

judobank™

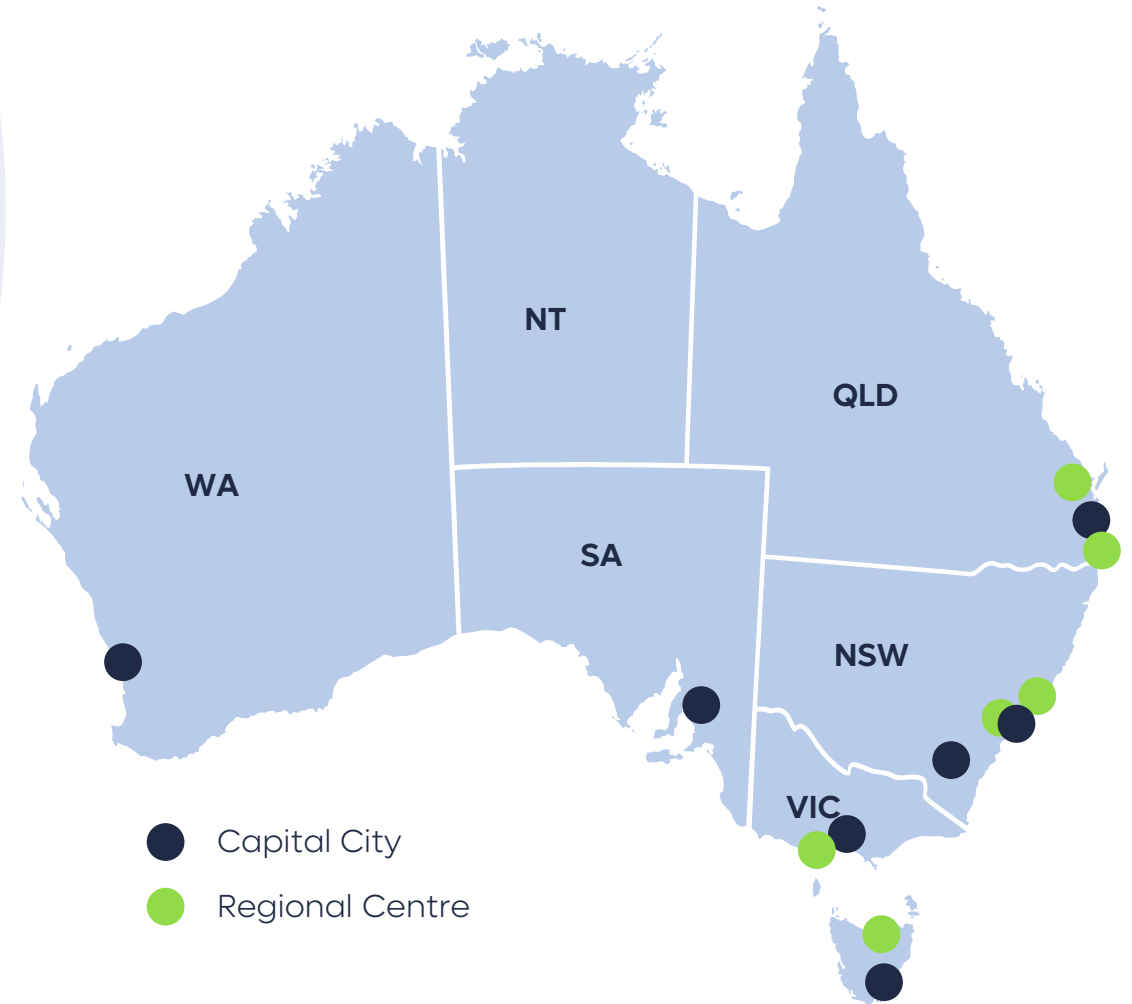
2022 Half Year Result.

22 February 2022



Our purpose is to be the most trusted SME business bank in Australia

Judo's locations

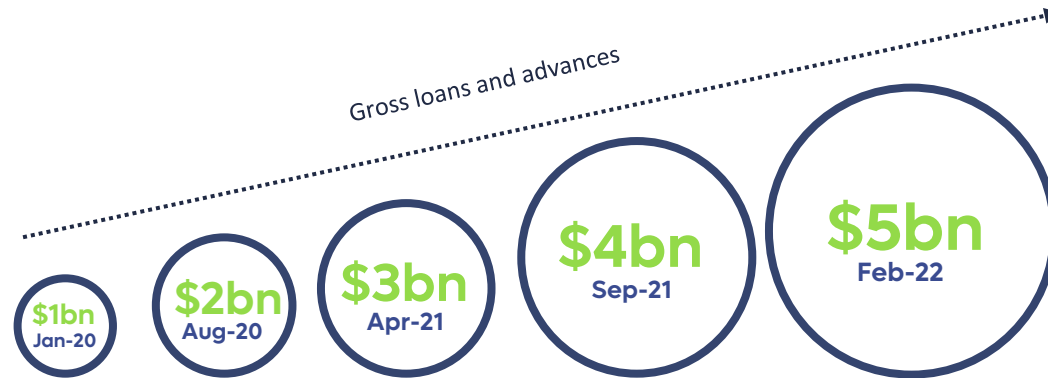


Company Update.

Joseph Healy

Chief Executive Officer

The Judo Journey.



\$3.8 billion / 76% of GLA originated during COVID with full awareness of risks

2015
Concept

2016
Seed Capital

2018
Pre-ADI launch

2019
Full Banking Licence

2020

2021

2022

Mid 2015

Judo concept developed

September 2016

First office space in Melbourne

Late 2016

Seed funding raised

March 2018

Pre-ADI pilot business launch

October 2018

Sydney office opens

Early 2019

Brisbane office opens

April 2019

APRA full banking licence granted

May 2019

Deposits launch

July 2020

Perth office opens

November 2020

Adelaide office opens

July 2021

Hobart office opens

October 2021

S&P investment grade rating

November 2021

Judo Bank lists on the ASX

Today

Why Judo is unique.



Pure play, purpose built
SME business lender



Relationship-led model
enabled by technology



Founder led model, with a
'challenger' culture



Judo's "*Four Cs*": Character,
Capacity, Capital, Collateral



Committed to the craft of
SME banking



No legacy systems,
products or infrastructure

Key business metrics at scale.

Judo is committed to achieving its performance goals for its key business metrics at scale

| | | |
|---------------------------------|---------------------|---|
| Lending portfolio | \$15 - \$20 billion | Current lending represents <1% market share. Lending of \$15 - \$20 billion equal to approximately ~3% market share ¹ . |
| Net Interest Margin | >3% | NIM of >3% to be supported by lending margins reflective of Judo's pure play SME business lending model and premium service offering; funding costs supported by investment grade credit rating and a diverse range of funding sources. |
| Cost-to-income ratio | Approaching 30% | Driven by revenue growth and investment in technology to support business operations at scale. |
| Cost of risk (per annum) | ~0.5% | Conservative estimate compared to experience of the business segment over the past 30 years. |
| Return on equity | Low to mid-teens | Outcome of the at-scale metrics above. |

Notes: (1) SME Total Addressable Market of approximately \$605 billion, DBM Consultants: SME Market Report (July 2021)

Result highlights.



38% growth in lending book, to \$4.85 billion at 31 Dec



Underlying NIM¹ of 2.73% up 8bps vs 2H21



Pro Forma Profit Before Tax \$3.0m



Pro Forma cost to income ratio of 83%, down 15%



Higher front book lending margins, 4.5% in Dec-21 quarter



Industry-leading SME Customer NPS of +74²



Lower funding costs, 1.0% in Dec-21 quarter



S&P investment grade credit rating



Portfolio health check – January 2022.

The benefits of Judo's relationship led model are highlighted during periods of uncertainty

- Judo's bankers maintain close relationships with all customers, particularly in sectors at risk of experiencing stress
- The COVID-19 wave in January 2022 primarily impacted hospitality, childcare and health & fitness
- We have had no requests for additional support since 1 Jan
- Supply chain, staffing issues and inflationary pressures remain
- Business owners are generally adapting well and remain in good financial health



Financial Update.

Chris Bayliss

Deputy Chief Executive Officer &
Chief Financial Officer

1H22 Result.

| | 1H22 | 2H21 | 1H vs 2H Variance | Prospectus FY22 |
|---|--------|-------|----------------------|--------------------|
| P&L | | | | |
| Net Interest Income (\$m) | 73.5 | 49.5 | 48% | 160.5 |
| Impairment expense (\$m) | 9.6 | 1.5 | large | 28.5 |
| Pro Forma PBT (\$m) | 3.0 | (0.7) | large | 7.4 |
| Statutory Net Profit/(Loss) After Tax (\$m) | (16.1) | 1.9 | nm | (10.2) |
| Key Operating Metrics | | | | |
| Lending Portfolio (\$bn) | 4.85 | 3.52 | 38% | 6.00 |
| Risk Weighted Assets (\$bn) | 5.52 | 4.09 | 35% | 6.59 |
| Relationship Bankers (#) | 91 | 87 | 4 | 98 |
| Front Book Lending Margin (%) | 4.4% | 4.5% | (10 bps) | 4.3% |
| Underlying NIM (%) | 2.73% | 2.65% | 8 bps | 2.69% |
| NIM (%) | 1.90% | 2.02% | (12 bps) | 2.03% |
| Provision Coverage (%) | 0.92% | 1.00% | (8 bps) | 0.90% |
| Cost-to-income ratio (%) | 82.9% | 98.4% | (15.5%) | 77.8% |

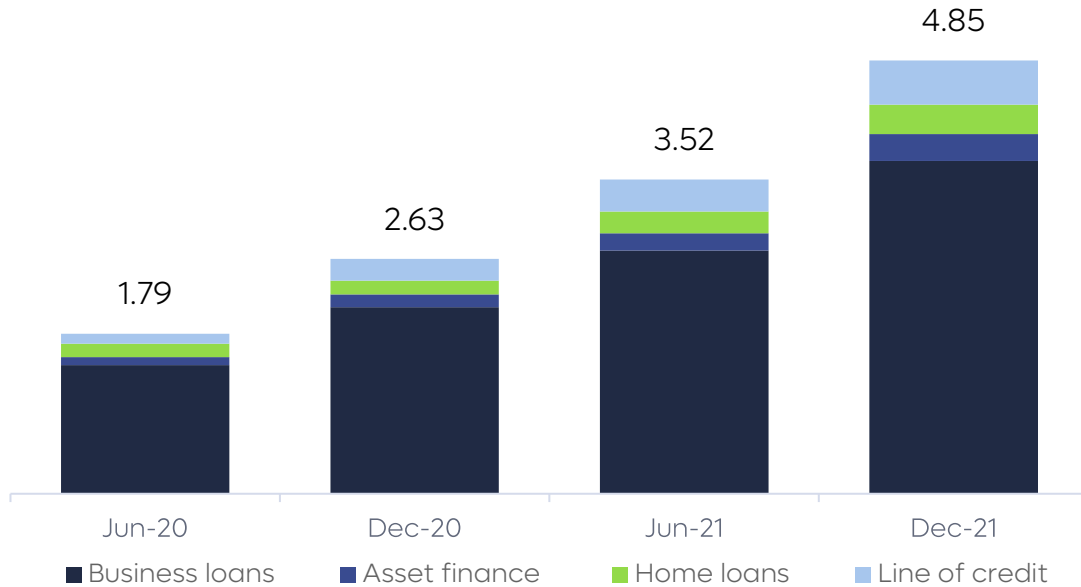
GLA (17-Feb)
\$5.1 billion

Relationship Bankers (Feb-21)
95

Run-rate NII (Jan-21)
\$14.6 million

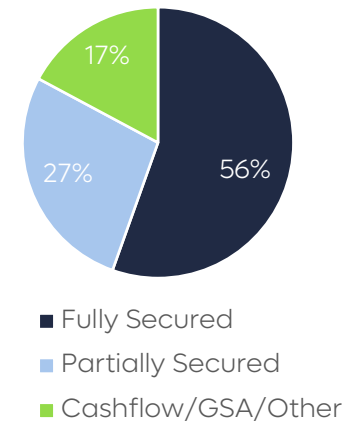
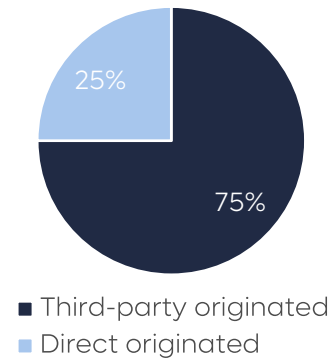
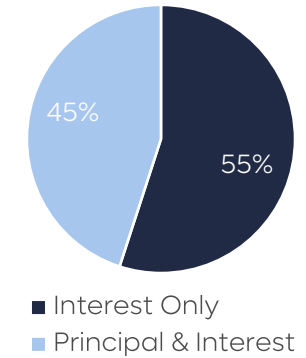
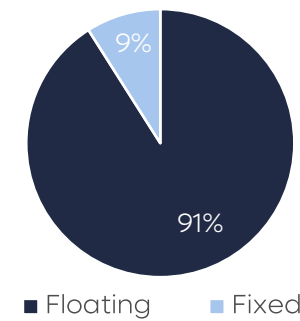
Strong lending growth continues.

Judo's loan book over time (\$bn)



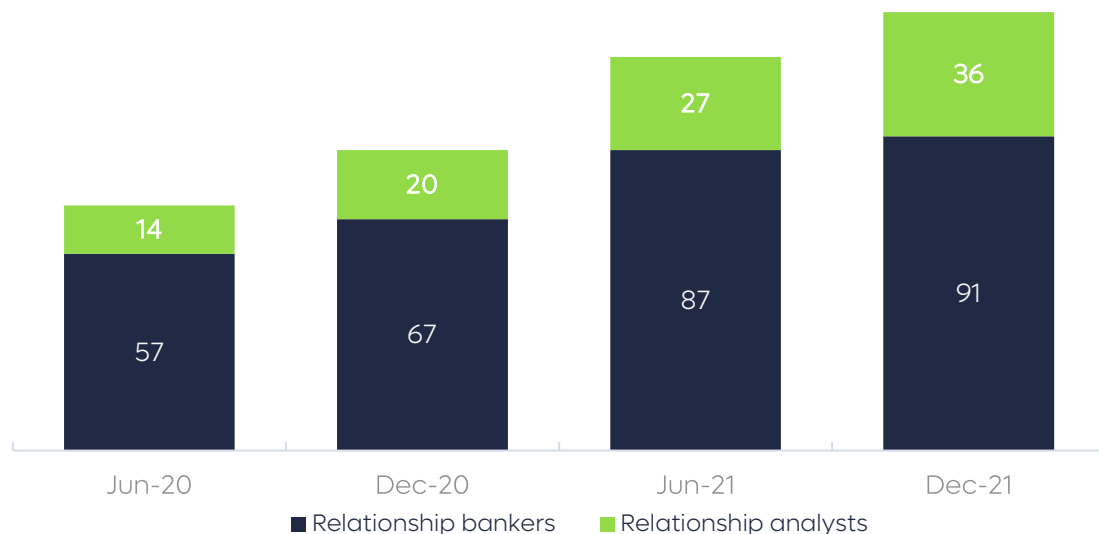
| | 2H20 | 1H21 | 2H21 | 1H22 |
|--|------|------|------|------|
| Applications, accepted, approved pipeline (\$bn) | 0.7 | 0.6 | 1.1 | 1.0 |

Judo's loan book characteristics



Investing in bankers and capability.

Relationship bankers and analysts (#)



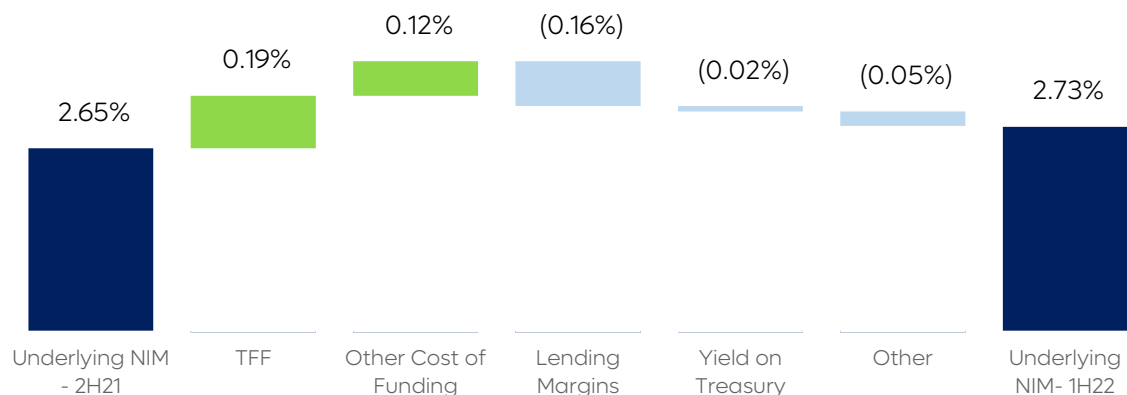
| | Jun-20 | Dec-20 | Jun-21 | Dec-21 |
|--------------------------|--------|--------|--------|--------|
| AUM per banker (\$m) | 31 | 39 | 41 | 53 |
| Customers per banker (#) | 15 | 19 | 19 | 25 |

Judo continues to attract the top talent with strong growth in relationship banker and analyst numbers

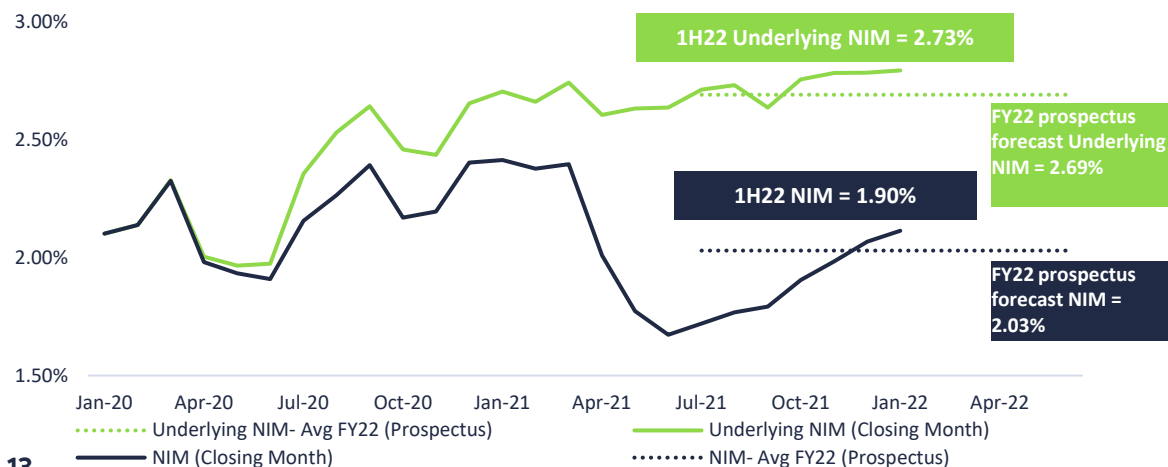
- 95 relationship bankers and 39 relationship analysts as at Feb'22
- Jun'22 prospectus banker target is 98
- Average number of customers to bankers remains low by industry standards
- AUM per banker steadily increasing towards targeted level of >\$100m
- Productivity increases are supported by investment in technology and other operational improvements
- 13 offices across key cities and regions

NIM and Underlying NIM.

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



Monthly NIM vs Underlying NIM (%)



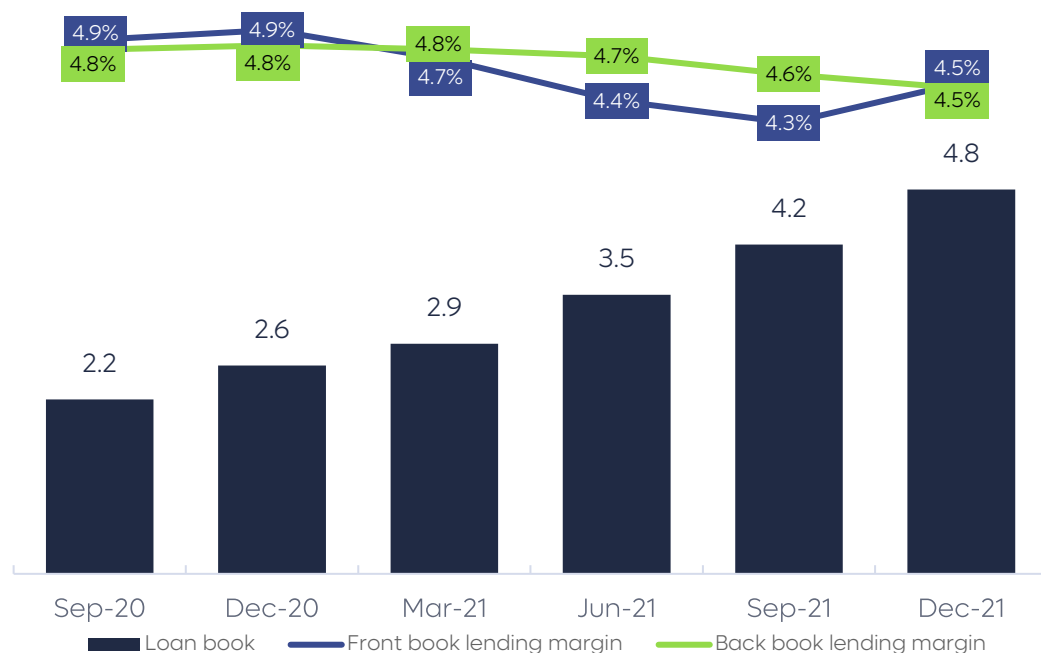
Underlying NIM improved by 8 basis points

- **TFF benefit of 19 bps** driven by replacement of part of the preserved component of RBA TFF facility
- **Other cost of funding contribution of 12 bps**, driven by reduced cost of deposits, NCDs and senior unsecured program
- **Lending margin drag of 16 bps** due to run rate impact of lower front book margins in the middle of 2021. Drag will moderate in 2H22.
- **Treasury drag of 2 bps** due to shift to government bonds in treasury portfolio during 2H21
- **NIM fell by 12 bps** due to drag from excess treasury assets held as part of Judo's TFF preservation strategy

[1] 'Other' captures the impact of balance sheet changes unrelated to the preserved component of the TFF. e.g. Differences in regulatory liquidity position between the periods.

Lending margins.

Judo's loan book (\$bn), front book and back book lending margins above 1m BBSW (%)

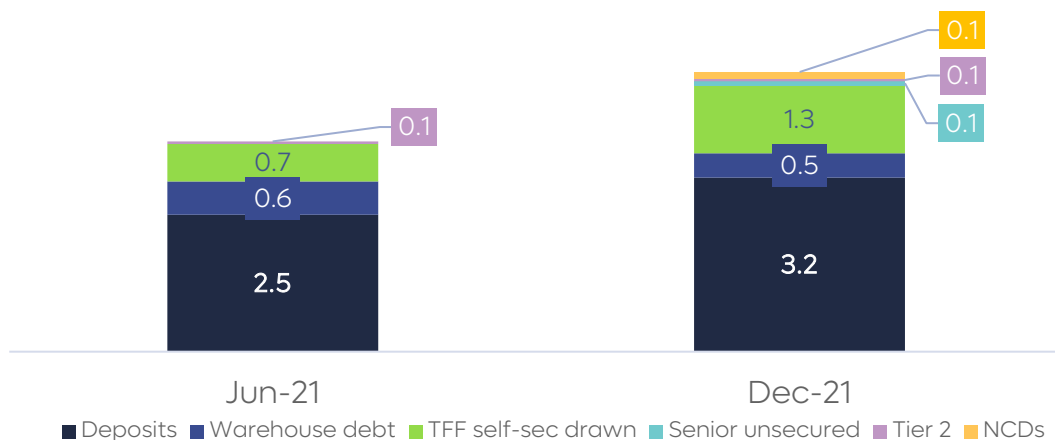


1H22 front book lending margins remained above prospectus guidance of 4.3%

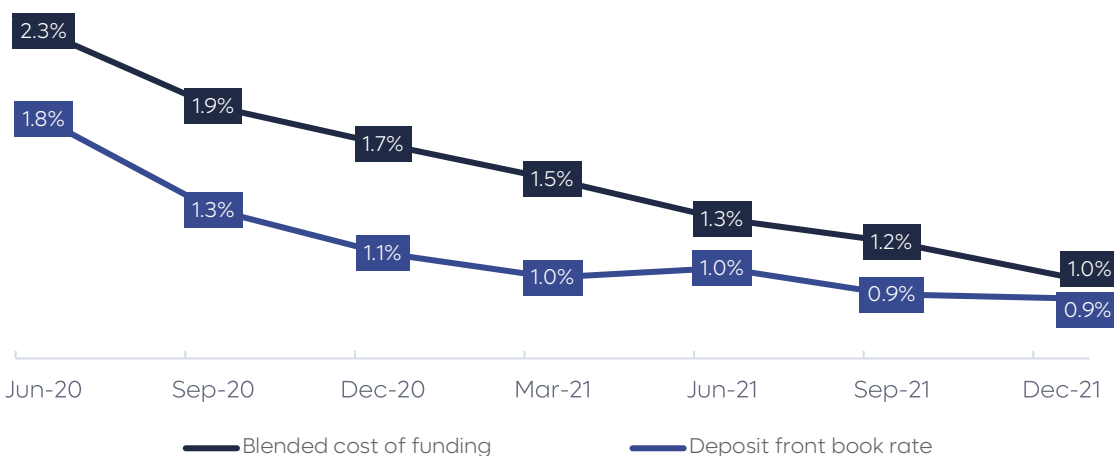
- Drop in front book margins in September 2021 quarter due to intense short term period of competition
- December 2021 quarter improvement due to lessening competitive activity given NIM pressures across the sector
- Front book and pipeline margins in December 2021 and January 2022 of 4.6%
- Front book lending margins expected to remain at or above current levels for remainder of FY22
- Judo has significant leverage to interest rate rises

Funding mix and cost.

Movement in funding sources (\$bn)



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



A sustained reduction in funding costs has been achieved

- Funding program continued to mature, with growth in existing channels and establishment of new channels
- Deposit costs reduced reflecting external credit rating and market dynamics
- TFF utilisation increase - average self-securitisation funding at \$1.0 billion during 1H22 (2H21 = \$0.2 billion)
- \$1.3 billion of TFF self-sec funding at 31 December 2021
- NCDs and senior unsecured programmes launched below term deposit rates

Deposit market dynamics.

Judo currently has 0.4% market share of Australia's \$800 billion¹ term deposit market

- Judo term deposit pricing is dynamic according to funding requirements
- The annual contestable market is c.\$400 billion² taking into account high retention rates
- Judo's requirements through to FY24 will remain a small proportion of the annual contestable market

The impact on high cost TD products from TFF refinancing by 2024 is expected to be modest

- Judo's main competition for TDs are the branchless banks, which have modest TFF refinancing requirements
- The largest users of TFF compete in a different price segment of the TD market.
- Changes in low cost deposit pricing may also result in changes to lending rates.



• Funding strategy.

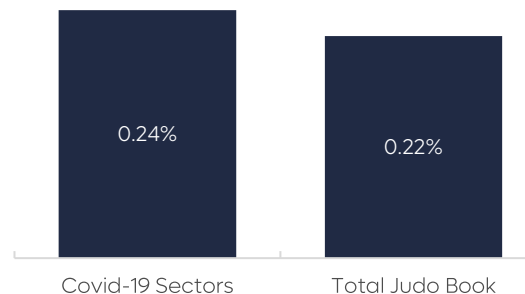
Judo will drive its existing funding channels while also utilising its investment grade credit rating to enter new markets and develop new products

- **Term deposits** – remain the primary source of funding
 - Direct retail remains the primary channel driven by competitive pricing
 - Demand from intermediated middle market investors increased significantly in response to the credit rating, with this expected to continue
 - Intermediated SMSF/retail channels are significant opportunities, with new products and channels in development
- **Securitisation funding** – Warehouse capacity is expected to materially increase in CY22 providing funding flexibility and a platform for future term securitisations. Note TFF funding is currently collateralised by Judo's self-securitisation Aaa-rated notes.
- **Senior unsecured debt and NCDs** – launched following the investment grade credit rating in 1H22, with early transactions well supported

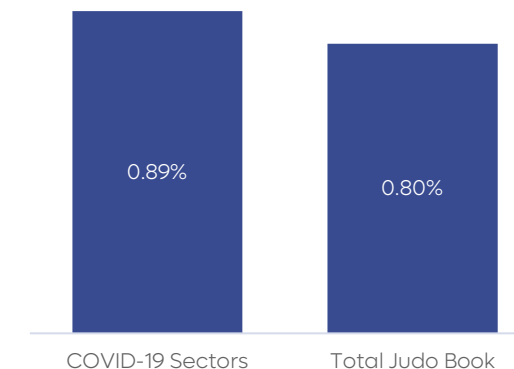
Credit quality – Sectors at risk from COVID-19.

- Less than 9% of Judo’s portfolio is in sectors considered to be at risk of COVID-19 impacts
- Credit quality in these sectors remains strong, with non-performing loans consistent with the total portfolio
- Collective provisioning for sectors at risk is higher than the broader portfolio

Non-Performing loans as % of GLA (Dec-21)



Collective Provisions as % of GLA (Dec-21)



Sectors at risk of COVID-19 impacts

| Industry Sectors | Loans Outstanding ⁽¹⁾ (\$M) | | % of Gross Loans & Advances | | % of Fully / Partially Secured | | % Non-Performing ⁽²⁾ | |
|-------------------------------------|--|------------|-----------------------------|-------------|--------------------------------|--------------|---------------------------------|-------------|
| | Jun-21 | Dec-21 | Jun-21 | Dec-21 | Jun-21 | Dec-21 | Jun-21 | Dec-21 |
| Pubs, Taverns or Bars | 121 | 142 | 3.4% | 2.9% | 87.7% | 87.4% | 0.0% | 0.0% |
| Childcare Centres | 83 | 111 | 2.4% | 2.3% | 64.0% | 78.9% | 0.0% | 0.0% |
| Cafes or Restaurants | 83 | 118 | 2.4% | 2.4% | 65.8% | 70.8% | 0.7% | 0.9% |
| Health & Fitness Centres | 47 | 61 | 1.3% | 1.3% | 47.7% | 56.8% | 0.0% | 0.0% |
| Total Covid-19 Sectors | 334 | 432 | 9.5% | 8.9% | 70.7% | 76.3% | 0.2% | 0.2% |

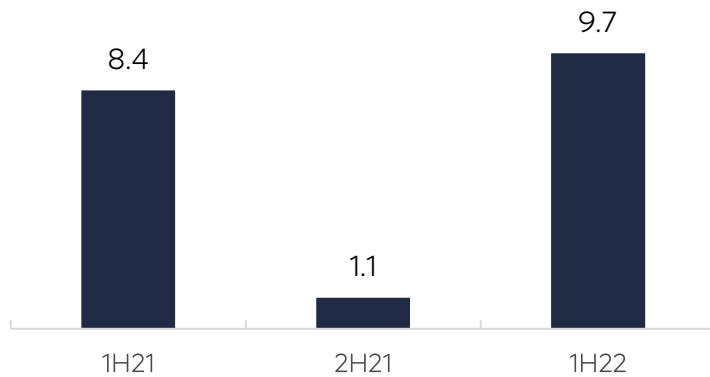
18

(1) Excludes home loans to individuals who are associated with businesses operating in these industry sectors.
 (2) % of Non-Performing represents all customers in default (no loss) and impaired (non-accrual or restructured).
 (3) ECL Coverage represents total provisions as a % industry loans outstanding.

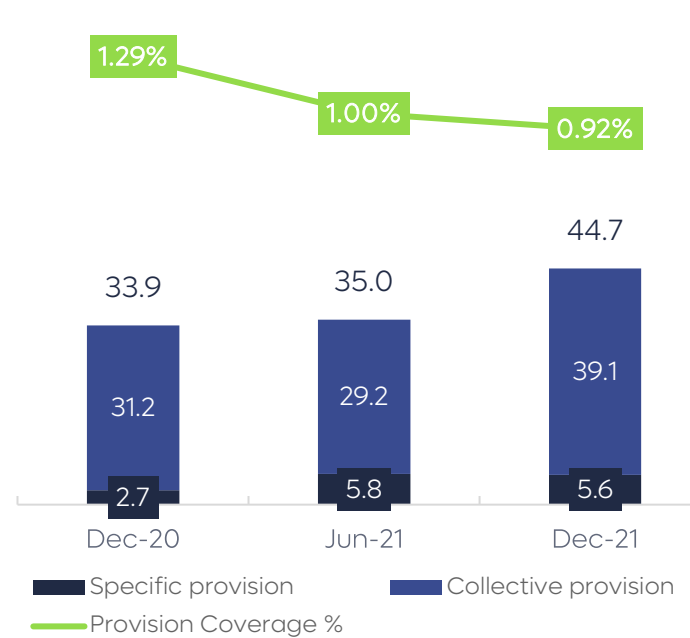
Credit Quality.

Impairments, provisioning and arrears

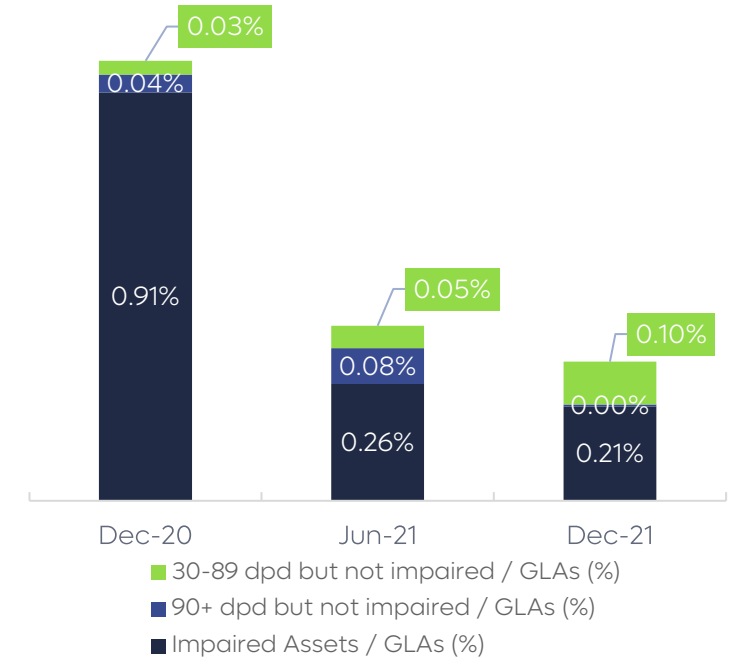
Impairment expense (\$m)



Provisions (\$m) and coverage (% GLA)

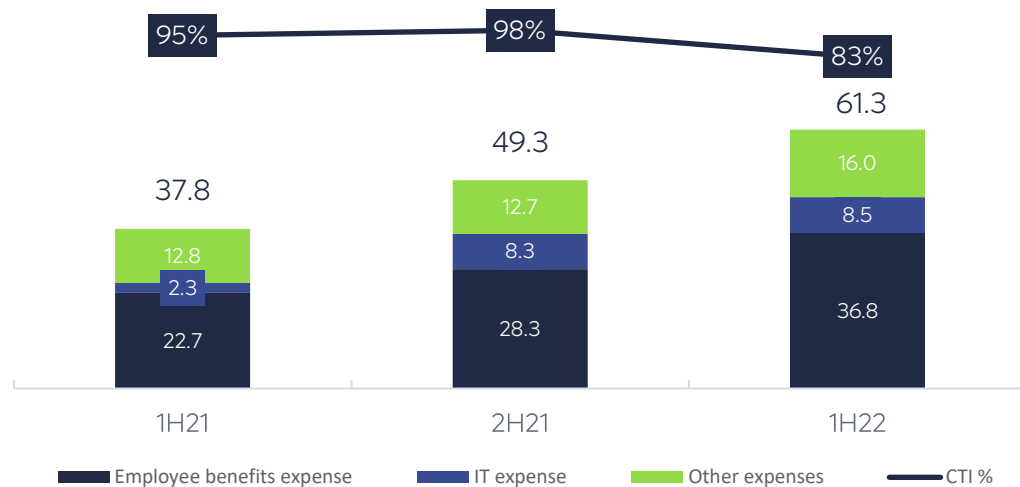


DPD & Impaired Assets (% GLA)

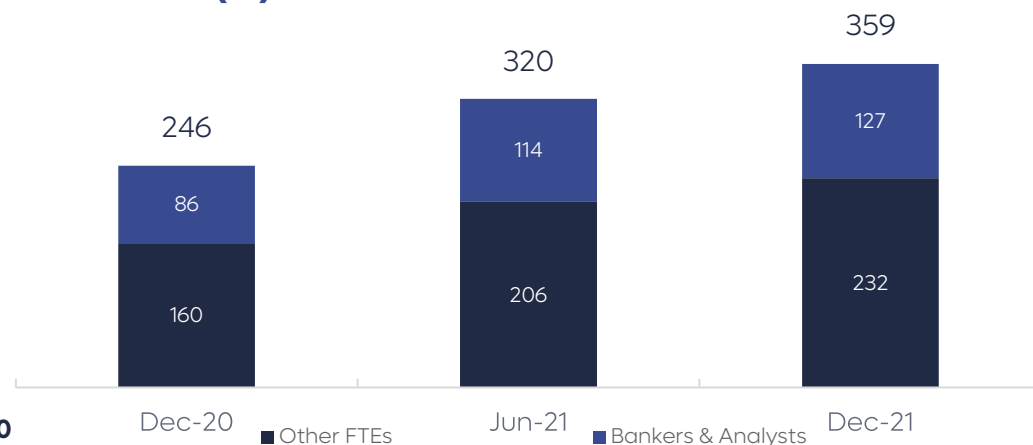


Operating expenses.

Pro Forma Operating Expenses (\$m)

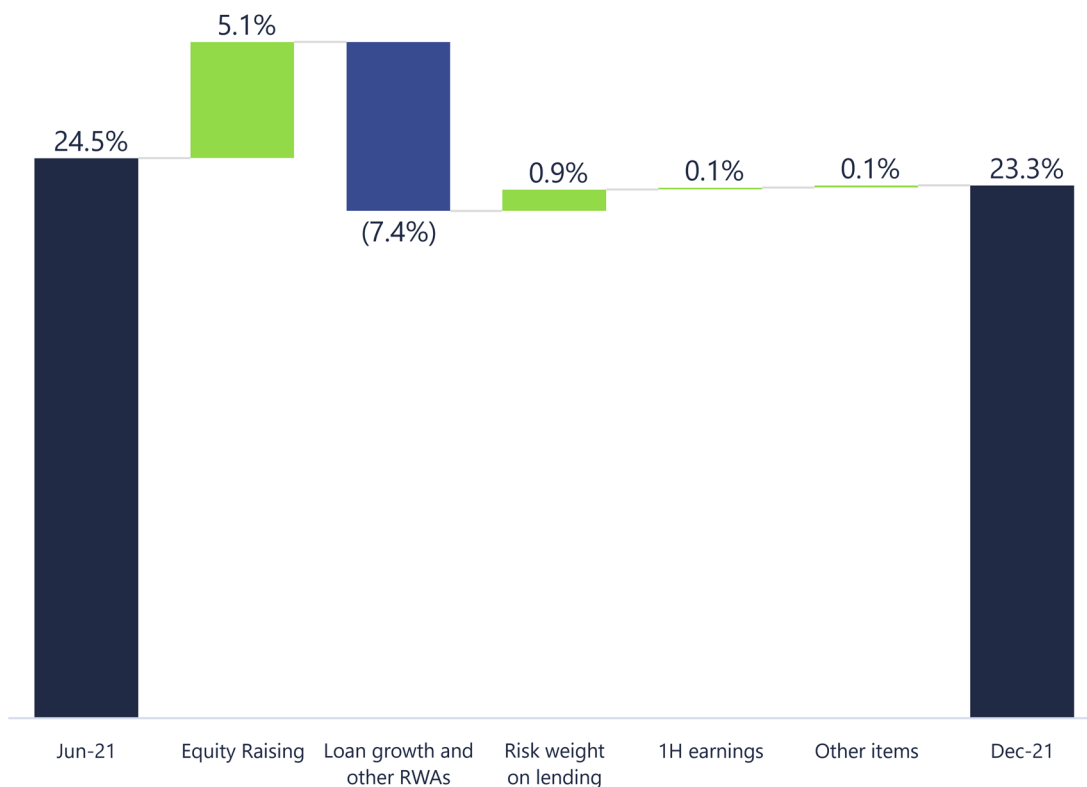


Total FTEs (#)



- Increase in expenses primarily driven by recruitment
- 48% growth in relationship bankers and analysts over last 12 months
- IT expense growing moderately as benefit of cloud-based technology
- Capitalised project costs running moderately below budget as projects continue to ramp up
- FY22 expenses to be above prospectus, due to employee performance payments from revenue outperformance

CET1 Waterfall – June 2021 vs December 2021 (%)



CET 1 Ratio

- **Equity raising** includes capital raised at IPO and \$20m received in July 2021 as part of Judo’s final pre IPO equity raising.
- **Loan growth + other RWAs** includes lending exposure growth
- **Risk weight on lending** fell from 92% at June 2021 to 88% at December 2021, and below the prospectus forecast for 91% at end of FY22.

Capital Outlook

- **Risk weight on lending expected to continue to reduce:** tailwinds from SME Recovery Loan Scheme. Further reduction in risk weighting is anticipated from the introduction of APRA’s revised capital framework.

Conclusion & Outlook.

Joseph Healy

Chief Executive Officer

Judo's purpose is to be the most trusted SME bank in Australia

- Our organisational architecture has been built to deliver our purpose
- We have hand chosen our people, who are passionate about supporting SME businesses
- The Company is founder-led, with founder involvement at Board and management level
- We operate with an owner's mindset; equity ownership is a key remuneration principle



Experienced management team.

Diverse and credentialed business banking professionals with deep domain expertise



Joseph Healy
CEO

- 35+ years experience
- Previously Group Executive of Business Banking at NAB
- Executive positions at ANZ, CIBC, Citibank, Lloyds



Chris Bayliss
Deputy CEO & CFO

- 35+ years experience
- Executive positions at Standard Chartered Bank, NAB, BNZ, Clydesdale Bank, Yorkshire Bank



Megan Collins
Chief People & Culture Officer

- 22+ years experience
- Prior roles at Treasury Wine Estates, GE Capital, NAB



Lisa Frazier
Chief Operating Officer

- 25+ years experience
- Prior roles at Wells Fargo, CBA, McKinsey & Company, various San Francisco based FinTech Startups



Yien Hong
General Counsel & Co-Sec

- 20+ years experience
- Prior roles at Deutsche Bank, NAB, Growthpoint Properties Australia



Angelo Manos
Chief Relationship Officer

- 27+ years experience
- Prior roles at ANZ as GM Commercial Broker Group, State GM Business Banking



George Obeid
Chief Third Party Officer

- 20+ years experience
- Prior roles at ANZ
- President of MFAA Equipment & Commercial Forum



Kevin Ramsdale
Chief Marketing Officer

- 25+ years experience
- Prior roles at RACV, JB Hi-Fi, NAB, Bupa, Ford Motor Company



Frank Versace
Chief Risk Officer

- 20+ years experience
- Prior roles at ANZ and Macquarie

• Areas of focus.



Launch specialist propositions in Health and Agri sectors and further footprint expansion



Extend suite of SME banking products



Drive recruitment of bankers and technology specialists



Increase proportion of directly originated lending AND increase penetration of broker channel



Develop new deposit products and expand non-deposit funding program



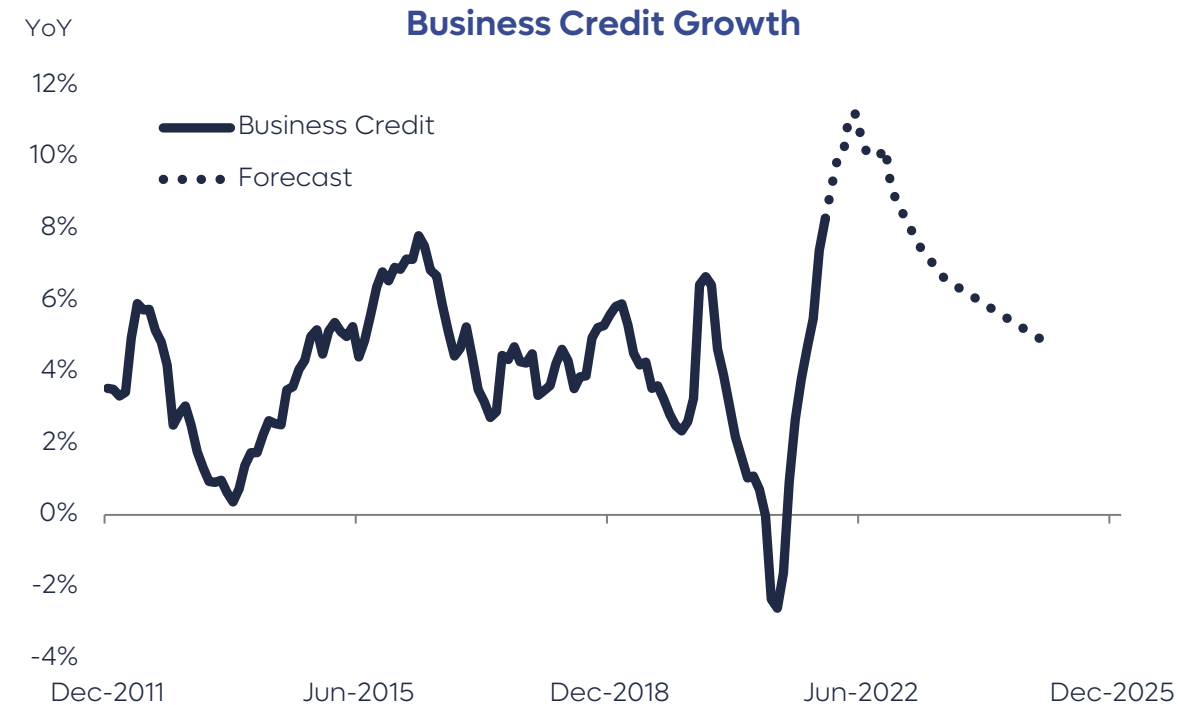
Invest in technology delivery capability



Positive outlook for business credit growth.

- 2022 system credit growth is forecast to be 7.3%, driven by business credit hitting a 14 year high, the strongest since 2008
 - Business credit growth is expected to reach a high point of 8.7% in 2022 before slowing to 6.2% in 2023 and 4.9% in 2024
 - Business credit outstanding is expected to increase by \$93 billion in 2022 and \$72 billion in 2023.
- Judo’s \$605 billion TAM¹ assumed no system growth
- Judo’s at-scale loan book aspiration of \$15-20 billion implies market share of less than 3%

| Growth YoY% | 2012-19 (avg) | 2020 | 2021 | 2022F | 2023F |
|-----------------|---------------|------|------|-------|-------|
| System | 4.6% | 2.0% | 7.2% | 7.3% | 5.3% |
| Business | 4.1% | 1.1% | 8.4% | 8.7% | 6.2% |



• FY22 outlook.

- Judo has strong momentum across all aspects of the business
- Positive outlook for business credit growth; significant leverage to rising interest rates
- We are confident of achieving FY22 GLA target of \$6.0 billion
- We expect to modestly exceed prospectus FY22 revenue and profit forecasts
- Strong capital position is sufficient to fund current organic growth plans



Conclusion.

Judo's strategy remains unchanged

- We have a clear purpose: to be the most trusted SME business bank in Australia
- We are a unique pure-play SME bank; we believe specialists outperform generalists
- Judo has a unique customer value proposition that sets it apart from competitors
- Judo's challenger culture continues to attract top talent
- Our clear set of priorities will drive growth within risk appetite
- We remain confident in achieving the 'at-scale' metrics



Questions.

Appendix.

Pro forma income statement.

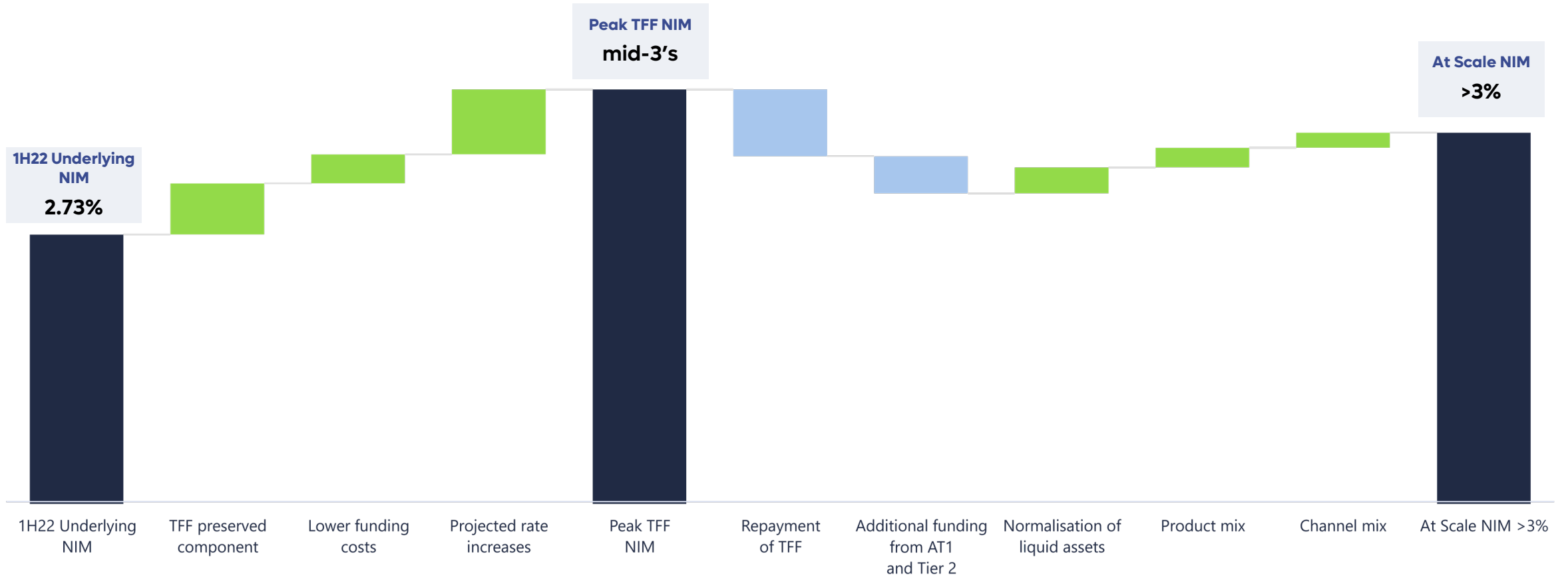
| AUD, \$m | 1H22 | 2H21 | 1H21 |
|--|---------------|---------------|---------------|
| Net interest income | 73.5 | 49.5 | 35.0 |
| Other operating income | 0.4 | 0.6 | 4.7 |
| Net banking income | 73.9 | 50.1 | 39.7 |
| Employee benefits expense | (36.8) | (28.3) | (22.7) |
| Other expenses | (24.5) | (21.0) | (15.1) |
| Total operating expenses | (61.3) | (49.3) | (37.8) |
| Net profit / (loss) before impairment | 12.6 | 0.8 | 1.9 |
| Impairments | (9.6) | (1.5) | (8.5) |
| Net profit / (loss) before tax | 3.0 | (0.7) | (6.6) |
| Income tax expense | (2.3) | 2.0 | 0.1 |
| Profit / (loss) after tax | 0.7 | 1.3 | (6.5) |

Statutory to pro forma NPAT reconciliation.

| AUD, \$m | 1H22 | 2H21 | 1H21 |
|---|---------------|-------------|--------------|
| Statutory net banking income | 73.9 | 50.1 | 39.7 |
| Pro forma net banking income | 73.9 | 50.1 | 39.7 |
| Statutory profit/(loss) after tax | (16.1) | 1.9 | 26.8 |
| Transaction and other related costs of the Offer expensed | 23.0 | 1.3 | 0.0 |
| Public company costs | (1.1) | (2.1) | (2.1) |
| Existing Performance Rights triggered by the Offer | 1.7 | 0.0 | 0.0 |
| Cost of post-Listing employee incentive plans | (0.8) | 0.0 | 0.0 |
| Tax effect of above adjustments | (6.0) | 0.2 | 0.6 |
| Re-allocation of tax losses recognised in FY21 | 0.0 | 0.0 | (31.8) |
| Pro forma profit/(loss) after tax | 0.7 | 1.3 | (6.5) |

Peak TFF NIM and at-scale NIM.

Evolution of NIM to Peak TFF NIM and at-scale NIM



• Important Information.

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