**	**62%**
Total FTEs	359	320	246	12%	46%
Total relationship bankers	91	87	66	6%	38%
Pro forma CTI (%)	83%	98%	95%	(15%)	(12%)

Total pro forma operating expenses were $61.3 million, up 24 per cent. This increase was primarily driven by higher employee expenses and other expenses to support the growth of the business.

Employee benefits expense was $36.8 million, up 30 per cent. Employee expenses were driving by ongoing recruitment of relationship bankers and analysts and in enabling functions to support growth. The proportion of Judo's staff in customer facing roles was 57 per cent at 31 December 2021.

Technology costs of $8.5 million increased modestly and related to licence costs, IT maintenance and support and other technology costs.

Marketing expense was $1.7 million, slightly below the prior period reflecting the timing of major brand awareness campaigns.

Occupancy and depreciation was $2.2 million, up 38 per cent from $1.6 million due to expansion of the geographic footprint and the opening of additional locations, and ongoing investment driven by growth in FTEs.

Other expenses were $12.1 million, up 33 per cent from $9.1 million, reflecting greater spend across several areas (such as audit fees, regulator fees, legal expenses and recruitment) as the organisation establishes a platform to support greater scale. Other expenses also include costs incurred by Judo as a listed company, including professional, insurance and listing fees.

2.6 Gross loans and advances

GLA by product

	1H22 $m	2H21 $m	1H21 $m	1H22 % of GLA	2H21 % of GLA	1H21 % of GLA
Business loans	3,723	2,720	2,086	77%	77%	79%
Equipment loans	302	194	144	6%	6%	5%
Line of credit	331	242	154	7%	7%	6%
Home loans	493	361	243	10%	10%	9%
Gross loans and advances	**4,848**	**3,517**	**2,627**	**100%**	**100%**	**100%**
Allowance for credit losses	(45)	(35)	(34)			
Total loans and advances	**4,804**	**3,482**	**2,593**			

Gross loans and advances were $4,848 million, an increase of 38 per cent on the prior half, driven by an increase in the number of relationship bankers, and increased average banker portfolio size.

The number of relationship bankers increased to 91, from 87. Judo has seen an increase in recruitment activity in the new calendar year with 95 relationship bankers as at February 2022, on track with FY22 prospectus forecast of 98 relationship bankers by June 2022.

AUM per relationship banker increased from $41 million as at 30 June 2021 to approximately $53 million as at 31 December 2021, reflecting the increased utilisation of the existing relationship banker workforce, and improved productivity enabled by technology and operations projects.

The product mix of gross loans and advances remained broadly in line with prior periods, noting a modest increase in equipment finance lending consistent with the Group's strategy to increase lending in higher margin categories.

2.0 Half year result analyst pack (continued)

GLA by geography

%	1H22	2H21	1H21	1H vs 2H %	1H vs 1H %
NSW	42%	44%	45%	(2%)	(3%)
VIC	36%	39%	41%	(3%)	(5%)
QLD	13%	13%	12%	0%	1%
WA	7%	4%	2%	3%	5%
Other	2%	0%	0%	2%	2%
Gross loans and advances	**100%**	**100%**	**100%**		

GLA by industry

%	1H22	2H21	1H21	1H vs 2H %	1H vs 1H %
Rental, hiring and real estate services	27%	28%	29%	(1%)	(2%)
Accommodation and Food Services	9%	9%	8%	0%	1%
Manufacturing	8%	8%	7%	0%	1%
Retail Trade	8%	7%	7%	1%	1%
Construction	6%	6%	6%	0%	0%
Financial and Insurance Services	6%	5%	5%	1%	1%
Wholesale Trade	5%	5%	6%	0%	(1%)
Professional, Scientific and Technical Services	4%	5%	5%	(1%)	(1%)
Health Care and Social Assistance	4%	4%	4%	0%	0%
Transport, Postal and Warehousing	2%	3%	3%	(1%)	(1%)
Residential Mortgage	10%	10%	9%	0%	1%
Other	11%	11%	12%	0%	(1%)
Gross loans and advances	**100%**	**100%**	**100%**		

2.7 Funding

$m	1H22	2H21	1H21	1H vs 2H %	1H vs 1H %
Customer deposits					
Direct retail term deposits	1,591	1,381	1,052	15%	51%
Intermediated SMSF/retail term deposits	849	858	623	(1%)	36%
Intermediated middle markets term deposits	799	308	313	159%	156%
Total customer deposits	**3,239**	**2,548**	**1,987**	**27%**	**63%**
Deposits – average all-in rate (%)	1.09%	1.23%	1.65%	(14 bps)	(56 bps)
Wholesale funding					
TFF self-securitisation drawn	1,264	696	–	82%	NM
Warehouse facilities	452	622	596	(27%)	(24%)
Senior unsecured debt	80	–	–	NM	NM
Tier 2 subordinated debt	50	50	–	0%	NM
Certificates of deposit	124	–	–	NM	NM
Total wholesale funding	**1,970**	**1,368**	**596**	**44%**	**230%**
Wholesale funding – average all-in rate (%)	1.03%	1.72%	2.19%	(69 bps)	(116 bps)
Blended cost of funding (%)	1.1%	1.4%	1.8%	(30 bps)	(70 bps)
Other					
TFF preserved component	1,596	2,164	254	(26%)	large
Repurchase agreements	180	–	–	NM	NM
Total other	**1,776**	**2,164**	**254**	**(18%)**	**large**
Total funding	**6,985**	**6,079**	**2,837**	**15%**	**146%**
Customer deposits – average tenor at origination (days)					
Direct retail term deposits	443				
Intermediated SMSF/retail term deposits	270				
Intermediated middle market term deposits	225				

Funding strategy

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

- ensuring 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
- maintain market, depositor and regulator confidence in our ability to meet obligations, both in normal market conditions and in the event of extraordinary circumstances or market illiquidity.

Funding sources

Judo has established diversified sources of funding in the form of deposits and wholesale funding sources to support growth in the loan book. Wholesale funding sources include warehouse facilities, tier 2 instruments, NCDs and senior unsecured debt. In addition, Judo participates 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 per cent.

As a regulated ADI Judo is required to satisfy regulatory capital requirements under 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.

Deposits

Deposits are a core part of Judo's funding strategy, with a long-term goal of 70-75 per cent of total asset funding to be sourced through this channel. 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. All deposits are term deposits, with no at-call accounts, with limited overlap between the SME lending customer and deposit customer base.

Judo's deposit market expansion strategy focuses on continuing to develop additional deposit gather capabilities that will allow us to further penetrate the SMSF, business and intermediated deposit segments. The Group is undertaking technology initiatives to enable growth in the deposit book, improve product efficiency and service levels, and enable access to new parts of the market.

Customer deposits were $3,239 million at 31 December 2021, up 27 per cent. Growth in deposits was supported by Judo's investment grade rating from S&P Global Ratings on 16 September 2021.

The deposit all-in rate was 1.09 per cent, a 14 basis point improvement over the half. Deposit rates have benefitted from a downward trend in market term deposit rates and the Judo investment grade credit rating. Deposit originations for the quarter ending 31 December 2021 had an average all-in rate of 0.90 per cent.

Wholesale funding

Wholesale funding was $1,970 million at 31 December 2021, up 44 per cent. The drivers of this movement are set out below.

TFF self-securitisation funding increased from $696 million in 2H21 to $1,264 million in 1H22 as new loans were originated, with a corresponding reduction in the TFF preserved component.

Warehouse facilities decreased by $170 million from $622 million as at June 2021 to $452 million as at December 2021 due to replacement via lower cost funding channels.

Judo's inaugural senior unsecured issuance and NCD launch in November 2021 further supported Judo's expansion of wholesale funding channels.

2.8 Asset quality

Impairment on loans, advances and treasury investments

$m	1H22	2H21	1H21	1H vs 2H %	1H vs 1H %
Impairment expense – specific	(0.2)	3.1	1.6	(107%)	(112%)
Impairment expense – collective	9.9	(2.0)	6.8	NM	46%
Impairment on loans and advances	9.7	1.1	8.4	NM	15%
Impairment on treasury investments	(0.1)	0.4	0.1	(125%)	(200%)
Impairment on loans, advances and treasury investments	**9.6**	**1.5**	**8.5**	**large**	**13%**
Impairment expense/average GLA (%) (annualised)	0.46%	0.10%	0.77%	36 bps	(31 bps)

Lending provisions and coverage

$m	1H22	2H21	1H21	1H vs 2H %	1H vs 1H %
Specific provision	5.6	5.8	2.7	(3%)	107%
Collective provision	39.1	29.2	31.2	34%	25%
Total provisions	**44.7**	**35.0**	**33.9**	**28%**	**32%**
Specific provision/impaired assets (%)	59.2%	62.5%	23.9%	(3.3%)	35.3%
Total provisions/impaired assets (%)	444%	378%	142%	66%	302%
Specific provision/GLA (%)	0.12%	0.17%	0.10%	(5 bps)	2 bps
Collective provision/GLA (%)	0.80%	0.83%	1.19%	(3 bps)	(39 bps)
Total provisions/GLA (%)	0.92%	1.00%	1.29%	(8 bps)	(37 bps)
Total provisions/Credit RWAs (%)	0.90%	0.96%	1.23%	(6 bps)	(33 bps)

Days past due (DPD) and impaired assets

$m	1H22	2H21	1H21	1H vs 2H %	1H vs 1H %
30-89 DPD but not impaired ($m)	4.9	1.9	0.7	156%	NM
90+ DPD but not impaired ($m)	0.2	2.8	1.1	(92%)	(80%)
Impaired assets ($m)	10.1	9.3	24.0	8%	(58%)
30+ DPD and impaired assets ($m)	**15.2**	**14.0**	**25.8**	**8%**	**(41%)**
30-89 DPD but not impaired/GLA (%)	0.10%	0.05%	0.03%	5 bps	7 bps
90+ DPD but not impaired/GLA (%)	0.00%	0.08%	0.04%	(8 bps)	(4 bps)
Impaired assets/GLA (%)	0.21%	0.26%	0.91%	(5 bps)	(70 bps)
30+ DPD and impaired assets/GLA (%)	**0.31%**	**0.39%**	**0.98%**	**(8 bps)**	**(67 bps)**

Impairment on loans, advances and treasury investments

Impairment expense was $9.6 million, driven by growth in provisions due to lending growth. No write-offs were recorded during the period.

Provision coverage

Total provisions were $44.7 million, up 28 per cent, driven by an increase in the collective provision. The collective provision was $39.1 million, up 34 per cent, primarily due to loan book growth.

The specific provision was $5.6 million, down 3 per cent from $5.8 million in 2H21 largely due to customer repayments.

Total provision coverage was 0.92 per cent of gross loans and advances. Coverage levels reflect Judo's conservative approach to sectors affected by COVID-19 and is considered a prudent position considering continued economic uncertainty associated with COVID-19.

The strong growth in lending and associated increase in ECL provision for Stage 1 loans, which have lower provision coverage, has resulted in a modest reduction in provision coverage of 8 basis points, notwithstanding the increase in total provision levels.

Days past due and impaired assets

Judo's 90+ days past due loans to GLA were $0.2 million or 0.00 per cent of GLA, was down 8 basis points, due to one customer group being no longer in arrears. Only one customer was greater than 90 days past due as at 31 December 2021.

Judo's gross impaired assets to GLA was 0.21 per cent, down 5 basis points, partly due to customer repayment and minimal new impairments during the period.

COVID-19 supported loans

At 31 December 2021, only one customer account was under temporary loan repayment deferral arrangements. This customer resumed payment and stopped receiving COVID-19-related assistance in January 2022. Judo has had no requests for additional assistance since 1 January 2022.

2.9 Capital management and liquidity

Capital adequacy

$m	1H22	2H21	1H21	1H vs 2H %	1H vs 1H %
CET1 Capital	1,289	1,004	629	28%	105%
Tier 2 capital instruments	50	50	0	0%	NM
GRCL	35	26	19	36%	79%
Tier 2 capital	85	76	19	12%	338%
Total capital	**1,374**	**1,080**	**648**	**27%**	**112%**
Total credit RWAs ($m)	4,943	3,641	2,758	36%	79%
Total RWA ($m)	5,520	4,094	3,091	35%	79%
Average risk weight on lending (%)	88%	92%	93%	(4%)	(5%)
CET1 ratio (%)	23.3%	24.5%	20.4%	(1.2%)	2.9%
Total capital ratio (%)	24.9%	26.4%	21.0%	(1.5%)	3.9%

Judo maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors and adequate return to its shareholders.

Judo's capital ratios throughout the year were in compliance with both APRA's minimum capital adequacy requirements and Board-approved minimums.

Judo is a high-growth business, and the current dividend policy is to reinvest all cash flows, and any excess capital generated, into the business to support and maximise future growth. Accordingly, Judo does not expect to pay any dividends to shareholders in the near term.

CET1 Waterfall – June 2021 vs December 2021 (%)

2.0 Half year result analyst pack (continued)

CET1 Ratio was 23.3 per cent, down 1.2 per cent from 24.5 per cent as at 30 June 2021. The key drivers of the movement are outlined below.

Capital raised by Judo during 1H22 included capital raised during the IPO and $20 million received in July 2021 as part of Judo's final pre-IPO equity raising.

Loan book growth and other RWAs included growth across both drawn and undrawn lending commitments.

Reduction in average risk weight on lending was supported by lending completed as part of the Government SME Recovery Loan scheme which attracts a lower risk weighting.

Liquidity

$m	1H22	2H21	1H21	1H vs 2H %	1H vs 1H %
Total liquid assets balance	3,497	3,597	881	(3%)	297%
Less liquid assets ineligible for MLH	(1,994)	(2,317)	(287)	(14%)	large
Total MLH balance	**1,502**	**1,280**	**594**	**17%**	**153%**
Minimum liquidity holdings (%)	19.3%	19.6%	17.6%	(1.7%)	9.5%

Judo is required to comply with APRA's Minimum Liquidity Holdings regime and holds a minimum buffer in cash and eligible securities to manage its liquidity requirements. The significant balance of liquid assets ineligible for MLH purposes is due to the impact of the TFF preservation strategy.

Leverage ratio

$m	1H22	2H21	1H21	1H vs 2H %	1H vs 1H %
Tier 1 Capital	1,289	1,004	629	28%	105%
On balance sheet exposures (excluding treasury assets and cash)	4,933	3,573	2,648	38%	86%
Off balance sheet exposures	890	423	380	110%	134%
Treasury assets and cash	3,479	3,604	897	(3%)	288%
Total exposures	**9,302**	**7,599**	**3,925**	**22%**	**137%**
Leverage ratio (%)	13.9%	13.2%	16.0%	0.7%	(2.1%)

2.10 Average balance sheet

	1H22			2H21			1H21		
	Avg Bal ($m)	**Interest ($m)**	**Avg Rate (%)**	**Avg Bal ($m)**	**Interest ($m)**	**Avg Rate (%)**	**Avg Bal ($m)**	**Interest ($m)**	**Avg Rate (%)**
Assets									
Interest earning assets									
Trading and investment securities	3,520	4.3	0.24%	1,990	3.0	0.30%	845	2.8	0.66%
Gross loans and advances	4,169	94.7	4.51%	2,959	67.9	4.63%	2,200	52.7	4.75%
Total interest earning assets	**7,689**	**99.0**	**2.55%**	**4,949**	**70.9**	**2.89%**	**3,045**	**55.5**	**3.62%**
Non-interest earning assets									
Other assets (incl. loan provisions)	59	NM	NM	35	NM	NM	(9)	NM	NM
Total non-interest earning assets	**59**	**NM**	**NM**	**35**	**NM**	**NM**	**(9)**	**NM**	**NM**
Total assets	**7,748**	**NM**	**NM**	**4,984**	**NM**	**NM**	**3,037**	**NM**	**NM**
Liabilities									
Interest bearing liabilities									
Direct retail term deposits	1,515	9.2	1.20%	1,175	8.0	1.37%	859	7.8	1.80%
Intermediated term deposits	1,375	6.7	0.97%	1,026	5.4	1.07%	874	6.6	1.50%
TFF self-securitisation drawn	996	0.6	0.11%	249	0.1	0.12%	–	–	0.00%
Warehouse facilities	558	6.6	2.35%	618	7.2	2.35%	512	5.8	2.25%
Senior unsecured debt	23	0.1	0.87%	–	–	0.00%	–	–	0.00%
Tier 2 subordinated debt	50	1.2	4.76%	7	0.1	1.42%	–	–	0.00%
Certificates of deposit	21	0.0	0.19%	–	–	0.00%	–	–	0.00%
TFF preserved component	1,864	1.0	0.11%	944	0.6	0.12%	186	0.2	0.21%
Repurchase agreements	140	0.1	0.07%	–	–	0.00%	–	–	0.00%
Other interest bearing liabilities	3	0.1	3.54%	3	0.1	3.78%	4	0.1	3.65%
Total interest bearing liabilities	**6,545**	**25.5**	**0.77%**	**4,023**	**21.4**	**1.07%**	**2,435**	**20.5**	**1.67%**
Non-interest bearing liabilities									
Other liabilities	24	NM	NM	15	NM	NM	12	NM	NM
Total non-interest bearing liabilities	**24**	**NM**	**NM**	**15**	**NM**	**NM**	**12**	**NM**	**NM**
Total liabilities	**6,569**	**NM**	**NM**	**4,038**	**NM**	**NM**	**2,446**	**NM**	**NM**
Average net assets	**1,179**	**NM**	**NM**	**946**	**NM**	**NM**	**590**	**NM**	**NM**
Average shareholder equity	**1,179**	**NM**	**NM**	**946**	**NM**	**NM**	**590**	**NM**	**NM**

Average balance sheet is presented on a monthly average basis.

Average rate for all items is an effective annual rate, net of all associated fees and commissions.

2.11 Outlook

The Australian economy continues to navigate the residual impacts of COVID-19 including inflation and supply chain disruptions. Judo is confident of navigating these challenges and delivering its financial and strategic goals.

With significant leverage to a rising rate environment, Judo will benefit from any increase in interest rates and is also well positioned to benefit from growth in business credit.

Judo is confident of achieving its prospectus FY22 GLA forecast of $6.0 billion and of modestly exceeding revenue and profit forecasts.

Progress against prospectus guidance is summarised below:

	Prospectus FY22 Forecast	1H22 Progress	Outlook
Lending portfolio ($bn)	6.00	4.85	On track
Risk weighted assets ($bn)	6.59	5.52	On track
Net interest income ($m)	160.5	73.5	Expect to exceed
Pro forma PBT ($m)	7.4	3.0	Expect to exceed
Underlying NIM (%)	2.69%	2.73%	Expect to exceed
Front book lending margin (%)	4.3%	4.4%	Expect to exceed
Impairment expense ($m)	28.5	9.6	On track
Provision coverage (%)	0.90%	0.92%	On track
Pro forma cost-to-income ratio (%)	77.8%	82.9%	On track
Relationship bankers	98	91	On track

Judo Capital Holdings Limited.

Interim financial report
For the half-year ended 31 December 2021

ABN 71 612 862 727

3.0 Interim financial report.

for the half-year ended 31 December 2021

3.1 Director's Report

The Directors present their report on the consolidated entity consisting of Judo Capital Holdings Limited and its controlled entities (collectively, 'the Group') for the half-year ended 31 December 2021.

Directors and company secretary

Directors

The following persons were Directors of Judo Capital Holdings Limited and its controlled entities during the whole of the financial period and up to the date of this report, unless otherwise specified:

Peter Hodgson (*Chairman*)

Jennifer Douglas (*Appointed 23 August 2021*)

John Fraser

David Hornery (*Appointed 7 October 2021*)

Malcolm McHutchison

Mette Schepers

Manda Trautwein

Hui (Tony) Diao (*Resigned 14 October 2021*)

David Fite (*Resigned 7 October 2021*)

Stanislav Kolenc (*Resigned 14 October 2021*)

Geoffrey Lord (*Resigned 27 October 2021*)

Company secretaries

The names of the Secretaries in office at any time during or since the end of the period are:

Yien Hong

Liam Williams

David McNabb (*Resigned 6 December 2021*)

The Secretaries have been in office since the start of the period to the date of this report unless otherwise stated.

Review of operations

The profit/(loss) of the Group for the period after providing for income tax amounted to ($16.1 million) (June 2021: $1.9 million profit).

Net profit/(loss) attributable to owners of Judo decreased by $18.0 million compared to the June 2021 half year primarily due to one-off significant items including costs incurred as part of Judo's Initial Public Offering which have increased total operating expenses, as well as higher credit impairment charges driven by increased lending volumes, which have been partially offset by higher revenue driven by strong growth across lending assets.

Net interest income increased by $24.0 million or 48.5% driven by strong growth across lending assets, and reduced cost of funds across term deposits, wholesale warehouse funding and accessing the RBA's Term Funding Facility (TFF).

Other income decreased by $0.2 million or 33.3% largely due to the timing of state government grants.

Operating expenses increased by $35.6 million or 73.4%. Excluding large notable items related to costs incurred as part of Judo's Initial Public Offering of $23.7 million in the December 2021 half year, operating expenses increased by $11.9 million primarily due to additional resources onboarded to support the Group's expanding operations with appointments across banking relationships, technology, operations and risk divisions.

Credit impairment charges increased by $8.1 million, driven primarily by forward looking collective provisions recognised on new lending assets originated during the December 2021 half year.

Total assets increased by $1,236.1 million or 17.2% compared to 30 June 2021. The increase was mainly due to an increase in loans and advances of $1,321.5 million or 38.0% from growth in business loans, home loans, asset financing and line of credit, and deferred tax assets which increased by $30.0 million reflecting future income tax benefits arising on costs associated with Judo's Initial Public Offering. A decrease in cash and investments of $124.6 million or 3.5% reflects the impact of significant lending growth, offset by the Group's management of liquidity and funding during the period and self-securitisation activity in line with the preservation strategy of the Term Funding Facility.

Total liabilities increased by $916.7 million or 15.0% compared to 30 June 2021. The increase was mainly due to term deposits of $691.1 million or 27.1% and other borrowings of $215.0 million or 6.1% which included the launch of Judo-issued negotiable certificates of deposits and unsecured medium-term notes during the period to support strong lending volumes.

Total equity increased by $319.4 million or 29.7% compared to 30 June 2021. The increase was mainly due to additional equity raised as part of the Initial Public Offering finalised on 1 November 2021, partially offset by one-off costs incurred to settle performance rights associated with employee equity share plans and the current period's statutory net loss.

Impact of COVID-19

The COVID-19 pandemic continues to have a significant impact on global and domestic funding markets as well as creating challenges and economic uncertainty for many SMEs operating across Australia. The Group was well placed heading into the December 2021 half year and continues to have a strong balance sheet through the pandemic.

The Group's December 2021 balance sheet settings have been maintained at prudent levels including a CET1 ratio of 23.3% (June 2021: 24.5%) and funding and liquidity metrics maintained well above regulatory minimums through the December 2021 half year. Accommodative central bank and government policy has provided income support to many SMEs across Australia, increased system liquidity and decreased cost of funding. Judo maintains access to the Term Funding Facility, providing 3-year funding fixed at low rates for customers and supporting the supply of credit from the banking system, with drawdowns maturing across May 2023 and June 2024. Further funding channels were introduced during the period including negotiable certificates of deposits and senior unsecured medium-term notes to add further diversification to the funding options available to the Group to support sustainable growth.

The Group remains well positioned to respond to the challenges facing SMEs during this time of enduring economic uncertainty, with the impacts of Omicron placing additional pressure on labour markets, supply chains, and income streams for many SMEs. Judo's customer centric relationship model continues to underpin the Group's response, and with a lower customer-to-banker ratio the Group has been able to proactively contact customers with large exposures or within COVID-19 related high risk industries during the period in order to ascertain their position and determine whether any additional assistance was required. This review has also informed the level of provisioning held as an allowance for expected credit loss for the period ended 31 December 2021.

Significant changes in the state of affairs

On 1 November 2021, the parent entity of the Group (Judo Capital Holdings Limited) successfully completed an Initial Public Offering (IPO) for its ordinary shares, and subsequently listed on the Australian Securities Exchange.

There have been no other significant changes in the state of affairs of the Group during the period.

Events since the end of the interim period

No matters or circumstances have arisen since the end of the interim period, other than those separately disclosed in 'Impact of COVID-19' above, that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Management attestations

In line with Recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations, the Board has received a joint declaration from both the Chief Executive Officer and Chief Financial Officer that, in their opinion, the financial statements and accompanying notes for the interim period comply with the appropriate accounting standards, and give a true and fair view of the financial position and performance of the Group.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27.

Rounding of amounts

The company is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off in accordance with the instrument to the nearest hundred thousand dollars, and presented in the form of a whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars.

This report is made in accordance with a resolution of Directors.

Peter Hodgson
Chair
22 February 2022

Manda Trautwein
Director
22 February 2022

Auditor's Independence Declaration.

Auditor's Independence Declaration

As lead auditor for the review of Judo Capital Holdings Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Judo Capital Holdings Limited and the entities it controlled during the period.

Sam Garland
Partner
PricewaterhouseCoopers

Melbourne
22 February 2022

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Condensed consolidated statement of profit or loss and other comprehensive income

		For the six months ended		
	Notes	31 December 2021 $m	30 June 2021 $m	31 December 2020 $m
Effective interest income	3	99.0	70.9	55.5
Interest expense	3	(25.5)	(21.4)	(20.5)
Net interest income		**73.5**	**49.5**	**35.0**
Other operating income	4	0.4	0.6	4.7
Net banking income		**73.9**	**50.1**	**39.7**
Depreciation and rental expenses	5	(2.2)	(1.6)	(1.5)
Employee benefits expense	5	(47.8)	(28.7)	(22.3)
Other operating expenses	5	(34.1)	(18.2)	(11.9)
Total operating expenses		**(84.1)**	**(48.5)**	**(35.7)**
Net operating (loss)/profit before impairment		**(10.2)**	**1.6**	**4.0**
Impairment on loans and advances, and treasury investments	8	(9.6)	(1.5)	(8.5)
Net (loss)/profit before income tax		**(19.8)**	**0.1**	**(4.5)**
Income tax benefit	6	3.7	1.8	31.3
(Loss)/profit after income tax		**(16.1)**	**1.9**	**26.8**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Gain on revaluation of cash flow hedge		2.4	1.7	0.6
Other comprehensive income for the period, net of tax		**2.4**	**1.7**	**0.6**
Total comprehensive (loss)/profit for the period		**(13.7)**	**3.6**	**27.4**

	Cents	Cents	Cents
Earnings per share			
Basic earnings per share	(1.8)	0.3	5.0
Diluted earnings per share	(1.8)	0.3	4.1

The accompanying notes form part of these financial statements.

Condensed consolidated statement of financial position

				As at
	Notes	31 December 2021 $m	30 June 2021 $m	31 December 2020 $m
ASSETS				
Cash and cash equivalents		454.0	344.0	135.2
Investments	7	3,025.1	3,259.7	761.8
Loans and advances	8	4,803.7	3,482.2	2,592.6
Derivative assets		6.7	3.2	0.5
Property, plant and equipment		2.1	1.7	2.0
Right-of-use assets		2.0	2.6	3.1
Intangible assets		17.3	16.1	10.9
Deferred tax assets	6	62.2	32.2	31.3
Other assets		39.2	34.5	7.3
Total assets		**8,412.3**	**7,176.2**	**3,544.7**
LIABILITIES				
Accounts payable and other liabilities		27.0	17.6	20.2
Deposits	9	3,238.8	2,547.7	1,986.7
Borrowings	10	3,743.5	3,528.5	846.8
Lease liabilities		2.3	2.9	3.5
Provisions		5.6	3.8	3.0
Total liabilities		**7,017.2**	**6,100.5**	**2,860.2**
Net assets		**1,395.1**	**1,075.7**	**684.5**
EQUITY				
Share capital	11	1,513.3	1,146.3	758.6
Other reserves	11	(28.5)	3.0	1.4
Accumulated losses		(89.7)	(73.6)	(75.5)
Total equity		**1,395.1**	**1,075.7**	**684.5**

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity

	Share capital $m	Other reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2020	644.9	0.4	(102.3)	543.0
Profit after tax for the half-year	–	–	26.8	26.8
Other comprehensive income, net of tax	–	0.6	–	0.6
Total comprehensive income for the half-year	**–**	**0.6**	**26.8**	**27.4**
Transactions with owners in their capacity as owners:				
Issued share capital	113.8	–	–	113.8
Equity raising costs, net of tax	(0.1)	–	–	(0.1)
Movement in share-based payments reserve, net of tax	–	0.4	–	0.4
	113.7	0.4	–	114.1
Balance at 31 December 2020	**758.6**	**1.4**	**(75.5)**	**684.5**

	Share capital $m	Other reserves $m	Retained earnings $m	Total equity $m
Balance at 1 January 2021	758.6	1.4	(75.5)	684.5
Profit after tax for the half-year	–	–	1.9	1.9
Other comprehensive income, net of tax	–	1.7	–	1.7
Total comprehensive income for the half-year	**–**	**1.7**	**1.9**	**3.6**
Transactions with owners in their capacity as owners:				
Issued share capital	388.6	–	–	388.6
Equity raising costs, net of tax	(0.9)	–	–	(0.9)
Movement in share-based payments reserve, net of tax	–	1.2	–	1.2
Settlement of performance rights, net of tax	–	(1.3)	–	(1.3)
	387.7	(0.1)	–	387.6
Balance at 30 June 2021	**1,146.3**	**3.0**	**(73.6)**	**1,075.7**

The accompanying notes form part of these financial statements.

	Share capital $m	Other reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2021	1,146.3	3.0	(73.6)	1,075.7
Loss after tax for the half-year	–	–	(16.1)	(16.1)
Other comprehensive income, net of tax	–	2.4	–	2.4
Total comprehensive income for the half-year	**–**	**2.4**	**(16.1)**	**(13.7)**
Transactions with owners in their capacity as owners:				
Issued share capital	373.6	–	–	373.6
Equity raising costs, net of tax	(6.6)	–	–	(6.6)
Movement in share-based payments reserve, net of tax	–	10.9	–	10.9
Settlement of performance rights, net of tax	–	(44.8)	–	(44.8)
	367.0	**(33.9)**	**–**	**333.1**
Balance at 31 December 2021	**1,513.3**	**(28.5)**	**(89.7)**	**1,395.1**

The accompanying notes form part of these financial statements.

Condensed consolidated statement of cash flows

	For the six months ended		
	31 December 2021 $m	**30 June 2021 $m**	**31 December 2020 $m**
Cash flows from operating activities			
Payments to suppliers and employees	(68.3)	(49.4)	(25.4)
Interest received	98.7	70.7	55.3
Interest paid	(21.6)	(20.7)	(18.6)
Net movement in loans and advances	(1,331.1)	(890.7)	(837.9)
Net movement in term deposits	691.1	560.9	600.5
Other cash movements from operating activities	0.4	0.6	4.7
Net cash outflow from operating activities	**(630.8)**	**(328.6)**	**(221.4)**
Cash flows from investing activities			
Payments for property, plant and equipment	(0.9)	(0.1)	(0.1)
Net movement in investments	234.1	(2,523.8)	(312.2)
Payment for intangible assets	(3.0)	(6.1)	(6.4)
Net cash inflow/(outflow) from investing activities	**230.2**	**(2,530.0)**	**(318.7)**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	373.6	388.5	113.8
Proceeds from borrowings	215.0	2,681.8	351.9
Payments for settlement of performance rights	(64.0)	(1.4)	–
Payments for capital raising transaction costs	(13.4)	(0.9)	–
Principal portion of lease payments	(0.6)	(0.6)	(0.5)
Net cash inflow from financing activities	**510.6**	**3,067.4**	**465.2**
Net increase/(decrease) in cash and cash equivalents	110.0	208.8	(74.9)
Cash and cash equivalents at the beginning of the period	344.0	135.2	210.1
Cash and cash equivalents at the end of the period	**454.0**	**344.0**	**135.2**

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

for the half-year ended 31 December 2021

1. Summary of significant accounting policies

This interim financial report for the half year reporting period ended 31 December 2021 has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and the Australian Securities Exchange (ASX) Listing Rules.

The financial report covers Judo Capital Holdings Limited and its controlled entities, being Judo Bank Pty Ltd, Judo Capital Securitisation Trust 2018-2, Judo Capital Securitisation Trust 2018-3, Judo Securitisation Warehouse Trust 2020-1, Judo Securitisation Trust 2020-2, Judo Securitisation Trust 1R and Judo Capital Holdings Limited Employee Share Trust ("the Group"). Judo Capital Holdings Limited is a Company limited by shares, incorporated and domiciled in Australia. Judo Capital Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

The accounting policies and methods of computation applied in this report are consistent with those applied in the Group's 2021 Annual Financial Report, except as detailed below.

a) Basis of preparation

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Group's 2021 Annual Financial Report.

Condensed financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* which include, at a minimum, each of the headings and subtotals that were included in the most recent annual financial statements and selected explanatory notes as required by the standard.

The financial statements have been prepared on a historical cost basis, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

b) Use of critical judgements and estimates

The preparation of this interim financial report requires the use of critical accounting estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Except as explained below, there have been no significant changes to the accounting estimates, judgements and assumptions used in preparing the interim financial report compared to those applied in the preparation of the 2021 Annual Financial Report.

The COVID-19 pandemic continues to have an impact on global economies and remains a source of uncertainty. Certain sectors, including tourism, hospitality, commercial property and air travel, are not expected to return to pre-COVID-19 activity levels in the short-term. The Group has considered the impact of COVID-19 in determining the estimates, assumptions and judgements used to prepare the interim financial report. Consistent with prior periods the most significant areas impacted by COVID-19 are the measurement of expected credit losses and its subsequent impact on deferred income tax.

Measurement of expected credit losses

While the methodologies applied in the expected credit loss (ECL) calculations remained unchanged from those applied in the 2021 Annual Financial Report, the Group has incorporated estimates, assumptions and judgements specific to the impact of COVID-19 and the challenges posed to SMEs across Australia stemming from the emergence of the Omicron strain and the various associated support packages in the measurement of ECL through forward looking economic adjustments. These are explained further in Note 8(a).

Measurement of income taxes

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. While the methodologies applied to determine the availability of future taxable profits remain unchanged from those applied in the 2021 Annual Financial Report, the Group's future taxable profits are impacted by the risks associated with COVID-19. The Group has utilised estimates, assumptions and judgements that reflect this uncertainty.

1. Summary of significant accounting policies (continued)

Uncertainty over income tax treatments

The Group estimates the amount expected to be paid to tax authorities based on its understanding and interpretation of relevant tax laws which may require the exercise of judgement. Refer to Note 6(c) for further details.

c) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost. Costs incurred in issuing deposits are recognised using the effective interest method through the income statement from the date of issue.

d) Employee benefits

Short-term incentives

A liability is recognised for the amount expected to be paid under short-term cash bonuses when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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 the share-based payment reserve – an equity account. The fair value calculation is based on an independent valuation using an option-granting model which includes terms and conditions of the instruments. 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. Where the company, at its discretion, has provided the employee the option to settle their performance rights via a cash payment and the employee has taken this option, the cash outgoing is reflected in the Group's accounts via a reduction to the share-based payment reserve within equity.

e) Initial Public Offering transaction costs

The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction. An incremental cost is defined as being an outgoing that would not have been incurred if the Group had not issued equity instruments. Indirect costs including management time, employee incentives, marketing initiatives and administrative overheads are not included as transaction costs as they are not incremental to the Group as a result of the IPO. The nature of the IPO undertaken included a number of different forms including the issuance of new shares, selling of existing shares to the market, and listing shares on the ASX.

Transaction costs associated with the issuance of new shares are capitalised as an equity deduction, whereas costs associated with the selling of existing shares to the market and listing of existing shares onto the stock exchange are expensed as incurred as they are not transaction costs relating to the issue of equity. Transaction costs incurred are apportioned against each form undertaken to determine the value of costs capitalised as an equity deduction and expensed to the profit and loss.

f) First time adoption of AASB 133: Earnings per Share

As a result of its shares being listed on the ASX, the Group has applied AASB 133 *Earnings per Share* for the first time for the half-year ended 31 December 2021. The following accounting policies have been adopted:

Basic earnings per share

Basic earnings per share is calculated by dividing:

- profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The calculation of dilutive earnings per share does not assume the conversion of potential ordinary shares that would have an antidilutive impact (ie. increase earnings per share, or decrease loss per share).

g) Rounding of amounts

The company complies with ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest hundred thousand dollars, and presented in the form of a whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars.

2. Segment information

a) Overview

For the half-year ended 31 December 2021, the Group's segment information is presented based on a singular reportable segment, being Small and Medium Enterprise lending. The Group considers the allocation of revenues and costs to a single reportable segment as this best aligns with the Group's current organisational structure and information that is presented to Key Management Personnel.

Prior period segment information has also been presented on this basis. Reportable segments are therefore consistent with the financial information presented in the financial statements and notes contained within this report.

b) Major customers

No single customer contributes revenue greater than 10% of the Group's revenues.

3. Net interest income

	For the six months ended		
	31 December 2021 $m	30 June 2021 $m	31 December 2020 $m
Interest on cash and cash equivalents	1.0	0.5	0.4
Interest on investments	3.3	2.5	2.4
Interest on loans and advances	94.7	67.9	52.7
	99.0	**70.9**	**55.5**
Interest expense on derivative financial instruments	(0.2)	(0.2)	(0.2)
Interest expense on deposits	(15.9)	(13.5)	(14.4)
Interest expense on borrowings	(9.3)	(7.6)	(5.8)
Interest expense on lease liabilities	(0.1)	(0.1)	(0.1)
	(25.5)	**(21.4)**	**(20.5)**
Net interest income	73.5	49.5	35.0

a) Average balances and related interest

The tables below are products of Profit & Loss and Balance Sheet financial statement areas. These detail the assets responsible for deriving interest income and interest-bearing liabilities, along with their respective interest earned or paid and subsequent average interest rate. The averages listed are daily averages.

Half year ended 31 December 2021	Average balance $m	Interest $m	Average interest %
Interest income			
Cash and cash equivalents	328.3	1.0	0.60
Investments	3,228.1	3.3	0.20
Loans and advances	4,156.1	94.7	4.52
	7,712.5	**99.0**	**2.55**
Interest expense			
Customer deposits	2,878.5	15.9	1.10
Borrowings	3,653.9	9.3	0.50
	6,532.4	**25.2**	**0.77**

Half year ended 30 June 2021	Average balance $m	Interest $m	Average interest %
Interest income			
Cash and cash equivalents	157.4	0.5	0.63
Investments	1,749.5	2.5	0.28
Loans and advances	2,924.4	67.9	4.61
	4,831.3	**70.9**	**2.91**
Interest expense			
Customer deposits	2,178.2	13.5	1.23
Borrowings	1,713.4	7.6	0.88
	3,891.6	**21.1**	**1.08**

Half year ended 31 December 2020			
Interest income			
Cash and cash equivalents	143.6	0.4	0.55
Investments	678.0	2.4	0.70
Loans and advances	2,187.5	52.7	4.78
	3,009.1	**55.5**	**3.66**
Interest expense			
Customer deposits	1,734.0	14.4	1.65
Borrowings	704.3	5.8	1.63
	2,438.3	**20.2**	**1.64**

4. Other operating income

	For the six months ended		
	31 December 2021 $m	30 June 2021 $m	31 December 2020 $m
Other operating income			
Realised gains on sale of investments	–	–	4.3
Fees and commissions	0.4	0.4	0.2
Other income	–	0.2	0.2
	0.4	**0.6**	**4.7**

5. Operating expenses

	For the six months ended		
	31 December 2021 $m	30 June 2021 $m	31 December 2020 $m
Depreciation and rental expenses			
Depreciation of property, plant and equipment	0.4	0.3	0.4
Depreciation of right-of-use assets	0.5	0.6	0.5
Rental expenses	1.3	0.7	0.6
	2.2	**1.6**	**1.5**
Employee benefits			
Salaries, superannuation and related on-costs	33.8	24.8	21.4
Performance-based compensation	13.9	1.2	0.4
Other employee benefits	0.1	2.7	0.5
	47.8	**28.7**	**22.3**
Other operating expenses			
Amortisation of intangible assets	1.6	1.0	0.9
Consultants	10.7	0.8	0.3
Information technology	8.5	8.3	4.4
Marketing	2.4	2.3	2.2
Professional fees	2.7	1.0	0.9
Travel and entertainment	1.4	1.2	0.9
Other	6.8	3.6	2.3
	34.1	**18.2**	**11.9**

During the period ended 31 December 2021, the Group completed an Initial Public Offering and subsequently listed on the ASX. A number of one-off expenses were incurred throughout the period which has driven an increase in operating expenses compared with the prior period.

Incremental costs incurred in relation to the Group listing existing shares on the ASX and selling existing shares are expensed through the statement of profit & loss, while costs associated with the issuance of new shares are capitalised as a deduction from equity. Key costs incurred in relation to the listing include, but are not limited to:

- The Group appointed Joint Lead Managers (JLM) with costs apportioned between equity and the profit or loss using an allocation method with reference to the underlying transaction. As a result, $8.5 million of Consultants expenses were recognised during the period in relation to JLM fees.
- Investigative accounting, legal, taxation and other accounting services were undertaken in relation to the listing, with the total costs apportioned between equity and profit or loss resulting in an increase to Professional fees and other expenses of $2.3 million.
- Employee benefits expenses incurred as a result of an employee share gift offer and share discount offer, and acceleration of the costs under the Management Incentive Plan and Long Term Incentive Plan which amounted to a total of $10.5 million recognised through the profit or loss.

6. Income tax

a) Numerical reconciliation of income tax expense to prima facie tax payable

	For the six months ended		
	31 December 2021 $m	**30 June 2021 $m**	**31 December 2020 $m**
The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense as follows:			
Profit/(loss) from operations before income tax expense	(19.8)	0.1	(4.5)
Tax at the Australian tax rate of 30% (2020 – 30%)	(5.9)	–	(1.3)
Add tax effect of:			
Share based payments	1.1	0.4	0.1
Other permanent differences	0.6	(1.1)	(0.3)
Under provision in prior periods	0.5	–	–
Net deferred tax assets first brought to account	–	(1.1)	(29.8)
Income tax expense	**(3.7)**	**(1.8)**	**(31.3)**

6. Income tax (continued)

b) Amounts recognised directly in equity

	For the six months ended		
	31 December 2021 $m	30 June 2021 $m	31 December 2020 $m
Deferred income tax arising in the reporting period related to items charged or (credited) directly in equity			
Net gain on cash flow hedges	1.1	0.9	–
Equity raising costs	(6.8)	–	–
Share-based payments	(20.6)	–	–
	(26.3)	**0.9**	**–**

c) Deferred tax assets

	As at		
	31 December 2021 $m	30 June 2021 $m	31 December 2020 $m
Deferred tax assets			
Tax losses	18.5	19.4	19.9
Loss allowances for financial assets	13.5	10.6	10.2
Employee benefits	1.5	1.1	0.9
Equity raising costs	8.4	–	–
Share-based payments	19.3	–	–
Other	3.1	2.1	0.4
Total deferred tax assets	**64.3**	**33.2**	**31.4**
Deferred tax liabilities			
Cash flow hedges	(2.0)	(0.9)	–
Other	(0.1)	(0.1)	(0.1)
Total deferred tax liabilities	**(2.1)**	**(1.0)**	**(0.1)**
Net deferred tax assets	**62.2**	**32.2**	**31.3**

Deferred tax assets and liabilities are recognised as temporary timing differences in the treatment of transactions, which primarily relates to carry-forward losses from prior periods, loss provisions for financial assets, costs incurred arising from the IPO and settlement of rights under the Management Incentive Plan.

The Group's estimates of available tax assets are based on an understanding and interpretation of relevant tax laws which requires the exercise of judgment. Deferred tax assets are recognised on the probability that those interpretations will be supported by the relevant tax authorities and the availability of future taxable income in order to utilise those assets.

7. Investments

	As at		
	31 December 2021 $m	**30 June 2021 $m**	**31 December 2020 $m**
Financial assets measured at amortised cost			
Floating rate notes (Corporate and State or Federal Government)	228.4	214.9	120.0
Bonds (Corporate and State or Federal Government)	2,668.6	2,855.6	573.2
Residential mortgage backed securities	58.5	64.8	68.7
Negotiable certificates of deposit	69.9	124.8	–
	3,025.4	3,260.1	761.9
Allowance for credit losses	(0.3)	(0.4)	(0.1)
	3,025.1	**3,259.7**	**761.8**

8. Loans and advances

	As at		
	31 December 2021 $m	**30 June 2021 $m**	**31 December 2020 $m**
Business loans	3,722.8	2,720.3	2,085.7
Equipment loans	301.5	194.1	143.5
Line of credit	331.5	242.1	154.2
Home loans	492.6	360.7	243.1
	4,848.4	3,517.2	2,626.5
Allowance for credit losses	(44.7)	(35.0)	(33.9)
	4,803.7	**3,482.2**	**2,592.6**

8. Loans and advances (continued)

a) Allowance for credit losses

The following table provides a reconciliation from the opening balance to the closing balance of the loss allowance for loans and advances:

	Stage 1 collectively assessed $m	Stage 2 collectively assessed $m	Stage 3 collectively assessed $m	Specific provision $m	Total $m
Loss allowance at 1 July 2021	**11.7**	**15.4**	**2.1**	**5.8**	**35.0**
Net transfer between stages	0.9	0.2	(1.2)	0.1	–
Net re-measurement on transfers between stages	(3.5)	0.5	(1.4)	(0.4)	(4.8)
Net movement in provision due to new financial assets	7.8	3.5	2.5	0.1	13.9
Additional collective overlay provision	0.6	–	–	–	0.6
Loan impairment expense for the period	5.8	4.2	(0.1)	(0.2)	9.7
Write-offs	–	–	–	–	–
Loss allowance at 31 December 2021	**17.5**	**19.6**	**2.0**	**5.6**	**44.7**

Reconciliation of impairment expense to statement of profit or loss and other comprehensive income

Loan impairment expense for the period	5.8	4.2	(0.1)	(0.2)	9.7
Treasury investments impairment expense for the period	(0.1)	–	–	–	(0.1)
Total impairment expense for the period	**5.7**	**4.2**	**(0.1)**	**(0.2)**	**9.6**

	Stage 1 collectively assessed $m	Stage 2 collectively assessed $m	Stage 3 collectively assessed $m	Specific provision $m	Total $m
Loss allowance at 1 January 2021	**13.4**	**13.9**	**3.9**	**2.7**	**33.9**
Net transfer between stages	(0.5)	0.4	(0.3)	0.4	–
Net re-measurement on transfers between stages	(5.2)	(1.3)	(2.1)	2.5	(6.1)
Net movement in provision due to new financial assets	6.0	2.1	0.6	0.2	8.9
Other movements	(0.7)	0.3	–	–	(0.4)
Additional collective overlay provision	(1.3)	–	–	–	(1.3)
Loan impairment expense for the period	(1.7)	1.5	(1.8)	3.1	1.1
Write-offs	–	–	–	–	–
Loss allowance at 30 June 2021	**11.7**	**15.4**	**2.1**	**5.8**	**35.0**

Reconciliation of impairment expense to statement of profit or loss and other comprehensive income

Loan impairment expense for the period	(1.7)	1.5	(1.8)	3.1	1.1
Treasury investments impairment expense for the period	0.4	–	–	–	0.4
Total impairment expense for the period	**(1.3)**	**1.5**	**(1.8)**	**3.1**	**1.5**

8. Loans and advances (continued)

	Stage 1 collectively assessed $m	Stage 2 collectively assessed $m	Stage 3 collectively assessed $m	Specific provision $m	Total $m
Loss allowance at 1 July 2020	**11.0**	**12.4**	**1.0**	**1.1**	**25.5**
Net transfer between stages	0.6	–	(0.2)	(0.4)	–
Net re-measurement on transfers between stages	0.3	(2.0)	2.7	–	1.0
Net movement in provision due to new financial assets	4.1	3.5	0.4	2.0	10.0
Additional collective overlay provision	(2.6)	–	–	–	(2.6)
Loan impairment expense for the period	2.4	1.5	2.9	1.6	8.4
Write-offs	–	–	–	–	–
Loss allowance at 31 December 2020	**13.4**	**13.9**	**3.9**	**2.7**	**33.9**
Reconciliation of impairment expense to statement of profit or loss and other comprehensive income					
Loan impairment expense for the period	2.4	1.5	2.9	1.6	8.4
Treasury investments impairment expense for the period	0.1	–	–	–	0.1
Total impairment expense for the period	**2.5**	**1.5**	**2.9**	**1.6**	**8.5**

Expected Credit Losses (ECL) are derived from unbiased probability weighted estimates of loss. The measurement of ECL and assessment of significant increase in credit risk considers information about current conditions, past events, as well as reasonable and supportable forecasts of future economic conditions.

The Group's ECL measurement is derived from a probability weighted average of three distinct scenarios (base case, upside and downside) in addition to further considerations for emerging risk at an industry or geographic level. The probability of each scenario is determined by considering relevant macro-economic outlooks and their likely impact on the Group's credit portfolios.

Key estimates and assumptions

In determining ECL, management judgement is applied using objective, reasonable and supportable information about current and forecast economic conditions and granular probability of default and loss given default assumptions.

Macro-economic variables used in these scenarios include (but are not limited to) rising interest rates, inflation, unemployment rates, GDP growth rates, and residential and commercial property price indices.

Forward looking macro-economic information and assumptions relating to COVID-19 have been considered in these scenarios, recognising that uncertainty still exists in relation to the duration of COVID-19 related restrictions, the impact the of the new Omicron strain on SMEs, and the impact of removal of, and/or change to, government stimulus and regulatory actions. Specific headwinds facing SMEs across Australia have been identified and considered including supply chain issues, staff shortages, pressure on income streams and working capital, as well as conditions having an adverse impact to business in industries including tourism and hospitality as well as businesses concentrated in central business districts. These considerations have not had a material impact on key assumptions for probability of default and loss given default during the period ended 31 December 2021.

When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Group's historical loss experience.

Consistent with industry guidance, customer support payment deferrals as part of COVID-19 support packages provided in prior periods in isolation did not necessarily result in a significant increase in credit risk, and therefore did not trigger an automatic migration from Stage 1 (12-month ECL) to Stage 2 (Lifetime ECL) in the credit impairment provision for such loans.

Additional overlays are included in the ECL to deal with the concentration risk of larger lending exposures in the portfolio, which are considered to be exposures greater than $10.0 million. Additional overlays are included as part of the Stage 1 provisioning and will remain in place until the concentration risk is disseminated as the loan book continues to grow.

9. Deposits

			As at
	31 December 2021 $m	**30 June 2021 $m**	**31 December 2020 $m**
Retail term deposits	1,588.3	1,381.1	1,051.6
Wholesale term deposits	1,650.5	1,166.6	935.1
	3,238.8	**2,547.7**	**1,986.7**

10. Borrowings

	As at		
	31 December 2021 $m	**30 June 2021 $m**	**31 December 2020 $m**
Secured			
Debt warehouse	450.2	619.3	593.1
Repurchase agreements	3,040.5	2,860.1	253.7
	3,490.7	**3,479.4**	**846.8**
Unsecured			
Negotiable certificates of deposit	123.9	–	–
Subordinated notes	128.9	49.1	–
	252.8	49.1	–
Total borrowings	**3,743.5**	**3,528.5**	**846.8**

a) Negotiable Certificates of Deposit

During the period ended 31 December 2021, the Group launched the Negotiable Certificate of Deposit (NCD) product aimed towards the middle market sophisticated investor class. NCDs are eligible to be traded and used under repurchase agreement with the RBA following the Group's achievement of an Investment Grade credit rating.

b) Warehouse facility restructuring

During the period ended 31 December 2021, the Group restructured the warehouse facility within Judo Capital Securitisation Trust 2018-3, which resulted in the full repayment of external borrowings held with financier Credit Suisse. The Group will maintain the warehouse facility structure within Judo Capital Securitisation Trust 2018-3 to support funding optionality.

11. Share capital and reserves

a) Share capital

On 1 November 2021, Judo Capital Holdings Limited (the Company) successfully completed an Initial Public Offering for its Ordinary Shares and listed on the ASX. This resulted in the conversion of A Class and B Class Shares into Ordinary Shares, with a further 168,209,467 in new Ordinary Shares issued. The additional contributed shareholder's equity to the Company during the period was $373.6 million, with a total of 1,105,506,373 shares listed.

A restructure of the Company's capital was undertaken immediately prior to listing as detailed below.

Exercise of warrants and options

Prior to the date of restructure, a total of 16,685,000 warrants and 2,000,000 options were outstanding, entitling their holders to acquire an A Class Share for an exercise price of $1.00. Of the 16,685,000 warrants, a total of 5,720,000 were exercised through a cash payment from the holders and subsequently converted into an equal number of A Class Shares.

For the remaining 10,965,000 warrants and 2,000,000 options, their holders elected to complete a cashless exercise, which resulted in a conversion to 6,791,191 A Class Shares (based on an offer price of $2.10).

Settlement of existing management incentive plans

Performance rights vested under the Management Incentive Plan (MIP) and Mirror Management Incentive Plan (Mirror MIP) entitled their holders to one B Class Share at an exercise price of $0.99. On the date of restructure, there were a total of 14,927 performance rights issued under the MIP and Mirror MIP.

Each participant in the MIP and Mirror MIP made an election to either exercise their vested performance rights, or have their vested performance rights acquired by the Group in exchange for cash and cancelled. Under this election, a total of 3,168 vested performance rights were acquired with the remaining 11,759 converting to B Class Shares.

Refer to Note 11(b) below for further details on the vested performance rights acquired by the Company.

Conversion of A Class Shares to Ordinary Shares

Immediately prior to settlement, the total number of A Class Shares on issue was 824,213,722 (including the warrants and options converted above). These converted to Ordinary Shares on a 1:1 basis.

Conversion of B Class Shares to Ordinary Shares

As at the beginning of the period, a total of 15,000 B Class Shares were on issue. Of these 15,000 B Class Shares, 3,168 were acquired by the Company with 73 subsequently cancelled, to align the total B Class Shares with the 11,759 vested performance rights converted. In line with the Conversion Ratio defined within the MIP Constitution, each B Class Share converted to 9,617 (rounded) Ordinary Shares for a total of 113,083,184 Ordinary Shares.

						As at
	31 December 2021		30 June 2021		31 December 2020	
	Shares	$m	Shares	$m	Shares	$m
Ordinary shares						
Ordinary Shares paid in full	1,105,506,373	1,529.1	–	–	–	–
A Class Shares paid in full	–	–	801,375,657	1,155.5	584,063,968	766.9
B Class Shares paid to $0.01	–	–	15,000	–	15,000	–
Equity raising costs	–	(15.8)	–	(9.2)	–	(8.3)
Total share capital	1,105,506,373	1,513.3	801,390,657	1,146.3	584,078,968	758.6

11. Share capital and reserves (continued)

i) Ordinary Shares paid in full

	Number of shares (millions)	Total $m
Opening balance 1 July 2021	–	–
Conversion of A Class Shares to Ordinary Shares	824.2	1,180.8
Conversion of B Class Shares to Ordinary Shares	113.1	–
Issue of shares through IPO	168.2	348.3
Balance 31 December 2021	**1,105.5**	**1,529.1**

ii) A Class Shares paid in full

	Number of shares (millions)	Total $m
Opening balance 1 July 2020	505.6	653.1
Issue of new shares	78.5	113.8
Balance 31 December 2020	**584.1**	**766.9**
Issue of new shares	217.3	388.6
Balance at 30 June 2021	**801.4**	**1,155.5**
Issue of new shares	10.3	19.6
Conversion of options and warrants to A Class Shares	12.5	5.7
Shares converted to Ordinary Shares	(824.2)	(1,180.8)
Balance at 31 December 2021	–	–

iii) B Class Shares paid to $0.01

Details	Number of shares	Total $m
Opening balance 1 July 2020	15,000	–
Balance 31 December 2020	15,000	–
Balance 30 June 2021	15,000	–
Shares cancelled	(73)	–
Shares bought back and cancelled	(3,168)	–
Conversion to Ordinary Shares	(11,759)	–
Balance 31 December 2021	–	–

b) Reserves

			As at
	31 December 2021 $m	**30 June 2021 $m**	**31 December 2020 $m**
Cash flow hedges	4.6	2.2	0.5
Share-based payments	(33.1)	0.8	0.9
	(28.5)	**3.0**	**1.4**

Share-based payments reserve

i) Management Incentive Plan & Long Term Incentive Plan

The Group's Management Incentive Plan (MIP) and Long Term Incentive Plan (LTIP) allowed for the vesting of all performance rights and options issued under the plans (with minor exceptions) in the event of an exit event, which subsequently occurred during the period through the IPO completed on 1 November 2021.

The length of the vesting period was revised to 1 November 2021, and the costs associated with the MIP and LTIP were fully amortised through the profit or loss to the value of $1.8 million and $1.2 million respectively, with a corresponding charge to the Share-based payments reserve.

As noted in section (a) above, a number of participants of the MIP elected to have their performance rights acquired by the Group in exchange for cash. The 3,168 performance rights were acquired for cash consideration of $64.0 million, with an after-tax net reduction of $44.7 million recognised within the Share-based payments reserve.

ii) Employee Share Gift Offer

As part of the IPO, eligible employees were gifted Ordinary Shares up to a total of $5.0 million, which are to be held by a trustee for six months following the date of the IPO. As the cost of providing the share gift to employees was incurred upon issuance of the shares, the charge to the profit or loss for the period was $5.0 million with a corresponding increase to the Share-based payments reserve.

During the period, the Group has launched new employee incentive programs that are outlined below.

iii) Judo Grows

Judo Grows is an annual incentive program designed specifically for the Company's broad base of employees and executives. Participants in the Judo Grows program will be granted Deferred Share Rights and/or cash awards, subject to meeting relevant annual performance metrics and service conditions.

In relation to the Deferred Share Rights, for those granted to Management Board members, 50% will vest on the first anniversary of the date of grant of the awards, with the remaining 50% vesting on the second anniversary of the date of grant of the awards. For all other employees, the Deferred Share Rights will vest on the first anniversary of the date of grant of the awards. Cash awards will vest immediately following the performance period.

During the half year ended 31 December 2021, a total expense of $1.0 million was recognised through the profit or loss in relation to the monthly accrual of Deferred Share Rights, with a corresponding charge to the Share-based payments reserve.

11. Share capital and reserves (continued)

iv) Judo Grows+

Judo Grows+ is a long-term incentive program designed specifically for the Management Board and senior leaders. Participants in the Judo Grows+ program will be granted Premium Priced Options, with an exercise price set at a 30% premium to the value of the underlying shares at the time of the grant, subject to service-based vesting condition.

A total of 9,657,530 Options were granted on 3 November 2021 to Management Board members, with an assessed fair value at grant date of $3.3 million. The Options will vest on 3 November 2026 with the value of the Options amortised monthly over the vesting period. The charge to the profit or loss for the period ended 31 December 2021 was $0.1 million with a corresponding increase in the Share-based payments reserve.

An additional 8,923,689 Options were granted on 3 November 2021 to senior leaders, with an assessed fair value at grant date of $2.5 million. The Options will vest on 3 November 2025 with the value of the Options amortised monthly over the vesting period. The charge to the profit or loss for the period ended 31 December 2021 was $0.1m with a corresponding increase in the Share-based payments reserve.

v) IPO Retention Award

The IPO Retention Award is a program designed specifically for two key Management Board members, which will vest on the fifth anniversary of the grant date provided the participant remains engaged with the Company at that date.

The plan consists of 5,993,149 Premium Priced Options with an assessed fair value at grant date of $2.0 million and 2,499,999 Deferred Share Rights with an assessed fair value at grant date of $5.2 million, each granted on 3 November 2021.

The value of the Options will be amortised monthly over the vesting period, with the charge to the profit or loss for the period ended 31 December 2021 of $0.2 million resulting in a corresponding increase to the Share-based payments reserve.

c) Dividends paid

No dividends were declared or paid during the half year ended 31 December 2021.

12. Fair value measurements

a) Fair value of financial instruments carried at amortised cost

The financial assets detailed below are carried at amortised cost, which is the value at which the Group expects the assets to be realised. The table below details the respective fair values of each item at the period end:

						As at
	31 December 2021		30 June 2021		31 December 2020	
	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m
Financial assets						
Treasury investments	3,055.8	3,035.8	3,289.9	3,271.7	766.4	760.9
	3,055.8	**3,035.8**	**3,289.9**	**3,271.7**	**766.4**	**760.9**

Loans and advances are carried at amortised cost, which is considered the best approximation of fair value as the fair value cannot be reliably determined.

b) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
At 31 December 2021				
Financial assets				
Hedging derivatives – interest rate swaps	–	6.7	–	6.7
Total financial assets	**–**	**6.7**	**–**	**6.7**
At 30 June 2021				
Financial assets				
Hedging derivatives – interest rate swaps	–	3.2	–	3.2
Total financial assets	**–**	**3.2**	**–**	**3.2**
At 31 December 2020				
Financial assets				
Hedging derivatives – interest rate swaps	–	0.5	–	0.5
Total financial assets	**–**	**0.5**	**–**	**0.5**

There were no transfers between levels for recurring fair value measurements during the period.

The Group's policy is to recognise any transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. The Group does not hold any Level 3 investments.

13. Related party transactions

a) Transactions with key management personnel of the Group and their personally related entities

Key Management Personnel are considered to comprise the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer and Chief Relationship Officer of the Group. The Group assesses which roles are included within Key Management Personnel on a periodic basis, and therefore may be subject to change.

i) Balance sheet transactions

	For the six months ended		
	31 December 2021 $	30 June 2021 $	31 December 2020 $
Shares issued	86,020,887	2,840,118	1,074,491
Shares sold through IPO settlement	(750,000)	–	–
Cash-settled performance rights	(15,065,574)	–	–
Loans and advances made	–	905,922	1,343,615

Loans and advances provided to Key Management Personnel are on commercial terms and are provided in the normal course of business. As at 31 December 2021 the closing balance of loans and advances outstanding with Key Management Personnel is nil (30 June 2021: $3,780,871).

b) Transactions with non-executive directors and their personally related entities

i) Balance sheet transactions

	For the six months ended		
	31 December 2021 $	30 June 2021 $	31 December 2020 $
Shares issued	65,230,874	35,438,820	80,211,313
Shares sold through IPO settlement	(40,405,082)	–	–
Cash–settled performance rights	(15,368,504)	–	–

Loans and advances provided to Non-Executive Directors or Director related entities are on commercial terms and are provided in the normal course of business. As at 31 December 2021 the closing balance of loans and advances outstanding with Non-Executive Directors is nil (30 June 2021: $8,068,246).

14. Commitments and contingencies

a) Contingent liabilities

From time to time the Group is exposed to contingent risks and liabilities arising from the conduct of its business including claims on income taxes and the amount expected to be paid to tax authorities. Such matters require the exercise of judgement and can be uncertain.

Contingent tax risk

The tax affairs of the Group are subject to regular reviews by the Australian Taxation Office as well as the Revenue Offices of the various Australian States and Territories. Risk reviews are also being undertaken by tax authorities as part of normal tax authority review activity. The Group continues to respond to any notices and requests for information it receives from relevant tax authorities. The potential outcome and total costs associated with these activities remain uncertain.

15. Events occurring after the reporting period

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

Directors' declaration.

In the Directors' opinion:

a) the financial statements and notes set out on pages 28 to 53 are in accordance with the *Corporations Act 2001*, including:

   i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date and

b) there are reasonable grounds to believe that Judo Capital Holdings Limited and its controlled entities will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Peter Hodgson
Chair
22 February 2022

Manda Trautwein
Director
22 February 2022

Independent Auditor's Review.

Independent auditor's review report to the members of Judo Capital Holdings Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Judo Capital Holdings Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated statement of financial position as at 31 December 2021, the Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Judo Capital Holdings Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true

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and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report 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 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Sam Garland
Partner

Melbourne
22 February 2022

4.0 Appendices.

4.1 Appendix 4D Cross Reference Index

Appendix 4D Cross Reference Index	**Page**
Details of reporting period and previous corresponding period (4D Item 1)	Inside front cover
Results for announcement to the market (4D Item 2)	Inside front cover
Net tangible assets per share (4D Item 3)	Inside front cover
Details of entities over which control has been gained or lost (4D Item 4)	NA
Dividends and dividend dates (4D Item 5)	Inside front cover
Dividend reinvestment plans (4D Item 6)	NA
Details of associates and joint venture entities (4D Item 7)	NA
Independent audit report subject to modified opinion (4D Item 9)	NA

4.2 Glossary

Term	Meaning
$	Dollar amounts (in Australian dollars or AUD unless stated otherwise)
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ADI	Authorised deposit-taking institution
APRA	Australian Prudential Regulation Authority
ASX	ASX Limited (ABN 98 008 624 691)
Bank	An ADI which has consent from APRA to call itself a bank
BBSW	Bank Bill Swap Rate
Board or **Board of Directors**	The board of directors of the Company
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
Capex	Capital expenditure
CEO	Chief Executive Officer
CET1	Common Equity Tier 1 capital
CET1 ratio	Common Equity Tier 1 capital divided by total RWAs
CFO	Chief Financial Officer
Chairman	Chairman of the Board
Collective provision coverage	Collective provision balance divided by the end-of-period GLA
Company	Judo Capital Holdings Limited (ACN 612 862 727)
Cost of funding	Effective average cost of Judo's funding sources, including: • Customer deposits; • Warehouse debt; • Certificates of deposit; • Senior unsecured; • Tier 2; and • TFF drawing collateralised with self-securitisation notes. Equity and the preserved component of the TFF are excluded from the cost of funding calculation
Cost-to-income ratio	Total expenses divided by net banking income
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
CRO	Chief Risk Officer
CTI ratio	Cost-to-income ratio
CVP	Customer value proposition

Term	Meaning
Deposits all-in rate	Deposits all-in rate is the effective cost of wholesale and retail deposits, including the interest expense and commissions paid to third parties for deposits
DPD	Days past due
ECL	Expected credit losses
FTE	Full-time equivalent
FY	Financial year
FY21	Financial year ended 30 June 2021
FY22	Financial year ending 30 June 2022
GLA	Gross loans and advances
GRCL	General reserve for credit losses
Impairment expense/GLA	Impairment on loans and advances, and treasury investments divided by the average GLA
Judo Grows	Judo's short-term incentive plan
Judo Grows+	Judo's long-term incentive plan
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
Lending RWAs/GLA	End of period lending RWAs divided by end-of-period GLA
Leverage ratio	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
Losses ratio	Losses ratio is the write-off expense experienced over a period, divided by the average GLA of the period
LTI	Long-term 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
NA	Not applicable
NCD	Negotiable certificates of deposit
Net interest margin	Net interest margin is net interest income divided by the average of the month-end closing balance of interest-earning assets
NII	Net interest income
Non-Executive Director	A member of the Board who does not form part of the Company's management
NM	Not meaningful
P&L	Profit and loss statement
Preserved TFF	The component of Judo's allocation of the RBA Term Funding Facility which is collateralised with eligible treasury investments. 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
RBA	Reserve Bank of Australia

4.0 Appendices. (continued)

Term	Meaning
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
ROE	Return on equity
RWAs	Risk-weighted assets
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A registered holder of a Share
SME	Small and Medium Enterprise
SMSF	Self-managed superannuation fund
Specific provision coverage	Specific provision balance divided by the end-of-period GLA
Tenor	The length of time that will be taken by the borrower to repay the loan along with the interest
TFF	Term Funding Facility
Tier 2 capital	As defined by APRA
Total capital ratio	Total regulatory capital including CET1 capital, Additional Tier 1 capital and Tier 2 capital, divided by total RWAs
Total provision coverage ratio	Total impairment provision balance divided by the end-of-period GLA
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
Warehouse Facility	A revolving credit facility extended by a financial institution to a loan originator for the funding of loans