judobank

Annual Report

2022

Boldly backing business.

Appendix 4E.

Appendix 4E – Statutory profit results

Reporting period	
Reporting period – twelve months ended:	30 June 2022
Previous corresponding period – twelve months ended:	30 June 2021

Results for announcement to the market	Direction	%		$m
Statutory Operating Income from Ordinary Activities	up	71%	to	225.1
Statutory Profit from Ordinary Activities attributable to Shareholders	down	(127%)	to	(7.7)
Statutory Profit attributable to Shareholders	down	(127%)	to	(7.7)

Dividends

The Group does not propose to pay interim or final dividends for the reporting period ended 30 June 2022.

Net tangible assets per ordinary share	Jun 22	Jun 21
Net tangible assets per share	$1.25	$1.32

Number of ordinary shares	Jun 22	Jun 21
Average number of ordinary shares	1,006,522,485	637,349,044
Number of ordinary shares (end of period)	1,105,519,872	801,375,657

This annual report is based on accounts which have been audited.

Contents.

We acknowledge the Traditional Owners and Custodians of the lands on which we live, work and gather, and acknowledge their rich culture and continuing connection to land, waters and community. We pay our respects to all our First Nations peoples, to their cultures and their Elders, past and present.

Reporting Suite.

Welcome to our inaugural annual report.

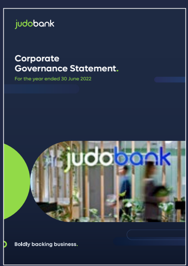
About this report

Judo Bank Pty Ltd is an authorised deposit-taking institution (ADI) that is regulated by the Australian Prudential Regulation Authority (APRA). It is a subsidiary of Judo Capital Holdings Limited ABN 71 612 862 727 (JCHL), which is listed on the Australian Securities Exchange (ASX) under the ASX code 'JDO'. JCHL is regulated by APRA as a non-operating holding company (NOHC) of an ADI. Throughout this annual report (Report), references to 'Judo Bank' or 'Judo' should be taken to mean JCHL and its controlled entities, unless otherwise stated.

This year's Report includes details of Judo Bank's purpose and values, FY22 highlights and strategic priorities, audited financial statements and other statutory disclosures. Unless otherwise stated, the Report encompasses all Judo Bank activities for the financial year starting 1 July 2021 and ending 30 June 2022. All monetary values in this document are presented in Australian dollars, which is Judo Bank's functional currency.

Other documents in our 2022 reporting suite

Judo Bank produces a range of reports designed to meet the evolving expectations of diverse stakeholder groups. Our 2022 annual reporting suite also includes the following documents, which are available on our website:



We are continually seeking to improve our reporting suite and welcome your feedback. Please address any questions, comments or suggestions to investor@judo.bank.

Important Notice

The material in the Report is provided by Judo Capital Holdings Limited ABN 71 612 862 727 and its controlled entities (variously, "Judo Bank", "Judo", "us", "we" or "our"), contains general background information and is current as at 25 August 2022. It is information given in summary form only and does not purport to be complete. It does not constitute personal, legal, investment, taxation, accounting or financial product advice, has been prepared as general information only, and does not take into account your personal circumstances, investment objectives, financial situation, tax position or particular needs. Having regard to those matters, please consider the appropriateness of the information before acting on it and seek professional advice. No information herein constitutes an offer, solicitation or invitation to apply for securities, or any other financial product or service, or to engage in any investment activity. This Report contains statements that are, or may be deemed to be, forward-looking statements. To the extent the information may constitute forward-looking statements, it reflects Judo's intent, belief or current expectations 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 statement will actually occur. Subject to any continuing obligations under applicable law, we expressly disclaim any obligation to provide any updates or revisions to any forward-looking statements in this Report to reflect events or circumstances after the above date. There are a number of other important factors that could cause actual results to differ materially from those set out in this Report, including the risks and uncertainties associated with the ongoing impacts of COVID-19.


THIS IS JUDO
OUR PURPOSE...
TO BE THE most trusted
SME BUSINESS BANK in AUSTRALIA
MIGRANT MINDSET
ENERGY/ ATTITUDE
DECISIVE
INQUISITIVE
COURAGEOUS
HUNGRY
PASSIONATE
RESILIENT
ADAPTIVE
OUR VALUES
TRUST
TEAMWORK
ACCOUNTABILITY
PERFORMANCE

Our Purpose.

To be the most trusted SME business bank in Australia.

Mani Vogt and Ben Noble,
Owners of SKØL Bar & Eatery

About Us.

Judo Bank is Australia's only purpose-built challenger business bank, dedicated to boldly backing SMEs.

Who we are

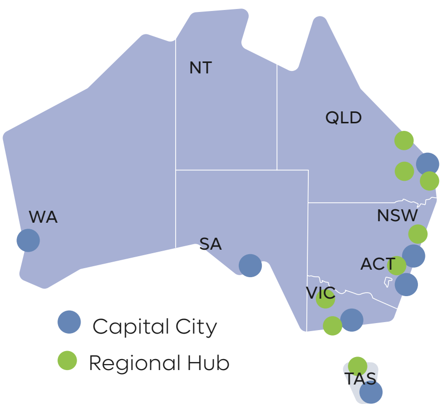
As a unique, pure-play small and medium enterprise (SME) business lender, we are committed to the craft of SME banking to support the businesses that represent the engine room of the Australian economy.

We believe that each SME is different, and that each deserves a relationship with its bank that is built on a deep understanding of its business, as well as on professionalism, trust and exceptional customer service. Things that have been lacking in the banking industry for decades.

We have long felt that SMEs were being left behind, or taken for granted, by the rest of the industry, which has prioritised mortgage lending, industrialised its operating models and fundamentally diminished its relationship proposition in a market with no real competition.

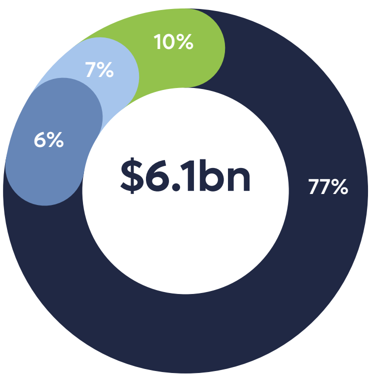
Our purpose is simple – to be the most trusted SME business bank in Australia. Not the biggest, but the best, with a vision of building a world-class SME business bank.

15 locations across Australia



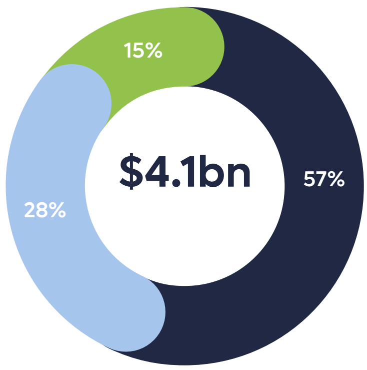
Lending and deposits

Loan Book



- Business Loans
- Asset Finance
- Line of Credit
- Home Loans

Term Deposits



- Direct Retail
- Intermediated SMSF/Retail
- Intermediated Middle Markets

Awards

mozo EXPERTS CHOICE AWARD 2022 TERM DEPOSIT

CANSTAR BANK OF THE YEAR 2022 TERM DEPOSITS

RateCity Gold Award 2022 Best Term Deposit 12 Months 50k

We are proud to be a founder-led organisation with high levels of equity ownership, underpinning a strong owner's mindset, with a challenger culture.

Our values

Key business metrics at scale

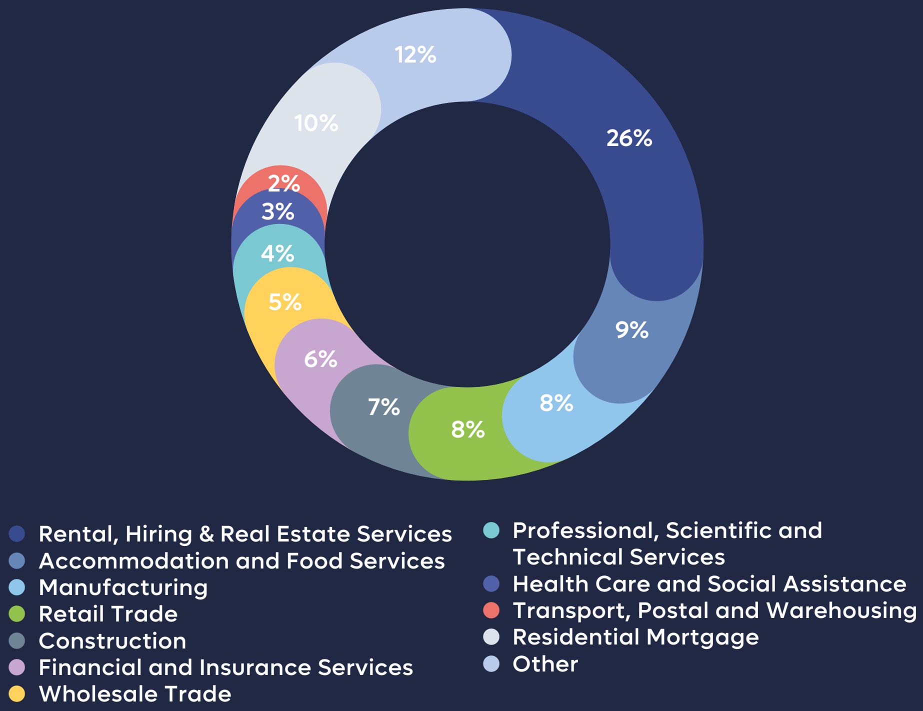
As we continue to build our footprint and operations, we are focused on achieving our key business metrics at scale, which will position Judo as a world-class SME business bank.

Key Business Metric	Description	At-scale Metrics
Lending portfolio	Continued growth in lending portfolio to reach ~3% market share.	$15 billion to $20 billion
Net Interest Margin	Expansion in net interest margin (NIM) to reflect our customer value proposition, unique lending model, investment-grade credit rating and sophisticated funding channels.	>3%
Cost-to-income ratio	Focus on business efficiency, enabled by significant operating leverage from our technology platform and branchless network.	Approaching 30%
Cost of risk (per annum)[1]	Conservative cost of risk estimates compared to historical performance in the business segment over the past 30 years.	~0.5%
Return on equity	Capital efficiency is supported by the performance goals above.	Low to mid-teens

Loan book comparison by industry

Judo's loan portfolio is diversified across industries and geographies, with 41% in New South Wales, 34% in Victoria, 14% in Queensland, 8% in Western Australia and 3% in other states and territories.

Judo's loan portfolio broadly mirrors the overall lending in the SME sector, with the exception of mining and property development which are sectors Judo has not lent to. Judo has only recently begun lending to the agricultural sector, and therefore lending to this sector was negligible at 30 June 2022.



1 *Defined as impairment expense on loans, advances and treasury investments (Cost of risk). Calculated based on average Gross Loans and Advances (GLA).*

Key Highlights.

Throughout the year, we have remained focused on delivering our FY22 Prospectus metrics, a key milestone on the path towards achieving our key business metrics at scale.

Financials

Pro forma profit before tax[1]
$15.6 MILLION

Statutory net profit/(loss) after tax
$(7.7) MILLION

Loan book
$6.1 BILLION

Lending growth
$2.6 BILLION

Cost of risk (per annum)[2]
0.5%

Deposits
$4.1 BILLION

Underlying NIM[3]
2.79%

Common equity tier 1 capital
$1.3 BILLION

ASX debut
NOVEMBER 2021

S&P investment grade credit rating

Inaugural senior unsecured debt instrument and NCD issue
$80 MILLION / $332 MILLION

1 A reconciliation between pro forma and statutory results is included in the Financial Performance section of this report (section 2.1).
2 Defined as impairment expense on loans, advances, and treasury investments. Calculated based on average GLA.
3 Underlying NIM is net interest margin adjusted to remove the temporary impacts of excess liquid assets attributable to Judo's Term Funding Facility (TFF) preservation strategy (further discussed in the Financial Performance section of this report (section 2.3).

Customers

SME customers
as at June 2022

2,763

Industry-leading net promoter score[4]

+78

Deposit customers
as at June 2022

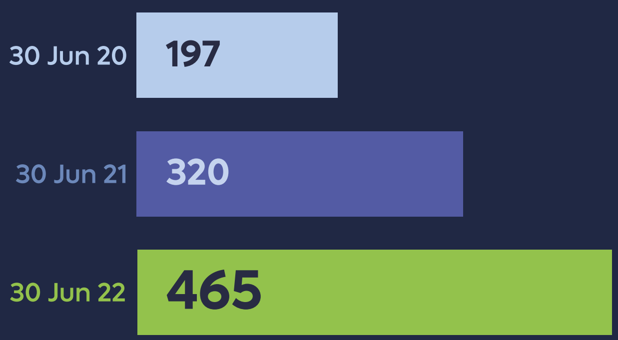
19,212

Accredited third-party brokers

1,000

People

FTE employees (#)



Workforce

4 *As at 30 June 2022, measured on the average onboarding NPS for the prior twelve months.*

Chair’s Review.

Our full-year results reflect the success of Judo’s transition to being a publicly listed company, and the great momentum the business has towards delivering on its key strategic commitments and continued growth.

Judo has finished the year a larger and more resilient bank, with a clear strategy to scale and thus cement a solid position in the Australian banking landscape.

These pleasing results confirm that the initial thesis we set five years ago is absolutely resonating with our customers. We believe that the simplicity of our strategy – to bring back the craft of relationship banking and focus on SME specialisation – is absolutely right.

There is no denying that the uncertain economic environment continues to challenge SMEs, and we are conscious of headwinds for some businesses in the continuing pandemic. However, set against this, we are cautiously optimistic about our performance in this environment, and the ability for our specialist model to thrive. Judo’s relationship-led model continues to prove a clear competitive advantage in uncertain times. In fact, the past years have reinforced the growing need our customers have for a human-centric approach to lending. Now, more than ever, the direct relationships our bankers have with our SME customers, and the in-depth knowledge this brings to their businesses, has proved vital as they adapt to the challenges and opportunities facing them. Our business model also allows us to offer highly attractive Term Deposit rates, and I’m pleased that we have been able to reward our Term Deposit customers accordingly.

Underpinning our strong growth is a management team with deep sector expertise, and an organisational culture of robust risk management that is entrenched in everything we do. Throughout the listing process, we undertook extensive due diligence, and sought at all times to comply with the rigorous requirements set by our regulators. The resulting strengthened governance framework is now well embedded across the organisation from the Board down.

We are building a team that is passionate about working with and supporting the SME economy. Although we are a young organisation, we understand our social responsibility, and recognise the vital role we play in supporting the Australian economy, our employees, our customers, our stakeholders – and the communities we live and work in – to grow and thrive.

We still have a lot to do. However, we've created solid foundations for growth, and we believe we have the right team and culture to deliver our strategy and build for the long term. I'm very proud of the contribution we are making, and the competition we have brought, to the SME sector in Australia.

I extend my thanks to my fellow Directors, our customers and stakeholders, and the whole Judo team for another extraordinary year for Judo. On behalf of the Board, I thank our shareholders for their ongoing support.

Peter Hodgson
Chair of the Board

"We've created solid foundations for growth, and we believe we have the right team and culture to deliver our strategy and build for the long term."

CEO's Review.

Judo is a unique, pure-play business bank dedicated to servicing SMEs.

Our purpose is to be the most trusted SME business bank in Australia. Not the biggest, but the best. We truly are one of a kind – there is no other bank that looks like us, either in Australia or overseas, and our vision is to be world class.

The past year has been transformational for our company. We successfully completed our initial public offering (IPO) and listed on the ASX in November 2021. In doing so, we became the first fully licensed commercial bank to list in Australia in more than 30 years, since the Commonwealth Bank of Australia listed in 1991.

As part of the IPO, our Prospectus included targets for the financial year ending 30 June 2022 (FY22). I am pleased to say that we have exceeded all our FY22 Prospectus targets, and we remain on track to achieve our medium-term aspiration to become a scale player in Australian banking.

In FY22, we also passed the important milestone of becoming profitable on a pro forma basis. This is a remarkable achievement as there are no other examples, globally, of a new bank going from a PowerPoint presentation to sustainable operational profitability within five years. Scale is now our best friend, and we believe that our profitability will improve significantly as we continue to grow our loan book.

As we have grown, we also have been mindful of the pitfalls that have undermined other fast-growing banks in the past, including inadequate funding and poor risk management.

From the beginning, we have avoided reliance on short-term funding, building a stable funding base consisting largely of long-dated Term Deposits. As SME lending delivers superior gross margins compared to consumer and corporate lending, we have more headroom to provide attractive Term Deposit rates, while maintaining our net interest margins. This is a significant, and sustainable, competitive advantage.

A robust risk appetite strategy also informs our business strategy (not the other way round) and incorporates the cumulative commercial banking expertise of our leadership team, which is close to 200 years in aggregate. Few banks can boast the same depth and breadth of relevant industry experience at the leadership level. It is a leadership team that sees banking as, fundamentally, the business of risk management.

Why we exist and the power of specialisation

Judo was conceived in 2016 in response to a market failure in the provision of credit to SMEs.

Countless customer satisfaction surveys provided proof of how poorly the banks were treating SME customers. The banking industry has prioritised mortgage lending, industrialised its operating models, and intentionally wound down relationship-based SME lending in a market with no real competition. As SME bankers have been progressively deskilled, frontline bankers with experience and authority have been replaced by sales teams and remote credit decisioning. We see this in our recruitment, where more than half the bankers who apply for jobs at Judo fail our credit exams.

As specialists in SME lending, our model is based on recruiting from among the best relationship bankers in the market and empowering them to provide sustainably better service to our customers. Our relationship bankers are supported by cloud-native technology that enables them to maximise the time they can spend with customers, build a deep understanding of their business, and forge lasting relationships. Our focus on our customers is evidenced by our market-leading Net Promoter Score (NPS) of +78 in an industry where these scores are usually negative.

Judo's unique model appeals to relationship bankers with a passion for SMEs. Our owner's mindset, and resulting strong equity culture, mean that our people contribute to the direction of the business, rather than being a small cog in a big machine. Our relationship bankers also have team-based targets, instead of individual sales targets, resulting in a genuinely collegiate and high-engagement approach to managing the business.

We strongly believe that our business philosophy, organisational model and culture represent a material competitive advantage that is difficult to replicate and will translate to sustainably superior customer outcomes and superior economics.

Outlook

We are enormously proud of our success to date but are by no means complacent. While the operating environment remains broadly positive as the economy bounces back from COVID-19, there are storm clouds on the horizon. Rising inflation and interest rates, combined with significant levels of household leverage, are a potent mix.

Despite the challenges, our customers largely remain in robust financial shape. SMEs are resilient and have proven their ability to adapt to changing circumstances through many cycles. Recent discussions between our relationship bankers and our customers have highlighted that Australian SMEs are proactively responding to market conditions by adjusting prices and restructuring their supply chains.

The Judo management team is alive to the risks for the economy and remains extremely positive about the outlook for our business, and the opportunities that exist in the SME economy.

We believe our relationship-based model positions us well to navigate turbulent times and outperform in a downturn. Our relationship bankers maintain small portfolios of customers, which means they can work closely together to navigate emerging challenges. We also have the capacity in our relationship teams to capitalise on opportunities when the operating environment improves.

Further, our judgement-based lending model, and our unwavering emphasis on the '4 Cs' of credit – Character, Capacity/Cash flow, Capital and Collateral – means that we place greater emphasis on the outlook for an SME, rather than relying on backward-looking historical financials. We believe our robust credit assessment processes enable us to select the right customers to do business with – experienced and successful operators who will be better positioned to withstand any stress that may emerge.

The fundamental limitations of the incumbent banks, which led to the inception of Judo, remain as true today as they did six years ago, and are unlikely to change. We view the incumbents in the industry as being on a path-dependent course, where their 'cultural concrete' is well and truly set, making fundamental change difficult. We also believe that if the economy deteriorates, this will likely lead to even greater restriction of credit to SMEs by the incumbents. Conversely, this will create an opportunity for Judo to grow, as it did at the onset of COVID-19 and throughout the pandemic.

We believe that now, more than ever, is the time we must boldly back SMEs, the millions of people they employ, and the vital contributions they make to the fabric of our communities, which extend far beyond the financial. In this context, we remain focused on our purpose – to be the most trusted SME business bank in Australia – and our vision – building a world-class SME business bank.

Joseph Healy
Chief Executive Officer

Relationship.

Relationship.

Judo's relationship-centric approach to lending is at the core of how we seek to deliver on our purpose to be the most trusted SME business bank in Australia.

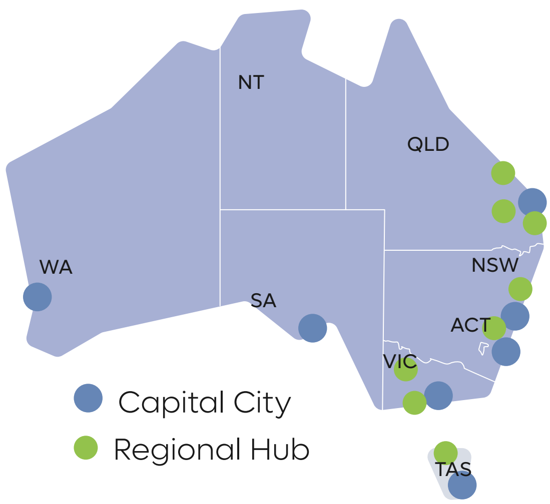
From the outset, we have sought to bring our purpose to life by bringing back the craft of relationship banking to the SME sector. We do this via highly experienced relationship bankers, who can make tailored, judgement-based lending decisions that will help support, build and grow Australian SME businesses.

FY22 highlights

- We expanded our national representation to 15 locations, opening new offices in Bendigo, Parramatta and Toowoomba.
- We grew lending by $2.6 billion to $6.1 billion, representing 73% growth over FY21 and exceeding our Prospectus forecast.
- We opened two new specialisations in the Agriculture and Health sectors. These sectors represent 17% of the SME economy, expanding the total addressable market available to Judo in a way that aligns with our broadening appetite.
- We accelerated banker recruitment, pulling ahead of Prospectus forecast, with 115 relationship bankers on board at the end of FY22.
- We increased relationships with broker networks by 243 to 1,000 hand-picked, specialist commercial brokers nationally.
- We maintained a high customer NPS[1] of +78 in a sector that experiences largely negative scores.

Our growth strategy is focused on industries, geographies and channels

1. Opening of two new specialisations – Agriculture and Health
2. Continued geographic expansion into regional hubs
3. 1,000 hand-picked specialist commercial brokers



1 *As at 30 June 2022, measured on the average onboarding NPS for the prior twelve months.*

Relationship.

Our approach

Judo is Australia's only purpose-built challenger business bank, dedicated to boldly backing SMEs, with a relationship-centric approach to lending at the core of how we deliver lending solutions for SMEs. We pride ourselves on our ability to see and understand the business opportunities and potential, that our customers see.

We believe that each SME is unique, and that each deserves a relationship with its bank that is built on a deep understanding of its business, and on professionalism, trust and exceptional customer service. Something that has been lacking in the banking industry for decades.

Relationship led

Consistent personalised service with highly capable, empowered and experienced relationship bankers.

SME customers have a consistent, ongoing and accessible relationship with their Judo relationship banker.

Proactive engagement and focus on value-add interactions.

Judgement lending

Highly capable and empowered bankers and risk executives exercising judgement for the specific circumstances of each customer.

Risk approach allows each customer to tell their unique story and structuring appropriate to each profile.

Speed to market

Streamlined lending origination, combined with effective approval and credit processes delivering efficient turnaround times.

In-market credit decisioning teams ensure that customers always have direct access to decision makers.

Accredited broker network acts as an extension of our value proposition.

Judo is proudly a specialist SME business bank. We believe in the power of specialisation to deliver better outcomes for customers and outperform the competition. Accordingly, our purpose-built service proposition stands in contrast to most other lenders that remain focused on a volume-oriented approach, with a one-size-fits-all approach to customer engagement and industrialised approach to credit risk assessment.

Core to our approach is seeking to employ the best relationship bankers in the industry; experienced bankers skilled in the craft of relationship banking, who are focused on supporting SME businesses to scale and grow. We have a bespoke banker value proposition, which is key to attracting and retaining some of the best talent in the industry.

Banker Value Proposition

Banker empowerment	Bankers apply the 4 Cs of credit to make decisions based on judgement	**Owner's mindset**	We recruit top talent and continue to invest in development to improve decision-making	**Team incentives**
Judo bankers are empowered to make decisions and give the customer confidence	**Applying judgement**	Strong equity culture means bankers are able to contribute to the direction of the business	**Training and development**	Team-based target (vs individual performance) in order to maximise every banker's strengths

Our Banker Value Proposition has been designed to attract, retain and develop the best talent.

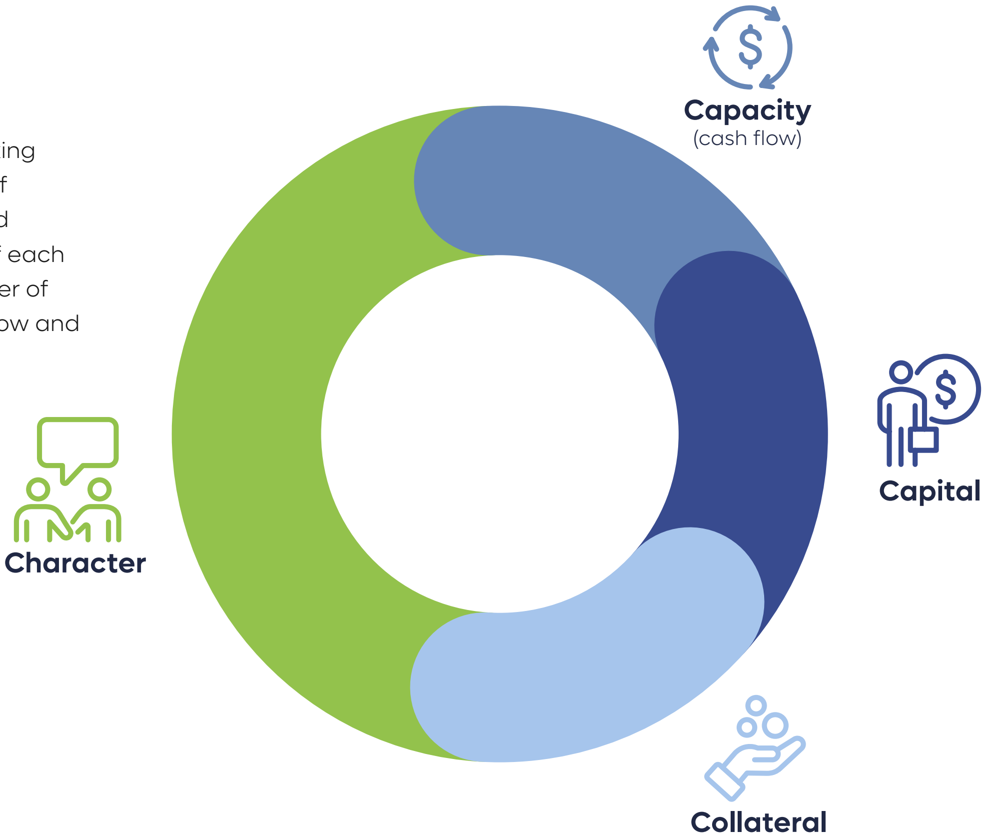
Relationship.

Unique risk culture

Underpinning our approach to lending, we have a unique risk culture, designed specifically to deliver on our purpose of being the most trusted SME business bank in Australia. Judo's systems and processes, models and policies, recruitment and training programs are all purpose-built for a specialist SME business bank.

4 Cs of credit

Judo is bringing back the fundamentals of business banking with an emphasis on the 4 Cs of credit to facilitate a deeper and more tailored understanding of each business, including the character of the principals, and their cash flow and capital needs.



Our approach to credit risk is founded on the basis that SMEs are all different. Judo's approach to assessing loan applications anticipates the possibility of risks emerging in multiple areas in an SME's business and operating environment. Judo assesses loans using the 4 Cs approach, consisting of *Character, Capacity, Capital* and *Collateral*, in that order.

Character is the first and most important aspect, which includes a detailed analysis of management's capability, its track record of navigating economic cycles and experience of business planning and risk analysis in its own business.

Capacity focuses on stability of earnings. Judo does not assume that historical financials are the best starting point for understanding the outlook for an SME. We adjust for one-off factors, new contracts and revenue streams, and think about potential variables for the outlook.

Capital assesses the business' ability to absorb a negative shock and a prudent level of capital that the business owners should contribute to a transaction.

Collateral is often assessed first by other lenders with industrialised processes, which rely on external security instead of analysis and understanding of an SME borrower. Judo's relationship bankers assess a broader set of business attributes and, we believe, can therefore provide more appropriate loan structures.

Judo's approach to assessing transactional credit risk allows for judgement. Complementing this approach, Judo also adopts a rigid framework for managing portfolio concentration risks. We maintain strict limits for geographies, industries and asset classes.

In aggregate, Judo's specialisation in SME lending, adoption of judgement-based lending, emphasis on employing experienced relationship bankers and credit risk executives, and robust framework to manage concentration risk, combine to create an approach that, we believe, delivers superior risk outcomes and a superior customer proposition.

Employee Spotlight.

Elizabeth Vu and the J-Factor Program

With a focus on personal development, Elizabeth was striving to get more out of her role at the previous bank where she was working. But despite hard work and ambition, she met with a slew of obstacles, hiring freezes and a low-support environment to support her individual growth.

Elizabeth was frustrated with the ongoing bureaucracy and decided to explore new opportunities. During this search, she found out that one of the Managing Partners was leaving. Although he wouldn't be able to help her find a new role internally, Elizabeth approached him to ask where he was moving to.

> "It doesn't feel like there is gatekeeping of knowledge. If you ask, you get the results. If you put the effort in, you're rewarded."

He told her about his new role at a bank called Judo – a challenger bank uniquely positioned to help SMEs. Judo's purpose – to be Australia's most trusted SME business bank – resonated with Elizabeth, who had spent her childhood watching her entrepreneurial older brother struggle to fund various business ventures. She saw a future where she could achieve her personal career goals while also helping people like him.

Elizabeth, fuelled by a new vision for her career, wasted no time in asking about a role for herself at Judo and soon began the recruitment process. Within her first months at Judo, she discovered that her ambition was not only welcomed, but rewarded. Her new team had time for her questions, and the resources to collaborate. At Judo, her desire for personal development was supported by everyone around her.

'It doesn't feel like there is gatekeeping of knowledge. If you ask, you get the results. If you put the effort in, you're rewarded.'

She embraced Judo's team structure to take on more responsibilities outside her relationship analyst role. It didn't take long before an opportunity arose for her to progress into a relationship banker role.

Elizabeth now gets to build relationships with clients who are in the same position her brother was once in. Her brother's struggle to find his feet in business not only inspired her to help entrepreneurs like him, but also filled her with the courage to reach out to people, get out of her comfort zone and further her own development.

Funding.

Funding.

Judo's loan book growth is supported by well-diversified and sophisticated funding activities, that have continued to evolve, with new channels added over the year.

FY22 highlights

- Judo has attracted over $4 billion in Term Deposits with its award winning offering, including $1.5 billion in growth in FY22.
- Investment grade credit rating obtained from S&P Global Ratings supporting increased growth in wholesale Term Deposit channels, and the development of new funding channels through issuance of senior unsecured medium term notes and Negotiable Certificates of Deposits (NCDs).
- Increased hedging activity to manage interest rate volatility and provide increased certainty for net interest margins.
- Materially uplifted our Aaa-rated self-securitisation notes, which are backed by SME loans, to support total TFF funding of $1.5 billion as at 30 June 2022.
- Work is currently underway to significantly increase Judo's existing warehouse securitisation capacity as well as optimising the existing warehouse facilities.

Deposits

Term Deposits continue to be the cornerstone of Judo's funding strategy. Judo's retail Term Deposit offering has rapidly gained recognition in the market, winning several independent deposit industry awards. Judo has maintained a net promoter score for its Term Deposits well above industry averages, which supported improved new business and retention rates.

Judo grew its Term Deposit portfolio by $1.5 billion through FY22 via existing channels in addition to leveraging its investment grade credit rating to expand into new channels. Judo's specialist model enables it to provide increased deposit rates for customers in response to the Reserve Bank of Australia (RBA) increasing interest rates.

Judo will continue to expand its deposit offering to support the bank's funding strategy and long-run target for deposits to make up ~70% of funded assets. Initiatives to be delivered in early FY23 include expanding access to new parts of the deposit market, including SMSF and businesses. Technology initiatives will improve efficiency and customer experience, improving conversion and retention rates.

Awards

mozo EXPERTS CHOICE AWARD 2022 TERM DEPOSIT

CANSTAR BANK OF THE YEAR 2022 TERM DEPOSITS

RateCity Gold Award 2022 Best Term Deposit 12 Months 50k

Funding.

Treasury activities

Judo's Treasury activities continue to scale and evolve to support the growth in the loan book whilst maintaining strong liquidity levels. Over the last 12 months, Judo's funding mix has continued to diversify through a combination of Term Funding Facility (TFF) utilisation, the launch of NCDs and an inaugural senior unsecured bond private placement.

Utilisation of the TFF was $1.5 billion as at 30 June 2022 with an additional $1.3 billion preserved component for a total drawn amount of $2.9 billion. Commencement of repayment of the facility is expected in FY23, with the full drawn balance to be repaid by 30 June 2024.

In September 2021, Judo obtained an investment grade credit rating from S&P Global Ratings which further highlights the bank's strong capital position and experienced management team. This rating has helped to attract additional funding through Judo's various deposit channels and NCD program. The launch of Judo's NCD program in November 2021 has opened up access to a new and attractive source of wholesale funding, resulting in $332 million of new funding as at 30 June 2022.

Judo also issued its inaugural one-year senior unsecured bond in November 2021 via a private placement, raising $80 million of additional funding and further enhancing our presence in debt capital markets.

Judo is also in the process of agreeing commercial terms with additional financiers to further increase committed warehouse capacity. This will provide additional funding surety and optionality. In response to the increased volatility in the interest rate environment arising over the past year, Judo has been more active in hedging its interest rate risk. By entering 'receive fixed/pay floating' swaps, Judo has increased certainty of its net interest margins going forward.

Judo continues to be very well capitalised with a Common Equity Tier 1 (CET1) ratio of 20.5% and a Total Capital ratio of 21.9% as at 30 June 2022.

Overall, we are confident that the current and planned funding initiatives will provide sufficient support for Judo as the business continues to scale over the coming years.

Customer Spotlight

Woollahra Hotel.

The Woollahra Hotel is an iconic Sydney hotel, steeped in history with a strong community connection. The owners were seeking support from their bank to complete a significant refurbishment program, just prior to the COVID-19 pandemic outbreak.

Their bank at the time took the view that the hospitality sector had closed and given the uncertainty of the length of time of the shut-down and the effects on the broader economy, put their support on hold.

Partnering with Gordon Moy, a Judo Relationship Banker, changed this. Judo's relationship-led approach eliminated the transactional feeling of a lending partnership, removing barriers that SMEs are so familiar with. According to Alister Campbell, Executive Director of Woollahra Hotel and Bistro Moncur, Gordon fostered a deep understanding of the asset, industry and sector and, of course, boldly backed his vision.

With the support and financial backing of Judo, Alister now experiences the benefits of true relationship-based banking.

The Woollahra Hotel refurbishment has been successfully completed and reopened to the public, and has received commendations from established industry hoteliers, ex-owners and customers who have witnessed the hotel being brought back to its former glory and the business thrive through a highly challenging period.

"The relationship banking approach is at the heart of what we do. At Judo we have been able to see dreams become reality."

***Gordon Moy,
Relationship Banker
for Woollahra Hotel***

People and Culture.

People and Culture.

Throughout FY22, Judo made significant investments in our people to support the strong growth of the business. We continue to embed an owner's mindset and a challenger culture that is inclusive – where every team member across the business feels like they belong and can contribute to the success of Judo and our customers.

FY22 highlights

- We welcomed 145 new team members this year, including 28 relationship bankers and opened 3 new offices.
- We celebrated 48 internal promotions and career moves as part of our investment in developing and growing our people.
- We have women holding 31% of senior leadership roles* including on the Management Board (26% as of 30 September 2021) and 43% of Board positions (30% as of 30 September 2021).
- We further embedded our flexible working policy 'Flex@Judo', which supports a hybrid work model for our entire workforce. This has the benefits of improved wellbeing for our people, and a reduced carbon footprint and resource consumption in our offices.
- We strengthened our generous employee benefits program, 'Judo Perks', which includes two additional weeks of annual leave each financial year, additional paid leave such as volunteer days, 'big life event' leave and pandemic leave. It also includes an annual cash benefit to spend on family, community, health or personal development for all permanent employees.
- We launched 'Belong@Judo', our Inclusion, Equity and Diversity (IE&D) program and employee resource group.

* *Defined as employees who are members of the Senior Leadership Group (SLG), typically direct reports of all Management Board members who are in General Manager/Managing Director positions.*

Our unique culture

Our unique culture is foundational to our success. Judo's organisational architecture has been specifically designed to deliver on Judo's purpose of being the most trusted SME business bank in Australia. Our culture is underpinned by our core values of **accountability, performance, teamwork** and **trust**.

Judo is founder-led, with strong founder involvement at the Board and management levels. Judo has hand-selected people who are passionate about supporting SMEs, and we operate with an owner's mindset at all levels of the business. Equity ownership is a key remuneration principle.

We continue to use the Judo Employee Delight Index (JEDI) as our unique engagement tracking tool, measuring energy, mood and commitment weekly. JEDI tracks, in near real time, how our people are feeling and what actions and changes need to be made within the business and we continue to see high levels of employee engagement.

We invest in our people and strive to ensure team members, regardless of their role, have equal access to opportunities to achieve professional success. We are committed to nurturing an inclusive culture where everyone feels like they belong and can contribute to the success of Judo and our customers. And we are committed to ensuring our people are treated fairly, and with respect, and are free to bring their whole selves to work.

Judo U

One way in which we bring to life our culture is through Judo U. It is our promise to our people – it articulates what shapes their unique experience at Judo. Under three distinct pillars, U Grow, U Thrive and U Belong, Judo U sets out our key people initiatives and programs, and the ways we invest in our people, support them and help them to thrive. It also sets our strong commitment to organisational inclusion, equity and diversity.

judo U Putting U in Judo

Culture

Learning, Development and Career	Community, Well-being and Reward	Inclusion, Equity and Diversity
U grow	U thrive	U belong

Values

Accountability	Performance	Teamwork	Trust
Make the decision and own it. Keep your promises.	Make today better, stronger and faster than yesterday.	We're not a team of champions. We are a champion team.	The foundation of our purpose, the core of our relationships.

People and Culture.

U Grow

U Grow is all about learning and career development.

We believe that our banker value proposition sets us apart. By creating a bank where bankers want to work, we are able to hand-pick the best people, and those who are aligned to our purpose. All our relationship bankers must pass a credit test before we offer them a job. We lend differently, so we want to hire people who can think differently with a focus on character, as well as credit.

Judo continues to invest in several development programs for our people, including The J Factor, an internally designed training program to accelerate relationship analysts into banker roles, and KATA, a fully rounded leadership development program.

We also have multiple relationships with market-leading third parties, including Women in Banking and Finance, and a number of educational providers including the University of Sydney. As part of our ongoing commitment to the professional development of our relationship bankers, we continued our partnership with the Financial Services Institute of Australasia and the Chartered Banker Institute in the United Kingdom, to offer the Professional Banking and Fundamentals training program. Through these programs, we are moving from a 'buy' to a 'build' talent culture for our relationship teams, seeking to actively extend the time that people stay with Judo and progress their careers.

We have a strong leadership team, with deep domain experience and expertise in banking. We have considerable depth throughout the organisation and have an ongoing focus on succession planning across leadership roles.

We put a strong emphasis on compliance training throughout the business with 95% successfully completing training in FY22. We also continue to embed our Whistleblower Protection Policy, which sets out our commitment to creating and fostering an environment of honest and ethical behaviour, where individuals feel able to safely and confidentially report known, or suspected, business misconduct or wrongdoing without fear of reprisal or detrimental treatment. We conduct yearly whistleblower training for all team members across the business.

U Thrive

U Thrive sets out our commitment to supporting wellbeing, reward and our community.

One of our core remuneration principles is to drive a long-term equity mindset. We are committed to maintaining significant equity ownership among Judo employees.

All Judo employees who were permanent employees at 29 October 2021 (excluding Management Board members) were gifted shares as part of our IPO, and employees were also given the opportunity to purchase shares at a discounted price.

As detailed in the Remuneration Report, our executive remuneration strategy has been designed with our values of *Accountability*, *Performance*, *Teamwork* and *Trust* at its core, with incentive programs designed to align to long-term shareholder returns. Our annual short-term incentive (STI) program, Judo Grows, is extended to all permanent Judo employees and is designed without individual performance differentiation, while promoting behavioural outcomes through risk, conduct and values requirements. This unique program fosters teamwork and collaboration, and enables a focus on holistic performance outcomes across key risk, customer, cultural and stakeholder measures.

We continue to recognise our people via Judo Masters, which celebrates our team members for their commitment to our values. We will also continue to present our annual Tracey Plowman Award in honour of an exemplary employee who passed away in 2020. Nominations for this award are considered against the values of authenticity, resilience and care.

The health and wellbeing of Judo's people is a top priority. Throughout FY22, Judo delivered programs and initiatives to foster a collaborative and connected organisation and promote social activities. Our 'Flex@Judo' policy supports our people to live their best lives and ensures they have the option to work in a flexible way.

U Belong

U Belong represents our belief that embracing and celebrating our individual differences makes us collectively stronger. We actively encourage diversity of people, experience and thought.

During FY22, we built out our IE&D policy and strategy. We released our first public statement about our IE&D values and commitments in our IPO Prospectus. Through consultation with 70 Judo team members from a cross-section of teams, backgrounds and age groups, we began identifying our IE&D strategic priorities that align with our purpose of becoming the most trusted SME business bank in Australia.

In partnership with our people, we defined three strategic IE&D pillars and actionable priorities for FY23.

1. To attract, celebrate and keep diverse talent

2. To nurture an inclusive culture where everyone belongs

3. To become the most trusted employer in Australian banking

In FY22, we celebrated International Women's Day and Pride Month, and acknowledged National Reconciliation Week, including by providing educational resources to team members for these events.

We have also agreed measurable objectives for gender diversity by the end of FY26:

- 40% women
- 40% men
- 20% open*.

** Open is defined as non-gender specific, and could include women, men, non-binary, intersex or gender-diverse identities.*

These targets are set across the entire Judo workforce, including people leadership roles, senior leadership roles (including the Management Board) and the Board.

As at 30 June 2022, women accounted for 37% of Judo's entire workforce.

In FY21 and FY22, we submitted a compliance report to the Workplace Gender Equality Agency.

Technology.

Technology.

As a new challenger bank, Judo has the unique opportunity to build a technology platform that delivers an experience that is more relevant to both our SME customers and relationship bankers, as well as being cost-efficient and future ready.

FY22 highlights

- We enhanced our product origination platform (nCino), centred around simplifying and automating processes, in turn enabling our relationship bankers and analysts to spend more time with customers.
- We undertook a number of open data initiatives – including integrations with digital bank statement access, expense categorisation capabilities and customer onboarding tools – that resulted in more streamlined processes for Judo's customers and bankers.
- We improved data management with the adoption of new tools that allow greater data accessibility and increase productivity, transparency and organisation.
- We are continuing to automate certain manual procedures across the bank, improving quality and response times to customers.
- We began developing a new digital platform that will improve interactions with Judo customers (lending and deposits). This platform will form the foundation for future enhancements, including data and information sharing, and lead generation and management.

Technology.

Judo is an experience company

Our business model is grounded in delivering a superior customer experience and supporting our relationship-based approach to lending. Our goal is to continue to delight our customers. We have three key technology principles that underpin our approach to enabling our relationship-based customer value proposition.

Our 3 principles are set out below:

1. Technology-as-a-service

We are a 'service-first' organisation, meaning we buy services from technology partners to deliver our core services cost competitively. We seek to build proprietary technology not available in the market, to differentiate us.

2. Data-driven experiences

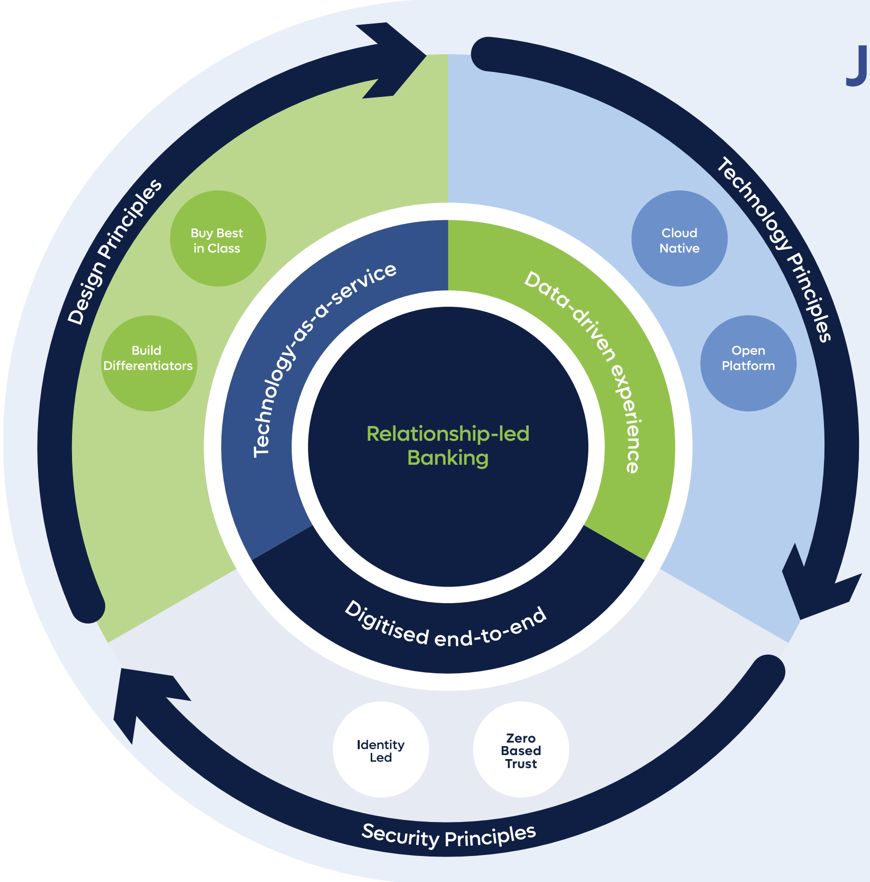
We leverage our cloud-native systems to build our data capability, manage data governance and deliver our reporting. This will continue to be the basis for our advanced analytics and artificial intelligence capability in the future.

3. Digitisation

We are focused on digitising our business from end to end. We are giving our relationship bankers the digital tools they need to support a premium relationship-based service, as well as a customer service proposition consistent with expectations in the current digital age.

Ongoing investment in technology and digitisation will be a key differentiator between Judo and the rest of the industry, with the aim of delivering an improved experience for our customers and our bankers, at a lower cost.

Judo's technology enablement principles



Employee Spotlight.

Ben Tuszynski's move from VIC to WA and back again

Ben Tuszynski, together with his wife and son, were living with his parents-in-law whilst renovating their family home when he caught wind of a new challenger in the business banking space. At the time, he was working for one of the big banks.

He started to follow Judo's story, quickly realising that a former colleague was one of the co-founders, so sent him a LinkedIn message to find out more.

After staying in touch for many months, Judo finally raised its first round of seed capital. Ben was elated for his ex-colleague, however he didn't expect what happened next when he was asked, 'Are you interested in joining Judo as our first banker to help build out the business?'

After meeting the rest of the Judo co-founders and listening to the vision, Ben and his wife contemplated the opportunity. Ben loved his current job, had a fantastic boss, a newly renovated house, and now with a second baby on the way, decided he was ready for the next challenge and was excited by the opportunity to build something from the ground up.

"With the backing of the team at Judo, Ben has been empowered to challenge himself and grow his career in ways he never could have expected."

Ben joined the business in early 2017 as the first relationship banker and wrote Judo's first deal for $80,000 with a customer who has grown significantly since – now sharing a relationship with Judo of approximately $30 million in lending.

As Judo's customer base continued to expand, Ben became a Regional Director for Victoria in 2018. As the business grew its geographical footprint Ben was asked to relocate to Western Australia to set up the Perth office. In early 2020, Ben was flying between Melbourne and Perth, building a team and setting up the foundations for a new life in the west. Just as Ben was about to permanently relocate, COVID-19 hit and the country went into lockdown. In a brief break between lockdowns, Ben and his family flew to Perth to begin their new life, officially opening the Perth office in July 2020. In the two years following, Ben built a team of 17 and helped connect with more than 200 customers.

Now, Ben and his family, which has since grown to five, have moved back to Melbourne, where he has taken on the role of Managing Director – Relationships for Victoria and Tasmania leading a team of 50 relationship bankers and relationship analysts.

With the backing of the team at Judo, Ben has been empowered to challenge himself and grow his career in ways he never could have expected.

Ben fully embodies Judo's values of *Accountability, Performance, Teamwork* and *Trust* – in his work and personal life – as he continues to build the Judo story.

Technology.

Our technology is a competitive advantage

Judo has a number of key competitive advantages in technology:

- The technology platform is relatively simple, which allows for faster delivery of projects, low ongoing maintenance costs and a reduction in operational risk.
- We are cloud-native, meaning our ability to integrate new systems and expand our existing systems is easier.
- We utilise best-in-class providers allowing us to streamline upgrades, adopt innovations faster, ramp up and down as required and experiment more to optimise value.

We are leveraging our competitive advantages to achieve our key business metrics at scale. Delivering these metrics, we believe, will result in Judo being a world-class SME business bank. Our progress towards delivering these metrics involves three phases for our technology:

Phase 1

enabling our teams, by optimising our processes, systems and platforms.

Phase 2

introducing new data and self-service capabilities for our customers.

Phase 3

delivering a full relationship banking model at scale.

We have a core team of technology experts with the operating model and resources to continue to maintain and develop our technology platform to support the ongoing growth of the business.

Information and technology security is an important, ongoing focus area for Judo

Cybersecurity threats are continually evolving, so implementation of effective security procedures and processes is crucial for protecting our operations and stakeholders.

Judo's information security program includes continuous authentication, authorisation and validation of users, regular data governance forums, cybersecurity incident response exercises, penetration testing and regular vulnerability scanning of external and internal information assets. In addition, regular mandatory training modules are provided for all staff across data, privacy and cybersecurity, including phishing simulations. The training seeks to ensure that our employees continue to be our most effective frontline defence.

We also maintain business continuity and disaster recovery plans that are regularly reviewed and refreshed. This seeks to ensure that appropriate measures are in place to protect the bank's information and technology platform in the event of a security breach.

Judo's information security control framework is built on industry standards. We have recently joined the Financial Services Information Sharing and Analysis Center, a worldwide cyber intelligence sharing network focused on financial services, to better predict, mitigate and respond to new cyber threats.

As Judo continues to scale in line with our strategic objectives, we expect our technology security measures will continue to evolve and mature to support our expanding operations.

Risk.

Risk.

Throughout FY22, Judo has maintained a disciplined approach to risk management, seeking to ensure that all aspects of the bank are appropriately supported as the business continues to scale.

FY22 highlights

- We uplifted Judo's first and second line risk capability, workforce and oversight through additional key hires with extensive industry expertise, and team structure changes made throughout the year, to better meet the needs of the business.
- We made further investments in governance, risk and compliance systems to enhance the effectiveness of risk monitoring and control effectiveness.
- We introduced learning and development capabilities and training initiatives for relationship bankers to ensure our risk culture, Risk Management Framework (RMF) and processes are continually reinforced.
- We refreshed our Risk Appetite Statement (RAS) to reflect the evolving needs of the business and adjusted relevant risk triggers as we continue to scale.
- We introduced company-wide balanced scorecards that align with our business strategy, values and purpose, with risk management considerations and assessments forming a key component of employee performance outcomes.
- We conducted a comprehensive review of our credit risk policies to ensure they remain appropriate for Judo's growing business, including new market segments such as Agriculture and Health.

Risk.

Risk management

Judo's approach to risk management has continued to evolve and mature. Judo has a dynamic and disciplined approach to risk management, which aims to provide the appropriate level of support for our growing operations and customer base.

Judo's approach to managing risk is executed in accordance with our RMF. Having a positive and healthy risk culture is a core component of Judo's framework and is the most important aspect of Judo's operational model. 'Everyone is a risk manager' is the foundation of our risk culture, supported by an environment of 'review and challenge'.

Our overall Risk Management Strategy (RMS) is implemented by an experienced risk management team with extensive experience in financial services.

This background lays the foundation for a set of values and behaviours that are clearly aligned to Judo's value proposition, which holds business units fully accountable for risk performance.

Risk management at Judo is executed through the 'Three lines of defence' model as follows:

- First Line: The business – owners of the risk and responsible for implementation of the RMF
- Second Line: CRO and Risk function – development of the RMF, establish policies and practices and provide independent oversight
- Third Line: Internal audit – provision of independent assurance to the Board that the RMF is functioning as designed

Customer Spotlight

Plenty River RV.

Amitabh Mahendran, accomplished owner of Plenty River RV, a recreational vehicle plumbing service, witnessed two generations of entrepreneurs launch highly successful businesses – his grandfather and father. With a childhood imbued with so much success and ambition, Mahendran's vision was to achieve the same. This became his reality when he took ownership of Plenty River RV and began making it his own.

Mahendran found Judo Bank through a referral from a friend, and within 12 hours of submitting a loan application online, his Relationship Banker, Mo Almulla, got in contact. From the moment the pair connected, Almulla brought an optimistic approach to the potential of Plenty River RV.

Almulla's ability to listen and respond meant Mahendran felt supported, knowing the needs of his business were very well understood and prioritised. The partnership with Judo now has Mahendran focused on the next stage of his business' growth goals. With the help of Judo, he is now exploring new product lines, has almost doubled headcount, and is approaching future opportunities with confidence.

"What I was looking for in a banker wasn't just a loan. I was looking for a lifetime relationship. Someone I could work with for the course of my career, and grow with me, as I grow my business."

Amitabh Mahendran,
Plenty River RV

Key Risks

Judo is exposed to a broad range of strategic, financial and non-financial risks. Key risks are identified and managed as part of Judo's RMF. The below table outlines the key risks impacting our business and the approach to managing them.

Risk	Description	Management of risk
Conduct risk	Conduct risk relates to the possibility of misselling financial products, in a manner that is unethical or not aligned with a customer's risk appetite, objectives, financial situation or needs, or inconsistent with Judo's statement of values and code of conduct.	Judo implements a range of initiatives to manage conduct risk (e.g. whistleblower and complaints processes and consequence management), providing continuous learning and development programs and support for staff (e.g. enabling Chartered Banker accreditation) and the ongoing monitoring and enforcement of conduct-related policies.
Credit risk	Credit risk relates to the risk of loss arising from a customer or counterparty failing to meet their obligations in accordance with agreed terms due to a deterioration in credit quality. For Judo, this predominantly relates to lending activities entered into with customers.	Judo manages credit risk by taking a responsible approach to lending activities including the consideration of the 4 Cs – rigid portfolio concentration limits, regular customer engagement, portfolio monitoring and ongoing review of supporting policies and frameworks.
Cybersecurity risk	Cybersecurity risk relates to the potential for Judo to experience cybersecurity breaches or incidents that may result in service interruptions, downtime or data loss in all or part of Judo's or its partners' technology platform or applications.	Judo maintains robust defence against cybersecurity risks through monitoring, testing and adoption of an identity-led technology network, which requires all users and their devices to be authenticated, authorised and continuously validated in order to access applications and data.
Financial crime	This risk relates to the potential occurrence of non-compliance with relevant laws, financial crimes, including money laundering, terrorism financing, sanctions, bribery, corruption and fraud.	Judo manages financial crime risk through various internal controls, policies and practices. Judo has established robust processes to detect and prevent financial crime and comply with legislation.
Balance sheet and liquidity risk	This relates to the risk that Judo cannot meet its funding needs or capital and liquidity requirements as set by regulators. This includes the potential inability of Judo to meet financial commitments when they fall due, which can arise due to mismatches in cash flows.	Judo identifies, assesses and manages this risk through oversight from the Asset and Liability Committee (ALCO), the Internal Capital Adequacy Assessment Process and supporting policies, risk settings and minimum liquidity and capital requirements as detailed in the applicable regulatory standards.
Market risk	Market risk relates to the potential financial impact on Judo arising from changes in market variables such as interest rates, credit spreads, bond prices, swap rates and other market volatility.	Judo actively manages this risk through ongoing monitoring and governance of interest rate risk, including scenario analysis, monitoring repricing gaps and undertaking hedging strategies to manage exposures within approved limits.

> continued over

Risk.

Risk	Description	Management of risk
Operational risk	Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, and external events.	Operational risk is managed through a broad set of activities, policies and frameworks including the ongoing monitoring and effectiveness testing of Judo's control environment, as well as regular reporting and monitoring of third-party service providers, and key risk indicators and events.
Regulatory and compliance risk	This relates to the risk of failure to comply with relevant regulatory obligations, prudential standards and laws overseen by our regulators. This also includes inadequate response to changes in the regulation, policies and industry codes relevant to Judo's operations.	Judo maintains a compliance management system designed to identify, assess and manage compliance risks, and regulatory requirements are embedded across relevant Judo frameworks and policies. Judo also maintains transparent relationships with all of its regulators.
Reputation risk	Reputation risk relates to potential development of negative perceptions towards Judo's brand that may adversely affect management's ability to maintain existing, or establish new, business activities to support growth, operations or access to funding.	Judo focuses on managing key relationships with customers, regulators, investors, media and communities. As reputation risk may occur due to inadequate management of other key risks, Judo's set of risk management frameworks and policies are aimed at mitigating this risk.
Strategic risk	Strategic risk includes the risk associated with the strategic choices made by Judo and their ongoing viability in response to, or in anticipation of changes in the business environment. This also includes execution risk, which is the risk of Judo failing to execute on a chosen strategy.	Strategic risk is identified and assessed at the time a given strategy is developed within Judo and is ultimately the responsibility of the Board. Execution risk is managed through Judo's change management process and ongoing business monitoring procedures, including regular updates, review and analysis provided to senior management and the Board.
Sustainability and climate change risk	While the implications of a changing climate will have a long-term impact and the time horizon for the risks (e.g. potential damage to assets or property, impact on liabilities and changes to income and costs) can be uncertain, there is a high degree of certainty that the risks will materialise and as such, actions can be taken early to manage the impacts.	Judo has an Environmental, Social and Governance (ESG) policy that considers the risks relating to sustainability and climate change, and outlines the mitigating actions being undertaken to manage these risks, including any risks that may manifest as credit and operational risks.
Technology risk	Technology risk relates to the potential for Judo to experience loss, reputational damage, regulatory sanctions or disruption to operations as a result of issues, failures or damage to its information technology (IT) platform.	Technology risk is managed through a combination of system compliance controls, technology policies, business continuity and disaster recovery plans, and incident and event management processes.

Employee Spotlight.

Joseph Erian's move from Relationship to Risk

In his previous job, Joseph felt like the ever-lengthening policies and bureaucratic hurdles were driving a wedge between bankers and their customers. He was struggling to get his customers in front of his manager for any longer than 30 minutes. His customers came second, and he was losing faith in the future of banking.

Joseph had always had an interest in business banking and was intrigued when he saw that Judo was gaining momentum. Through an old colleague who had moved to Judo, he secured a meeting with some of Judo's senior executives. When the meeting reached the 30-minute mark and everyone was still there, Joseph knew he'd found a bank that was different.

'The thing that struck me was that they hit every frustration I had on the head without knowing about them.'

Judo's story and purpose resonated deeply with him. He felt a powerful sense of unity in the challenger bank with 'everyone in the business … pulling in the same direction'.

Joseph became the fourth banker to start at Judo in Sydney. He had expected a difficult transition from the rigid structures of the big bank he was formerly at to the greater flexibility at Judo, which came with more accountability in decision-making.

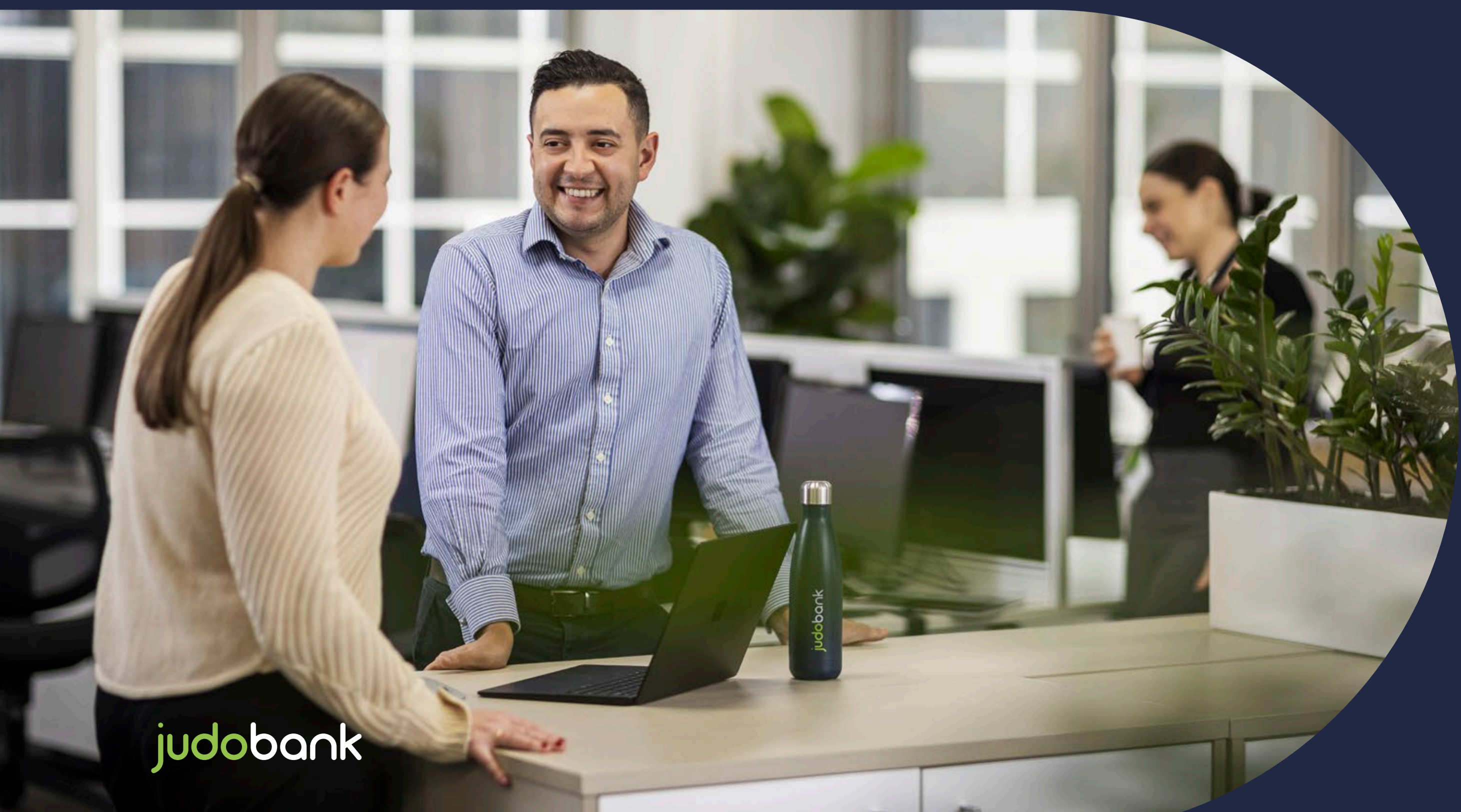
But his transition was easy. Without personal sales targets to meet, everyone at Judo was working towards the same goals. Joseph's new team was supportive, which meant he wasn't alone in making big decisions.

In his first-ever leadership role, Joseph worked as a Regional Director in Sydney. After two years, he was thirsty for further development. He had fallen in love with Judo's purpose and wanted to build his career within the company in an organisational capacity.

"The thing that struck me, was that they hit every frustration I had on the head without knowing about them"

He had a catch-up with Frank Versace, who had just switched from a banking role at Judo to a Risk role. Frank discussed the possibility of Joseph learning a new skillset and moving into a new career path in Risk at Judo. With the help of his colleagues, Joseph embarked on a new chapter, accepting a role in Enterprise Risk in early 2022.

Joseph has embraced his new role – his new career path strongly supports Judo's story and purpose to be Australia's most trusted SME business bank.



Sustainability @ Judo

Sustainability @ Judo

In FY22, to further our purpose to be the most trusted SME business bank in Australia, we scoped our operational carbon emissions for base year FY21. We also began the groundwork necessary to embed our ESG priorities into strategic planning, capital allocation and stakeholder engagement. Judo intends to measure our performance, and set targets, across selected sustainability-related reporting topics for FY23.

Overview

At Judo, we recognise the role we play in supporting our economy, industry, customers and employees – and the communities we live and work in – to grow and thrive. Our core values of trust, teamwork, accountability and performance underpin our approach to ESG issues, including climate change–related risks and opportunities.

We believe in sustainable and responsible business practices that will also bring long-term benefits to our customers, employees and key stakeholders. We are committed to operating more sustainably in our own right, and to offering products and services that will support the sustainability and continued resilience of our customers and the communities we are part of.

Judo has taken several steps during the year to develop our approach to key ESG matters including:

- The Board has approved our ESG policy and strategy.
- The management team approved a Credit Risk Guidance Paper which provides guidance to our Relationship team when assessing ESG-related risks as part of any lending applications. This guidance will be continually reassessed in light of a rapidly changing environment.
- We have established our ESG working group, comprising members across Judo who meet regularly to develop and deliver our ongoing ESG initiatives.
- We are commencing a survey of internal and external stakeholders to identify material and emerging sustainability risks and opportunities relevant to Judo. This will support the further refinement of our ESG strategy and stakeholder engagements, and inform reporting requirements going forward.

Sustainability @ Judo

Our underlying beliefs

Informing our vision, strategy and priorities

Sustainability of our customers

Throughout the pandemic we have developed and implemented customer COVID-19 hardship policies.

Judo strongly supported the Federal Government's SME Guarantee Scheme and SME Recovery Loan Scheme through their various phases.

Work is underway at Judo to identify new ways in which we can support our customers to be more sustainable and resilient, now and into the future.

Inclusion, equity & diversity (IE&D)

We believe that embracing and celebrating our individual differences makes us stronger as a collective. We actively encourage diversity of people, experience and of thought.

Our employee value proposition sets us apart. We hand select the best people who are aligned to our purpose. We lend differently, so we seek to hire people who can think differently.

Climate risks

As a prudent financial institution, we recognise it is necessary to take a strategic and risk-based approach to managing the various climate change-related risks and opportunities we face.

Financial inclusion

We believe that all SMEs deserve to have access to financial services to help grow their business.

We believe that we can help provide more financial inclusion in Australia through, and to, our SME community.

Corporate governance

We believe that good corporate governance provides the foundation for a high-performing organisation.

We believe that by embedding good governance practices, we will preserve and strengthen stakeholder confidence and long-term value.

Our beliefs are underpinned by our Judo Values of *Accountability, Performance, Teamwork* and *Trust*.

Sustainability @ Judo

Environmental

Social

Judo priorities

Environmental

Judo's current key areas of focus are:

- assessing the environmental impact of our operations.
- enhancing our environmental risk governance and RMF.

The results of this assessment will form the basis for Judo's next program of environment-related work, including gaining a clearer understanding of our financed emissions and developing initiatives to reduce the carbon footprint of our loan book.

Being an agile, digitally enabled challenger bank without physical bank branches, Judo has a relatively low-carbon operational footprint for an ADI. But we continually strive to do better, and to refine our processes and operations in light of the goals of the Paris Agreement.

With the assistance of Ndevr Environmental, an independent third-party expert, we have mapped our operational Scope 1, 2 and 3 greenhouse gas (GHG) emissions, and developed a GHG inventory account in line with the Australian Government's Climate Active Organisation Standard (created under the global GHG Protocol), to begin determining where and how we can reduce our emissions.

Judo's FY21 total operational carbon footprint (total tCO_2e) has been calculated following the GHG Accounting Principles and has been determined as 5,630 tCO_2e, using an operational control approach.

No direct emissions (Scope 1) were identified for Judo Bank. Emissions from electricity (Scope 2), calculated using the 'Market-based' method, encompassed 3% of our operational carbon footprint. A relevance test was undertaken to identify all other relevant indirect emissions (Scope 3). Scope 3 emissions accounted for 97% of the carbon footprint, with the majority relating to marketing and ICT services. Judo Bank's boundary excludes financed emissions.

The outcomes of this base year emissions exercise and the subsequent GHG emission reduction plan will be reviewed by the Board, and will continue to be developed over the next 12 months.

Other steps Judo has taken to reduce our operational environmental footprint include:

- continuing our membership of a printer ink cartridge recycling program with Close the Loop and Cartridges 4 Planet Ark to assist in diverting cartridges from Australian landfill.
- investing in certified Australian Carbon Credit Units to seek to offset our employee vehicle and air travel emissions for FY20 and FY21.

Governance

Social

Customers

Core to delivering on our purpose is our commitment to helping our customers, and the communities we operate in, thrive and prosper, supporting their resilience and access to finance, and financial products and services. We do this by focusing on SMEs with strong management and good underlying creditworthiness that are attracted to our relationship-based service proposition. Australian SMEs have been underserved by the Australian banking sector – many SMEs continue to experience difficulties in accessing credit, and the sector has seen a number of industry-wide trends and legacy issues that date back many years. Through our relationship-centric lending model, we are bringing back the craft of SME banking, seeking to build deep and trusted relationships with Australian SMEs that the incumbent banks will find difficult to replicate. As at 30 June 2022 we had 2,763 SME lending customers, evidencing our passionate commitment to this sector.

Our deposit customers comprise wholesale, middle market and retail customers based across Australia, including councils, schools, self-managed superannuation funds, not-for-profit organisations, other ADIs, trusts, businesses and individuals. Our online Term Deposit application process seeks to promote financial inclusion for all customers, including those living remotely. As at 30 June 2022, we had 19,212 Term Deposit customers, demonstrating our strong support for savings goals in this country. We have been awarded multiple times by Mozo, Canstar and RateCity for our market-leading and innovative Term Deposit products.

To date, Judo has also:

- developed a vulnerable customer policy, outlining our approach to helping our customers who are experiencing vulnerability due to certain personal or financial circumstances.
- developed and implemented customer COVID-19 hardship policies.
- strongly supported the Federal Government's SME Guarantee Scheme and SME Recovery Loan Scheme through their various phases.
- prepared 'Target Market Determinations' in response to the new Design and Distribution Obligations under the *Corporations Act 2001* (Cth) (Corporations Act), intended to help us keep our retail customers at the centre of our approach to the design and distribution of our products and help our retail customers obtain appropriate financial products that are likely to be consistent with their likely objectives, financial situation and needs.

Sustainability @ Judo

- improved our internal complaints handling process and policy to align with recent amendments to the Australian Securities and Investments Commission's Regulatory Guide 271 *Internal Dispute Resolution*. We were assisted by an independent third-party external consultant, with the aim of resolving customer complaints and queries more efficiently and transparently.

Customer and supplier privacy

We take the privacy of our customers', prospective customers' and suppliers' personal information seriously. We maintain a publicly available privacy policy that sets out how Judo Bank Pty Ltd and its related bodies corporate seek to manage personal information (including sensitive information and credit-related personal information) about individuals, in accordance with the *Privacy Act 1988* (Cth) (the Privacy Act), the Australian Privacy Principles set out in the Privacy Act and the Privacy (Credit Reporting) Code 2014, as applicable.

During FY22, we are pleased to report that:

- 95% of our employees completed training on data governance and customer privacy.
- Judo suffered no notifiable data breaches involving customers' or suppliers' personal information.

For more on how we secure and protect customer data and personal information, please refer to the Technology section of this report.

Human rights and modern slavery

At Judo, we believe that human rights are the basic freedoms and protections that belong to everyone. We aim to conduct our business responsibly and transparently by means of our engaged, diverse, inclusive and accountable workforce. In doing business, we strive to respect and protect human rights. We are also committed to taking steps to prevent modern slavery.

This means we strive to:

- cultivate a work environment that is free from discrimination, harassment and bullying.
- make decisions based on merit and to act fairly.
- provide fair and equitable remuneration and benefits, including supporting our team members by offering 16–20 weeks of fully paid parental leave to primary carers and 8–10 weeks to secondary carers.
- foster a culture of inclusion, equity and diversity, where everyone belongs.
- support our team members who are experiencing family and domestic violence through our generous leave policy, which includes personal leave, carer's leave, compassionate leave and five days of paid family and domestic violence leave each year.
- address human rights impacts by investigating, remediating and continuously improving our supplier contracts with anti–modern slavery contractual provisions, as far as practicable.
- do business with like-minded organisations that uphold human rights and seek to prevent modern slavery.

In FY22, Judo lodged its first Modern Slavery Statement as required under the *Modern Slavery Act 2018* (Cth) in December 2021. We are currently undertaking a program of work and reviewing and updating our procurement policies and processes to reduce the risk of slavery or other human rights abuses being present within our operations or our supply chain during FY23.

Inclusion, equity and diversity

For more on how we support our people and actively encourage and celebrate diversity of people, experience and thought, please refer to the People and Culture section of this report.

Community

Giving back is important to us at Judo. Our people who wish to do some good in their local community are entitled to one day of paid leave per year to participate in volunteering activities. Judo also runs community-giving projects where we match employee donations up to an aggregate amount. For example, Judo matched our people's donations of $2,500 to support The Pinnacle Foundation, which provides educational scholarships, mentoring and opportunities for young LGBTIQ+ Australians to realise their full potential and overcome challenges arising from their identity.

Where our people are a member of an emergency management body (including the Country Fire Authority or a State Emergency Service organisation), Judo supports and encourages them when they are called upon in an emergency or natural disaster. This takes the form of paid time off when our people are in active service, or travelling to the affected area, with a reasonable recovery period included.

Governance

Judo is committed to the highest standards of corporate governance across our RMF, policies and business practices. We believe that strong corporate governance can only lead to better outcomes for our employees, customers and stakeholders. We expect everyone at Judo to be a 'risk manager' and everyone is accountable for implementing the RMF.

During FY23, we will finalise an ESG – Credit Risk Guidance Paper (Guidance) to assist our relationship bankers in the identification, assessment and mitigation of ESG-related risks when considering credit transactions at the individual customer or transactional level and, in FY22, have continued to uplift our RMF, RAS and lending policy for ESG risks. While the Guidance is currently being finalised, it will cover matters such as the ESG credit risk screening and oversight processes that we will apply to each prospective customer and potential areas of thematic ESG lending for Judo (to address social or environmental challenges), where we will seek to lend to customers offering solutions to such challenges.

Judo has also implemented robust levels of internal and external review capabilities through its internal and external audit functions to ensure the business' operational conduct is consistent with our risk culture and risk appetite, while also maintaining the requisite prudential standards of compliance as prescribed by APRA.

With Judo now being a listed company, at the Board and Board Committee level, we uplifted all our Board and Board Committee charters during FY22 to reflect their roles and responsibilities. Judo also has an annual education schedule for our Directors. In calendar year 2021, our Directors completed education sessions on topics such as cybersecurity and ESG. In calendar year 2022, they completed education sessions on matters such as business continuity planning and anti-money laundering. In addition, Judo requires mandatory compliance training for all employees on topics such as anti–money laundering, anti-bribery and corruption, trading in securities and insider trading, whistleblower protection, fraud, privacy and cybersecurity.

In FY23, we will further embed our Whistleblower Protection Policy with our people and other stakeholders. This policy sets out our commitment to creating and fostering an environment of honest and ethical behaviour, where individuals feel able to safely and confidentially report known, or suspected, business misconduct or wrongdoing without fear of reprisal or detrimental treatment. Judo requires all staff to participate in annual whistleblower training.

More details on Judo's corporate governance initiatives can be found in Judo's Corporate Governance Statement.

Financial Performance.

Financial Performance.

1.0 Results Overview

Pro Forma Profit Before Tax (PBT)[1]

$15.6m

FY21: ($7.2m)

Statutory Net Profit/(Loss) After Tax

$(7.7m)

FY21: $28.7m

Gross Loans & Advances (GLA)

$6.1bn

Jun 21: $3.5bn

Net Interest Income (NII)

$169.8m

FY21: $84.5m

Underlying Net Interest Margin[2]

2.79%

FY21: 2.59%

Net Interest Margin (NIM)

2.08%

FY21: 2.09%

Pro Forma Cost to Income ratio (CTI)

76%

FY21: 97%

Common Equity Tier 1 ratio (CET1)

20.5%

Jun 21: 24.5%

1 A reconciliation between pro forma and statutory results is included in section 2.1 of this report.
2 Underlying NIM is net interest margin adjusted to remove the temporary impacts of excess liquid assets attributable to Judo's TFF preservation strategy – further discussed in the Financial Performance section of this report (section 2.3).

Financial Performance.

1.1 FY22 Results summary

Judo's strategy, to bring back the craft of relationship banking and focus on SME specialisation, continues to build momentum. Judo's FY22 result demonstrates the business is making solid progress towards achieving its ambition to become a scale player in Australian SME business banking. Judo has achieved or exceeded all of its prospectus FY22 targets.

Judo uses certain non-IFRS financial measures to manage and report on its business that are not recognised under Australian Accounting Standards. These include pro forma and underlying metrics, which are defined in Section 5 of Judo's IPO prospectus, dated 14 October 2021.

Statutory net profit/(loss) after tax was ($7.7 million) due to strong business performance offset by one-off costs associated with the IPO. A reconciliation between pro forma and statutory results is included in section 2.1 of this report.

Pro forma profit before tax for FY22 was $15.6 million, up from a net loss of $7.2 million, driven by continued strong lending growth, improvements in underlying net interest margins and continued investment in growth. A reconciliation between pro forma and statutory results is included in section 2.1 of this report.

Pro forma profit before impairments was $41.0 million, up from $2.8 million, demonstrating the significant operating leverage the business will deliver as the loan book grows.

Net interest income was $169.8 million, up 101 per cent, primarily driven by an increase in gross loans and advances and an improvement in underlying NIM.

GLAs at 30 June 2022 were $6.1 billion, up 73 per cent, with growth in all lending products and geographies underpinned by Judo's strong customer value proposition and ongoing recruitment of experienced relationship bankers.

Underlying net interest margin[1] (Underlying NIM) was 2.79 per cent, an increase of 20 basis points from 2.59 per cent. The key drivers of the increase were a lower hedged cost of deposits and greater TFF utilisation, which more than offset a modest decline in lending margins. Underlying NIM adjusts for the impact of Judo's Term Funding Facility (TFF) preservation strategy. The underlying NIM calculation is described in detail in section 2.3 of this report.

NIM was 2.08 per cent, down 1 basis point from 2.09 per cent in FY21. The decline was a result of Judo's TFF preservation strategy, which resulted in the Group holding a significantly higher average balance of low yielding treasury investment assets in FY22 relative to FY21. The other drivers of NIM are the same as Underlying NIM.

Pro forma operating expenses were $132.0 million, up 52 per cent from $87.0 million, driven by continued recruitment and growth-related expenditure. Statutory operating expenses including IPO costs were $154.8 million, up 84 per cent.

Pro forma cost to income ratio (CTI) was 76 per cent, a 21 percentage point improvement, driven by strong NII growth and the emerging leverage of Judo's legacy-free operating model across both people and technology. Statutory CTI was 89 per cent, a 4 percentage point improvement.

Impairment expense was $25.4 million, up from $10.0 million. Impairment expense in FY22 was primarily due to loan book growth, associated upfront recognition of expected credit losses and includes $5.3 million of net write-offs during the period. FY21 impairment expense was also low due to the release of COVID-19 overlay provisions as the economic outlook improved.

ECL provisions on loans and advances increased to $55.2 million, up 58 per cent, from $35.0 million in FY21. Underlying credit performance remained strong. Coverage levels, net of specific provisions, increased reflecting adjustments to economic assumptions to reflect the economic outlook. Provision coverage of 0.91 per cent declined by 9 basis points, primarily reflecting a decline in specific provisions from two group write-offs, partly offset by an increase in collective provision coverage from 83 to 88 basis points.

Capital remained strong with a CET1 ratio of 20.5 per cent. 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*

2.0 Analyst Pack.

2.1 Pro forma income statement

$m	Year to Jun 22	Year to Jun 21	Jun 22 v Jun 21 %	Half Year to Jun 22	Half Year to Dec 21	Jun 22 v Dec 21 %
Interest income	221.9	126.4	76%	122.9	99.0	24%
Interest expense	(52.1)	(41.9)	24%	(26.6)	(25.5)	4%
Net interest income	**169.8**	**84.5**	**101%**	**96.3**	**73.5**	**31%**
Other operating income	3.2	5.3	(40%)	2.8	0.4	large
Net banking income	**173.0**	**89.8**	**93%**	**99.1**	**73.9**	**34%**
Employee benefits expense	(79.5)	(50.9)	56%	(42.7)	(36.8)	16%
Other expenses	(52.5)	(36.1)	45%	(28.0)	(24.5)	14%
Total pro forma operating expenses	**(132.0)**	**(87.0)**	**52%**	**(70.7)**	**(61.3)**	**15%**
Pro forma net profit/(loss) before impairment	41.0	2.8	large	28.4	12.6	125%
Impairment	(25.4)	(10.0)	154%	(15.8)	(9.6)	65%
Pro forma net profit/(loss) before tax	**15.6**	**(7.2)**	**NM**	**12.6**	**3.0**	**large**
Income tax (expense)/benefit	(6.5)	2.1	NM	(4.2)	(2.3)	83%
Pro forma NPAT	**9.1**	**(5.1)**	**NM**	**8.4**	**0.7**	**large**
Operating Expenses						
Transaction and other related costs of the IPO expensed	(23.0)	(1.3)		–	(23.0)	
Public company costs	1.1	4.1		–	1.1	
Existing Performance Rights triggered by the IPO	(1.7)	–		–	(1.7)	
Cost of post-Listing employee incentive plans	0.8	–		–	0.8	
Income Tax						
Tax effect of above adjustments	6.0	(0.8)		–	6.0	
Re-allocation of tax losses recognised in FY21	–	31.8		–	–	
Statutory NPAT	**(7.7)**	**28.7**	**NM**	**8.4**	**(16.1)**	**NM**

Pro forma adjustments

Pro forma financial information included in this 2022 full 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	Year to Jun 22	Jun 21	Jun 22 v Jun 21 %	Half Year to Jun 22	Dec 21	Jun 22 v Dec 21 %
GLA						
GLA (end of period)	6,092	3,517	73%	6,092	4,849	26%
GLA (average)	4,773	2,576	85%	5,387	4,169	29%
Performance						
Net interest margin (%)	2.08%	2.09%	(1 bp)	2.25%	1.90%	35 bps
Underlying NIM (%)	2.79%	2.59%	20 bps	2.84%	2.73%	11 bps
Pro forma cost-to-income ratio (%)	76.3%	96.8%	(21%)	71.3%	82.9%	(12%)
Capital adequacy						
Total RWAs	6,311	4,094	54%	6,311	5,520	14%
Average risk weight on lending (%)	83%	92%	(9%)	83%	88%	(5%)
Common Equity Tier 1 capital ratio (%)	20.5%	24.5%	(4.0%)	20.5%	23.3%	(2.8%)
Total capital ratio (%)	21.9%	26.4%	(4.5%)	21.9%	24.9%	(3.0%)
Asset quality						
Impairment expense on average GLA (%)	0.53%	0.39%	0.14%	0.66%	0.46%	0.20%
Losses ratio (%)	0.11%	0.00%	0.11%	0.10%	0.00%	0.10%
Collective provision/GLA (%)	0.88%	0.83%	0.05%	0.88%	0.81%	0.07%
Specific provision/GLA (%)	0.03%	0.17%	(0.14%)	0.03%	0.12%	(0.09%)
Total provision/GLA (%)	0.91%	1.00%	(0.09%)	0.91%	0.92%	(0.02%)
Operations (end of period)						
Total staff	465	320	45%	465	359	30%
Number of relationship bankers	115	87	32%	115	91	26%

2.3 Net interest income

	Year to			Half Year to		
$m	**Jun 22**	**Jun 21**	**Jun 22 v Jun 21 %**	**Jun 22**	**Dec 21**	**Jun 22 v Dec 21 %**
Interest income	221.9	126.4	76%	122.9	99.0	24%
Interest expense	(52.1)	(41.9)	24%	(26.6)	(25.5)	4%
Net interest income	**169.8**	**84.5**	**101%**	**96.3**	**73.5**	**31%**
Average gross loans and advances	4,773	2,576	85%	5,387	4,169	29%
Average trading and investment securities	3,406	1,458	134%	3,303	3,520	(6%)
Average interest earning assets	**8,179**	**4,034**	**103%**	**8,690**	**7,689**	**13%**
Net interest margin (%)	2.08%	2.09%	(1 bp)	2.25%	1.90%	35 bps
Underlying net interest margin (%)	2.79%	2.59%	20 bps	2.84%	2.73%	11 bps
Yield on treasury assets (%)	0.25%	0.41%	(16 bps)	0.30%	0.24%	6 bps

Net interest income

Net interest income of $169.8 million increased by 101 per cent. Net interest income (NII) is the sum of:

- interest income received on interest-earning assets;
- establishment fees and facility-related fees 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 $4.8 billion, up 85 per cent from FY21, discussed in more detail in section 2.6.

Average trading and investment securities increased to $3.4 billion, up 134 per cent from FY21, due to regulatory liquidity requirements and the full year impact of Judo's TFF preservation strategy. This will reduce in future periods as the preserved component of the TFF is consumed.

Financial Performance.

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 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 10 basis points 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 NIM 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 2H22 was 2.84 per cent, an increase of 11 basis points from 1H22. The key drivers of the movement are outlined below.

Cost of Deposits: 7 basis points favourable movement reflects the lower cost of deposits on a hedged basis.[2]

Continued Use of TFF: An increase in average TFF funding in 2H relative to 1H, driven by replacement of part of Judo's preserved TFF allocation with self-securitisation notes.

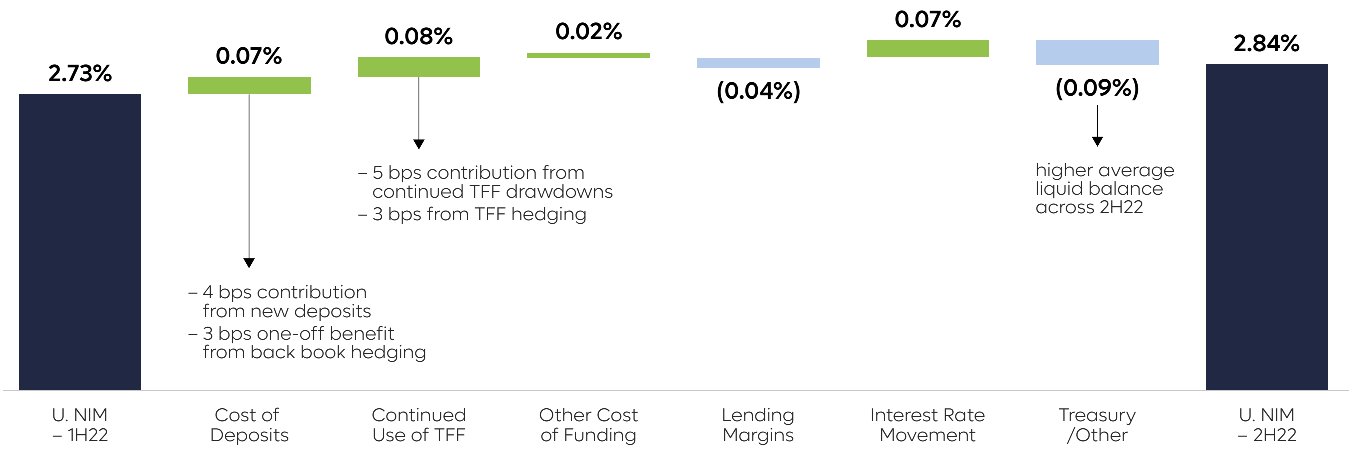
Lending margins: Full-period impact in 2H from the lower margins on new lending in 1Q FY22.

Interest rate movement: Favourable contribution reflects Judo's considerable positive leverage to rising interest rates. The significant bias towards floating rate assets and fixed rate liabilities delivers significant NII leverage to increases in 1m BBSW (average of 16 basis points in 2H vs 6 basis points in 1H).

Treasury/Other: Captures the impact of balance sheet changes unrelated to the preserved component of the TFF, including higher average regulatory liquidity position in 2H.

2 Judo's approach to treasury management of interest rate risk is detailed in section 2.7.

Underlying NIM waterfall – 1H22 to 2H22 (%)



Underlying NIM for FY22 was 2.79 per cent, an increase of 20 basis points from 2.59 per cent in FY21. This increase was predominantly driven by a lower blended cost of funds reflecting benefits from lower cost of deposits on a hedged basis[3], greater TFF utilisation and the launch of NCDs and senior unsecured programs, which more than offset a moderate decline in lending margins.

NIM

NIM decreased by 1 basis point, from 2.09 per cent in FY21 to 2.08 per cent in FY22.

Drivers of NIM are the same as Underlying NIM, plus the impact of the TFF preservation strategy. The variance between FY22 NIM and Underlying NIM was 71 basis points, as a result of relatively low yield achieved on the excess treasury securities collateralising the preserved component of the TFF.

3 Judo's approach to treasury management of interest rate risk is detailed in section 2.7.

2.4 Other operating income

	Year to			Half Year to		
$m	Jun 22	Jun 21	Jun 22 v Jun 21 %	Jun 22	Dec 21	Jun 22 v Dec 21 %
Realised gains on sale of investments	–	4.3	(100%)	–	–	
Fee income	2.1	0.6	large	1.7	0.4	large
Other income	1.1	0.4	170%	1.1	–	
Total other operating income	**3.2**	**5.3**	**(40%)**	**2.8**	**0.4**	**large**

Other operating income includes ancillary income related to products and services such as Bank Guarantee products, government grants, and gain on sale of assets within the liquid assets portfolio.

Other operating income was $3.2 million, down from $5.3 million in FY21.

Fee income was primarily driven by Judo's Bank Guarantee product, as well as fees charged on undrawn lines of credit, both of which increased as compared to the prior year.

Other income, which includes government grants and mandate fees, was $1.1 million in FY22 as a result of increased fees charged whilst grants received remained consistent with the prior year.

Judo had no gains on sale of investments in the current period. Judo's policy is to hold securities to maturity. Gains in FY21 were a one-off occurrence as a result of a portfolio rotation to facilitate the TFF preservation strategy.

2.5 Pro forma operating expenses

	Year to			Half Year to		
$m	Jun 22	Jun 21	Jun 22 v Jun 21 %	Jun 22	Dec 21	Jun 22 v Dec 21 %
Employee benefits expense	79.5	50.9	56%	42.7	36.8	16%
IT expense	18.4	12.7	45%	9.9	8.5	16%
Marketing expense	5.8	4.3	35%	4.1	1.7	141%
Occupancy and depreciation	4.6	3.0	53%	2.4	2.2	9%
Other expenses	23.7	16.1	47%	11.6	12.1	(4%)
Total pro forma operating expenses	**132.0**	**87.0**	**52%**	**70.7**	**61.3**	**15%**
Total FTEs	465	320	45%	465	359	30%
Total bankers	115	87	32%	115	91	26%
CTI (%)	76.3%	96.8%	(21%)	71.3%	82.9%	(7%)

Total pro forma operating expenses were $132.0 million, up 52 per cent, as a result of ongoing investment to support the growth of the business.

The pro forma CTI fell 21 percentage points to 76.3 per cent for FY22, as growth in revenue exceeded growth in expenses.

Employee benefits expense was $79.5 million, up 56 per cent. Employee expenses were primarily driven by ongoing recruitment across the bank to support growth, particularly the accelerated recruitment of relationship bankers and analysts.

IT expenses of $18.4 million, up 45 per cent, reflect increased licence costs, development expenditure and maintenance and support costs, as the bank continues to expand its technology platform to support the business' growth.

Marketing expense was $5.8 million, an increase of $1.5 million on the prior year, reflecting an ongoing investment in brand and product awareness campaigns.

Occupancy and depreciation was $4.6 million, up 53 per cent from $3.0 million due to expansion of the geographic footprint and the opening of additional locations, and ongoing investments driven by growth in FTEs. Depreciation on plant and equipment remained consistent with the prior year.

Other expenses were $23.7 million, up 47 per cent from $16.1 million, reflecting the growing organisational scale as increases were seen in travel, recruitment, audit and regulator fees, and amortisation of the bank's growing IT asset platform, as well as additional costs associated with being a listed company, such as insurance and listing fees.

Statutory operating expenses were $154.8 million, up 84 per cent including one-off IPO costs. Statutory CTI was 89 per cent, a 4 percentage point improvement.

2.6 Gross loans and advances

GLA by product

Gross loans and advances were $6,092 million, an increase of 73 per cent on FY21. This has been supported by continued recruitment of high-quality relationship bankers and national footprint expansion.

The product mix of gross loans and advances remained broadly in line with prior periods.

$m	Jun 22	Dec 21	Jun 21	Jun 22 % of GLAs	Dec 21 % of GLAs	Jun 21 % of GLAs
Business loans	4,716	3,723	2,725	77%	77%	77%
Equipment loans	380	302	190	6%	6%	6%
Line of credit	374	331	243	7%	7%	7%
Home loans	622	493	360	10%	10%	10%
Gross loans and advances	**6,092**	**4,849**	**3,518**	**100%**	**100%**	**100%**
Allowance for credit losses	(55)	(45)	(35)			
Total loans and advances	**6,037**	**4,804**	**3,483**			

Judo has grown across all geographies supported by ongoing expansion of the Bank's national footprint which has increased to 15 locations.

GLA by geography

%	Jun 22	Dec 21	Jun 21	Jun 22	Dec 21	Jun 21
NSW	2,498	2,037	1,548	41%	42%	44%
VIC	2,071	1,746	1,372	34%	36%	39%
QLD	853	630	457	14%	13%	13%
WA	487	339	141	8%	7%	4%
Other	183	97	0	3%	2%	0%
Gross loans and advances	**6,092**	**4,849**	**3,518**	**100%**	**100%**	**100%**

GLA by industry

The loan book composition by industry presented below is based on ANZSIC codes and total exposures (including undrawn guarantees and facility limits).

Judo's lending portfolio broadly mirrors overall lending to the SME sector, with the exception of mining which Judo has determined to have no or very low exposure to. Judo has also only recently begun lending to the agricultural sector, and therefore lending to this sector was negligible at 30 June 2022.

Judo does not actively originate stand-alone property development and has limited appetite for this style of lending. Judo has negligible exposure to pure construction lending. The exposure to construction, as reported below, includes equipment finance lending. The majority of the remaining exposure in this category represents lending secured against non-construction assets.

%	Jun 22	Dec 21	Jun 21	Jun 22 v Jun 21	Jun 22 v Dec 21
Rental, Hiring and Real Estate Services	26%	27%	28%	(2%)	(1%)
Accommodation and Food Services	9%	9%	9%	0%	0%
Manufacturing	8%	8%	8%	0%	0%
Retail Trade	8%	8%	7%	1%	0%
Construction	7%	6%	6%	1%	1%
Financial and Insurance Services	6%	6%	5%	1%	0%
Wholesale Trade	5%	5%	5%	0%	0%
Professional, Scientific and Technical Services	4%	4%	5%	(1%)	0%
Health Care and Social Assistance	3%	4%	4%	(1%)	(1%)
Transport, Postal and Warehousing	2%	2%	3%	(1%)	0%
Residential Mortgage	10%	10%	10%	0%	0%
Other	12%	11%	11%	1%	1%
Gross loans and advances	**100%**	**100%**	**100%**		

Financial Performance.

2.7 Funding

$m	Jun 22	Dec 21	Jun 21	Jun 22 v Jun 21 %	Jun 22 v Dec 21 %
Customer Deposits					
Direct Retail Term Deposits	2,346	1,591	1,381	70%	47%
Intermediated SMSF/Retail Term Deposits	1,123	849	858	31%	32%
Intermediated Middle Markets Term Deposits	622	799	309	101%	(22%)
Total Customer Deposits	**4,091**	**3,239**	**2,548**	**61%**	**26%**
Wholesale Funding					
TFF self-securitisation drawn	1,536	1,264	696	121%	22%
Warehouse facilities	317	452	622	(49%)	(30%)
Senior unsecured debt	80	80	–		0%
Tier 2 subordinated debt	50	50	50	0%	0%
Negotiable certificates of deposit	332	124	–		168%
Total Wholesale Funding	**2,315**	**1,970**	**1,368**	**69%**	**18%**
Other					
TFF preserved component	1,324	1,596	2,164	(39%)	(17%)
Repurchase agreements	196	180	–		9%
Total Other	**1,520**	**1,776**	**2,164**	**(30%)**	**(14%)**
Total Funding	**7,926**	**6,985**	**6,080**	**30%**	**13%**
Customer Deposits – Average tenor at origination (days)					
Direct Retail Term Deposits	**458**	443			
Intermediated SMSF/Retail Term Deposits	**277**	270			
Intermediated Middle Market Term Deposits	**281**	225			

Funding strategy

Judo has four key objectives with respect to funding: surety, diversity, risk management and optimisation. Key elements of the funding strategy include:

- Achieve surety of sufficient funding sources to support the strategic plan;
- Attain diversified sources of funding by product, tenor, and channel;
- Manage funding risk, including maturity profile and counterparty concentrations; and
- Optimise the cost of funds.

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 Capital instruments, NCDs and senior unsecured debt. In addition, Judo participates in the RBA's TFF program, which was 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.

Deposits

Deposits are a core part of Judo's funding strategy, with a long-term goal of ~70 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 limited overlap between the SME lending customer and deposit customer base.

Judo's deposit market expansion strategy focuses on continuing to develop additional deposit gathering capabilities that will allow us to further penetrate the SMSF, business and intermediated deposit segments. 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 $4,091 million at 30 June 2022, up 26 per cent from 1H22. Growth in deposits was supported by Judo's competitive pricing in the retail term deposit market, as well as the investment grade rating from S&P Global Ratings received on 16 September 2021.

As a result of the general increase in interest rates during the second half of the year, Judo commenced actively managing its exposure to interest rate risk by entering 'receive fixed/pay floating' interest rate swaps.

Under hedge accounting rules, these arrangements are treated as swapping the variable interest received on the Bank's loans to a fixed rate receipt. For treasury management purposes, this can also be considered as effectively swapping the interest paid on the Bank's funding liabilities from fixed to variable. In this way, interest payments on funding are matched with interest received on loans, with both cashflows floating over the 1-month BBSW. This reduces volatility in Judo's realised NIM during periods of movement in 1-month BBSW.

Over the second half of the year, swap rates have increased faster than retail term deposit rates. As a result, from a treasury management perspective, Judo has maintained the hedged cost of newly originated term deposits, on an all-in hedged basis, at margins well below the Bank's medium-term assumption of 80–90 basis points over the 1-month BBSW.

The overall blended cost of deposits has fallen over the year, supported by an external investment grade credit rating and favourable market dynamics driving growth in intermediated middle market and SMSF Term Deposits channels, particularly across 1H22 and channel optimisation from favourable retail Term Deposits rates in 2H22.

Wholesale funding

Wholesale funding was $2,315 million at 30 June 2022, up 69 per cent. The drivers of this movement are set out below.

TFF self-securitisation funding increased from $696 million in FY21 to $1,536 million in FY22 as new loans were originated, with a corresponding reduction in the non-MLH eligible assets held as collateral as part of the TFF preservation strategy. An additional uplift was executed in early July. The self-securitisation is Aaa rated. Further detail regarding the TFF preserved component is disclosed in Section 3.7.3.3 and Section 5 of Judo's IPO Prospectus dated 14 October 2021.

Judo has made meaningful progress on its Warehouse Optimisation project. Judo is in commercial discussions with a number of major Australian and international banks to provide committed warehouse facilities to support the existing $850 million of committed warehouse lines provided by the AOFM and two major international banks. Judo has also transferred funding away from older, uncommitted warehouses to optimise its funding costs.

Judo's inaugural $80 million senior unsecured issuance was executed in November 2021. Significant investor engagement has also been undertaken to facilitate further issuance should market conditions permit. An NCD program was also launched in November 2021, further supporting Judo's wholesale funding channels and has grown to $332 million as at 30 June 2022.

Financial Performance.

2.8 Asset quality

Impairment on loans, advances and treasury investments

	Year to			Half Year to		
$m	Jun 22	Jun 21	Jun 22 v Jun 21 %	Jun 22	Dec 21	Jun 22 v Dec 21 %
Impairment expense – specific	1.2	4.7	(74%)	1.4	(0.2)	large
Impairment expense – collective	24.2	4.9	large	14.3	9.9	44%
Impairment on loans and advances	25.4	9.6	165%	15.7	9.7	62%
Impairment on treasury investments	–	0.4	(100%)	0.1	(0.1)	(200%)
Impairment on loans, advances and treasury investments	**25.4**	**10.0**	**154%**	**15.8**	**9.6**	**65%**
Impairment expense/average GLA (%)	0.53%	0.39%	14 bps	0.66%	0.46%	20 bps

Lending provisions and coverage

$m	Jun 22	Dec 21	Jun 21	Jun 22 v Jun 21 %	Jun 22 v Dec 21 %
Specific provision – individually assessed ($m)	1.7	5.6	5.8	(71%)	(70%)
Collective provision ($m)	53.5	39.1	29.2	83%	37%
Total provisions ($m)	**55.2**	**44.7**	**35.0**	**58%**	**23%**
Specific provision/impaired assets (%)	25.2%	55.7%	62.5%	(37.3%)	(30.5%)
Total provisions/impaired assets (%)	594%	445%	377%	large	148%
Specific provision/GLA (%)	0.03%	0.12%	0.17%	(0.14%)	(0.09%)
Collective provision/GLA (%)	0.88%	0.81%	0.83%	0.05%	0.07%
Total provisions/GLA (%)	0.91%	0.92%	1.00%	(0.09%)	(0.02%)
Total provisions/Credit RWAs (%)	0.97%	0.90%	0.96%	0.01%	0.07%

Days past due (DPD) and impaired assets

$m	Jun 22	Dec 21	Jun 21	Jun 22 v Jun 21 %	Jun 22 v Dec 21 %
30-89 DPD but not impaired ($m)	20.4	4.9	1.9	large	large
90+ DPD but not impaired ($m)	0.7	0.2	2.8	(75%)	large
Impaired assets ($m)	9.3	10.1	9.3	0%	(8%)
30+ DPD & impaired assets ($m)	**30.4**	**15.2**	**14.0**	**117%**	**101%**
30-89 DPD but not impaired/GLA (%)	0.33%	0.10%	0.05%	0.28%	0.23%
90 DPD but not impaired/GLA (%)	0.01%	0.00%	0.08%	(0.07%)	0.01%
Impaired assets/GLA (%)	0.15%	0.21%	0.26%	(0.11%)	(0.06%)
30+ DPD & impaired assets/GLA (%)	**0.49%**	**0.31%**	**0.39%**	**0.10%**	**0.18%**

Impairment on loans, advances, and treasury investments

FY22 impairment expense was $25.4 million, up from $10.0 million in FY21, primarily driven by lending growth, the requirement under accounting standards to adopt a forward-looking approach to expected credit losses and changes to Judo's expectations for the economic outlook, as well as $5.3 million in net write-offs.

Provision coverage

Total provisions were $55.2 million, up 23 per cent from 1H22, driven by an increase in the collective provision.

The collective provision was $53.5 million, up 37 per cent, primarily driven by loan book growth and the requirement under accounting standards to adopt a forward-looking approach to expected credit losses.

The specific provision was $1.7 million, down 70 per cent from $5.6 million in 1H22, primarily driven by a single group write-offs which was provided for in the prior year.

Total provision coverage was 0.91 per cent of gross loans and advances, a decline of 1 basis point from 0.92 per cent in 1H22. The modest reduction in total provision coverage from 1H22 was due to a reduction in specific provision coverage of 9 basis points, largely offset by an increase in collective provision coverage of 7 basis points.

Collective provision coverage increased reflecting adjustments to economic assumptions to reflect the economic outlook, specifically increasing the probability weighting for Judo's macroeconomic downside scenario by 5 per cent to 25 per cent, with a corresponding reduction in the base case of 5 per cent to 55 per cent.

A detailed description of Judo's methodology for measuring expected credit losses is included in Note 22 to the Financial Statements contained in this report.

Days past due and impaired assets

Judo's 90+ days past due loans were $0.7 million or 0.01 per cent of GLA, up 1 basis point from 1H22, due to a single customer default.

Judo's 30+ days past due loans were $20.4 million or 0.33 per cent of GLA, made up of five customer groups that are 100% fully or partially secured.

Judo's gross impaired assets to GLA was down 5 basis points to 0.15 per cent during the period, but was stable on a dollar basis. This included minimal new impairments, offset by customer repayments and a single group write-off. Impaired assets are made up of eight customer groups from a range of different industries.

Security position

Judo has maintained a strong security position with 86.2 per cent of the portfolio on an exposure basis fully or partially secured.

2.9 Capital management and liquidity

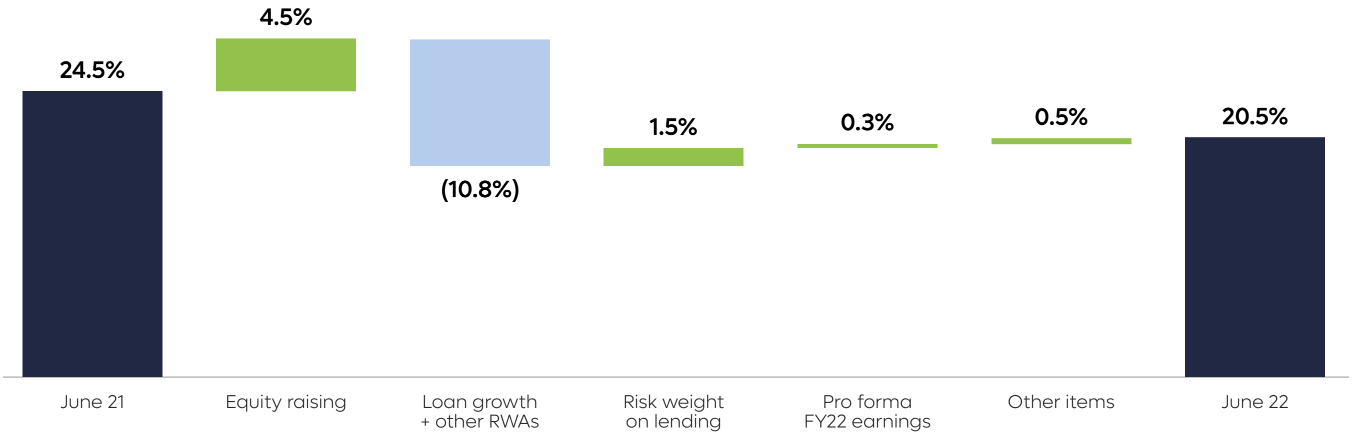
Capital adequacy

$m	Jun 22	Dec 21	Jun 21	Jun 22 v Jun 21 %	Jun 22 v Dec 21 %
CET1 Capital	1,292	1,289	1,004	29%	0%
Tier 2 Capital instruments	50	50	50	0%	0%
General reserve for credit losses	40	35	26	53%	13%
Tier 2 capital	90	85	76	19%	6%
Total capital	**1,382**	**1,374**	**1,080**	**28%**	**1%**
Total Credit RWAs ($m)	5,662	4,943	3,641	56%	15%
Total RWA ($m)	6,311	5,520	4,094	54%	14%
Average risk weight on lending (%)	83%	88%	92%	(9.4%)	(5.4%)
CET1 ratio (%)	20.5%	23.3%	24.5%	(4.0%)	(2.8%)
Total capital ratio (%)	21.9%	24.9%	26.4%	(4.5%)	(3.0%)

Judo's capital ratios throughout the year included an appropriate buffer to ensure they remained above APRA's capital adequacy requirements and Judo's 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 to June 2022 (%)



CET1 ratio was 20.5 per cent, down 4.0 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 in FY22 included capital raised during the IPO and $20 million received in July 2021 as part of Judo's final pre-IPO capital raising.

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

The risk weight on lending fell from 92 per cent at June 2021 to 83 per cent at June 2022. The reduction in risk weighting was driven by lower risk weight on new originations and support for the SME Recovery Loan scheme.

Liquidity

$m	Jun 22	Dec 21	Jun 21	Jun 22 v Jun 21 %	Jun 22 v Dec 21 %
Total liquid assets balance	3,126	3,497	3,597	(13%)	(11%)
Less liquid assets ineligible for MLH	(1,657)	(1,994)	(2,317)	(28%)	(17%)
Total adjusted MLH balance	**1,469**	**1,502**	**1,280**	**15%**	**(2%)**
Total adjusted MLH balance (%)	16.8%	19.3%	19.6%	(2.8%)	(2.5%)

2.10 Tax

Judo's pro forma tax rate for FY22 was 42%. The pro forma tax rate implicitly removes the tax impact of any of the one-off expenses relating to the Bank's IPO. The pro-forma tax rate also factors in a range of other adjustments, which have been described in more detail below.

Judo's corporate tax rate is 30%.

Pro forma effective tax rate

	Year to			Half Year to		
$m	**Jun 22**	**Jun 21**	**Jun 22 v Jun 21 %**	**Jun 22**	**Dec 21**	**Jun 22 v Dec 21 %**
Pro forma net profit/(loss) before tax	**15.6**	**(7.2)**	**large**	**12.6**	**3.0**	**large**
At the corporate tax rate (30%)	4.7	(2.1)	large	3.7	1.0	large
Add tax effect of:						
Prior year tax provision	0.8	–		0.3	0.5	(40%)
Share based payments	0.9	0.5	80%	0.7	0.2	large
Permanent differences	0.1	(0.5)	(120%)	(0.5)	0.6	(183%)
Income tax expense/(benefit)	**6.5**	**(2.1)**	**large**	**4.2**	**2.3**	**82%**
Effective tax rate	42%	29%	13%	33%	77%	(35%)

Prior year tax provision

In FY22, Judo recognised a one-off adjustment to the tax expense associated with the written down value of fixed assets and capitalised share issues. The expenses were incurred in FY21 however were recognised following lodgement of the FY21 tax return during FY22.

Share based payments

Share based payments are not an allowable deduction for tax purposes. Tax deductions may be available in the future upon shares being paid to employees. Judo calculates any deferred tax asset based on the share price at year end.

The impact of share-based payments on FY22 tax reflects previous recognition of a deferred tax asset that has been reversed as a result of the lower Judo share price.

Deferred tax

As of 30 June 2022, Judo had $56.6 million in deferred tax assets, arising from prior year tax losses and other items.

$m	Jun 22	Dec 21	Jun 21	Jun 22 v Jun 21 %	Jun 22 v Dec 21 %
Tax losses[1]	13.5	18.5	19.4	(30%)	(27%)
Capital raising costs[2]	7.3	8.4	–		(13%)
Share based payments[3]	15.8	19.3	–		(18%)
Other[4]	21.9	18.1	13.8	59%	21%
Deferred tax assets	**58.5**	**64.3**	**33.2**	**76%**	**(9%)**
Other[4]	(1.9)	(2.1)	(1.0)	90%	(10%)
Deferred tax liabilities	**(1.9)**	**(2.1)**	**(1.0)**	**90%**	**(10%)**
Net deferred tax assets	**56.6**	**62.2**	**32.2**	**76%**	**(9%)**

Notes

1 Accumulated income tax losses are currently available for use, to be applied against any future taxable income.

2 Capital raising costs are deducted over a 5-year period from the year in which they are incurred, commencing in FY22.

3 Share based payments primarily includes the settlement of a legacy incentive plan, which is deductible over 5 years.

4 All other deferred tax balances reflect temporary timing differences between the accounting and tax treatment, which are expected to unwind as the tax benefits/liabilities are realised. This includes loss allowances for financial assets.

2.11 Average balance sheet

$m	Full year ended 30 June 2022 Avg Bal	Interest	Avg Rate %	Full year ended 30 June 2021 Avg Bal	Interest	Avg Rate %
Assets						
Interest Earning Assets						
Trading and Investment Securities	3,406	8.7	0.26%	1,458	5.7	0.39%
Gross Loans and Advances	4,773	213.2	4.47%	2,576	120.7	4.69%
Total Interest Earning Assets	**8,179**	**221.9**	**2.71%**	**4,034**	**126.4**	**3.13%**
Non-Interest Earning Assets						
Other Assets (incl. loan provisions)	87	NM	NM	12	NM	NM
Total Non-Interest Earning Assets	**87**	**–**	**NM**	**12**	**–**	**NM**
Total Assets	**8,266**	**222**	**NM**	**4,046**	**126**	**NM**
Liabilities						
Interest Bearing Liabilities						
Direct Retail Term Deposits	1,698	20.0	1.18%	1,014	15.8	1.56%
Intermediated Term Deposits	1,552	15.2	0.98%	951	12.1	1.27%
TFF self-securitisation drawn	1,207	0.2	0.01%	134	0.1	0.10%
Warehouse facilities	472	12.2	2.58%	563	13.1	2.33%
Senior unsecured debt	49	0.6	1.22%	–	–	0.00%
Tier 2 subordinated debt	50	2.4	4.80%	4	–	0.00%
Certificates of deposit	129	1.0	0.78%	–	–	0.00%
TFF preserved component	1,653	0.2	0.01%	589	0.6	0.10%
Repurchase agreements	122	0.2	0.16%	–	–	0.00%
Other Interest Bearing Liabilities	2	0.1	5.00%	4	0.2	5.00%
Total Interest Bearing Liabilities	**6,934**	**52.1**	**0.75%**	**3,259**	**41.9**	**1.29%**
Non-Interest Bearing Liabilities						
Other Liabilities	47	NM	NM	13	NM	NM
Total Non-Interest Bearing Liabilities	**47**	**–**	**NM**	**13**	**–**	**NM**
Total Liabilities	**6,981**	**52.1**	**NM**	**3,272**	**42**	**NM**
Average Net Assets	**1,285**	**NM**	**NM**	**774**	**NM**	**NM**
Average Shareholder Equity	**1,285**	**NM**	**NM**	**774**	**NM**	**NM**

Average balance sheet is presented on a monthly average, all-in hedged basis.

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

2.12 Outlook

In the context of the current macroeconomic environment, Judo's relationship-based business model and thorough approach to credit underwriting, based on the 4 Cs, positions the bank well to continue delivering against its financial and strategic goals.

Judo will continue to benefit from significant positive leverage to rising interest rates and will continue to grow its market share of SME lending.

In FY23, Judo expects to deliver the metrics provided in the table below. In doing so, Judo will demonstrate continued progress towards delivering its key business metrics at scale.

Metrics	FY23 Drivers	FY23 Guidance	At Scale Metrics
Gross Loans and Advances	Strong growth to continue within risk appetite, driven by our relationship led customer value proposition.	>$9 billion	$15-20 billion
Underlying NIM	Underlying NIM to be between 3.3 – 3.5% in 1H23 benefitting from temporary tailwinds. Will return to sustainable levels in 2H23.	>3%	>3%
Cost to Income ratio	CTI to improve to 60% or lower driven by revenue growth more than offsetting ongoing investment in growth.	Below 60%	Approaching 30%
Cost of risk	Cost of risk driven by loan growth, higher provision coverage, and assumed write-offs.	$50-60 million	~50 bps of average GLA
Return on equity	Demonstrating continued progress towards the at scale ROE.	Low to mid single digits	Low to mid-teens

Corporate Governance.

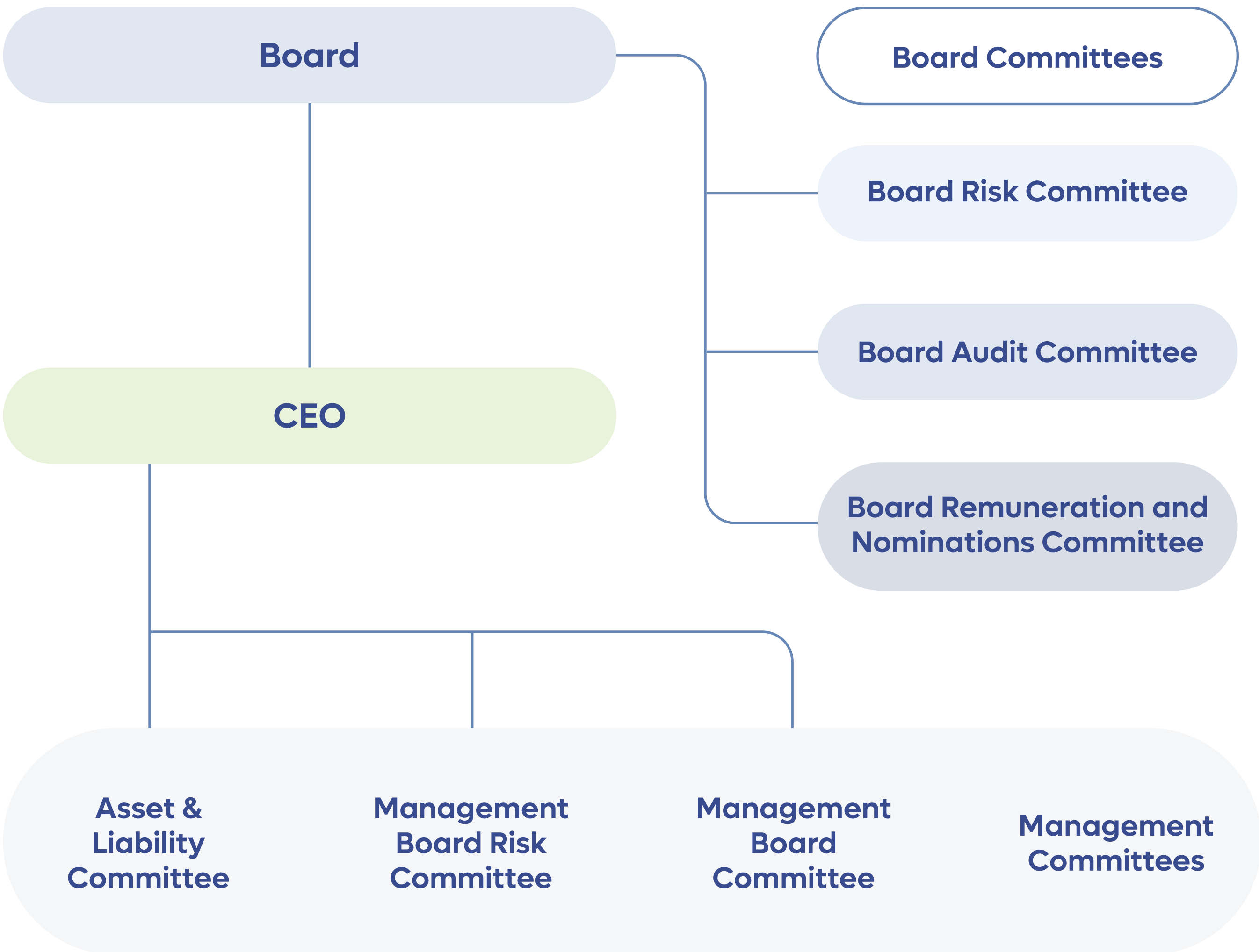
Corporate Governance.

Our approach to Corporate Governance

The Board and management of Judo believe that effective governance and oversight are key to a successful enterprise. Our directors and management team work together to provide accountability, with the aim of Judo achieving its goal to be the most trusted SME business bank in Australia. They are committed to continuously improving our governance practices.

Further detail is set out in Judo's Corporate Governance Statement, together with the Appendix 4G which relates to the Corporate Governance Statement, which has been prepared in accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (4th edition). Judo's Corporate Governance Statement can be viewed at https://www.judo.bank/corporate-governance and has been lodged with the ASX.

Our Corporate Governance framework



Corporate Governance.

Board responsibilities

The role of the Board is to provide strategic guidance for Judo and effective oversight of management. Some of the key responsibilities include:

a) approving the Judo business strategy and its financial objectives, and monitoring the implementation of those strategies and objectives

b) approving annual budgets (including any re-forecasts) and financial statements, and monitoring financial performance

c) approving the capital and asset management plans and overseeing operational performance

d) forming a view of Judo's risk culture and the extent to which the risk culture supports the ability of Judo to operate consistently within Judo's RAS

e) approving Judo's RMF, RMS and RAS, and – with the guidance of the Board Risk Committee – reviewing and undertaking oversight and challenge to seek to ensure:

    i. the effective implementation and operation of the RMS

    ii. that Judo's operational structure continues to facilitate effective risk management

    iii. that adequate risk management resources are available.

Committees

Board committees

Judo has three Board committees – the Board Audit Committee, the Board Risk Committee and the Board Remuneration and Nominations Committee. The Board and Board committees' charters, outlining their roles and responsibilities, are available at: https://www.judo.bank/corporate-governance.

Board Committee Membership

	Board Audit Committee	Board Risk Committee	Board Remuneration and Nominations Committee
Chair	Manda Trautwein	John Fraser	Jennifer Douglas
Members	Peter Hodgson	Peter Hodgson	Peter Hodgson
	Mette Schepers	Mette Schepers	John Fraser
	David Hornery	David Hornery	Malcolm McHutchison
Observers		Manda Trautwein	

Board Audit Committee

The purpose of the Board Audit Committee is to advise the Board on the effectiveness of Judo's accounting, auditing, financial and regulatory reporting and overall internal control frameworks.

Board Risk Committee

The purpose of the Board Risk Committee is to advise and assist the Board to fulfill its responsibilities in relation to Judo's risk management, including strategies, policies and frameworks for implementation, and how these support Judo's business strategy and culture.

Board Remuneration and Nominations Committee

The purpose of the Board Remuneration and Nominations Committee is to advise and assist the Board to fulfil its responsibilities in relation to Board composition, Judo's Management Board and people and remuneration matters, including remuneration strategies, policies and frameworks for implementation, and how these support Judo's strategy and culture.

Management committees

Judo's Management Board comprises nine members: the Chief Executive Officer (CEO), Deputy CEO and Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Relationship Officer, Chief People and Culture Officer, Chief Marketing Officer, Chief Third-Party Officer, and the General Counsel and Company Secretary.

Judo has three management committees: the Management Board Committee, the Management Board Risk Committee, and the Asset and Liability Committee.

Management Board Committee

The purpose of the Management Board Committee is to advise and assist the CEO in the day-to-day management and administration of Judo. The Management Board Committee also advises and assists the Board in fulfilling its responsibility for oversight of the sound and prudent management of all dimensions of Judo's business operations and in accordance with Judo's strategic, financial and risk management objectives.

Management Board Risk Committee

The Management Board Risk Committee advises and assists the Management Board with fulfilling its responsibilities in relation to Judo's RMF, including strategies, risk appetite, and the resultant policies and frameworks for implementation to support Judo's business strategy and culture.

Asset and Liability Committee

The Management Board Asset and Liability Committee (ALCO) advises and assists the Management Board in fulfilling its responsibilities in relation to all balance sheet risks and capital management matters, including setting limits, monitoring exposures and implementing controls across the dimensions of capital, funding and liquidity, and non-traded interest rate risk.

Corporate Governance.

Board priorities

During FY22, some of the Board's key priorities included:

- overseeing Judo's IPO and its successful transition to being a public company; this included consideration of Board composition to ensure the appropriate mix of skills and experience across a range of criteria, as outlined in later in this section (Judo's current Board of Directors is outlined in the Directors' Report)
- overseeing and supporting management's response to the COVID-19 pandemic for both customers and employees, particularly in areas where extended lockdowns were in place
- preparing for key emerging risks to Judo, including cybersecurity risk in light of increasing instability in the external environment
- supporting processes in place to attract, develop and retain talent
- promoting a values-driven, customer-focused performance culture with a key focus on risk culture.

Board composition and renewal

Judo's Board currently has seven directors, and during FY22 it underwent a number of changes. David Fite, Stanislav Kolenc and Hui (Tony) Diao all resigned from the Board in October 2021, prior to Judo's listing on the ASX on 1 November 2021. David, Stanislav and Tony were all shareholder representative directors appointed under Judo's Shareholders Agreement, which came to an end at the time of the IPO. Geoffrey Lord also resigned from the Board in October 2021.

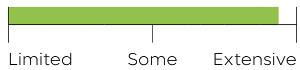
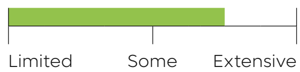
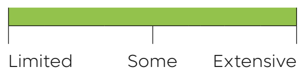
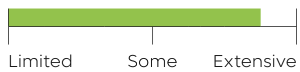
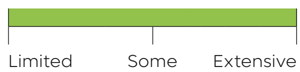
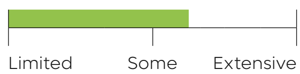
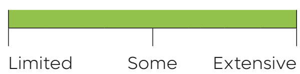
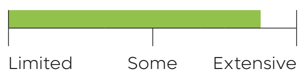
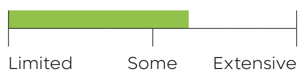
On 23 August 2021, Jennifer Douglas joined the Board, bringing over 25 years of experience in the media sector, first as a lawyer and then executive, before moving into board roles. Jennifer joined the Board Remuneration and Nominations Committee and also became the Chair of the Board Remuneration and Nominations Committee in January 2022.

On 7 October 2021, David Hornery, who was formerly a co-CEO of Judo, joined the Board. David brings to the Board 35 years of experience across some of Australia's leading investment and business banks, as well as a deep history with, and knowledge of, Judo's business. David is a member of both the Board Audit Committee and the Board Risk Committee.

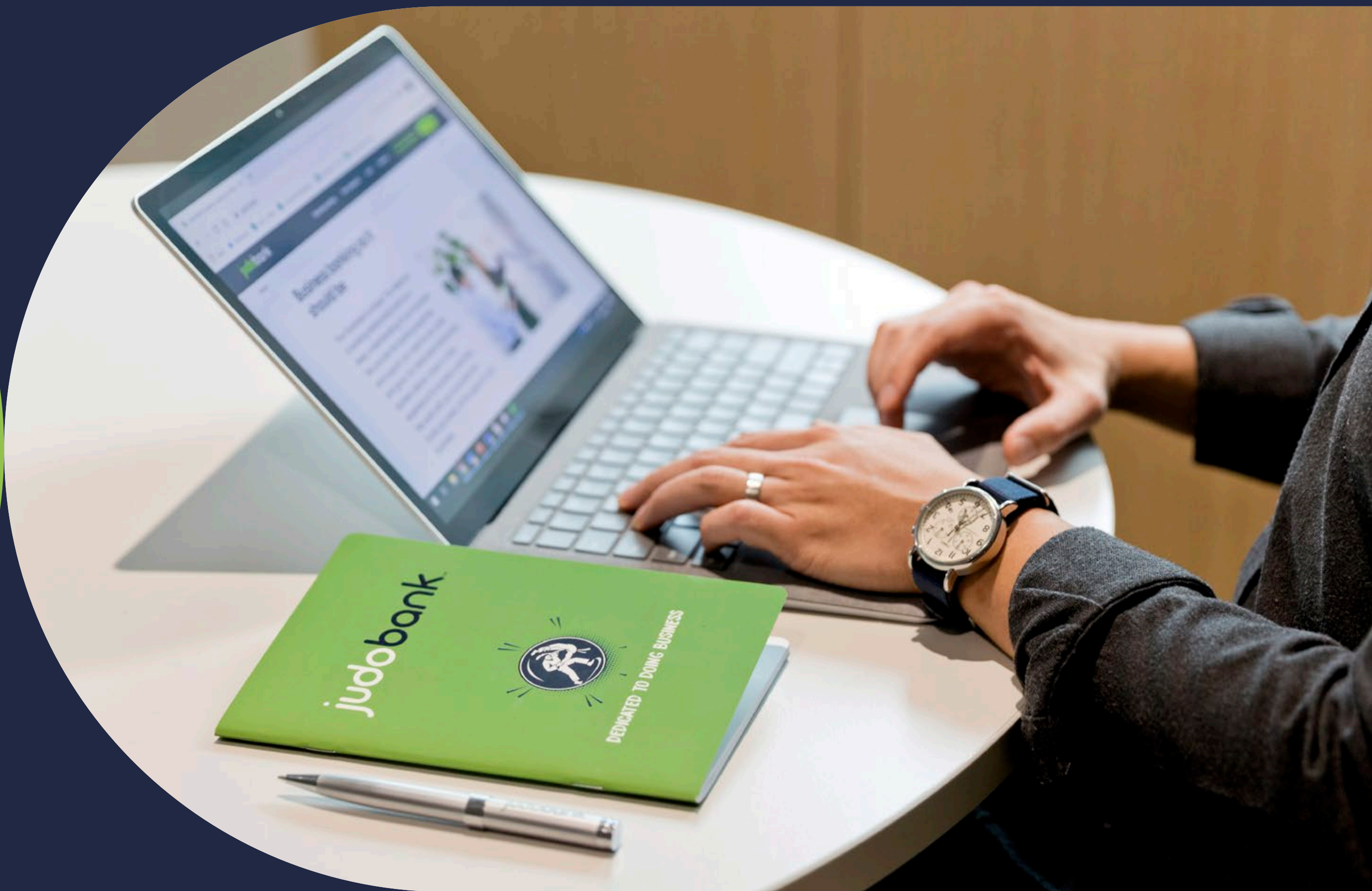
Board skills and experience

We consider that Judo's directors collectively have the relevant skills and competence to be able to advise on, and oversee, Judo's strategy. Judo's Board's skills matrix, set out below, summarises the industry knowledge and experience, technical skills, and governance and risk competencies held by our Directors.

Board skills and experience as at 30 June 2022

Skills and experience	Description	Collective experience
Relevant industry experience	Experience working in a senior role in the commercial banking sector and/or strong understanding of the SME market, economic drivers and the regulatory environment that have an impact on Judo and its customers.	
Small business and startup experience	Experience working, or acting, in an advisory role to the small business sector and startup organisations. Understanding of key issues facing these sectors and a proven capacity as an advocate for small businesses for which Judo is a key partner.	
Customer relationships	Experience developing and delivering customer strategies, enhanced customer experiences and deeper customer relationships to assist Judo in continuing to embed our customer value proposition.	
Risk culture	Experience assessing and managing financial and non-financial risks through development and oversight of risk management frameworks to support everyone as a risk manager at Judo.	
Strategy and performance	Experience developing and delivering on growth plans and strategic direction to support Judo's purpose to be the most trusted SME business bank. Sound understanding of financial statements, capital management strategies and drivers of financial performance, including assessing the adequacy of financial controls and integrity of financial reporting.	
Transformation, digital technology and data	Experience in delivery and oversight of technology strategies, technology risk and technology transformation programs, including the utilisation of digital technology and data.	
People and organisational culture	Experience developing workforce capability in attracting and retaining talent, remuneration practices and organisational culture, with a focus on diversity and inclusion.	
Ownership mindset	Experience in taking an owner's mindset approach and in the continuous exercise of critical, independent thinking to avoid bureaucracy.	
Environment and social	Understanding potential risks and opportunities from an environmental and social perspective applicable to a challenger bank focused on the SME market.	

Annual Financial Report.



Contents.

Directors' 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 year ended 30 June 2022.

Directors' information

Peter Hodgson

Chairman

Appointed
25 January 2017

Board committees	Board Audit Committee; Board Risk Committee; Board Remuneration Committee
Qualifications	Peter holds a Master of Arts (Hons) in Law from Cambridge University and is a member of the Australian Institute of Company Directors.
Skills and expertise	Peter has over 37 years of experience in financial services in Australia and overseas. He has held senior executive positions at Bank of America, BZW and ANZ and he now holds a number of Board positions, including as a Director and Chair. He is currently on the advisory boards of Drummond Capital Partners and Planum Partners and is also a member of the Trinity College Investment Management Committee. He is Chair of the Centre of Evidence and Implementation, is on the Board of Fintech for International Development, representing Save the Children International, and he is a director of the Save the Children Impact Fund. Peter's past roles include Chair of Save the Children Australia which he held for nine years, and Chair of Greengate Aged Care Partnership. He was also a Trustee and Director of Save the Children International and chaired the Audit and Risk Committee of the organisation.
Directorships of other listed entities	Nil

Jennifer Douglas

Non-Executive Independent Director

Appointed
23 August 2021

Board committees	Board Remuneration Committee (Chair)
Qualifications	Jennifer holds degrees in Law (Hons) and Science from Monash University and a Master of Law and Master of Business Administration from Melbourne University. Jennifer is also a Graduate of the Australian Institute of Company Directors.
Skills and expertise	Jennifer has over 25 years of experience in the technology and media sectors first as a lawyer and then executive before moving into board roles. She has significant experience in driving growth through customer-centred thinking and use of technology and her executive roles included $3 billion financial performance accountability and responsibility for customer experience at Telstra, and General Counsel and Head of Regulatory at Sensis. She is currently a Non-Executive Director and Chair of the Risk Committee of GUD Holdings Ltd (ASX:GUD), and a Non-Executive Director of Essential Energy. She is also a Non-Executive Director of St Kilda Football Club and Peter MacCallum Cancer Foundation, and a former Non-Executive Director of Opticomm Limited, Telstra SNP Monitoring, Family Life Inc, Pacific Access Superannuation Fund, and Hansen Technologies Ltd (ASX:HSN).
Directorships of other listed entities	GUD Holdings Ltd

John Fraser

Non-Executive Independent Director

Appointed
1 October 2018

Board committees	Board Risk Committee (Chair); Board Remuneration Committee
Qualifications	John graduated from Monash University, Melbourne, in 1972 with a first-class honours degree in economics and, in 2013, was awarded an honorary Doctorate of Laws by the University.
Skills and expertise	John has more than 40 years of experience in leadership roles in economics, public policy, capital markets and asset management in Australia and overseas. He was Secretary to the Treasury from 2015 to 2018, serving as a member of the Board of the Reserve Bank of Australia, a member of the Australian Council of Financial Regulators and Chairman of the G20 Global Infrastructure Hub. John is currently on the Board of the Guardians of the Australian Future Fund and the Advisory Board of Accountability in New York and the Advisory Board of Credi Consulting in Sydney. In 2021, John was the Australian Observer for the G7 Panel on economic resilience. Prior to this, John was Chairman and CEO of UBS Global Asset Management, based in London; a member of the UBS Group Executive Board; and Chairman of UBS Saudi Arabia. He has also served as an Australian Securities Exchange Board Director and as Chairman of Victorian Funds Management Corporation.
Directorships of other listed entities	Nil

David Hornery

Non-Executive Director

Appointed
7 October 2021

Board committees	Board Audit Committee; Board Risk Committee
Qualifications	David holds a Bachelor of Economics degree from Sydney University.
Skills and expertise	David is a co-founder of Judo and was previously the Co-Chief Executive Officer. He is a highly experienced international banker with 35 years of experience across some of Australia's leading investment and business banks. These include National Australia Bank as the Head of Corporate Institutional and Specialised Banking; ANZ, as their Global Head of Capital Markets, and then as CEO Asia spanning 13 countries across the region; and Macquarie Bank, as Global Head of Capital Markets. David has been a Board member of the Australian Financial Markets Association, and Chair of its Dealer Accreditation Taskforce. He has served as a Board member of the Asian Bankers Association and the European Australian Business Council. He currently chairs StudioTHI, in the not-for-profit sector.
Directorships of other listed entities	Nil

Directors' Report.

Malcolm McHutchison

Non-Executive Director

Appointed
27 February 2020

Board committees	Board Remuneration Committee
Qualifications	Malcolm holds a Bachelor of Economics from Monash University, a Master of Business Administration from the Australian Graduate School of Management at UNSW and is also a Graduate of the Australian Institute of Company Directors.
Skills and expertise	Malcolm has over 25 years of experience in business and financial services. He is currently the Group Chief Executive of Modern Star, Australia's market-leading education resources business. Prior to this, Malcolm was the Chief Executive of Interactive, one of Australia's largest IT services companies and prior to Interactive, Malcolm led the Macquarie Capital Asset Management function, responsible for the operating performance of an $800 million portfolio of equity investments across Australia, China and New Zealand. During this time, he served on several Boards, most notably Domino's Pizza China, Quadrant Energy and Mine Site Technology.
Directorships of other listed entities	Nil

Mette Schepers

Non-Executive Independent Director

Appointed
17 April 2019

Board committees	Board Audit Committee; Board Risk Committee
Qualifications	Mette holds a Bachelor of Commerce from the University of Melbourne, a Graduate Diploma of Applied Finance and Investments from the Securities Institute of Australia (now FINSIA), a Graduate Diploma of Mobile Banking from Illinois Institute of Technology and an Associate Degree in Design (Furniture) from RMIT. Mette is a Graduate of the Australian Institute of Company Directors.
Skills and expertise	Mette has over 30 years of international experience in banking and professional services, and is a Chartered Accountant. Mette has held senior executive roles at Mercer, ANZ, Esanda and FleetPartners, and has extensive experience serving large corporates, small to medium businesses and retail customers. Prior to this, Mette worked internationally with PwC. Mette is currently a Board member of the Public Interest Journalism Initiative. Previously, Mette served on the boards of a variety of private and for-purpose companies, and a statutory authority.
Directorships of other listed entities	Nil

Manda Trautwein

Non-Executive Independent Director

Appointed
17 April 2019

Board committees	Board Audit Committee (Chair); Board Risk Committee (Observer)
Qualifications	Manda holds a Bachelor of Commerce from Macquarie University, a Master of Applied Finance from Macquarie University and a Master of Applied Taxation from UNSW. She is a Fellow of Chartered Accountants ANZ and a Member of CPA Australia.
Skills and expertise	Manda has over 22 years of experience as an accountant in public practice, with a specific focus on advising SMEs. She is currently a Partner of William Buck in Sydney. Manda was previously the National Chair of the Chartered Accountants Australia and New Zealand Business Valuation Community and an Adjunct Fellow at Macquarie University, where she lectured to postgraduate students in Applied Finance.
Directorships of other listed entities	Nil

The following persons were Directors from the beginning of the financial year until their date of resignation, as detailed below:

- Hui (Tony) Diao (Resigned 8 October 2021)
- David Fite (Resigned 7 October 2021)
- Stanislav Kolenc (Resigned 8 October 2021)
- Geoffrey Lord (Resigned 27 October 2021)

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2022, and the numbers of meetings attended by each Director were:

			Meetings of committees					
	Directors' meetings		Audit		Risk		Remuneration	
	A	B	A	B	A	B	A	B
Peter Hodgson	17	17	5	5	7	7	3	3
Jennifer Douglas	14	14	–	–	–	–	2	2
Hui (Tony) Diao	7	7	–	–	–	–	1	1
David Fite	6	6	–	–	2	2	–	–
John Fraser	17	17	–	–	7	7	3	3
David Hornery	17	17	3	3	6	6	–	–
Stanislav Kolenc	7	7	–	–	–	–	1	1
Geoffrey Lord	7	6	–	–	–	–	–	–
Malcolm McHutchison	17	16	–	–	–	–	2	2
Mette Schepers	17	17	5	5	7	7	2	2
Manda Trautwein[1]	17	17	5	5	7	7	–	–
Joseph Healy[2]	17	17	5	5	7	7	3	3

A = Number of meetings held during the time the Director held office or was a member of the committee during the year
B = Number of meetings attended

1 Manda Trautwein's attendance at Risk Committee meetings was in the capacity of an observer, and not an official member.
2 Joseph Healy's attendance at meetings was in the capacity of Chief Executive Officer and an observer, and not an official member.

Directors' Report.

Directors' interests in equity

Particulars of shares, rights and other relevant interests held by directors are set out in the Remuneration Report.

Company secretaries

Yien Hong

Company Secretary

Appointed 10 September 2019

Qualifications	Yien holds an LLB (Hons), BCom and BA from the University of Adelaide and is a graduate of the AICD Company Directors' Course.
Skills and expertise	Yien commenced her career as a credit analyst at Macquarie Bank and then Yien trained with Herbert Smith Freehills in the Banking division before becoming a managing associate, in Banking at Linklaters in London. She has held senior legal roles at Deutsche Bank London Branch, as Head of Legal, Fixed Income and Prime Brokerage, NAB and more recently as General Counsel and Company Secretary at Growthpoint Properties Australia Limited. Over the course of her career both in private practice and in-house, Yien has worked across a diverse range of sectors and geographies, from property, private equity and leveraged acquisitions, to structured finance and derivatives. Yien has served as a non-executive Director with YWCA Housing and YWCA National Housing as well as for subsidiary boards.

Liam Williams

Company Secretary

Appointed 25 March 2020

Qualifications	Liam holds a BA LLB from Macquarie University.
Skills and expertise	Liam was admitted to practice in NSW in 1998 (where he holds a current practising certificate) and England and Wales in 2004. He commenced with MinterEllison as a graduate lawyer, and spent 4 years in the Banking team. In 2003 he relocated to London to work for Linklaters, where he worked for 5 years (moving to the Singapore office during that time). He has also worked at Herbert Smith Freehills, and was a partner at a medium sized firm in Sydney. He has practised predominantly in banking and finance law, and has undertaken secondments at BNP Paribas, Westpac and Suncorp, as well as presenting for the Asia Pacific Loan Market Association. Liam joined Judo Bank in February 2020, and is also Head of Legal, Transactions and Treasury.

David McNabb was a Company Secretary from the beginning of the financial year until his resignation on 6 December 2021.

Management Board

Joseph Healy

Chief Executive Officer

Background

Joseph is a co-founder of Judo and a career international banker with over 35 years of experience in banking across a range of roles. Joseph has held executive positions at Lloyds Bank, CIBC World Markets, Citibank, Australian and New Zealand Bank (ANZ) and National Australia Bank (NAB) including as Group Executive/Divisional CEO Business Banking for NAB from 2008 to 2014 where he was responsible for SME, Corporate, Institutional, Financial Institutions, Private Banking and Asia. Joseph was an Adjunct Professor at the University of Queensland and holds a Master of Science (Finance), an MBA, a Master of Science in International Management (China), a Master of Arts in Contemporary Chinese Studies, a Master of Science in Psychology & Neuroscience of Mental Health and an MBA (Banking) from institutions including the School of Oriental and African Studies, University of London; London Business School; Kings College, London; and the University of Nottingham in China. He is a Fellow of the Chartered Institute of Bankers in Scotland and a Fellow of FINSIA.

Chris Bayliss

Deputy Chief Executive Officer and Chief Financial Officer

Background

Chris is a co-founder of Judo and a career international banker with over 35 years of experience across all facets of retail and business banking in the Asia Pacific, UK and Europe. Chris's career has spanned many global banks and markets, including executive positions at Clydesdale/Yorkshire Bank, Bank of New Zealand, National Australia Bank, and Standard Chartered Bank in Singapore. Chris has held various positions, including Chief Risk Officer, Chief Relationship Officer, Chief Operating Officer and Chief Financial Officer. Chris is the Chairman of the Retail and Business Banking Council FINSIA, a Fellow of FINSIA, an Associate of the UK Chartered Institute of Bankers and has a Financial Services Master of Business Administration from Sheffield Hallam University in the UK.

Frank Versace

Chief Risk Officer

Background

Frank joined Judo in January 2017 and is a career banker with over 20 years of experience in the banking industry. Frank's career includes commercial, corporate and retail banking experience through executive and leadership roles at ANZ and Macquarie Bank, which have included an extensive focus on managing business risks of all forms. He has experience running large relationship distribution businesses such as ANZ Mobile Lending, which is a scaled retail and commercial franchise system of over 500 staff, the Northern Melbourne Region for ANZ Business Bank and was Judo's Chief Relationship Officer prior to assuming his current role. Frank has obtained extensive risk experience over his career across various disciplines including a deep understanding of transactional credit risk, portfolio risk management, risk strategy development and policy design. Frank is a Chartered Banker with the Chartered Bankers Institute in Scotland and holds a Bachelor of Commerce and a Bachelor of Economics (Hons) from Monash University.

Directors' Report.

Lisa Frazier

Chief Operating Officer

Background

Lisa Frazier is an experienced business executive, company board director and start-up entrepreneur. Lisa has over 25 years of international experience across banking, investing, media, telecom, and technology industries. Lisa joined Judo Bank in April 2021 as the Chief Operating Officer and is responsible for the "engine" of the bank - Product, Data, Technology, Digital and Operations. Lisa has spent a decade in financial service in roles such as leading the Innovation Group at Wells Fargo in San Francisco, an enterprise-wide organization devoted to accelerating the company's delivery of next-generation, customer-inspired products, and establishing and leading the Digital team at the Commonwealth Bank of Australia responsible for Digital products and channels. Lisa was also Founder and CEO of a media start-up in San Francisco. Lisa is an active member of the Silicon Valley startup ecosystem advising companies on growth. Earlier in her career Lisa was a Partner at McKinsey & Company in New York and San Francisco, a Non-executive Director of OFX Group and a Digital and Technology Advisor to Australia & New Zealand Banking Group's Board.

Lisa holds a Bachelor of Engineering from the University of Melbourne, a Master of Business Administration from the Kellogg Graduate School of Management, Illinois USA, a Graduate Diploma in Applied Finance and Investment from FINSIA and is a Graduate of the Australian Institute of Company Directors.

Angelo Manos

Chief Relationship Officer

Background

Angelo joined Judo in July 2021 and is a career banker with over 27 years of experience in the banking industry. Prior to Judo, Angelo worked at ANZ in various senior roles including General Manager (Commercial Broker) in which he led a national team to support aggregators and brokers navigate through regulatory reforms in the mortgage broking industry and COVID-19 and contributed to ANZ's response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Angelo also led ANZ's Specialist Segments national team and developed market-leading propositions in Health, Commercial Property and Emerging Corporate. He was also responsible for ANZ's Financial Institutions – Banks portfolio in New York and managed its fallout, restructure and recovery during the global financial crisis. Angelo holds a Bachelor of Business (Banking and Finance) and a Master of Practicing Accounting from Monash University.

Megan Collins

Chief People and Culture Officer

Background

Megan joined Judo in May 2019 and has over 25 years of experience in human resources across multiple industries, operating models and geographies including Australia, New Zealand, Asia and the United States. Megan is an experienced Chief People Officer and has held executive roles across multiple divisions of General Electric and within the Business Bank of NAB. She was previously Chief People & Communications Officer at Treasury Wine Estates, where she led the people, culture and communications strategy for ~3,500 people globally. Megan holds a Bachelor of Arts (Major in Business Development and Politics) and a Post Graduate Diploma in Human Resources and Industrial Relations from the University of Melbourne. Megan is a member of the Women for Women Fundraising Committee, part of the Sacred Heart Women's Mission.

George Obeid

Chief Third-Party Officer

Background

George joined Judo in February 2017 and is a career banker with over 20 years of experience in financial services. Prior to joining Judo, George worked at ANZ in various senior roles and functions, including risk management, leadership, and senior relationship roles within the Corporate and Commercial division. While at ANZ, George headed up the bank's strategic relationships with national aggregator groups and major brokers with annual turnover of $10 billion, ensuring synergies across the business were maximised and aligned with the bank. George is President of the Mortgage & Finance Association of Australia's Commercial and Asset Finance Forum, and a Chartered Banker with the Chartered Bankers Institute in Scotland. He holds a Diploma of Management from Deakin University.

Kevin Ramsdale

Chief Marketing Officer

Background

Kevin joined Judo in September 2020 and has over 25 years of experience in marketing, digital, product, sales and service across a diverse range of industries and operating environments. Prior to joining Judo, Kevin was the Executive General Manager of Membership at RACV with responsibility for Digital, Data and Analytics, Marketing, Corporate Affairs, Communications and Community. Kevin held senior positions in marketing at JB Hi-Fi and NAB, including as Chief Marketing Officer. Kevin holds a Bachelor of Commerce from the University of Melbourne and an MBA (Distinction) from Melbourne Business School. He is also a fellow of Leadership Victoria's Williamson Leadership Program.

Yien Hong is also a member of the Management Board in her capacity as General Counsel and Company Secretary.

Principal activities

During the year the principal continuing activities of the Group consisted of provision of finance and credit to Small and Medium Enterprises (SMEs) throughout Australia, offering the following key products:

a. Asset finance

b. Business loans

c. Lines of credit

d. Residential mortgages (for business loan customers)

To date the Group has funded its lending activity through a variety of sources that optimise its cost of funds and liquidity preferences, including term deposits, warehouse funding, negotiable certificates of deposits, repurchase agreements, subordinated Tier 2 notes and senior unsecured notes. The Group will continue to diversify its sources of funding in accordance with its funding plan.

Directors' Report.

Review of operations

The profit/(loss) of the Group for the year before providing for income tax amounted to ($7.2 million) (2021: $4.4 million). The profit/(loss) of the Group for the year after providing for income tax amounted to ($7.7 million) (2021: $28.7 million profit).

Net profit attributable to owners of Judo decreased by $36.4 million compared to the previous financial year due to one-off costs associated with the IPO, as well as the prior year including a significant income tax benefit for the first time recognition of deferred tax assets.

Net interest income increased by $85.3 million or 100.9% 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 $2.1 million or 39.6% due to the Group realising gains on investments sold in the previous financial year.

Operating expenses increased by $70.6 million or 83.8%. Excluding large notable items related to costs incurred as part of Judo's Initial Public Offering of $23.7 million, operating expenses increased by $46.9 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 $15.4 million, driven primarily by forward-looking collective provisions recognised on new lending assets originated during the financial year.

Income tax expense/(benefit) has increased by $33.6 million or 101.5% as compared to the prior year, due to the first time recognition of prior year tax losses in the previous financial year.

Total assets increased by $2,238.6 million or 31.2% compared to the previous financial year. The increase was mainly due to an increase in loans and advances of $2,587.8 million or 74.3% from growth in business loans, home loans, asset financing, and line of credit, and deferred tax assets which increased by $24.4 million reflecting future income tax benefits associated with Judo's Initial Public Offering. A decrease in cash and investments of $402.6 million or 11.2% reflecting 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 $1,909.7 million or 31.3% compared to the previous financial year. The increase was mainly due to term deposits of $1,542.8 million or 60.6% and other borrowings of $304.7 million or 8.6% 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 $328.9 million or 30.6% compared to the previous financial year. 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 the employee equity share plans and the current year's statutory net loss.

Significant changes in the state of affairs

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

Other than the items outlined above and discussed in this Annual Report, there have been no other significant changes in the state of affairs during the financial year.

Events since the end of the financial year

No matters or circumstances have arisen since the end of the financial year 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.

Likely developments and expected results of operations

Likely developments in the operations of the Group, and the expected results of those operations in future financial years, have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends

No dividends have been paid during the financial year. The Directors do not recommend that a dividend be paid in respect of the financial year (2021: $nil).

Share options and rights

Except as set out below and detailed in Note 20, no options over unissued shares or interests in the Group were granted during, or since the end of, the period.

a. Warrants

A total of 16,685,000 warrants were exercised during the period through both cash and cashless elections, resulting in the conversion to 11,463,555 A Class Shares. There were no additional issues of warrants during the period, and no warrants outstanding at the end of the period.

b. Option agreements

An option letter agreement was executed during the year to subscribe for $2,000,000 in fully paid A Class Shares in the Company at $1.00 per A Class Share. The option was executed through a cashless exercise, resulting in a conversion to 1,047,619 A Class Shares. There were no additional issues of options during the period.

c. Obligations to issue shares

The Company currently has no obligations to issue shares.

Insurance of officers and indemnities

a. Insurance of officers

During or since the end of the year, the Group has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the Directors of the Group against all liabilities to another person that may arise from their position as Directors of the Company and its controlled entities except where the liability arises out of conduct involving lack of good faith.

Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

b. Indemnity of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the Group.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Directors' Report.

Audit and non-audit services

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services during the year are disclosed in Note 23.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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 financial year 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 113.

Rounding of amounts

The company is of a kind referred to in 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, except where otherwise specifically directed by the Legislative Instrument.

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

Peter Hodgson
Chair

Manda Trautwein
Director

25 August 2022

Remuneration Report.

Letter from the Chair.

Dear Shareholders,

On behalf of the Board of Directors of Judo Bank, I am delighted to present our FY22 Remuneration Report. This report outlines the remuneration arrangements in place for key management personnel (KMP) of Judo in FY22 – that is, all Non-Executive Directors and executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

Background to our remuneration approach

At Judo, we believe our people are our greatest asset. We are a relationship-led business and having the right culture, a strong team and a clear purpose is critical to our growth strategy. We recognise that remuneration is only one of many reasons why our people come to work at Judo every day.

Judo successfully listed on the ASX in November 2021. As a newly listed company, our remuneration framework and strategy, which applies to the Executive KMP disclosed in this report, was updated to provide a competitive and compelling offer to our highly talented executives. Our executive remuneration framework has been designed to help drive our strategic objectives and align the long-term interests of executives with shareholders.

Our core values of teamwork, accountability, performance and trust are the cornerstone of our executive remuneration strategy, with incentive programs designed to align to long-term shareholder performance outcomes. To reinforce strong shareholder alignment, 100% of our executive incentive programs are delivered in equity. Customer outcomes and risk management, including risk culture, are also key measures in our programs.

Our short-term incentive (STI) program, Judo Grows, is designed specifically to promote a collaborative team-based culture through a common scorecard. It allows all our executives to be equally focused on Group performance outcomes, and it promotes collaboration across our three key performance focus areas: our culture, customers and shareholders.

Our long-term incentive plan (LTI), Judo Grows+, is a premium-priced option plan with a five-year vesting period and a five-year exercise period, creating a 10-year plan. It reflects the strong growth trajectory of Judo and ensures executives have a strong incentive to create long-term value for our business, shareholders and customers. Judo Grows+ incorporates the assessment of risk performance and other non-financial factors to ensure the performance generated under the plan is sustainable and aligned to our risk management profile. Incentive plans that were in operation prior to the company's listing have now ceased.

Performance outcomes for FY22

Despite continued challenging market conditions, Judo delivered strong performance in FY22. Our customer Net Promoter Score (NPS) remained well above industry benchmarks and customer retention was strong. Risk and employee culture indicators remained high throughout rapid growth in the company's headcount. Our financial results exceeded key Prospectus targets.

The Group's strong performance on both financial and non-financial components of the Judo Grows scorecard has resulted in above-target performance for the scorecard, delivering an outcome of 110% to target. In determining the outcome, the Board has considered the company's Risk Management Framework (RMF) and Considerations and the challenges presented by the external operating environment.

Further detail in respect of the Group's FY22 performance and remuneration outcomes for Executive KMP is outlined in section 1.

Jennifer Douglas
Chair of the Remuneration and Nominations Committee

Remuneration Report.

1. Key messages

1.1 FY22 Company performance snapshot

Judo exceeded key Prospectus metrics including achieving gross loans and advances at 30 June 2022 of $6.1 billion, above the Prospectus lending target of $6.0 billion. Pro forma FY22 profit before tax was $15.6 million, above our original Prospectus forecast of $7.4 million for the year. Our net interest income was ahead of the Prospectus target as a result of exceeding both loan growth and lending margin. The business continues to invest in people and technology, consistent with achieving our medium-term growth aspirations.

Credit quality remained strong in FY22, with our cost of risk being slightly favourable to the Prospectus forecast, driven by lower-than-expected write-offs. Judo's total provision coverage is slightly above our Prospectus guidance, and we remain prudently provisioned, given the ongoing uncertainty in the external operating environment.

Judo has delivered strong year-on-year lending growth of 73% and, given the growth in the book and prudent management of expenses, has achieved a key threshold of becoming a sustainably profitable business. As the business continues to scale, profitability will continue to improve.

As Judo listed on the ASX on 1 November 2021, it is not possible to meet the statutory requirement to provide five years of like-for-like financial results to demonstrate the link between performance and remuneration. Judo intends to provide comparative measures for the financial years for which Judo is listed in the form of the following table.

Table 1.1 Overview of company performance

	30 Jun 21	30 Jun 22	Variance
Lending portfolio ($bn)	$3.5bn	**$6.1bn**	$2.6bn
Underlying net interest margin (NIM)	2.59%	**2.79%**	20 bps
Impairment expense ($m)	$10.0m	**$25.4m**	$15.4m
Pro forma cost to income ratio	96.8%	**76.3%**	20.5%
Pro forma PBT ($m)	($7.2m)	**$15.6m**	$22.8m

Judo listed on 1 November 2021 at an issue price of $2.10. Judo's share price closed the FY22 financial year at $1.21. While Judo's share price performed well following the initial public offering (IPO), recent performance has been impacted by broader market movements and sentiment, with the performance of Judo shares broadly consistent with relevant financial services companies over the same period.

1.2 FY22 performance scorecard outcomes

Judo operates an annual incentive plan, Judo Grows, with a 12-month performance period. The resulting award is delivered wholly in equity deferred for a further one and two years in equal tranches. In determining the award outcome, the Board assesses performance against a balanced scorecard comprising financial and non-financial measures aligned to Judo's short-term strategic priorities – the focus for FY22 was on customer, employee and risk culture and underlying profit. Below is a summary of the scorecard and measures for FY22, including the Board's assessment of performance against these measures which produced an overall scorecard outcome of 110% resulting in the remuneration outcomes to Executive KMP summarised in Table 1.3.

Table 1.2 Judo Grows scorecard performance outcome

Weighting	Measure	Method for assessment	Outcome and discussion
Our customers			
12.5%	Customer NPS	Annual average NPS, measured by monthly average onboarding NPS score.	**Between threshold and target** Our FY22 threshold was set well above industry benchmarks and our resulting Customer NPS is considered significantly above industry standard.
12.5%	Customer retention	Regrettable lending losses[1]	**Between target and maximum** Our FY22 outcome exceeded target, with outperformance levels set to ensure maximum customer retention.
Our culture			
12.5%	Employee NPS	Internal survey score measured via a third party based on annual average outcomes	**Between target and maximum** Target levels were considered stretch, with a very strong outcome considering the employee sentiment due to COVID lockdowns through 1HFY22 for the majority of Judo's workforce.
12.5%	Risk culture	Risk culture measured based on action orientation, risk awareness and Chief Risk Officer (CRO) qualitative assessment	**At target** A positive outcome, recognising the ongoing work to maintain a strong risk culture.
Our shareholders			
50%	Underlying Profit Before Tax (PBT)	Calculated from statutory financial results excluding Judo Grows expense accrual and for FY22, one-off IPO related costs	**Above maximum** A strong result on Underlying PBT of $21 million

The Board, upon recommendation of the Remuneration and Nominations Committee, determined that the final scorecard outcome was 110% out of a potential maximum of 120%.

The Board regards the outcome achieved for Judo's FY22 corporate scorecard as very strong, particularly given the challenging external operating environment.

1 *Regrettable lending loss is where customers actively refinance due to servicing gap or pricing gap where Judo has met the market price. Regrettable lending loss does not include refinancing due to product gaps, or customers that we have actively encouraged to refinance, or businesses that refinance externally due to a business or property sale.*

Remuneration Report.

1.3 FY22 remuneration outcomes under the executive remuneration strategy

All Executive KMP received outcomes under Judo Grows. All Executive KMP are accountable persons (Accountable Persons) and met their risk, value and conduct requirements, and therefore no downward adjustments were applied with respect to Judo Grows. As the company listed on 1 November 2021, FY22 Judo Grows commenced in the second half of FY22, therefore the payments were prorated.

Table 1.3 Judo Grows remuneration outcomes

Name	Role	FY22 Individual target as a % of fixed remuneration	Outcome[2]
Joseph Healy	Chief Executive Officer	70%	423,500
Chris Bayliss	Deputy Chief Executive Officer and Chief Financial Officer	50%	192,500
Lisa Frazier	Chief Operating Officer	50%	165,000
Angelo Manos	Chief Relationship Officer	50%	155,986
Frank Versace	Chief Risk Officer	40%	132,000

Awards were granted to Executive KMP under the company's long-term incentive (LTI) plan, Judo Grows+. All Executive KMP were allocated Premium Priced Options under Judo Grows+ at the time of the IPO, and these have a five-year vesting period, as well as company and individual risk, values and conduct requirements. No amounts vested under Judo Grows+ in FY22.

Incentive plans that were in operation prior to the company's listing have now ceased. Further detail can be found about these legacy arrangements throughout the FY22 Remuneration Report.

2 Represent a prorated amount from 1 January 2022 to 30 June 2022, and reflects the result achieved as outlined in Section 1.2. Awards will be delivered 100% in deferred rights, which will be granted following the Annual Results announcement in August, in line with the allocation methodology set out in Table 5.2.

2. Who is covered by this report?

This report outlines the remuneration arrangements in place for KMP of Judo in FY22 – that is, all Non-Executive Directors and executives who have authority and responsibility for planning, directing and controlling the activities of the Group. Table 2 sets out the Group's KMP during FY22. All members of Judo's Board of Directors are therefore considered KMP. Judo's Board Audit Committee approved the named 'Executive KMP' and the grouping's makeup. It is comprised of all the roles that have primary accountability and decision-making authority over the Group's core strategy, operations and segments.

Table 2 Key management personnel

Name	Role	Part/full year
Executives		
Joseph Healy[3]	Chief Executive Officer	Full year
Chris Bayliss[4]	Deputy Chief Executive Officer and Chief Financial Officer	Full year
Lisa Frazier	Chief Operating Officer	Full year
Angelo Manos[5]	Chief Relationship Officer	Commenced 30 July 2021
Frank Versace[6]	Chief Risk Officer	Full year
Non-Executive Directors		
Peter Hodgson	Chair	Full year
Jennifer Douglas[7]	Non-Executive Director	Commenced 23 August 2021
John Fraser	Non-Executive Director	Full year
David Hornery[8]	Non-Executive Director	Commenced 7 October 2021
Mette Schepers	Non-Executive Director	Full year
Manda Trautwein	Non-Executive Director	Full year
Malcolm McHutchison	Non-Executive Director	Full year
David Fite[9]	Non-Executive Director	Resigned 7 October 2021
Geoffrey Lord	Non-Executive Director	Resigned 27 October 2021
Stanislav Kolenc	Non-Executive Director	Resigned 8 October 2021
Hui (Tony) Diao	Non-Executive Director	Resigned 8 October 2021

3 Joseph Healy became the Chief Executive Officer (CEO) of Judo Bank on 1 July 2021. Prior to 1 July, Joseph shared the CEO role with David Hornery as Co-CEO.

4 Chris Bayliss took on the role of Deputy CEO in addition to his role as Chief Financial Officer (CFO) on 1 July 2021.

5 Angelo Manos joined Judo Bank on 30 July 2021 into the role of Chief Relationship Officer (CRelO)

6 Frank Versace commenced as Chief Risk Officer (CRO) on 1 July 2021. Prior to 1 July 2021, Frank held the CRelO role.

7 Jennifer Douglas joined the Board on 23 August 2021 as a Non-Executive Director and became Chair of the Board Remuneration and Nominations Committee (RNC) on 1 January 2022.

8 David Hornery stepped down from his Co-CEO role on 30 June 2021 and commenced as a Non-Executive Director on Judo's Board on 7 October 2021.

9 As part of the Board composition review, four directors – David Fite, Geoffrey Lord, Stanislav Kolenc and Hui (Tony) Diao – resigned during October 2021.

3. Governance

3.1 Role of the Remuneration and Nominations Committee

Judo Bank Board

Reviews and approves recommendations from the Remuneration and Nominations Committee

Remuneration and Nominations Committee

Advises and assists the Board to fulfil its responsibilities in relation to Board composition, Judo's Management Board, people and remuneration matters, including remuneration strategies, policies, frameworks for implementation and how these support Judo's strategy and culture.

+

Management Board

Other Board Committees

- Board Audit Committee
- Board Risk Committee

Remuneration advisors

- Engaged as required

The Board Remuneration and Nominations Committee (RNC) supports the Board to manage Judo's people and remuneration matters. The Board RNC is responsible for the oversight and implementation of Judo's remuneration strategy and policy and its consistency with Judo's RMF.

The Management Board is responsible for implementing and maintaining appropriate people and remuneration policies designed to ensure compliance with internal policies, applicable laws and regulations, to foster a positive culture and to identify and address any issues of risk for Judo. The Management Board may provide recommendations to the Board RNC on people and remuneration matters, which the Board RNC reviews, challenges and validates, prior to making recommendations to the Board.

The Board RNC will work with relevant committees during the year as it relates to remuneration practices. For example, to ensure that all remuneration outcomes are reflective and consistent with risk management performance at Judo, the Board will consider the assessment of the Risk Management Considerations as outlined in the Remuneration Policy, following year-end performance assessment. The Board Risk Committee and the Board RNC review the Risk Management Considerations in assisting the Board to determine remuneration outcomes.

The Board RNC may seek and consider advice from external advisers from time to time to assist with discharging its duties. Any advice from consultants is used as a reference point and does not serve as a substitute for thorough consideration by the Board RNC. During the year, the Board RNC did not seek or receive any remuneration recommendations from external advisors. Management engaged remuneration consultants during FY22 to provide advice, but no remuneration recommendations were made.

You can find the Board RNC charter here.

3.2 Adjustments to variable remuneration

Variable remuneration can be adjusted for business and risk outcomes, which may include paying no variable remuneration for Executive KMP in any given year.

The Board, with input from the Board RNC and the Board Risk Committee, may adjust the variable remuneration, including unvested and unpaid awards, in its absolute discretion. This includes the discretion to adjust the total number of unvested awards to zero.

An adjustment, reduction or cancellation of variable remuneration can be applied to the current year Judo Grows incentive plan, and/or deferred equity under all variable reward programs that may exist, that might otherwise have vested based upon achievement of the applicable criteria. The cancellation or reduction must be proportionate with the business or risk outcome and need not relate to the specific period in which the event reduction occurred.

4. Overview of Judo's executive remuneration strategy

4.1 Background to our strategy

With Judo becoming a publicly listed company during FY22, it was timely to update our executive remuneration strategy to ensure market-competitive remuneration levels and programs given the increased complexity of the organisation. The revised executive remuneration strategy was also necessary to reflect the greater accountability each executive holds within a listed organisation in the banking sector.

To conduct the review, the following core aspects were considered:

- key internal stakeholder views on reward philosophy
- Judo's purpose and values
- practices of our core competitors, with a desire for a differentiated remuneration approach to the common market
- the long-term performance horizon for investor wealth creation
- Judo's long-term growth potential.

To guide the design of the executive remuneration strategy, the Board RNC endorsed the following reward principles:

- inspire talented people to build and grow a sustainable challenger bank
- drive performance and a customer-centric approach
- enable a long-term shareholder mindset
- reinforce a commitment to the fundamentals of banking
- ensure a simple and consistent approach.

An executive remuneration strategy built on the above principles was adopted for implementation at IPO. The strategy is focused on attracting, retaining and motivating executives to deliver strategic priorities and shareholder value over the long term, aligning investor and shareholder wealth creation with reward outcomes. The strategy also balances the interests and outcomes of our customers and the communities that we operate in, addresses regulator expectations, and keeps Judo's values at its core.

Remuneration Report.

4.2 Key features of Judo's framework

Judo's executive remuneration framework is focused on encouraging long-term sustainable decision-making and supporting our objective to be the most trusted SME business bank in Australia.

Judo's executive remuneration framework also strongly incorporates risk management and aligns to both the letter and the spirit of applicable remuneration regulations (Financial Accountability Regime, CPS 511). In addition, 100% of performance-based remuneration is delivered for executives in equity, which is designed to create a strong shareholder mindset for executives. Performance assessment for Judo's programs is based solely on team measures, reinforcing our value of Teamwork.

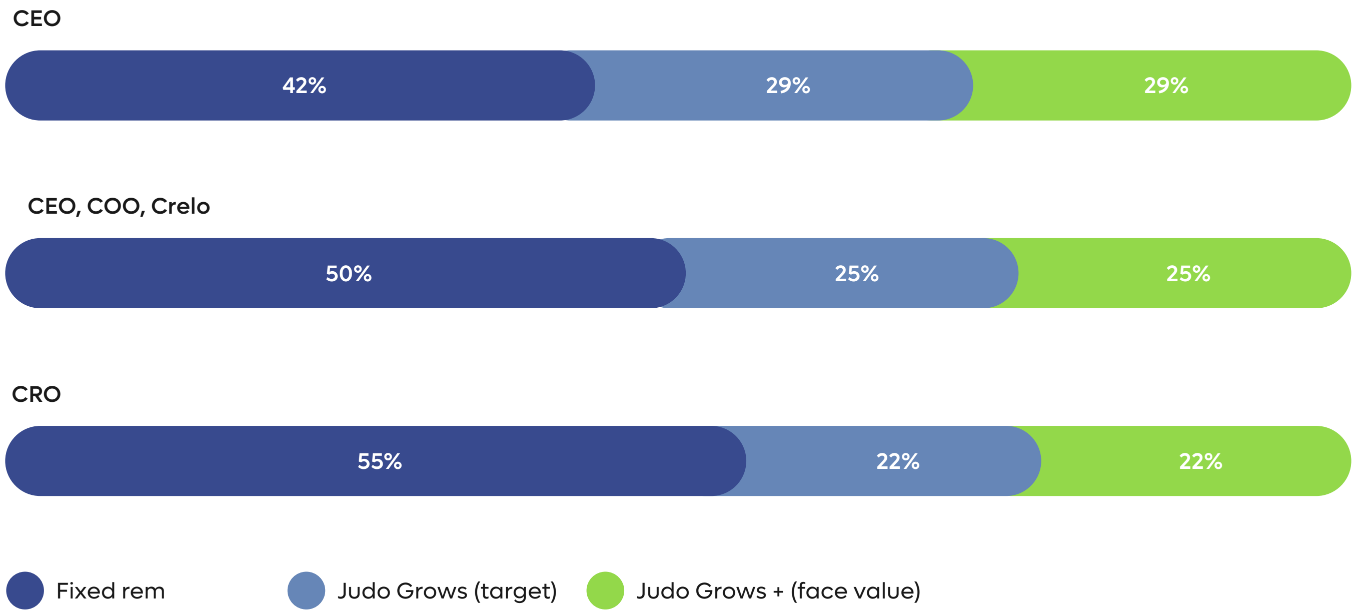
A substantial portion of executive remuneration is long term in nature. The long-term components include criteria to reflect the outcomes of the business activities, the risks related to the business activities, and the time necessary for the outcomes of those business activities to be reliably measured. The Board considers that the long-term components of remuneration, and the risk adjustment mechanism inherent in the design of these arrangements, provides sufficient incentives to encourage behaviour that supports the long-term financial soundness and Judo's RMF.

Remuneration element	What's included and timeframe	Strategic purpose	Performance focus
Fixed remuneration We have a high-calibre executive team and therefore must recognise the role complexity and accountability against peer competitors.	• Base salary and superannuation • Benchmarked to peers 1 Year	• Attract, retain and motivate key talent	• Ensures a focus on core accountabilities of the role
Judo Grows (short-term incentive) A core value at Judo is Teamwork and therefore Judo Grows rewards executives based only on team outcomes. As such, there is no individual differentiation applicable.	• 100% Deferred Share Rights • Two-year vesting period, vesting in equal tranches 1 year performance, a further two years to vest	• Focus executives towards delivering short-term and medium-term value • Ensure accountability, with key financial and non-financial areas aligned to Judo's strategic pillars, including risk management • Demonstrate alignment with Judo's core value of Teamwork, setting the 'tone from the top'	• Risk, conduct and values assessment • Balanced scorecard of 50% financial and 50% non-financial measures
Judo Grows+ (long-term incentive) Premium Priced Options with a five-year service period and five- year exercise period encourage a focus on long-term growth, executive retention, growing the share price and sustainable shareholder return	• 100% in Premium Priced Options 5 year service period	• Focus executives towards delivering long-term value • Encourage sustainable decision-making in the long-term interests of shareholders • Generate strong alignment between executives and shareholders	• Risk, conduct and values assessment • Premium exercise price reflects stretch objectives aligned to long-term shareholder returns

Underpinning all performance-based remuneration outcomes at Judo is the consideration of risk management performance in the form of a qualitative overlay applied by the Board in relation to Risk Management Considerations. This helps to reinforce the fundamentals of banking and our core values of Trust, Performance, Teamwork and Accountability.

4.3 Executive pay mix

- In the chart below, we have outlined the FY22 Executive KMP pay mix. The Judo Grows portion represents the annual at-target opportunity, and the Judo Grows+ portion represents the annual face-value opportunity.
- The CRO has a higher weighting towards fixed remuneration and lower weighting to variable remuneration. A lower weighting on variable remuneration reinforces the independence of this position, particularly given the CRO's role in recommending risk culture outcomes and the Risk Management Considerations.



4.4 Legacy arrangements

During FY22 and in connection with Judo's listing on the ASX in November 2021, legacy incentive plans, which were plans that were in operation at Judo as a private company, have ceased. The legacy plans, the Management Incentive Plan (MIP), Mirror MIP (MMIP) and the LTI Option Plan (Legacy plan), have assisted the Company to incentivise executives since inception.

The cessation of these plans during FY22 either resulted in:

1. full vesting (MIP and MMIP), or
2. continuation (LTI Option Plan (Legacy plan)) for select Executive KMP only; however, with no further awards to be made.

There were two further programs that were offered as once-off arrangements at the time of the IPO, being the IPO Top-Up Award and the Employee Discount Offer.

Further information regarding legacy and awards made in connection with the IPO are found in Section 6.2.

5. Remuneration elements – detailed information

We set out below a detailed description of each element of the Executive KMP remuneration framework.

5.1 Fixed remuneration

Fixed remuneration is reviewed annually and set at market-competitive levels reflective of the executive's skills, experience and responsibilities, and considering the complexity of the role and performance. Judo reviews industry and general market peer groups, with criteria applied including but not limited to market capitalisation. Peer groups are reviewed regularly for accuracy and alignment.

Executive fixed remuneration levels were benchmarked to meet the relevant peer group prior to 1 November 2021 (IPO listing date).

5.2 Judo Grows

Key terms for FY22 Judo Grows, the executive STI program, are outlined in the table below.

Table 5.2 FY22 Judo Grows – key terms

Term	Further detail
Performance period to determine outcome	• The outcome is based on a 12-month performance period. • For FY22, as the plan was implemented on 1 January 2022, amounts were prorated.
Eligibility criteria	• Must satisfy risk, values and conduct requirements, assessed annually as part of Judo Tracks, the Company's performance management process. • Must be employed by 31 March in the relevant performance year and have not resigned or given notice at the time of award.
At target opportunity levels	• CEO: 70% of fixed remuneration. • CRO: 40% of fixed remuneration. • All other Executive KMP: 50% of fixed remuneration. • Up to 120% of the target opportunity can be achieved for maximum performance.
Assessment of performance	• Performance is assessed against a balanced scorecard comprising 50% financial and 50% non-financial measures. • Ahead of each financial year, the Management Board and the CEO will propose key measures of success across the core focus areas for Board approval. For FY22, the measures were: – Our customers (25%): measured equally between NPS (12.5%) and regrettable lending losses (12.5%). – Both measures were chosen to align to our customer value proposition (CVP). NPS is viewed as an important measure of customer satisfaction and tracking of regrettable lending losses ensures our high servicing standards are maintained. – Our culture (25%): measured by employee NPS (12.5%) and risk culture (12.5%). – Employee NPS is measured via internal survey, and risk culture is measured via Action Orientation, Risk Awareness and CRO Qualitative Assessment. Employee culture and risk culture are fundamental to our core purpose, therefore they make up a significant portion of the scorecard. – Our shareholders (50%): underlying PBT is measured as a core stakeholder/shareholder measure of financial performance. • Performance against the scorecard measures is assessed annually by the Board based on recommendations from the Board RNC after the end of the performance period. In determining final outcomes, the Board considers the quality of the results.
Type of award	• Awards are delivered in Deferred Share Rights. • Awards are deferred 50% for one year and 50% for two years following the date of grant.
Allocation methodology	• Awards will be allocated based on the 10-day volume weighted average price (VWAP) of Judo Shares following the announcement of the annual results in August.

Term	Further detail
Board discretion for Risk Management Considerations	• The Board retains absolute discretion in respect of the Judo Grows pool and final vesting outcomes. • Final Judo Grows outcomes will be subject to a Board discretionary adjustment based on the company's Risk Management Considerations, whereby the Board may make downward adjustments (including to zero) for a range of financial and non-financial considerations. These considerations include performance against the group's Risk Appetite Statement, assessment of compliance with all relevant policies and requirements, assessment of risk culture, regulatory compliance, conduct issues, significant or systemic regulatory breaches, financial loss or audit matters.
Vesting conditions	Awards issued as part of Judo Grows will be subject to vesting conditions as follows. • Service Condition: – continuous employment for a period of one year from date of grant to allow 50% of the award to vest – continuous employment for a period of two years from the date of grant to allow a further 50% of the award to vest and • Risk management: – the Board being satisfied that the Executive KMP has at all times satisfied the risk, values and conduct requirements of the Company.
Downward adjustment of unvested awards	The Board may, at any time and in its absolute discretion, determine to adjust downwards the number of unvested awards held by an Executive KMP, including down to zero. In exercising its discretion, the Board may consider factors such as: i. the quality of the Company's most recent financial results; ii. the Company's management of risk; iii. people, culture and reputational matters regarding the Company; iv. compliance by the company, or the Executive KMP, with compliance or conduct requirements; v. sustainability of the business of the Company; vi. the Company's response, or ability to respond, to significant unexpected or unintended consequences of an act or omission of the Company which were not foreseen by the Board; or any other matter reasonably determined by the Board from time to time.
Leavers during the equity vesting period	If an Executive KMP ceases to be employed: a. and is a Good Leaver, they will retain: i. all vested awards; and ii. a portion of unvested awards calculated on a pro rata basis between the date of grant of the awards and the date on which the Executive KMP ceased employment, or such higher number of unvested awards as determined by the Board; b. and is not a Good Leaver, they will retain all vested awards, unless otherwise determined by the Board. In each case, any remaining unvested awards will immediately expire and be forfeited. • A 'Good Leaver' is an Executive KMP who ceases to be employed due to death, serious and debilitating illness or injury, permanent incapacity, redundancy, genuine retirement, or where they are determined by the Board in its absolute discretion to be a Good Leaver.
Malus and clawback	The Board may claw back a Participant's Awards or resulting Shares so that no unfair benefit is obtained by the Participant in circumstances where a Malus Event occurs in relation to the relevant person or another person. A Malus Event includes circumstances where a person: a. engages in serious misconduct or fraud; b. materially commits a breach of their obligations to any Group entity; c. acts, or fails to act, in a way which contributes to a Group entity incurring significant reputational harm, significant unexpected financial loss, or making a material financial misstatement; d. is an Accountable Person and: i. fails to comply with their accountability obligations in accordance with section 37B of the *Banking Act 1959* (Cth); or ii. becomes deregistered by the Australian Prudential Regulation Authority from being or acting as an Accountable Person. The Board also retains the ability to use their discretion and apply malus and/or clawback for any material matters not explicitly reflected above.

Term	Further detail
Change of control	Where a change of control event has occurred, or is expected to occur, the Board may: • determine that any unvested Awards should remain unvested; • determine to buy back or cancel some or all of the Awards for cash consideration equal to their fair market value; • waive any vesting condition or exercise condition; and/or • determine that any vesting condition or exercise condition is satisfied. In the absence of a determination by the Board, all unvested Awards will become vested Awards immediately prior to the change of control event.
Voting and dividend rights	Judo Grows Awards do not carry any dividend or voting rights over the vesting period.
Hedging	Participants are not permitted to enter any arrangement for the purpose of hedging, borrowing or otherwise affecting their economic exposure to Deferred Share Rights.

5.3 Judo Grows+

Key terms for FY22 Judo Grows+, the company's long-term incentive (LTI) program, are outlined in the table below.

Table 5.3 Judo Grows+ FY22 key terms

Term	Further detail
Eligibility criteria	• Must always satisfy risk, values and conduct requirements, which are assessed annually as part of Judo Tracks, the Company performance management process.
Face value	• CEO: 70% of fixed remuneration. • CRO: 40% of fixed remuneration. • All other Executive KMP: 50% of fixed remuneration.
Type of award	• Awards delivered in Premium Priced Options. • Subject to the satisfaction of the vesting conditions and payment of the exercise price, each Premium-Priced Option entitles the holder to one Share.
Allocation methodology	• The number of Premium Priced Options granted was calculated by dividing the participant's dollar value LTI opportunity for FY22 by the allocation value of the options. • The allocation value of Premium Priced Options was calculated by using a Black–Scholes pricing methodology, based on the IPO share price of $2.10, volatility and risk-free rate assumptions, and an option effective life of five years. The valuation method for allocation purposes assumes the effective life is equal to the service period. • In considering the effective life of the options, the valuation considers guidance in Australian Accounting Standards Board (AASB) Standard 2 (AASB 2) relating to transferability restrictions, which impacts the assessment of the effective life of the Options. The sale of the options is restricted. However, the option valuation model assumes there is a liquid market for such instruments. Having regard to the intention of the AASB 2 recommendation to reflect a reasonable discount for the transferability restrictions of the options, the valuation considers the adopted effective life of five years.
Exercise price	• The exercise price is $2.73, representing a 30% premium above the IPO share price of $2.10. • The 30% premium above the share price represents a sufficiently challenging growth hurdle that balances both employee motivation and retention with investor expected returns over the long term.
Expiry date	• The FY22 Premium Priced Options will expire on 22 October 2031.
Vesting period	• The vesting period concludes on 2 November 2026.
Vesting conditions	Awards issued as part of Judo Grows+ will be subject to vesting conditions as follows: • Service Condition: Continuous engagement for a period of five years from date of grant; and • Risk management: the Board being satisfied that the Participant has at all times satisfied the risk, values and conduct requirements of the Company.

Term	Further detail
Downward adjustment of unvested awards	• As per Judo Grows (refer Section 5.2)
Treatment on cessation of employment	• As per Judo Grows (refer Section 5.2)
Malus and clawback	• As per Judo Grows (refer Section 5.2)
Change of control	• As per Judo Grows (refer Section 5.2)
Voting and dividend rights and hedging	• As per Judo Grows (refer Section 5.2)

6. Remuneration of executives – FY22 outcomes

6.1 Statutory disclosures

Table 6.1 has been prepared in accordance with AASB Standards and section 300A of the *Corporations Act 2001*. The table shows details of the nature and amount of each element of remuneration paid or awarded to the Executive KMP for services provided during the year (including variable reward amounts in respect of performance during the year that are awarded following the end of the year).

Table 6.1 Statutory disclosures for Executive KMP

	Short-term benefits		Post-employment	Other long-term benefits	Equity-based benefits			
Name	Cash salary[10]	Non-monetary benefits[11]	Super-annuation[12]	Other long term[13]	Options[14]	Deferred share rights[15]	Performance rights[16]	Total
Joseph Healy	984,527	2,469	**23,568**	76,283	117,350	135,962	–	1,340,159
Chris Bayliss	624,479	4,080	**23,568**	33,241	129,542	258,132	–	1,073,042
Lisa Frazier	575,702	4,214	**23,568**	2,109	493,377	543,799	53,979	1,696,748
Angelo Manos	505,762	2,854	**23,603**	830	254,767	50,078	–	837,895
Frank Versace	551,744	1,371	**23,568**	27,141	36,577	42,378	31,694	714,473

10 Includes base salary and short-term compensated absences, such as annual leave entitlements accrued.

11 Non-monetary benefits relate to company-funded benefits. Any related fringe benefits tax is included.

12 Includes company contributions to superannuation and allocations by employees made by way of salary sacrifice of fixed remuneration.

13 Includes long service leave entitlements accrued based on an actuarial calculation.

14 Includes FY22 equity amortisation for Premium Priced Options delivered under Judo Grows+ for all Executive KMP Premium Priced Options delivered under the IPO Top-Up Award (for Lisa Frazier and Chris Bayliss) and Options delivered under the Legacy LTI Plan (for Lisa Frazier and Angelo Manos).

15 Includes FY22 equity amortisation for deferred share rights delivered under Judo Grows for all Executive KMP and deferred share rights delivered under the IPO TopUp Award (for Lisa Frazier and Chris Bayliss). Note, deferred share rights for Judo Grows will be granted in FY23. Amounts are based on the 110% scorecard outcome.

16 Includes equity amortisation value for MIP and MMIP. MIP had no accounting value at the time of award. The FY22 statutory value is nil for Joseph Healy and Chris Bayliss.

6.2 Other awards operating during FY22

6.2.1 IPO Top-Up Award

The Board, upon recommendation by the CEO, recognised the importance of implementing a recognition and retention mechanism upon Judo's listing for two critical Executive KMP, who will both play material roles in leading the company over the long term and driving the long-term growth strategy, as well as helping to deliver positive outcomes to our customers.

Table 6.2.1 IPO Top-Up Award key terms

Term	Further detail
Eligibility criteria	• As per above
Opportunity levels	• Lisa Frazier: Award value $5 million • Chris Bayliss: Award value $2 million
Type of award	• Awards were delivered in Deferred Share Rights and Premium Priced Options. • Each Deferred Share Right entitles the holder to one fully paid ordinary share in Judo Capital Holdings, subject to the vesting conditions being satisfied. • Subject to the satisfaction of the vesting conditions and payment of the exercise price, each premium priced Option entitles the holder to one fully paid ordinary share in Judo Capital Holdings.
Allocation methodology	• Delivered as a combination of 75%/25% Deferred Share Rights and Premium Priced Options, respectively. • Deferred Share Rights were allocated using the IPO share price of $2.10. • The number of Premium Priced Options granted was calculated by dividing the dollar value by the allocation value of the options (refer section 5.3).
Exercise price	• No exercise price is payable to exercise Deferred Share Rights. • Each Premium Priced Option has an exercise price set at 30% above the IPO Price, which is $2.73 as per Judo Grows+.
Expiry date	• The deferred share rights have no expiry date as they will be automatically exercised once vesting conditions are met. • The FY22 Premium Priced Options will expire on 22 October 2031.
Vesting period	• The vesting period concludes on 2 November 2026.
Vesting conditions	• As per Judo Grows+
Downward adjustment of unvested awards	• As per Judo Grows+
Treatment on cessation of employment	• In all instances, except at the absolute discretion of the Board, all awards will lapse if the Executive KMP leaves prior to the service condition being met. • "Good Leaver" is determined at the absolute discretion of the Board.
Malus and clawback	• As per Judo Grows+
Change of control	• As per Judo Grows+
Voting and dividend rights	• As per Judo Grows+
Hedging	• As per Judo Grows+

Details regarding the IPO Top-Up Award granted is shown in Table 6.3. No IPO Top-Up Award amounts vested or were exercised in FY22. There will be no further awards made under the IPO Top-Up Award.

6.2.2 LTI option plan (Legacy plan)

The LTI Option Plan was established by Judo in 2019 and has assisted in incentivising employees through grants of options over shares in the Company, subject to certain vesting conditions. Angelo Manos, Chief Relationship Officer, was awarded options under the LTI Option Plan in FY22, as his appointment occurred prior to the establishment and approval of Judo Grows+.

Table 6.2.2 LTI Option Plan (Legacy plan)

Term	Further detail
Opportunity level and allocation methodology	• 800,000 LTI options were granted to Angelo Manos at the time of his appointment. • The number of instruments delivered was in recognition of benefits forfeited upon leaving his previous employer.
Type of award	• Delivered as options, being an option to acquire one share subject to the satisfaction of vesting conditions and payment of the exercise price.
Exercise price	• Each option has an exercise price of $1.75.
Expiry date	• 29 July 2031
Vesting period	• Vesting in four equal tranches on 30 June 2022, 30 June 2023, 30 June 2024 and 30 June 2025.
Vesting conditions	• The options are subject to a service-based vesting condition (50% of the award) and a performance-based vesting condition (50% of the award). The vesting conditions apply in four equal tranches. For any vesting condition to be satisfied, the individual must be engaged by a Group entity at the point in time at which the vesting condition is satisfied. The Board has the discretion to waive any vesting condition and determine that a vesting condition is satisfied, notwithstanding that it may not be. – **Service-based vesting condition**: must remain employed with Judo as at the applicable vesting date (30 June 2022, 30 June 2023, 30 June 2024, and 30 June 2025) for each tranche of 100,000 options to vest. – **Performance based vesting condition**: 100,000 options will vest if any of the following performance targets are satisfied in respect of the 12 months ending on each applicable vesting date (30 June 2022, 30 June 2023, 30 June 2024, and 30 June 2025) (the vesting period): a. the 'Actual NPAT' for the applicable vesting period is 90% or more of the 'Budgeted NPAT Measure' (NPAT target) for the applicable vesting period; b. Actual Loan Portfolio Balance' as at the vesting date exceed the 'Target Loan Portfolio Balance Measure' (Portfolio Target) for the applicable vesting date; or c. achievement of any additional targets determined by the Board from time to time in its absolute discretion. If the performance targets in a particular vesting period are not achieved, the unvested Awards for that vesting period will be carried over such that should one or more of the cumulative performance targets be met as at a subsequent vesting period then all unvested Awards in respect of that prior vesting period (or vesting periods) will vest on the vesting date in respect of that subsequent vesting period.
Treatment on cessation of employment	• The Board retains full discretion to determine the manner in which a participant's unvested options will be dealt with in the event that the participant ceases employment or engagement with the Judo Group, including to determine that the participant forfeits all unvested Legacy Options.

Term	Further detail
Malus and clawback	• The Board may claw back a Participant's Awards or resulting Shares in circumstances where a Malus Event occurs. A Malus Event includes circumstances where a person: a. engages in serious misconduct; b. acts fraudulently or dishonestly in their involvement with the Group; c. materially and wilfully breaches the Judo Code of Conduct; d. acts, or fails to act, in a way that brings a Group entity into disrepute; e. wilfully commits a breach of their obligations to any Group entity; or f. acts, or fails to act, in a way which contributes to a Group entity incurring significant reputational harm, unexpected financial loss, breaching a significant legal or regulatory requirement, or making a material financial misstatement; g. fails to comply with their accountability obligations in accordance with section 37B of the *Banking Act 1959* (Cth); or h. becomes deregistered by the Australian Prudential Regulation Authority from being or acting as an 'Accountable Person'
Change of control	Where the Board expects that a change of control event will occur, the Board may: • determine that any unvested Awards should remain unvested, in which case they will expire immediately prior to the change of control event; • determine to buy back or cancel some or all of the awards (whether vested or not) in exchange for their fair market value; or • facilitate the vesting or exercise of a participant's unvested Awards in connection with the change of control event. Where the Board determines to buy back or cancel some or all the awards, the fair market value of those awards will be determined based on a valuation from an independent adviser.
Voting and dividend rights	A Participant is not entitled to: a. notice of, or to vote or attend at, a meeting of the shareholders of the Company; and b. receive any dividends declared by the Company, by virtue of holding an Option.
Hedging	• Participants must not enter any schemes, arrangements or transactions, including hedging arrangements, that hedge or protect the value of Awards allocated under the plan.
Restrictions	• There is a restriction on disposing of awards until 12 months post the IPO date.

Lisa Frazier, Chief Operating Officer, was awarded options under the LTI Option Plan (Legacy) in FY21 (refer Section 6.3), as her appointment also occurred prior to the establishment and approval of Judo Grows+. Lisa's award was made in recognition of her high-calibre experience and unique skills in contribution to Judo's Management Board. Lisa's plan is consistent with the conditions above, except for the number of options granted, the expiry date & fair value which are detailed in Section 6.3.

No further awards will be made to Executive KMP under the LTI Option Plan (Legacy), as the plan's operation was ceased at the time of the IPO. Details of awards can be found at Table 6.3.

6.2.3 Management Incentive Plan (MIP)

MIP awards were designed to retain and reward initial founding employees and management for building and growing a successful and sustainable bank, and to create value for shareholders.

There were two plans approved by the Board: the MIP, and a MMIP (which replaced the MIP once it was exhausted). Awards were delivered in Performance Rights matched to an underlying B Class Share. Employees eligible to participate in the MIP and MMIP were limited to the initial founding management team, founding Non-Executive Directors (NEDs), and select team members and NEDs who since joined Judo.

At the time the awards were made, awards were intended to vest annually over a five-year period, subject to performance and service conditions. 50% of the award was subject to service conditions to assist with the retention of key talent to facilitate the sustainable growth of the business; and 50% of the award was subject to performance criteria including net profit after tax (NPAT) or loan book targets. The five-year period commenced on 1 July 2018.

At the time of listing on the ASX, the Board resolved to fully vest all Performance Rights awards under the MIP and MMIP. Performance Rights were converted to A Class Shares at a conversion ratio of 9,616.74. At the time of listing, participants were permitted to cash out up to 35% and 50% of their awards, at their own discretion, respectively under the MIP and MMIP at the value of the IPO share price of $2.10, as outlined in Table 6.2.3.

Table 6.2.3 Equity Buy Back

Name	Value
Joseph Healy	$4,907,419
Chris Bayliss	$9,128,204
Frank Versace	$1,029,951
David Hornery	$15,368,504

All (100%) of the converted shares held by Joseph Healy, Chris Bayliss and Lisa Frazier and 50% of the Shares held by Frank Versace that vested under MMIP were subject to voluntary escrow arrangements that prevent them from dealing in their Escrowed Shares. The relevant Escrow Periods are as follows:

- Joseph Healy's and Chris Bayliss's Escrowed Shares will be escrowed until 4:15pm on the date on which Judo's preliminary financial report on the financial results for the financial year ending 30 June 2023 is released to the ASX.
- Lisa Frazier's and Frank Versace's MMIP shares will be escrowed until the first anniversary of the date of Judo's Listing.

No MIP or MMIP awards were made to Executive KMP during FY22.

6.2.4 Employee Discount Offer at IPO

The Employee Discount Offer was an offer made available to all permanent Judo employees and directors. At the time of the IPO, eligible employees received an invitation to apply for shares under the Employee Discount Offer together with the Prospectus. The maximum number of shares an Eligible Discount Offer Employee could apply for under the Employee Discount Offer at $1.90 per share was 5,263 shares ($10,000 worth of shares). Joseph Healy, Lisa Frazier, Angelo Manos, Frank Versace, David Hornery, Mette Schepers, Peter Hodgson and Jennifer Douglas all applied for the maximum number of shares under the Employee Discount Offer.

Table 6.2.4 Employee Discount Offer

Name	Number of shares received at a discount	Value of discount
Joseph Healy	5,263	$1,053
Lisa Frazier	5,263	$1,053
Angelo Manos	5,263	$1,053
Frank Versace	5,263	$1,053
David Hornery	5,263	$1,053
Mette Schepers	5,263	$1,053
Peter Hodgson	5,263	$1,053
Jennifer Douglas	5,263	$1,053

6.3 Summary of awards held by executives

Table 6.3 shows the number and value of Options, deferred share rights and performance rights that were granted by Judo, forfeited, lapsed or vested for the Executive KMP during the year to 30 June 2022.

Table 6.3 Summary of awards held by executives

Name	Plan	Type of equity	Held at the start of the period	Number granted/ acquired during the year[17]
Joseph Healy	Judo Grows+[18]	Premium Priced Options	–	2,636,986
	MIP (Original)	Performance Rights[19]	3,236	–
Chris Bayliss	Judo Grows+	Premium Priced Options	–	1,198,630
	IPO Top-Up Award	Premium Priced Options	–	1,712,328
	IPO Top-Up Award	Deferred Share Rights	–	714,285
	MIP (Original)	Performance Rights	1,412	–
Lisa Frazier	Judo Grows+	Premium Priced Options	–	1,027,397
	IPO Top-Up Award	Premium Priced Options	–	4,280,821
	IPO Top-Up Award	Deferred Share Rights	–	1,785,714
	MMIP[20]	Performance Rights	65	–
	LTI Options (Legacy Plan)[21]	Options	1,500,000	–
Angelo Manos	Judo Grows+	Premium Priced Options	–	856,164
	LTI Options (Legacy Plan)	Options	–	800,000
Frank Versace	Judo Grows+	Premium Priced Options	–	821,917
	MIP (Original)	Performance Rights	50	–
	MMIP	Performance Rights	127	–

No options were exercised by Executive KMP during FY22. All awards under Judo Grows + and the IPO Top Up award remain unvested as at 30 June 2022. The remaining three tranches of the LTI Option Plan remain unvested as at 30 June 2022.

17 Judo Grows+ Premium Priced Options and all awards under the IPO Top-Up grant date was 2 November 2021. Angelo Manos's LTI Options grant date was 30 July 2021.

18 Judo Grows+ and IPO Top-Up Award Premium Priced Options were valued for accounting purposes (fair value) using a Black–Scholes valuation of $0.34 per option, which considered an effective life of 5.5 years, while the Options were allocated using a Black–Scholes valuation that considered the five-year service period as the effective life. Judo adopted a single weighted average valuation for the allocation of Premium Priced Options issued to all program participants in FY22 to create alignment across the cohort. The implication of this is that individual participant allocations will vary relative to overall program parameters, given differences in vesting terms.

19 MIP Performance Rights were converted to ordinary A Class Shares at a conversion rate of 9,616.74 at the time of listing.

20 Lisa Frazier's MMIP award was made in FY21, in recognition of her as high-calibre talent.

21 Lisa Frazier's Legacy LTI options were granted on 10 May 2021 with an expiry date of with an expiry date of and were valued using a Black–Scholes option valuation of $0.36 per option.

22 Tranche 1 of time based and performance based LTI options vested, as approved by the Board.

23 Includes 375,000 vested options that remain unexercised as at 30 June 2022.

24 Angelo Manos's Legacy LTI options were granted on 30 July 2021 and were valued using a Black Scholes option valuation of $0.52 per option.

25 Tranche 1 of time based and performance based LTI options vested, as approved by the Board.

26 Includes 200,000 vested options that remain unexercised as at 30 June 2022.

Face value granted/ acquired during the period ($)	Number of instruments received upon vesting/ exercising	Lapsed or forfeited	Other change	Held at the end of the period
770,000	–	–	–	2,636,986
–	3,236	–	–	–
350,000	–	–	–	1,198,630
500,000	–	–	–	1,712,328
1,500,000	–	–	–	714,285
–	1,412	–	–	–
300,000	–	–	–	1,027,397
1,250,000	–	–	–	4,280,821
3,750,000	–	–	–	1,785,714
–	65	–	–	–
–	375,000[22]	–	–	1,500,000[23]
250,000	–	–	–	856,164
416,000[24]	200,000[25]	–	–	800,000[26]
240,000	–	–	–	821,917
–	50	–	–	–
–	127	–	–	–

6.4 Executive KMP shareholding

Table 6.4 includes all Executive KMP shareholdings, including any holdings held indirectly by a company, trust or a spouse.

Table 6.4 Movement in equity awards held by Executive KMP during the financial year

Current as at 30 June 2022	Balance at start of the year	Received upon vesting/exercise[27]	Other changes during the year	Balance at end of year
Joseph Healy	4,614,526	29,568,604	586,263	34,769,393
Chris Bayliss	750,000	9,520,162	(750,000)	9,520,162
Lisa Frazier	–	625,087	15,263	640,350
Angelo Manos	–	–	5,263	5,263
Frank Versace	39,014	1,227,422	5,263	1,271,699
Total	**5,403,540**	**40,941,275**	**(137,948)**	**46,206,867**

7. Non-Executive Director remuneration

7.1 Fee pool

The current maximum aggregate fee pool of $1.6 million per annum (inclusive of superannuation) was approved by shareholders at the October 2021 AGM.

7.2 Non-Executive Director fees

The level of fees for Non-Executive Directors (NEDs) depends upon the responsibilities of the role – and complexity of the business, director skills and experience – and market benchmark data (provided by independent external consultants). Fees and fee policy were uplifted during the period to meet listed company requirements.

The NED fee policy for Judo has been provided below.

Table 7.2 Non-Executive Director fee policy

Board/committee fees	Member fee ($)	Chair fee ($)
Board base fee	$135,000	$270,000
Board committee fee (Board Audit, Board Risk, and Board Remuneration and Nominations)	$15,000	$25,000

The above fees were effective from the date of listing and are inclusive of superannuation. The Board Chair is also a member of the Board Audit Committee, Board Risk Committee, and Board Remuneration and Nominations Committee but does not receive additional fees for these roles.

As part of the post ASX listing director fee policy, NEDs do not participate in the Company's incentive plans and they do not receive retirement benefits other than the superannuation contributions disclosed in this report.

Prior to listing, some Directors may have received equity or may have participated in other equity programs, including the company's MIP. In determining eligibility for the MIP, the Board considered the independence of Directors and deemed it appropriate for them to participate in the plan when Judo was an unlisted, private company. Going forward, Directors will not be participating in any incentive plans.

Directors may also be reimbursed for travel and other expenses reasonably incurred in attending to the Company's affairs. NEDs may be paid additional or special remuneration as the Directors decide is appropriate, where a NED performs extra work or services that are not in the capacity as NED of the Company or a subsidiary of the Company.

27 Includes the conversion of MIP Performance Rights into Judo shares, exercise of Warrants and acquisition of shares under the Employee Discount Offer.

8. Non-Executive Director remuneration – outcomes FY22

8.1 Statutory disclosures

Outlined below is the statutory disclosure table for Non-Executive KMP. Note that Hui (Tony) Diao, Stanislav Kolenc, David Fite and Malcolm McHutchison did not receive any fees with respect to their roles, therefore they are not listed in Table 8.1.

Table 8.1 Statutory disclosures for Non-Executive KMP

		Short-term benefits		Post-employment benefits	Equity-based benefits		
Non-Executive Director	Year	Fees $[28]	Non-monetary benefits[29]	Super-annuation $	Options	Performance Rights	Total $
Peter Hodgson	FY22	209,468	–	60,373[30]	–	–	269,842
Jennifer Douglas	FY22	120,105	–	12,010	–	–	132,115
John Fraser	FY22	136,894	–	13,689	–	13,714	164,297
David Hornery	FY22	109,808	–	10,981	–	–	120,788
Mette Schepers	FY22	136,288	–	13,629	–	99,310	249,227
Manda Trautwein	FY22	127,803	–	12,780	–	99,310	239,893
Geoffrey Lord	FY22	–	–	–	32,603[31]	–	32,603

28 Includes base fees.

29 There were no non-monetary benefits provided to Non-Executive KMP during the period.

30 There was $43,456.63 SGC payment for Peter Hodgson with respect to a shortfall in SGC payments for prior periods' service.

31 Geoffrey Lord received options in lieu of fees for his role as non-executive director. The value in the table represents the amortisation value of the options with respect to FY22.

8.2 Summary of awards held by Non-Executive KMP

Table 8.2 shows the number and value of equity instruments that were granted by Judo, forfeited, lapsed or vested for the Non-Executive KMP during the year to 30 June 2022. Hui (Tony) Diao, Stanislav Kolenc and Malcolm McHutchison did not receive any equity with respect to their roles, and therefore are not listed in Table 8.2.

Table 8.2 Summary of awards held by Non-Executive KMP

Name	Plan[32]	Type of equity	Held at the start of the period	Number granted/ acquired during the year[33]	Fair value granted/ acquired during the period ($)[34]	Number of instruments received upon vesting/ exercising[35]	Lapsed or forfeited	Other change	Held at the end of the period
Peter Hodgson	MIP (Original)	Performance Rights	236	–	–	236	–	–	–
Jennifer Douglas	n/a		–	–	–	–	–	–	–
John Fraser	MIP (Mirror)	Performance Rights	177	–	–	177	–	–	–
David Hornery	MIP (Original)	Performance Rights	2,648	–	–	2,648	–	–	–
Mette Schepers	MIP (Mirror)	Performance Rights	–	10	99,310	10	–	–	–
Manda Trautwein	MIP (Mirror)	Performance Rights	–	10	99,310	10	–	–	–
Geoffrey Lord	MIP (Original)	Performance Rights	177	–	–	177	–	–	–
David Fite	MIP (Mirror)	Performance Rights	495	–	–	495	–	–	–

32 All directors except for Jennifer Douglas received MIP Performance Rights with respect to their roles, which vested at the time of listing and converted to A Class Ordinary Shares at a conversion rate of 9,616.74.

33 Grant date for accounting purposes was 31 July 2021.

34 The fair value of the Performance Rights has been determined in accordance with the requirements of AASB 2 share-based payments. For the purposes of the valuation, fair value is defined as the price at which the Performance Rights would change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under the compulsion to buy or sell, and both having reasonable knowledge of relevant facts. The fair value of the rights was $9,931 per right.

35 MIP Performance Rights were converted to ordinary A Class Shares at a conversion rate of 9,616.74 at the time of listing. All current directors' shareholdings that resulted from the conversion of MIP are 100% escrowed, as outlined in section 8.3, except for David Hornery, who, in his capacity as co-founder, was able to cash out a portion of his entitlement at the time of the IPO.

8.3 Non-Executive Director shareholdings

Table 8.3 includes all NED shareholdings, including any holdings held indirectly by a company, trust or a spouse.

Table 8.3 Movement in equity awards held by Non-Executive KMP during the financial year[36]

Current as at 30 June 2022	Balance at start of the year	Received upon vesting/exercise	Other changes during the year	Balance at end of the year
Peter Hodgson	105,429	2,269,549	35,282	2,410,260
Jennifer Douglas	–	–	73,263	73,263
John Fraser	2,370,783	2,225,971	–	4,596,754
David Hornery	2,176,170	18,251,542	105,263	20,532,975
Mette Schepers	101,429	96,167	5,263	202,859
Manda Trautwein	353,449	96,167	–	449,616
Geoffrey Lord	1,244,602	2,749,782	–	3,994,384[37]
David Fite	324,929	4,760,284	–	5,085,213[38]
Total	**6,676,791**	**30,449,462**	**219,071**	**37,345,324**

All Shares held by Directors on IPO (except for any Shares held by Geoffrey Lord or David Fite who resigned during the period) (their 'Escrowed Shares') are subject to voluntary escrow arrangements, which will prevent them from dealing in their Escrowed Shares for the applicable periods set out below.

For the Directors subject to voluntary escrow arrangements (other than David Hornery):

- 50% of their Escrowed Shares will be subject to escrow until 4:15pm on the date on which Judo's preliminary financial report on the financial results for the financial year ending 30 June 2022 is released to the ASX; and
- the remaining 50% of their Escrowed Shares will be subject to escrow until 4:15pm on the date on which Judo's preliminary financial report on the financial results for the financial year ending 30 June 2023 is released to the ASX.[39]

One hundred percent (100%) of David Hornery's Escrowed Shares will be subject to escrow until 4:15pm on the date on which Judo's preliminary financial report on the financial results for the financial year ending 30 June 2023 is released to the ASX.[40]

36 Tables include holdings in the Directors' name as well as those held by related parties.

37 Represents holdings as at termination date.

38 Represents holdings as at termination date.

39 Note: In the event of the death or permanent incapacity of the relevant Director, the escrow period will automatically end and the Shares held by that Director and (if applicable) their associated entities will no longer be subject to the voluntary escrow arrangements.

40 Note: In the event of the death or permanent incapacity of David Hornery, the escrow period will automatically end and the Shares held by him and his associated entities will no longer be subject to the voluntary escrow arrangements.

9. Further information

9.1 Executive contracts

All Executive KMP have a written Executive Service Agreement with the Group. The key terms of these agreements are detailed in the table below.

Table 9.1 Executive KMP contracts

Name	Employer-initiated notice period	Employee-initiated notice period	Contract duration	Termination payments
Joseph Healy	12 months	12 months	Ongoing term	Members of the Executive KMP are not entitled to any termination payments. A payment may be made in lieu of notice at the discretion of the Board where termination occurs other than for cause.
Chris Bayliss	12 months	6 months		
Lisa Frazier	12 months	6 months		
Angelo Manos	9 months	6 months		
Frank Versace	6 months	6 months		

For all Executive KMP, the Group may terminate the service agreement immediately without notice in certain circumstances, including (but not limited to) where the relevant Executive KMP engages in a serious breach of agreement or serious misconduct.

9.2 Other transactions with KMP and their personally related entities

9.2.1 Loans to KMP

Judo has previously provided loans to Executive KMP for the purpose of acquiring A Class Shares in Judo's previous funding rounds, conducted in May 2020 and December 2020. These loans were provided on arms-length terms. Under the terms of these loans, the relevant Executive KMP was required to repay the outstanding loan amount prior to an 'exit event', which includes IPO.

As at 30 June 2022, there are no outstanding loans to Executive KMP.

A loan is outstanding to a related party of Geoffrey Lord, who was a Non-Executive KMP.

Further information can be found in Note 25 of the Financial Statements.

9.2.2 Other KMP transactions

The Group did not engage in any transactions with KMP or their related parties during the Reporting Period other than Term Deposit investments, that have been made on terms equivalent to those that prevail in arm's-length transactions.

Auditor's Independence Declaration.

Auditor's Independence Declaration

As lead auditor for the audit of Judo Capital Holdings Limited for the year ended 30 June 2022, 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 audit; and

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

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

Sam Garland
Partner
PricewaterhouseCoopers

Melbourne
25 August 2022

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Financial Report.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2022

	Notes	2022 $M	2021 $M
Effective interest income	4	**221.9**	126.4
Interest expense	4	**(52.1)**	(41.9)
Net interest income		**169.8**	**84.5**
Other operating income	5	**3.2**	5.3
Net banking income		**173.0**	**89.8**
Depreciation and rental expenses	6	**(4.6)**	(3.0)
Employee benefits expense	6	**(90.6)**	(50.9)
Other operating expenses	6	**(59.6)**	(30.3)
Total operating expenses		**(154.8)**	**(84.2)**
Net operating profit before impairment		**18.2**	**5.6**
Credit impairment	10	**(25.4)**	(10.0)
Net loss before income tax		**(7.2)**	**(4.4)**
Income tax (expense)/benefit	7	**(0.5)**	33.1
(Loss)/profit after income tax		**(7.7)**	**28.7**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Gain on revaluation of cash flow hedge	11	**2.1**	2.3
Other comprehensive income for the period, net of tax		**2.1**	2.3
Total comprehensive (loss)/profit for the period		**(5.6)**	**31.0**

		Cents	Cents
Earnings per share			
Basic earnings per share		**(0.8)**	4.5
Diluted earnings per share		**(0.8)**	3.9

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

as at 30 June 2022

	Notes	2022 $M	2021 $M
Assets			
Cash and cash equivalents	8	**407.1**	344.0
Investments	9	**2,794.0**	3,259.7
Loans and advances	10	**6,069.8**	3,482.0
Derivative assets	11	**19.3**	3.2
Property, plant and equipment	12	**2.6**	1.7
Right-of-use assets	13	**1.5**	2.6
Intangible assets	14	**23.8**	16.1
Deferred tax assets	7	**56.6**	32.2
Other assets	15	**39.9**	34.5
Total assets		**9,414.6**	**7,176.0**
Liabilities			
Deposits	16	**4,090.5**	2,547.7
Borrowings	17	**3,833.2**	3,528.5
Derivative liabilities	11	**7.4**	–
Lease liabilities	13	**1.7**	2.9
Provisions	18	**40.2**	3.8
Other liabilities	19	**37.0**	17.4
Total liabilities		**8,010.0**	**6,100.3**
Net assets		1,404.6	1,075.7
Equity			
Share capital	20	**1,518.2**	1,146.3
Other reserves	20	**(32.3)**	3.0
Accumulated losses	20	**(81.3)**	(73.6)
Total equity		**1,404.6**	**1,075.7**

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2022

	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 for the period	–	–	28.7	28.7
Other comprehensive income, net of tax	–	2.3	–	2.3
Total comprehensive income for the period	**–**	**2.3**	**28.7**	**31.0**
Transactions with owners in their capacity as owners:				
Issued share capital	502.3	–	–	502.3
Equity raising costs, net of tax	(0.9)	–	–	(0.9)
Movement in share-based payments reserve, net of tax	–	0.3	–	0.3
	501.4	0.3	–	501.7
Balance at 30 June 2021	**1,146.3**	**3.0**	**(73.6)**	**1,075.7**

	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 for the period	–	–	(7.7)	(7.7)
Other comprehensive income, net of tax	–	2.1	–	2.1
Total comprehensive income for the period	**–**	**2.1**	**(7.7)**	**(5.6)**
Transactions with owners in their capacity as owners:				
Issued share capital	378.6	–	–	378.6
Equity raising costs, net of tax	(6.7)	–	–	(6.7)
Movement in share-based payments reserve, net of tax	–	7.5	–	7.5
Settlement of performance rights, net of tax	–	(44.9)	–	(44.9)
	371.9	(37.4)	–	334.5
Balance at 30 June 2022	**1,518.2**	**(32.3)**	**(81.3)**	**1,404.6**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2022

	Notes	2022 $M	2021 $M
Cash flows from operating activities			
Interest received		**221.4**	126.1
Interest paid		**(41.1)**	(39.3)
Payments to suppliers and employees		**(131.2)**	(74.9)
Fees and other income received		**3.2**	5.3
Cash flows from operating activities before changes in operating assets and liabilities		**52.3**	**17.2**
Changes in operating assets and liabilities			
Net increase in balance of loans and advances		**(2,581.1)**	(1,728.6)
Net increase in balance of deposits		**1,542.8**	1,161.4
Net increase in collateral paid on interest rate swaps		**(5.8)**	–
Net cash (outflow) from operating activities	21	**(991.8)**	**(550.0)**
Cash flows from investing activities			
Movement in investments			
Purchases		**(235.9)**	(3,171.2)
Proceeds		**704.1**	335.2
Payments for property, plant and equipment		**(1.7)**	(0.1)
Payments for intangible assets		**(11.4)**	(12.6)
Net cash inflow/(outflow) from investing activities		**455.1**	**(2,848.7)**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**373.6**	502.3
Proceeds from borrowings		**304.8**	3,033.7
Payments for vesting of performance rights		**(64.0)**	(1.4)
Payments for capital raising transaction costs		**(13.4)**	(0.9)
Principal portion of lease payments		**(1.2)**	(1.1)
Net cash inflow from financing activities		**599.8**	**3,532.6**
Net increase in cash and cash equivalents		**63.1**	133.9
Cash and cash equivalents at the beginning of the financial year		**344.0**	210.1
Cash and cash equivalents at end of year	8	**407.1**	**344.0**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements.

1. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Judo Capital Holdings Limited and its controlled entities.

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Corporations Act 2001* and the Australian Securities Exchange (ASX) Listing Rules. Judo Capital Holdings Limited and its controlled entities is a for-profit entity for the purpose of preparing the consolidated financial statements.

Judo Capital Holdings Limited is a Company limited by shares, incorporated and domiciled in Australia.

The financial report was approved by the Directors as at the date of the Directors' report. The Directors have the power to amend and reissue the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Judo Capital Holdings Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The consolidated 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.

(iii) Presentation format

The statement of financial position has been prepared in order of liquidity.

(b) Use of critical accounting judgements and estimates

The preparation of this 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 financial report compared to those applied in the prior year. The critical accounting judgements and estimates include:

- Expected credit losses on loans and advances
- Behavioural term of loans and advances, with reference to prepayment rates and contractual maturity
- Determination of income tax expense and recoverability of deferred tax assets.

Expected credit losses on loans and advances

Whilst the methodology utilised in determining the Group's expected credit losses remains consistent with the prior period, there are a number of judgements and estimates made by management in relation to the underlying assumptions that are continuously reviewed and revised on a periodic basis which include, but are not limited to:

- Probability of default, loss given default and exposure at default estimates
- Forward-looking macroeconomic conditions
- Macroeconomic scenario weightings

Further detail on the methodology and assumptions is provided in Note 22.

Notes to the Financial Statements.

Behavioural term of loans and advances

When applying the effective interest method, the Group has estimated the behavioural term of loans and advances, by reference to historical prepayment rates and the contractual maturity.

Measurement of income taxes

Throughout its development, the Group has incurred significant tax losses that may be available to utilise against taxable profit in future periods. The availability of these losses to the Group depend on the satisfaction of the relevant tax loss utilisation tests prescribed under the income tax legislation.

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.

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 7(d) for further details.

(c) New standards and amendments

The following standards and interpretations relevant to the Group apply for the first time to financial reporting periods commencing on or after 1 January 2021:

Title	Key requirements	Effective Date*
AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*	AASB 2020-8 aims to provide financial statement users with useful information about the effects of the interest rate benchmark reform on those entities financial statements. As a result of the amendments, an entity: • will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; • will not have to discontinue hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and • will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates. The adoption of AASB 2020-8 has not had a material impact on the Group's results or financial statements.	1 January 2021

* applicable to reporting periods commencing on or after the given date

(d) Accounting standards issued but not yet effective

There are no new standards or amendments to existing standards that are not yet effective that are expected to have a material impact on the Group's results or financial statements.

(e) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(f) Principles of consolidation

The consolidated financial statements are those of the consolidated entity ("the Group"), comprising the financial statements of the parent entity and the entities the parent controls. The Group controls an entity where it has:

- power over the entity (defined as existing rights that give it the current ability to direct the relevant activities of the entity);
- exposure or rights to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any differences in accounting policies, should they exist.

All inter-company balances and transactions, including any unrealised profits or losses are eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-recognised from the date that control ceases.

(g) Effective interest income and expense

Interest income and expense is calculated and recognised as it accrues using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts or payments over the expected life of the financial instrument to the gross carrying amount of the financial instrument. The calculation includes all fees paid or received that are an integral part of the effective interest rate (eg. document preparation and establishment fees), transaction costs, upfront and trail commissions, and all other premiums or discounts which are amortised over the expected life of the financial instrument.

For financial assets classified within Stages 1 & 2 of Expected Credit Loss Provisions, interest income is calculated by applying the effective interest rate to the gross carrying amount of the assets. Interest income on financial assets in Stage 3 is recognised by applying the effective interest rate to the gross carrying amount net of provisions for impairment.

Where the Group recognises a lease liability in its capacity as a lessee, the interest expense associated with the lease liability is recognised as an interest expense.

(h) Other operating income

Fees and commissions that are not considered an integral part of the effective interest rate of a financial instrument, and thus are not included in the effective interest rate calculation, are recognised typically upon execution of a contract with a customer, at the point where the performance obligation relating to the contract has been met. These include, but are not limited to: facility fees on unused line of credit facilities, term deposit break fees, and bank guarantee service fees.

Gains or losses on the disposal of property, plant and equipment are determined through the difference between the carrying value of the asset and the proceeds received, and are recognised when control of the asset is transferred to the buyer.

Realised gains or losses on investments measured at amortised cost are recognised in the period in which they are crystalised, measured as the difference between the carrying value of the asset and the proceeds received upon disposal.

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

(i) Operating expenses

Operating expenses are recognised as the relevant service is received and costs can be reliably measured. Any amounts received as a reimbursement for costs incurred are offset against the relevant expense.

(j) Capital raising transaction costs

The transaction costs of a capital raising transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the capital raising 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 capital raising. The nature of the IPO undertaken during the period 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 treated as a deduction from equity, 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.

(k) Income tax

The income tax expense or credit recognised is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction and, where applicable, is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Tax consolidation

Judo Capital Holdings Limited and its controlled entities have implemented the tax consolidation legislation and have formed a tax-consolidated group. The Group has entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the controlled entities recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the controlled entity to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of the controlled entities in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

(l) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, bank overdrafts, and funds held in trust by third party service providers for the purposes of fulfilling loan settlements. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Interest earned on cash and cash equivalents is accrued in interest income using the effective interest rate method, with the accrued receivable recognised within other assets.

(m) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

All financial liabilities, including deposits and borrowings, are recognised by the Group initially at fair value net of any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Interest earned on investments and other financial assets is accrued in interest income using the effective interest rate method, with the accrued receivable recognised within other assets.

Subsequent measurement

Subsequent measurement of investments is at amortised cost. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost, and is not part of a hedging relationship, is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in effective interest income recognised using the effective interest rate method.

(iii) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 22(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 22(b) for further details.

(n) Property, plant and equipment

Each class of plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Plant and equipment

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amount of plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements at cost	20% – 50%	Straight line & diminishing value
Office equipment at cost	20% – 67%	Straight line & diminishing value
Furniture, fixtures and fittings at cost	10% – 20%	Straight line & diminishing value

The residual value and the useful life of an asset is reviewed at least at the end of each annual reporting period and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

(o) Intangible assets

Intangible assets are identifiable non-tangible, non-monetary assets. They are recognised when the Group can demonstrate its intention to complete the development for use, use the asset to generate future economic benefits and the costs of the development can be reliably measured. IT software development costs that can be reliably measured and where control can be established are recognised as an intangible asset.

IT software development costs incurred are categorised into buckets, being either research, which may include discovery activities, formulation and design of new systems, and development, which may include construction, coding and testing. Research costs are expensed as incurred, whereas development costs are capitalised as an intangible asset where control has been established. All other development costs that cannot be reliably measured or where control cannot be established are expensed as incurred.

Software-as-a-Service

Configuration and customisation costs of a Software-as-a-Service (SaaS) arrangement are expensed when incurred when control has not been established. Development costs are capitalised where control of an asset in relation to a SaaS arrangement has been established. Under this arrangement, configuration and customisation costs have been capitalised where control has been established, otherwise costs are recognised as a prepaid service and amortised over the life of the contract – or in certain instances are immediately expensed as incurred.

Amortisation of intangible assets

Capitalised information technology costs are not amortised throughout the development stage. Once software under development is ready for use management will determine a suitable amortisation rate between 2 and 5 years.

(p) Impairment of assets

Intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash-generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level.

Assets other than intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds the asset's or cash-generating unit's recoverable amount. The recoverable amount of an asset or cash-generating unit is defined as the higher of its fair value less costs to sell and value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease. Impairment losses in respect of cash-generating units are allocated first against the carrying amount of any goodwill attributed to the cash-generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash-generating unit.

(q) Leases

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

(i) Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

(ii) Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e. the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e. the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

(iii) Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

(r) Derivatives and hedging activities

Derivative financial instruments are contracts whose value is derived from an underlying price, index or other variable, and include instruments such as interest rate swaps, forward rate agreements, futures and options. All derivatives are recognised initially on the balance sheet at fair value and are subsequently measured at fair value through profit or loss, except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. Derivatives are presented as assets when their fair value is positive and as liabilities when their fair value is negative.

At inception of all hedge relationships the Group documents the relationship between the hedging instrument and hedged item, the risk being hedged, the Group's risk management objective and strategy and how effectiveness will be measured throughout the hedge relationship.

The Group has designated derivatives held as effective cash flow hedges with changes in the fair value recognised in the cash flow hedge reserve within equity. Amounts accumulated in the cash flow hedge reserve are transferred to the income statement in the event the instrument expires, is sold or otherwise when hedging criteria are no longer met. The portion of the hedge that is deemed ineffective is recognised in the income statements as the ineffectiveness arises.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

To the extent that it is probable that some or all of a loan facility will be drawn down, fees paid on the establishment of the facility are deferred until the draw-down occurs, at which point they are recognised as transaction costs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Repurchase agreements

Under repurchase agreements, the risks and rewards associated with any assets pledged as collateral remain with the Group, and therefore are included within the statement of financial position.

(t) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are discounted to the present value of their expected net future cash flows except where the time value of money is not material.

(i) Trail commissions

During the year ended 30 June 2022, the Group revised its accounting treatment of trail commissions payable to 3rd party brokers for loans and advances settled. The amount of trail commission payable is dependent on assumptions about the behavioural life of the underlying transaction generating the commission. The Group has estimated the behavioural term of each loan with reference to historical prepayment rates and contractual maturity. Costs associated with trail commissions payable are capitalised and subsequently amortised through the Profit or Loss as effective interest income applying the effective interest method.

(ii) Annual and long service leave

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

(u) Share-based payments

The Group operates share-based payment employee share schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares expected to vest is reviewed and adjusted at each reporting date. See Note 20 for further details.

The equity-based compensation is recorded as part of the share based payments reserve and is calculated as the value of equity benefits provided to employees as part of their remuneration. The calculation is based on an independent valuation.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the 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 year, adjusted for bonus elements in Ordinary Shares issued during the year and excluding treasury shares.

(ii) 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-income 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.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(x) Rounding of amounts

The Company complies with ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the consolidated financial statements. Amounts in the consolidated 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, or in certain cases, to the nearest dollar.

(y) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

2. Segment information

(a) Overview

For the year ended 30 June 2022, the Group's segment information is presented based on a singular reportable segment, being Small and Medium Enterprise lending, which operates solely within Australia. 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 the chief operating decision maker and 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. Earnings per share

	2022 Cents	**2021** Cents
Basic earnings per share	**(0.8)**	4.5
Diluted earnings per share	**(0.8)**	3.9

(a) Reconciliations of earnings used in calculating earnings per share

	2022 $M	**2021** $M
Net profit after tax	(7.7)	**28.7**
Total basic earnings	**(7.7)**	**28.7**
Earnings used in calculating basic earnings per share	(7.7)	28.7
Add: accretion of share-based payments expense	–	0.4
Total diluted earnings	**(7.7)**	**29.1**

(b) Weighted average number of shares (WANOS) used in calculating earnings per share

	2022 Number	2021 Number
WANOS used in calculating basic earnings per share	**1,006,522,485**	**637,349,044**
Adjustments for calculation of diluted earnings per share:		
Options	–	2,000,000
Warrants	–	16,685,000
B Class share conversion	–	94,767,248
WANOS used in calculating diluted earnings per share	**1,006,522,485**	**750,801,292**

(c) Potentially dilutive instruments

The following instruments are potentially dilutive during the reporting period:

	Dilutive	
	2022	**2021**
Options	**Converted**	Yes
Warrants	**Converted**	Yes
B Class share conversion	**Converted**	Yes
Legacy incentive plan options	**Antidilutive**	Antidilutive
Judo Grows+ options	**Antidilutive**	N/A
IPO Retention Award options	**Antidilutive**	N/A
IPO Retention Award deferred share rights	**Antidilutive**	N/A

4. Net interest income

	2022 $M	2021 $M
Interest on cash and cash equivalents	**0.9**	0.8
Interest on investments	**7.8**	4.9
Interest on loans and advances	**213.2**	120.7
	221.9	126.4
Interest expense on deposits	**(35.2)**	(27.9)
Interest expense on borrowings	**(16.8)**	(13.8)
Interest expense on lease liabilities	**(0.1)**	(0.2)
	(52.1)	(41.9)
Net interest income	**169.8**	**84.5**

Notes to the Financial Statements.

(a) Average balances and related interest

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

	Year ended 30 June 2022		
	Average balance $M	Interest $M	Average interest %
Interest income			
Cash and cash equivalents	397.2	0.9	0.23
Investments	3,028.7	7.8	0.26
Loans and advances	4,749.3	213.2	4.49
	8,175.2	**221.9**	**2.71**
Interest expense			
Deposits	3,236.7	35.2	1.09
Borrowings	3,681.1	16.8	0.46
	6,917.8	**52.0**	**0.75**

	Year ended 30 June 2021		
	Average balance $M	Interest $M	Average interest %
Interest income			
Cash and cash equivalents	150.5	0.8	0.53
Investments	1,209.4	4.9	0.41
Loans and advances	2,552.9	120.7	4.73
	3,912.8	**126.4**	**3.23**
Interest expense			
Deposits	1,954.3	27.9	1.43
Borrowings	1,204.7	13.8	1.15
	3,159.0	**41.7**	**1.32**

5. Other income

	2022 $M	2021 $M
Other operating income		
Realised gains on sale of investments	–	4.3
Fees and commissions	2.1	0.6
Sundry income	1.1	0.4
	3.2	**5.3**

6. Operating expenses

	2022 $M	2021 $M
Depreciation and rental expenses		
Depreciation of property, plant and equipment	0.8	0.7
Depreciation of right-of-use assets	1.1	1.1
Rental expenses	2.7	1.2
	4.6	3.0
Employee benefits		
Salaries, superannuation and related on-costs	71.4	46.3
Performance-based compensation	18.5	1.6
Other employee benefits	0.7	3.0
	90.6	50.9
Other operating expenses		
Amortisation of intangible assets	3.5	1.9
Consultants	11.0	1.1
Information technology	18.4	12.7
Marketing	6.4	4.4
Professional fees	4.4	2.0
Travel and entertainment	3.7	2.2
Other	12.2	6.0
	59.6	30.3

7. Income tax expense

(a) Amounts recognised in profit or loss

	2022 $M	2021 $M
Deferred income tax		
Current year	(0.3)	(33.1)
Changes in estimates related to prior years	0.8	–
Total deferred tax expense/(benefit)	**0.5**	**(33.1)**
Income tax expense/(benefit)	0.5	(33.1)

(b) Amounts recognised directly in equity

	2022 $M	2021 $M
Deferred income tax arising in the reporting period related to items charged or (credited) directly in equity:		
Net gain on cash flow hedges	0.9	0.9
Equity raising costs	(6.7)	–
Share-based payments	(19.2)	–
	(25.0)	**0.9**

(c) Numerical reconciliation of income tax expense to prima facie tax payable

	2022 $M	2021 $M
The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Loss from operations before income tax expense	(7.2)	(4.4)
Tax at the Australian tax rate of 30% (2021:30%)	(2.2)	(1.3)
Add tax effect of:		
Changes in estimates relating to prior years	0.8	–
Share-based payments	1.8	0.5
Entertainment	0.1	0.1
Net deferred tax assets first brought to account	–	(30.9)
Other permanent differences	–	(1.5)
Income tax expense/(benefit)	**0.5**	**(33.1)**

(d) Deferred tax assets

	2022 $M	2021 $M
Deferred tax assets		
Tax losses	13.5	19.4
Loss allowances for financial assets	16.7	10.6
Employee benefits	1.6	1.1
Capital raising costs	7.3	–
Share-based payments	15.8	–
Intangibles	2.0	0.8
Other	1.6	1.3
Total deferred tax assets	**58.5**	**33.2**
Deferred tax liabilities		
Cash flow hedges	(1.9)	(1.0)
Total deferred tax liabilities	**(1.9)**	**(1.0)**
Net deferred tax assets	56.6	32.2

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 exercise of judgement. 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. Refer to Note 28 for further details.

8. Cash and cash equivalents

	2022 $M	2021 $M
Cash at bank	341.2	311.8
Cash on deposit	30.8	10.9
Funds in trust pre-settlement	35.1	21.3
	407.1	**344.0**

The cash and cash equivalents disclosed above and in the statements of cash flows include $35.1 million which are held in trust by third party service providers for the purposes of fulfilling loan settlements. These deposits are therefore not available for general use by Judo Capital Holdings Limited or its controlled entities.

9. Investments

	2022 $M	2021 $M
Financial assets measured at amortised cost		
Floating rate notes	163.4	214.9
Bonds	2,545.2	2,855.6
Residential mortgage backed securities	50.9	64.8
Negotiable certificates of deposit	34.9	124.8
	2,794.4	3,260.1
Allowance for credit losses	(0.4)	(0.4)
	2,794.0	3,259.7

Investments pledged as collateral

The following investments have been pledged as collateral under repurchase agreements in order to secure the RBA's Term Funding Facility:

	2022 $M	2021 $M
Investments pledged as collateral		
Floating rate notes	56.4	169.8
Bonds	1,242.5	1,965.5
Residential mortgage backed securities	51.0	66.8
	1,349.9	2,202.1

In addition to the investments detailed above, the Group also pledges its Aaa-rated self-securitisation notes as collateral under the repurchase agreements to secure the TFF.

10. Loans and advances

	2022 $M	2021 $M
Business loans	4,716.3	2,725.2
Equipment loans	379.5	190.5
Line of credit	374.2	242.6
Home loans	621.8	359.6
Gross loans and advances	**6,091.8**	**3,517.9**
Adjusted for:		
Capitalised net transaction costs	33.2	(0.9)
Allowance for credit losses	(55.2)	(35.0)
	6,069.8	3,482.0

Capitalised net transactions costs include upfront establishment fees, upfront broker commissions and expected future trail commissions, accounted for in line with the effective interest rate method.

Maturity at 30 June 2022

	Maturing 1 year or less $M	Maturing between 1 and 5 years $M	Maturing after 5 years $M	Total $M
Business loans	490.5	2,911.6	1,314.2	4,716.3
Equipment loans	2.6	371.5	5.4	379.5
Line of credit	367.6	6.6	–	374.2
Home loans	0.7	14.3	606.8	621.8
Gross loans and advances	**861.4**	**3,304.0**	**1,926.4**	**6,091.8**

Maturity at 30 June 2021

	Maturing 1 year or less $M	Maturing between 1 and 5 years $M	Maturing after 5 years $M	Total $M
Business loans	295.3	1,839.6	590.3	2,725.2
Equipment loans	3.0	180.5	7.0	190.5
Line of credit	239.2	3.4	–	242.6
Home loans	2.5	21.0	336.1	359.6
Gross loans and advances	**540.0**	**2,044.5**	**933.4**	**3,517.9**

(a) Allowance for credit losses

The table below discloses the breakdown of credit impairment on financial instruments.

	2022 $M	2021 $M
Increase in collective provision for impairment	24.2	4.9
Increase in specific provision for impairment	1.2	4.7
Increase in provision for impairment on investments	–	0.4
Credit impairment for the year	**25.4**	**10.0**

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

	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	0.8	0.5	(1.7)	0.4	–
New and increased provisions	17.6	15.0	4.0	0.5	37.1
Write-back of provisions no longer required	(1.6)	(8.8)	(0.2)	(0.6)	(11.2)
Amounts written off, previously provided for	(1.3)	–	–	(4.4)	(5.7)
Loss allowance at 30 June 2022	**27.2**	**22.1**	**4.2**	**1.7**	**55.2**
Loss allowance at 1 July 2020	**10.9**	**12.4**	**1.0**	**1.1**	**25.4**
Net transfer between stages	1.6	(1.2)	(0.1)	(0.3)	–
New and increased provisions	5.3	10.4	1.1	5.2	22.0
Write-back of provisions no longer required	(6.1)	(6.2)	0.1	(0.2)	(12.4)
Loss allowance at 30 June 2021	**11.7**	**15.4**	**2.1**	**5.8**	**35.0**

11. Derivatives

The Group utilises derivative instruments in managing its exposure to risk. At inception of all hedge relationships, the Group documents the relationship between the hedging instrument and hedged item, the risk being hedged, the Group's risk management objective and strategy, and how effectiveness will be measured throughout the hedge relationship.

Trading derivatives are not in a qualifying hedging relationship, and as such are measured at fair value through the profit or loss. The Group has not held any instruments treated as trading derivatives for the financial year ended 30 June 2022.

(a) Derivative assets and liabilities

The table below sets out total derivative assets and liabilities treated as hedging derivatives:

			2022		2021	
			Fair value $M	Notional value $M	Fair value $M	Notional value $M
Derivative assets	**Hedging instrument**	**Risk**				
Cash flow hedges	Interest rate swaps	Interest	**19.3**	**584.0**	3.2	158.7
Derivative liabilities	**Hedging instrument**	**Risk**				
Cash flow hedges	Interest rate swaps	Interest	**(7.4)**	**2,075.0**	–	19.7

The fair values disclosed above are presented net of any collateral pledged on the derivative liabilities. As at 30 June 2022, a total of $5.8 million in collateral had been pledged (2021: $nil).

The weighted average fixed interest rate of interest rate swaps hedging interest rate risk as at 30 June 2022 was 2.34% (2021: 0.31%).

The following table shows the maturity profile of hedging instruments based on their notional amounts:

	2022				2021			
	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M
Interest rate swaps	**1,190.0**	**1,419.0**	**50.0**	**2,659.0**	–	128.4	50.0	178.4

(b) Risk management strategy for hedge accounting

The Group manages interest rate risk exposure across financial instruments including Term Deposits, Class A warehouse notes, and the RBA Term Funding Facility via interest rate derivatives. The interest rate risk arises due to the mismatch of repricing on the variable lending book against repricing of the Group's liabilities, which can lead to volatility in the Group's earnings for recognition of net interest income.

Interest rate derivatives are executed and designated into a qualifying cash flow hedge relationship on inception, swapping out floating rate interest derived on a portion of the Group's variable lending book and floating rate interest payable on a portion of the Group's variable warehouse debt. The gross exposures are allocated to time buckets based on expected repricing dates for each financial instrument, of which interest rate derivatives are then allocated against to hedge changes to future expected cash flows. The applicable benchmark interest rate that the Group is exposed to across the time period (1-month BBSW) is hedged as this represents the largest component of changes in future expected cash flows.

(c) Hedged items

The balance of the cash flow hedge reserve, which represents the effective portion of the movements in the hedging instrument, is presented in Note 20(b). The movements in hedging instruments recognised in other comprehensive income are reported in the Group's Statement of Profit or Loss and Other Comprehensive Income.

The following table shows the carrying amount of hedged items that are in hedged relationships, and the fair value of the hedging instruments in the hedging relationship. The Group does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amount disclosed in other notes.

	2022		2021	
	Carrying amount $M	Fair value of hedging instruments $M	Carrying amount $M	Fair value of hedging instruments $M
Borrowings				
Debt warehouse – variable rate	**184.0**	**17.6**	178.4	3.2
Loans and advances				
Loans and advances – variable rate	**2,475.0**	**(5.7)**	–	–
	2,659.0	**11.9**	178.4	3.2

1 Loans and advances are held at amortised cost and do not include fair value adjustments.

(d) Hedge ineffectiveness

The Group has designated all derivative instruments held into a highly effective hedging relationship across the variable lending book as outlined above. Hedge ineffectiveness may arise where the changes in variable cash flows arising from the derivative instruments significantly differ from the changes in cash flows arising from the hedged items. Potential sources of ineffectiveness mainly relate to differences in the repricing on the variable lending book, which is based off a 5-day average reference rate against the derivative instruments which reprice on a 1-day reference rate. No hedging ineffectiveness has been recognised in the income statement for the year ended 30 June 2022.

12. Property, plant and equipment

	Furniture, fittings and equipment	Office equipment	Leasehold improvements	Total
	$M	$M	$M	$M
At 1 July 2020				
Cost or fair value	0.5	0.2	2.4	3.1
Accumulated depreciation	(0.1)	(0.1)	(0.7)	(0.9)
Net book amount	**0.4**	**0.1**	**1.7**	**2.2**
Year ended 30 June 2021				
Additions	–	0.1	–	0.1
Depreciation charge	–	–	(0.6)	(0.6)
Closing net book value	**0.4**	**0.2**	**1.1**	**1.7**
At 30 June 2021				
Cost or fair value	0.5	0.3	2.4	3.2
Accumulated depreciation	(0.1)	(0.1)	(1.3)	(1.5)
Net book amount	**0.4**	**0.2**	**1.1**	**1.7**
Year ended 30 June 2022				
Additions	–	0.2	1.5	1.7
Disposals	–	–	–	–
Depreciation charge	(0.1)	(0.1)	(0.6)	(0.8)
Closing net book amount	0.3	0.3	2.0	2.6
At 30 June 2022				
Cost or fair value	0.5	0.5	3.9	4.9
Accumulated depreciation	(0.2)	(0.2)	(1.9)	(2.3)
Net book amount	0.3	0.3	2.0	2.6

13. Leases

(a) Right-of-use assets

	2022 $M	2021 $M
Property leases	**4.6**	4.6
Accumulated depreciation	**(3.1)**	(2.0)
Total carrying amount of right-of-use assets	**1.5**	**2.6**

Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year

	Properties $M	Total $M
Carrying amount at 1 July 2020	3.7	3.7
Additions	–	–
Depreciation	(1.1)	(1.1)
Carrying amount at 30 June 2021	**2.6**	**2.6**
Carrying amount at 1 July 2021	2.6	2.6
Additions	–	–
Depreciation	(1.1)	(1.1)
Carrying amount at 30 June 2022	**1.5**	**1.5**

(b) Lease liabilities

	2022 $M	2021 $M
Property leases	**1.7**	2.9
Total carrying amount of lease liabilities	**1.7**	**2.9**

(c) Lease expenses and cash flows

	2022 $M	2021 $M
Lease expenses		
Depreciation expense on right-of-use assets	**1.1**	1.1
Interest expense on lease liabilities	**0.1**	0.2
Expense relating to lease payments made for leases of low value assets (for which a lease asset and a lease liability has not been recognised)	**2.9**	1.4
Total expenses in relation to leases	**4.1**	**2.7**
Total cash outflow in relation to leases	**4.2**	**2.7**

14. Intangible assets

	Capitalised information technology $M	Total $M
At 1 July 2020		
Cost	6.6	6.6
Accumulated amortisation and impairment	(1.2)	(1.2)
Net book amount	**5.4**	**5.4**
Year ended 30 June 2021		
Additions	12.6	12.6
Amortisation charge	(1.9)	(1.9)
Closing book amount	**16.1**	**16.1**
At 30 June 2021		
Cost	19.2	19.2
Accumulated amortisation and impairment	(3.1)	(3.1)
Net book amount	**16.1**	**16.1**
Year ended 30 June 2022		
Additions	11.2	11.2
Disposals	–	–
Amortisation charge	(3.5)	(3.5)
Closing book amount	**23.8**	**23.8**
At 30 June 2022		
Cost	30.1	30.1
Accumulated amortisation and impairment	(6.3)	(6.3)
Net book amount	**23.8**	**23.8**

Capitalised information technology includes costs incurred in the development of software that supports the Group's core banking operations and risk management processes. Development costs incurred under a Software as a Service (SaaS) arrangement including configuration and customisation costs are capitalised where control of the underlying software is established in accordance with AASB 138 *Intangible Assets*. In the event control cannot be established, costs are either recognised as a prepaid service and amortised over the life of the contract, or expensed directly to the Profit and Loss (refer to Note 15).

15. Other assets

	2022 $M	2021 $M
Accrued interest receivable	**28.7**	30.7
Prepayments – IT Licensing	**2.6**	1.7
Prepayments – Software	**3.2**	0.3
Prepayments – Other	**4.2**	0.7
Other receivables	**1.2**	1.1
	39.9	**34.5**

16. Deposits

	2022 $M	2021 $M
Retail term deposits	**2,345.7**	1,381.1
Wholesale term deposits	**1,744.8**	1,166.6
	4,090.5	**2,547.7**

	2022 $M	2021 $M
Deposits by State		
New South Wales	**1,722.2**	1,015.0
Victoria	**995.9**	677.5
Queensland	**613.2**	374.0
Western Australia	**368.5**	233.8
South Australia	**227.9**	179.1
Tasmania	**80.5**	28.9
Australian Capital Territory	**70.3**	35.1
Northern Territory	**12.0**	4.3
Total deposits	**4,090.5**	**2,547.7**

17. Borrowings

	2022 $M	2021 $M
Secured		
Debt warehouse	**316.2**	619.3
Repurchase agreements	**3,055.6**	2,859.3
	3,371.8	**3,478.6**
Unsecured		
Negotiable certificates of deposit	**331.7**	–
Senior unsecured notes	**80.0**	–
Subordinated notes	**49.7**	49.9
	461.4	**49.9**
Total borrowings	**3,833.2**	**3,528.5**

(a) Terms and conditions of borrowings

Secured loan facilities

The secured loan facilities represent borrowings under the Group's warehouse securitisation program and repurchase agreements, both corporate and under the Reserve Bank of Australia's (RBA) Term Funding Facility.

Warehouse securitisation

The Group's warehouse securitisation program currently includes the Judo Capital Securitisation Trust 2018-2, Judo Capital Securitisation Trust 2018-3, Judo Securitisation Warehouse Trust 2020-1 and Judo Securitisation Trust 2020-2 entities. Facility limits are in place for each trust agreed with the relevant Financier, with the borrowings in each trust secured by individual receivables owned by the trust (which comprise of Group-originated Business Loans, Lines of Credit, Equipment loans and Home loans). Since these loans have been securitised but retained by the Group, the assets remain on the balance sheet. Borrowings are to be repaid in accordance with the Trust agreement, calculated by the Trustee using the cash flow waterfall calculation specific to each trust.

Term Funding Facility

In March 2020, the RBA announced the establishment of the Term Funding Facility (TFF), a three-year facility with a fixed interest rate of 0.10% per annum. As at 30 June 2022, the Group's drawdown on the TFF totalled $2.86 billion.

The drawdown is secured by RBA eligible collateral including the Group's Aaa-rated self-securitisation notes, Australian Commonwealth Government Securities (ACGS) and Semi Government Securities.

Unsecured loan facilities

The Group has issued Floating Rate Subordinated Notes to support the Group's capital management. The Notes constitute direct and unsecured subordinated obligations of the Group. These notes constitute Tier 2 Capital of the Group as defined by the Australian Prudential Regulation Authority ("APRA").

During the year ended 30 June 2022, the Group also launched two new unsecured products, being medium-term senior unsecured notes and Negotiable Certificates of Deposit (NCDs). The NCD's are eligible to be traded and used under repurchase agreement with the RBA following the Group's achievement of an Investment Grade credit rating.

18. Provisions

	2022 $M	2021 $M
Employee entitlements	8.1	3.8
Trail commission	32.1	–
	40.2	**3.8**
Current	16.7	3.1
Non-current	23.5	0.7

(a) Movements in provisions

Trail commission	2022 $M	2021 $M
Opening balance	–	–
Additional provision recognised	32.1	–
Closing balance	**32.1**	**–**

During the year ended 30 June 2022, the Group revised its accounting treatment relating to trail commission payable to 3rd party brokers, reflecting the present value of future payments expected over the behavioural life of the underlying transaction. For further details, refer to Note 1(t).

19. Other liabilities

	2022 $M	2021 $M
Unsecured liabilities		
Accrued interest payable	21.7	10.8
Trade creditors and accruals	11.5	6.3
Payroll tax payable	3.8	0.3
	37.0	**17.4**

20. Share capital, equity and reserves

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 $378.6 million, with a total of 1,105,519,872 shares issued.

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 20(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 (before shares are issued under the IPO), 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.

(a) Share capital

	2022 Shares	2022 $M	2021 Shares	2021 $M
Issued capital				
Ordinary Shares paid in full	1,105,519,872	1,534.1	–	–
A Class Shares paid in full	–	–	801,375,657	1,155.5
B Class Shares paid to $0.01	–	–	15,000	–
Equity raising costs	–	(15.9)	–	(9.2)
Total share capital	**1,105,519,872**	**1,518.2**	**801,390,657**	**1,146.3**

(i) Ordinary Shares

Details	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
Vesting of employee share gift	–	5.0
Closing balance at 30 June 2022	**1,105.5**	**1,534.1**

(ii) A Class Shares

Details	Number of shares (millions)	Total $M
Opening balance 1 July 2020	505.6	653.1
Issue of new shares	295.8	502.4
Balance 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)
Closing balance at 30 June 2022	**–**	**–**

(iii) B Class Shares

Details	Number of shares	Total $M
Opening balance 1 July 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)	–
Closing balance at 30 June 2022	**–**	**–**

Nature of issued capital

The Company has one class of capital on issue as at year end:

- Ordinary Shares – which have been issued to third party investors and which qualify for treatment as Common Equity Tier 1 regulatory capital under Prudential Standard APS 111 Capital Adequacy: Measurement of Capital (CET1). Ordinary Shares are fully paid and entitle the holder to one vote at a shareholder meeting and to participate in dividends.

Dividends paid

All dividends paid in respect of Ordinary Shares are paid at the absolute discretion of the Directors of the Company. This also applied to previously issued A Class and B Class Shares

During the 2022 financial year, no dividends were paid.

Capital adequacy

The Group 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. The Group's shareholders equity includes issued ordinary shares, retained earnings and reserves.

Regulatory capital is divided into Common Equity Tier 1 (CET1), Additional Tier 1 Capital and Tier 2 Capital. CET1 primarily consists of shareholder's equity, less deferred tax assets and other prescribed adjustments. Additional Tier 1 Capital is comprised of high quality capital providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors and provided for fully discretionary capital distributions. Tier 1 capital is the aggregate of CET1 and Additional Tier 1 Capital. Tier 2 Capital is hybrid and debt instruments that fall short of necessary conditions to quality as Additional Tier 1 to APRA. Total Capital is the aggregate of Tier 1 and Tier 2 Capital.

Capital adequacy is measured by means of risk-based capital ratios. The capital ratios reflect capital (CET 1, Additional Tier 1, Tier 2 and Total Capital) as a percentage of total Risk Weighted Assets (RWA). RWA represents an allocation of risks associated with the Group's assets and other related exposures. The Group's capital provision is monitored on a continuous basis and reported monthly to the Management Board, Asset and Liability Committee and the Board.

The Group's capital ratios throughout the year were in compliance with both APRA minimum capital adequacy requirements and the Board approved minimums. The Group is required to inform APRA immediately of any breach or potentially breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken.

Capital management

The Group's capital management strategy is focused on adequacy, efficiency and flexibility.

- The capital adequacy objective seeks to ensure sufficient capital is held in excess of internal risk based required capital assessments and regulatory requirements and is within the Group's balance sheet risk appetite.
- The efficiency objective seeks to ensure capital is deployed as efficiently as possible and surplus is kept to a minimum.
- The flexibility objective ensures the Group is able to adapt the capital structure to the environment the Group is operating in, including in response to changing Risk Weighted Asset profiles and prudential capital ratio requirements.

Loan capital

As at 30 June 2022, the Group had A$50 million in Tier 2 Capital securities issued in the form of subordinated notes. These securities qualify as Tier 2 Capital of the Bank under the Basel III requirements as implemented by APRA.

(b) Reserves

	2022 $M	2021 $M
Cash flow hedges	**4.3**	2.2
Share-based payments	**(36.6)**	0.8
	(32.3)	**3.0**

Cash flow hedge reserve

The cash flow hedge reserve comprises gains or losses arising from the change in fair value of the effective portion of designated cash flow hedging instruments, net of tax. All cumulative movements over the life of the hedging instrument will net to nil upon maturity.

Share-based payments reserve

(i) Management Incentive Plan and 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.

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

(ii) 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 year ended 30 June 2022, a total expense of $2.3 million was recognised through the profit or loss in relation to the accrual of Deferred Share Rights, with a corresponding charge to the Share-based payments reserve.

(iii) 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. Participants may request to settle the options through a cashless exercise, however the Company has the discretion to reject the participants request, in which case they must complete a cash exercise.

A total of 9,657,530 Options were granted on 22 October 2021 to Management Board members, with an assessed fair value at grant date of $3.3 million. The Options will vest on 2 November 2026 with the value of the Options amortised over the vesting period. The charge to the profit or loss for the year ended 30 June 2022 was $0.4 million with a corresponding increase in the Share-based payments reserve.

An additional total of 10,767,864 Options were granted on 22 October 2021 and 9 May 2022 to senior leaders, with a total assessed fair value at grant date of $2.0 million. The Options will vest on 2 November 2025 with the value of the Options amortised over the vesting period. The charge to the profit or loss for the year ended 30 June 2022 was $0.3 million with a corresponding increase in the Share-based payments reserve.

Notes to the Financial Statements.

(iv) 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. Participants may request to settle the options through a cashless exercise, however the Company has the discretion to reject the participants request, in which case they must complete a cash exercise.

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 22 October 2021.

The value of the Options and Deferred Share Rights are amortised over the vesting period, with the charge to the profit or loss for the year ended 30 June 2022 of $1.0 million resulting in a corresponding increase to the Share-based payments reserve.

(v) Summary of details under the various plans

The following table details the number and movements in the various plans during the year, as well as the associated weighted average exercise price (WAEP). All deferred share rights have an exercise price of nil.

	IPO Retention				MIP/Mirror MIP			
	2022 No.	**2022** WAEP($)	2021 No.	2021 WAEP($)	**2022** No.	**2022** WAEP($)	2021 No.	2021 WAEP($)
Deferred share rights/performance rights								
Outstanding at beginning of the year	**–**	**–**	–	–	**14,880**	**0.99**	14,553	0.99
Granted	**2,499,999**	**–**	–	–	**120**	**0.99**	327	0.99
Forfeited/lapsed	**–**	**–**	–	–	**(73)**	**0.99**	–	–
Exercised	**–**	**–**	–	–	**(14,927)**	**0.99**	–	–
Outstanding at year end	**2,499,999**	**–**	–	–	**–**	**–**	14,880	0.99
Exercisable at year end	**–**	**–**	–	–	**–**	**–**	–	–

	Judo Grows +				IPO Retention				LTIP			
	2022 No.	**2022** WAEP($)	2021 No.	2021 WAEP($)	**2022** No.	**2022** WAEP($)	2021 No.	2021 WAEP($)	**2022** No.	**2022** WAEP($)	2021 No.	2021 WAEP($)
Premium priced options												
Outstanding at beginning of the year	**–**	**–**	–	–	**–**	**–**	–	–	**11,901,058**	**1.47**	7,595,662	1.40
Granted	**20,425,394**	**2.73**	–	–	**5,993,149**	**2.73**	–	–	**800,000**	**1.75**	4,539,354	1.58
Forfeited/lapsed	**(1,164,630)**	**2.73**	–	–	**–**	**–**	–	–	**(504,934)**	**1.55**	(233,958)	1.43
Exercised	**–**	**–**	–	–	**–**	**–**	–	–	**(18,260)**	**1.45**	–	–
Outstanding at year end	**19,260,764**	**2.73**	–	–	**5,993,149**	**2.73**	–	–	**12,177,864**	**1.48**	11,901,058	1.47
Exercisable at year end	**–**	**–**	–	–	**–**	**–**	–	–	**10,133,712**	**1.44**	–	–

Summary of key components of options	Judo Grows+	IPO Retention	LTIP
Exercise price – range ($)	$2.73	$2.73	$1.40 – $1.75
Expiry date	22 October – 2 November 2031	22 October 2031	29 July 2031
Weighted average remaining life (years)	9.3	9.3	8.1

(vi) Fair value methodology

The cost of the employee services received in respect of shares, rights or options granted is recognised in the income statement over the period the employee provides the services. The overall cost of the award is calculated using the number of shares, rights or options expected to vest and the fair value of the shares, rights or options at the grant date.

The Black-Scholes valuation method was utilised to determine the fair value of options issued during the period. The following inputs have been used in the models:

Fair value inputs	Judo Grows+ 9 May 2022	Judo Grows+ 22 October 2021	IPO Retention 22 October 2021	LTIP 30 July 2021
Underlying share price at grant date ($)	$1.61	$2.10	$2.10	$1.90
Exercise price ($)	$2.73	$2.73	$2.73	$1.75
Expected life (years)	4.0	4.5 – 5.5	5.5	5.5
Expected volatility (%)	25.00%	25.00%	25.00%	25.00%
Risk-free interest rate (%)	3.26%	1.20%	1.20%	0.56%
Dividend yield (%)	Nil	Nil	Nil	Nil

(c) Accumulated losses

	2022 $M	2021 $M
Accumulated losses at beginning of period	(73.6)	(102.3)
Net (loss)/profit	(7.7)	28.7
	(81.3)	(73.6)

21. Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities

	Notes	2022 $M	2021 $M
(Loss)/profit for the period		**(7.7)**	**28.7**
Adjustments for:			
Depreciation and amortisation	6	**5.4**	3.7
Charges for impairment on financial assets held at amortised cost	10(a)	**25.4**	10.0
Performance-based compensation		**12.5**	1.7
Accrued interest income		**(0.3)**	(0.3)
Accrued interest expense		**10.9**	2.6
Changes in operating assets and liabilities:			
Increase in loans and advances		**(2,613.2)**	(1,728.6)
Increase in other assets		**(7.4)**	(1.3)
Decrease/(increase) in deferred tax assets through profit or loss		**0.5**	(33.1)
Increase in customer deposits		**1,542.8**	1,161.4
Increase in payables		**8.7**	3.4
Decrease in derivative liabilities		**(5.8)**	–
Increase in provisions		**36.4**	1.8
Net cash outflow from operating activities		**(991.8)**	**(550.0)**

22. Financial risk management

The Group is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

- Interest rate risk
- Credit risk
- Liquidity risk

The Board of Directors have overall responsibility for identifying and managing operational and financial risks.

The Group holds the following financial instruments:

	2022 $M	2021 $M
Financial assets		
Amortised cost		
Cash and cash equivalents	407.1	344.0
Investments	2,794.0	3,259.7
Loans and advances	6,069.8	3,482.0
Other assets	39.9	34.5
	9,310.8	**7,120.2**
Financial liabilities		
Amortised cost		
Deposits	4,090.5	2,547.7
Borrowings	3,833.2	3,528.5
Lease liabilities	1.7	2.9
Other liabilities	37.0	17.4
	7,962.4	**6,096.5**
Derivative financial instruments designated as hedging instruments		
Derivative financial assets (measured at fair value)		
Interest rate swap contracts – cash flow hedges	19.3	3.2
	19.3	**3.2**
Derivative financial liabilities (measured at fair value)		
Interest rate swap contracts – cash flow hedges	7.4	–
	7.4	**–**

Notes to the Financial Statements.

(a) Interest rate risk

The Group is exposed to interest rate risk in relation to its lending assets, treasury portfolio, deposits and borrowings. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group manages its interest rate risk by maintaining a mix of variable rate and fixed rate borrowings, as well as the use of cash-flow hedging instruments.

Although the Group does not operate a securities trading book, the business is exposed to interest rate risk due to a gap in the repricing dates for assets (predominantly loans and liquid assets held to satisfy regulatory liquidity holding requirements) and liabilities (predominantly customer deposits and debt with other financial institutions). Across the financial year, the Group ran a net asset interest rate exposed position where the balance of interest rate-sensitive assets exceeded the balance of interest rate-sensitive liabilities. Where exposure approaches limits, the Group manages this risk through the use of cash-flow hedging instruments such as interest rate swaps.

The Group's policy is to manage interest rate risk in the Banking Book which is set at a level reflective of the Group's current size and complexity. The Group's appetite for interest rate risk is to pursue strategies for activities that would expose the Group to a limited possibility of loss, damage, or disruption.

Sensitivity

The figures in the following table represent the potential changes to the Group's after tax profits due to changes in interest rates to which the Group's Balance Sheet is exposed. As the official cash rate in Australia was 0.85% as at 30 June 2022, a downward shift in interest rates of 1.50% would imply a 0.65% negative interest rate. As a significant majority of the Group's lending book and external borrowings are on floating rates with a zero floor of 0.00%, the below analysis has factored in these conditions, however does not take into account management actions that may be taken to mitigate the unfavourable impact of falling interest rates.

	2022 $M	2021 $M
Increase of 150 basis points		
Impact on profit after tax	**38.2**	15.8
Impact on equity	**38.2**	15.8
Decrease of 150 basis points		
Impact on profit after tax	**(22.3)**	1.1
Impact on equity	**(22.3)**	1.1

(b) Credit risk

Credit risk is the risk of loss arising from a customer or counterparty failing to meet their obligations in accordance with the agreed terms of credit. The Group actively seeks credit risk to generate net interest income within the constraints of acceptable risk and appropriate return in accordance with the Group's Risk Appetite Statement and credit policy.

The Group takes a responsible approach to the origination of credit risk for customers and considers their character, capacity to repay, capital, and collateral. The Group only takes credit risks that are transparent, well understood and appropriately assessed. In originating loans, the Group's relationship bankers and credit executives apply expert judgement to consider the expected outlook for borrowers, noting that COVID-19 and, more recently, rising inflation and interest rates have resulted in a dynamic operating environment where historical financials have been less valuable to predicting future performance. The Group seeks to diversify the lending portfolio to minimise customer and portfolio concentration risks. The Group records, regularly monitors, understands and manages credit risks, including regular engagement with customers to understand their current circumstances and potential for their circumstances to change. The Group further considers the sustainability of the client's business model, including expected climate-related impacts and is continuing to develop more quantitative techniques. The Group also considers credit risk to exposures held for commitments, guarantees, and liquidity and hedging purposes.

Adherence to these credit risk principles supported by our credit risk management framework, lending guidelines and a delegated lending authority framework supports continued growth in the loan portfolio. Key metrics such as probability of default (PD), loss given default (LGD) and exposure at default are used to measure and determine whether the Group's credit risk is within appetite. Due to the Group's limited period of operations and loss experience, the application of these metrics for credit assessment and calculation of expected credit losses utilises a combination of primary, Group-specific data and external information, such as third-party loss data and peer benchmarking.

For credit risk management purposes, the Group applies an internal credit rating grade to assess credit risk and assist in calculating expected credit losses on a 13-point scale. Each grade has been assigned an associated probability of default (PD) derived using external default data given the Group's limited time of operation and loss experience.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date includes recognised financial assets, including loans and advances and treasury investments, and is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in the Consolidated Statement of Financial Position and notes to the financial statements. Off-balance sheet credit risk exposures include expected future loan commitments, undrawn credit facilities and bank guarantees.

The table below demonstrates the Group's maximum exposure to credit risk for on-balance sheet and off-balance sheet positions:

	2022 $M	**2021** $M
Financial assets		
Cash and cash equivalents	**407.1**	344.0
Investments	**2,794.0**	3,259.7
Loans and advances	**6,069.8**	3,482.0
Derivative assets	**19.3**	3.2
Other assets	**124.4**	87.1
Total balance sheet exposures	**9,414.6**	7,176.0
Customer funding commitments	**739.5**	297.7
Other	**82.0**	131.3
Total exposures	**10,236.1**	**7,605.0**

The Group holds collateral against loans and advances to customers in the form of mortgagee interest over real property, other registered securities over assets and guarantees. To mitigate credit risk, the Group can take possession of the collateral held against the loans and advances as a result of customer default.

The Group does not have any large lending exposure, defined as greater than 10% of Tier 1 capital, to any single counterparty or group of connected counterparties under financial instruments entered into by the Group.

Measuring expected credit losses

For financial assets, which include loans and advances, guarantees and future commitments, the following approach is overseen by a group of subject matter experts in customer, credit, modelling and economics (ECL Governance Forum) to measuring expected credit losses:

The Group accounts for its credit risk by appropriately providing for expected credit losses. In calculating expected credit losses, the Group considers the amortisation profile of the exposure, the customer's probability of default (PD), loss given default (LGD) and exposure at default (EAD). Both the PD and LGD are adjusted for forward-looking macroeconomic conditions.

Notes to the Financial Statements.

For the purposes of calculating expected credit losses, the Group categorises loans at and post-origination in to the following credit risk classifications, and calculates expected credit losses as follows:

Credit risk classification	Criteria applied by the Group	Basis of recognising allowance for credit losses
Performing portfolio (Stage 1)	Customers have a low risk of default and a strong capacity to meet contractual cash flows or have not incurred a significant increase in credit risk since initial loan recognition date.	12 month expected credit losses assessed on a collective basis. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Increasing risk (Stage 2)	Loans that are still designated as performing, but there has been a significant increase in credit risk since the initial recognition date. A significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due.	Full Lifetime expected credit losses assessed on a collective basis.
Non-performing portfolio (Stage 3)	Customer meets Judo's definition of default including when interest and/or principal repayments are 90 days past due, or where there is an identifiable issue with serviceability of the principal.	Full lifetime expected credit losses assessed on a collective basis.
Gross impaired assets (Stage 3)	Customers that are non-performing and there is an identifiable concern about the recoverability of the principal.	Where there is objective evidence of impairment following the customer defaulting on their contractual obligations, expected credit loss is assessed on an individual basis.

Monitoring and assessment of stages

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis at each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The assessment incorporates available reasonable and supportable forward-looking information, and can include the following indicators:

- Internal credit rating grade;
- External credit rating (if available);
- Actual or expected significant changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet it's obligations;
- Actual or expected significant changes in the operating results of the borrower;
- Significant increases in credit risk on other financial instruments of the same borrower;
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower; and
- Actual or expected significant changes in financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.

While COVID-19 continues to impact the operating environment, direct impacts of COVID-19 are considered to have diminished at the end of the current reporting period. Currently, the Group does not have a specific overlay for COVID-19 impacts; however, the lasting impacts of COVID-19 on the broader economy are implicitly considered in the forward-looking macroeconomic information used in the Group's expected loss methodology. The recognition of accounting losses for loans originated under a SME Government Guarantee Scheme ("Scheme") incorporates the loss proportion guaranteed by the Government.

Significant increase in credit risk

A significant increase in credit risk is presumed if, but not limited to:

- a debtor is more than 30 days past due in making a contractual payment;
- a debtor's internally assessed customer rating has significantly increased at the reporting date when compared to the date of initial loan recognition; and/or
- a debtor is classified in Watch status by the Group's Asset Management function, in line with the Group's distressed assets classifications.

Customer in non-performing or default status

A default on a financial asset is when the customer is:

- considered unlikely to pay their credit obligations in full without recourse actions such as realising security; and/or
- at least 90 days past due on their credit obligations.

Impaired status

A customer is classified as impaired (non-accrual) status when there is objective evidence of impairment following the customer defaulting on their contractual obligations. Under these circumstances, the expected credit loss provision is assessed on an individual exposure basis and is measured by comparing the customers collateral to the outstanding principal.

The Group's policy is for financial assets to be written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans or receivables are written off, the Group engages in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss. In the year ended 30 June 2022, two assets have been written off, net of recoveries, for a total of $5.3 million, with $4.3 million provided for in FY21.

Loss Given Default

The Group derives LGD through consideration of the amount that can potentially be recovered from direct collateral securing the loan, indirect collateral provided in support of a guarantee, and the unsecured recovery rate. The Group also takes into consideration time in workout, the time between default and receipt of recovery proceeds, and understanding any movement in collateral values over that time; and workout cost, the costs incurred to possess and sell the collateral, including legal and agent fees.

If the facilities are part of one of the various SME Government Guarantee Schemes, the Group incorporates potential recoveries of an impaired facility when determining recognised accounting losses.

Exposure at Default

The Group considers the exposure profile of the customer at point of default and considers changes in the exposure after the reporting date, including repayment of principal and interest and expected drawdown on committed facilities.

Forward-looking information and macroeconomic scenarios

In addition to considering historical experience based on a 'through-the-cycle' (TTC) view of expected credit losses, the Group incorporates forward-looking information and multiple economic scenarios to determine expected credit loss. Within the Group's credit risk management processes, this is referred to as determining the 'Point-in-Time' (PiT) view of expected credit losses. To arrive at a PiT view, PD and LGD are adjusted to consider the Group's judgement on forward-looking macroeconomic conditions.

Assessment and calibration of the through-the-cycle modelled PD and LGD to a point-in-time PD and LGD is completed on a regular basis and is derived using forward-looking information, which requires expert judgement. Internally agreed forward-looking macroeconomic conditions, current portfolio composition, and other relevant forward-looking information, including peer benchmarking, are considered by subject matter experts. Given the limited period of the Group's operations, the Group does not have its own loss experience and therefore required reference to external experience and expectations such as loss experience and benchmarking to inform expert judgement. Both the current and projected future economic conditions are taken into consideration in assessing the nature and magnitude of any adjustment for forward-looking factors.

The Group's expected credit loss methodology considers three macroeconomic scenarios, representing base case, upside, and downside scenarios. An assessment is performed on how the TTC PD & LGD would be expected to behave in each scenario at a portfolio, exposure-weighted level. The Group's ECL forum considers the weighting that is applied to each scenario. The PiT PD & LGD and scenario weightings are then applied to the portfolio using a mathematical transformation.

The following table outlines the Group's assumptions to several macroeconomic inputs used, amongst other factors, in considering the base case scenario for PD and LGD as at 30 June 2022, noting that in the current environment it remains inherently challenging to forecast and estimate economic conditions.

Base case Australian macroeconomic inputs	June 2023 Forecast
Gross domestic growth (annual)	3.3%
RBA cash rate	2.5%
Unemployment rate	4.0%
Consumer price index (annual)	3.6%
House price change (annual)	-12.0%

Due to changing economic conditions, including a rapidly rising interest rate environment, elevated levels of inflation, prolonged effects of COVID-19 and war in Ukraine resulting in supply chain disruption and/or increased uncertainty in the economy, the Group has increased its probability weighting for the macroeconomic downside scenario by 5% to 25% (offset by a reduction in the base case weighting by 5% to 55%). The weightings consider the current phase of both the economic and credit cycles.

Probability weightings	June 2022	June 2021	June 2020
Base case	55%	60%	60%
Upside	20%	20%	20%
Downside	25%	20%	20%

Collective coverage	Weighted average	100% base case	100% downside
Collective provision ($)	$53.4m	$49.3m	$77.1m
Collective provision/GLAs (%)	0.88%	0.81%	1.27%

Management overlay

Management overlays are subject to internal governance and are applied where model risk and external factors cannot appropriately be captured through ECL models and are incorporated in overall collective provisions.

The Group carries an overlay reflecting the potential volatility in expected credit losses if a larger customer cohort was to incur a significant increase in credit risk. The overlay takes into consideration the PD and LGD profile of the large customers to offset the unexpected movement in credit quality. Total overlays incorporated in the collective provision at 30 June 2022 were $3.0 million (2021: $2.5 million).

Exposure to credit risk

The following table outlines the Group's exposure to credit risk, by credit risk rating grade, arising from the Group's loans and advances.

		2022		2021		
Group internal credit rating	Basis for recognition of expected credit loss provision	Gross carrying amount at default $M	Impairment provision $M	Gross carrying amount at default $M	Impairment provision $M	Basis for calculation of interest revenue
Performing – Stage 1	12 month expected losses	**5,227.6**	**27.2**	2,793.2	11.7	Gross carrying amount
Increasing risk – Stage 2	Lifetime expected losses	**847.1**	**22.1**	687.2	15.4	Gross carrying amount
Non-performing – Stage 3	Lifetime expected losses	**17.1**	**5.9**	37.5	7.9	Amortised cost carrying amount (net of credit allowance)
		6,091.8	**55.2**	3,517.9	35.0	
Write-off (during the period)	Asset is written off through P&L to the extent of expected losses	**5.7**	**5.7**	–	–	None

Gross carrying amount at default includes loans and advances outstanding at balance date as disclosed in Note 10. The Group's maximum credit risk exposure for loans and advances includes expected future loan commitments and undrawn credit facilities that are held off-balance sheet.

Collateral held against loans and advances

The following disclosure provides the proportion of total credit risk exposure of the Group falling within each classification of collateral held:

	2022 $M	2022 %	2021 $M	2021 %
Maximum exposure	**6,809**	**100.0**	3,921	100.0
Collateral classification:				
Fully secured	**3,828**	**56.2**	2,127	54.3
Partially secured	**2,039**	**30.0**	1,064	27.1
Balance Sheet security	**942**	**13.8**	730	18.6

Collateral classification	Description
Fully secured	Fully secured by term deposit, guarantee, real property or balance sheet assets.
Partially secured	Partially secured by term deposit, guarantee, real property or balance sheet assets.
Balance Sheet security	Partially secured by term deposit, guarantee, real property or balance sheet assets, where debt limits are higher. The Group takes a position on the sustainable cash flows of the borrowing group supported by security, which typically includes directors' guarantees, general security agreements and/or specific security agreement.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

(i) Maturities of financial instruments

The tables below analyse the Group's financial instruments into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities, and

(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows, allocated to time bands based on the earliest date on which the Group can be required to pay. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial instruments	Less than 6 months	6-12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount assets/ (liabilities)
30 June 2022	$M	$M	$M	$M	$M	$M
Non-derivatives						
Cash and cash equivalents	407.1	–	–	–	407.1	407.1
Investments	1,449.4	69.4	1,168.1	107.4	2,794.3	2,794.0
Loans and advances	491.0	370.4	3,304.0	1,926.4	6,091.8	6,069.8
Other assets	39.9	–	–	–	39.9	39.9
Deposits	(2,379.3)	(1,209.1)	(502.4)	(0.3)	(4,091.1)	(4,090.5)
Borrowings	(544.6)	(120.0)	(3,007.3)	(163.3)	(3,835.2)	(3,833.2)
Lease liabilities	(0.6)	(0.4)	(0.8)	–	(1.8)	(1.7)
Other liabilities	(39.6)	–	–	–	(39.6)	(39.6)
Total non-derivatives	(576.7)	(889.7)	961.6	1,870.2	1,365.4	1,345.8
Derivatives						
Interest rate swaps	(0.2)	(1.1)	4.6	8.6	11.9	11.9
Total derivatives	**(0.2)**	**(1.1)**	**4.6**	**8.6**	**11.9**	**11.9**
30 June 2021						
Non-derivatives						
Cash and cash equivalents	344.0	–	–	–	344.0	344.0
Investments	276.4	315.0	2,419.8	248.8	3,260.0	3,259.7
Loans and advances	255.5	284.5	2,044.5	933.4	3,517.9	3,482.0
Other assets	34.5	–	–	–	34.5	34.5
Deposits	(1,550.4)	(609.4)	(388.0)	(0.3)	(2,548.1)	(2,547.7)
Borrowings	(20.5)	(71.6)	(3,235.3)	(204.5)	(3,531.9)	(3,528.5)
Lease liabilities	(0.6)	(0.7)	(1.8)	–	(3.1)	(2.9)
Other liabilities	(17.4)	–	–	–	(17.4)	(17.4)
Total non-derivatives	**(678.5)**	**(82.2)**	**839.2**	**977.4**	**1,055.9**	**1,023.7**
Derivatives						
Interest rate swaps	–	–	1.1	2.1	3.2	3.2
Total derivatives	**–**	**–**	**1.1**	**2.1**	**3.2**	**3.2**

The Group actively manages the inherent liquidity risk arising from the maturity transformation associated with the provision of banking services. This includes:

- Daily cash flow analysis and monitoring;
- Maintaining a significant portfolio of high-quality liquid assets such as deposits with major Australian banks, Australian Corporate & Government Securities (ACGS) and Semi Government securities above regulatory Minimum Liquidity Holdings requirements.

To provide short term liquidity, the Group issues Negotiable Certificates of Deposit (NCDs), has access to Repo facilities with the Reserve Bank of Australia (RBA) through open market operations as well as Repo agreements in other domestic and international banks.

Additionally, the Group has committed warehouse securitisation facilities which can be utilised to generate funding and periodically swaps increased self-securitisation notes (from new loan originations) with high-quality liquid assets used to preserve the Term Funding Facility liability.

23. Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group, PricewaterhouseCoopers Australia.

	2022 $'000	2021 $'000
Audit, review and assurance services		
Audit and review services		
Audit and review of the financial report	930	650
Assurance services		
Other statutory assurance services	132	56
Other assurance services	1,187	74
Total remuneration for audit, review and assurance services	**2,249**	**780**
Other non-audit services		
Other services	626	128
Total remuneration for audit, review, assurance and other services	**2,875**	**908**

Other statutory assurance services relate to engagements required under prudential standards and other legislative or regulatory requirements. Other assurance services primarily include investigative accounting work completed in relation to the Prospectus.

Other non-audit services include review and industry benchmarking of equity incentive plans and other IPO-related services.

24. Fair value measurements

(a) Fair value of financial instruments carried at amortised cost

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

	2022		2021	
	Carrying Amount $M	Fair Value $M	Carrying Amount $M	Fair Value $M
Financial assets				
Cash and cash equivalents	407.1	407.1	344.0	344.0
Investments	2,794.0	2,747.4	3,259.7	3,271.7
Loans and advances	6,069.8	6,069.8	3,482.0	3,482.0
	9,270.9	9,224.3	7,085.7	7,097.7
Financial liabilities				
Deposits	(4,090.5)	(4,074.4)	(2,547.7)	(2,547.7)
Borrowings	(3,833.2)	(3,833.2)	(3,528.5)	(3,528.5)
	(7,923.7)	(7,907.6)	(6,076.2)	(6,076.2)

(b) Fair value hierarchy

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. Each level is explained below.

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.

Notes to the Financial Statements.

Financial assets and liabilities carried at fair value

The table below details financial instruments carried at fair value, by classification per the Statement of Financial Position and hierarchy level:

At 30 June 2022	Notes	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets					
Derivatives – interest rate swaps	11	–	19.3	–	19.3
Financial liabilities					
Derivatives – interest rate swaps	11	–	(7.4)	–	(7.4)
At 30 June 2021					
Financial assets					
Derivatives – interest rate swaps	11	–	3.2	–	3.2
Financial liabilities					
Derivatives – interest rate swaps	11	–	–	–	–

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

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.

Financial assets and liabilities carried at amortised cost

The table below details the fair value of financial instruments carried at amortised cost, by classification per the Statement of Financial Position and hierarchy level:

At 30 June 2022	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets				
Cash and cash equivalents	–	407.1	–	407.1
Investments	–	2,747.4	–	2,747.4
Loans and advances	–	–	6,069.8	6,069.8
Total financial assets	–	3,154.5	6,069.8	9,224.3
Financial liabilities				
Deposits	–	–	(4,074.4)	(4,074.4)
Borrowings	–	–	(3,833.2)	(3,833.2)
Total financial liabilities	–	–	(7,907.6)	(7,907.6)
At 30 June 2021				
Financial assets				
Cash and cash equivalents	–	344.0	–	344.0
Investments	–	3,271.7	–	3,271.7
Loans and advances	–	–	3,482.0	3,482.0
Total financial assets	–	3,615.7	3,482.0	7,097.7
Financial liabilities				
Deposits	–	–	(2,547.7)	(2,547.7)
Borrowings	–	–	(3,528.5)	(3,528.5)
Total financial liabilities	–	–	(6,076.2)	(6,076.2)

(c) Valuation techniques used to determine fair value

Valuation techniques used to value financial instruments carried at fair value include:

- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves.

Valuation techniques used to value financial instruments carried at amortised cost include:

- for cash and cash equivalents – the carrying value is considered a reasonable approximation of fair value, as they are short-term in nature and receivable on demand
- for investments – the fair values are based on quoted closing market prices at balance date
- for loans and advances – the carrying value net of provisions for impairment and capitalised transaction costs for loans and advances that are priced based on a variable or fixed rate, with no contractual repricing tenor, is considered a reasonable approximation of fair value
- for deposits – the carrying value net of capitalised transaction costs for deposits is considered a reasonable approximation of fair value, unless otherwise stated, where the use of discounted cash flow analysis is adopted
- for borrowings – the carrying value net of capitalised transaction costs for borrowings that are priced based on a variable rate, with no contractual repricing tenor, is considered a reasonable approximation of fair value. The carrying value of borrowings related to the Term Funding Facility is considered to approximate fair value due to the unique features of the facility, and unavailability of an appropriate comparable discount rate

25. Related party transactions

(a) Subsidiaries

The Company undertakes transactions with subsidiaries which are eliminated in the Group's consolidated financial report. Transactions between the Company and its subsidiaries are funded through intercompany loans with no fixed repayments dates, no interest charged and are repayable on demand.

Details of interests in material subsidiaries are included in Note 26.

The table below shows the aggregate amounts receivable from subsidiaries as at year end:

	2022 $'000	2021 $'000
Balance at beginning of the year	678	–
Net outflows	2,479	678
Balance at end of the year	**3,157**	**678**

The primary drivers of the current year net movement in amounts receivable from subsidiaries are the transfer of employee share-based payments costs from Judo Capital Holdings Limited to Judo Bank Pty Ltd, which is partially offset by the transfer of net tax losses from Judo Bank Pty Ltd to Judo Capital Holdings Limited.

(b) Key management personnel

The Group's key management personnel ("KMP") are considered to comprise all Non-Executive Directors and Executives who have authority and responsibility for planning, directing and controlling the activities of the Group, as defined in section 2 of the Remuneration Report within the Directors' Report, as well as their related parties.

(i) Compensation

Remuneration of KMP is included within total employee benefits detailed in Note 6 (with the exception of the management incentive plan cash-out, which was recognised through the share-based payments reserve). The table below details, on an aggregated basis, total KMP compensation:

	2022 $'000	2021 $'000
Short-term benefits	4,098	3,593
Post-employment benefits	241	159
Other long-term benefits	140	–
Equity-based payments	2,393	1,360
Management incentive plan	30,434	–
Total KMP compensation	**37,306**	**5,112**

Performance rights and shareholdings of KMP are set out in the Remuneration Report.

(ii) Other financial instrument transactions

The Group may engage in other financial instrument transactions with KMP and their personally related entities arising from the acceptance of funds on deposit or the granting of loans. Loans and advances provided to, or deposits accepted from, KMP and their related parties are on an arm's length basis.

The table below details, on an aggregated basis, loan balances outstanding at the end of the year between the Group and KMP:

	2022 $'000	2021 $'000
Loans and advances at the beginning of the year	11,849	10,705
Loans and advances at the end of the year	–	11,849
Interest received or receivable	156	709

The table below details, on an aggregated basis, deposits outstanding at the end of the year between the Group and KMP:

	2022 $'000	2021 $'000
Deposits outstanding at the beginning of the year	1,118	863
Deposits outstanding at the end of the year	4,709	1,118
Interest paid or payable	15	15

The table below details, on an aggregated basis, ordinary shares held at the end of the year by KMP-related entities:

	2022 No.	2021 No.
Ordinary shares held at the beginning of the year	**180,143,864**	131,588,831
Ordinary shares held at the end of the year	**103,898,782**	180,143,864

26. Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

		Ownership interest held by the Group	
Name of entity	**Country of incorporation**	**2022 %**	**2021 %**
Judo Bank Pty Ltd	Australia	**100**	100
Judo Capital Securitisation Trust 2018 – 2	Australia	**100**	100
Judo Capital Securitisation Trust 2018 – 3	Australia	**100**	100
Judo Securitisation Warehouse Trust 2020 – 1	Australia	**100**	100
Judo Securitisation Trust 2020 – 2	Australia	**100**	100
Judo Securitisation Trust 1R	Australia	**100**	100

27. Parent entity financial information

(a) Summary financial information

The individual consolidated financial statements for the parent entity, Judo Capital Holdings Limited, show the following aggregate amounts:

(i) Statement of financial position

	2022 $M	2021 $M
Net assets		
Total assets	1,473.9	1,144.0
Total liabilities	(5.9)	–
Net assets	**1,468.0**	**1,144.0**
Shareholders' equity		
Issued capital	1,518.3	1,146.3
Reserves		
Share-based payments	(36.6)	0.8
Retained earnings	(13.7)	(3.1)
Total equity	**1,468.0**	**1,144.0**

(iii) Statement of profit or loss and other comprehensive income

	2022 $M	2021 $M
Loss for the year	(10.6)	–

28. Commitments

(a) Customer funding commitments

	2022 $M	2021 $M
Undrawn line of credit facilities	189.3	144.1
Approved but not settled loans and advances	550.2	153.6
	739.5	297.7

In the normal course of business, the Group makes commitments to extend credit to its customers. Credit risk is accounted for as part of the expected loss calculation in Note 22. The credit risks of such facilities are similar to the credit risks of loans and advances.

(b) Lease commitments

During the period, the Group entered into a 7-year property lease to allow for relocation of the Melbourne office following the expiration of the current office leases in November 2022. Upon commencement of the lease during FY23, the Group is expected to recognise a lease liability of $9.2 million and a corresponding right-of-use asset. Further costs will be capitalised with regards to the office fitout.

(c) 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. 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.

29. Events occurring after the reporting period

No 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 years.

30. Entity details

The registered office of the Group is:

Judo Capital Holdings Limited
Level 3, 40 City Road
Southbank VIC 3006

Directors' Declaration.

In the Directors' opinion:

(a) the consolidated financial statements and notes set out on pages 114 to 167 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 30 June 2022 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Peter Hodgson
Chair

Manda Trautwein
Director

25 August 2022

Independent auditor's report

To the members of Judo Capital Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Judo Capital Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

Independent Auditor's Report.
to the members

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $7.0 million, which represents approximately 0.5% of the Group's total equity.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group total equity because, in our view, it is a stable benchmark against which the performance of the Group can be commonly measured given the stage of the Group's development. We utilised a 0.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds applied to equity.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group is principally involved in providing Loans and Advances to Small and Medium sized Enterprises in Australia.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Board Audit Committee.

Key audit matter	How our audit addressed the key audit matter
Provision for Expected Credit Losses (ECL) on Loans and Advances *(Refer to note 1(b), 10(a) and 22(b))* Loans and Advances to customers are made in the ordinary course of the Group's business. Under the requirements of Australian Accounting Standards, a provision for losses on Loans and Advances is recognised on an Expected Credit Loss (ECL) basis. ECLs are required to estimate losses in the future and to incorporate forward looking information, reflecting potential future economic scenarios. To meet the requirements of Australian Accounting Standards, the Group has developed ECL models which incorporate assumptions including the Probability of Default, Loss Given Default and Exposure at Default estimates. Judgement is applied in determining the appropriate method of the model and the relevant assumptions. Given the limited period the Group has been in operation, the models rely on a combination of internal and external data elements, which require judgement in their application. Certain post model adjustments (overlays) may also be applied based on the Group's judgement. The calculation of the ECL also includes consideration of multiple future economic scenarios. This requires judgement in determining the ECL under different economic scenarios and the Group's view of the probability of these scenarios occurring.	We developed an understanding of the control activities relevant to our audit relating to the Group's provision for ECL and assessed whether they were appropriately designed and were operating effectively throughout the year, including controls related to: • Completeness and accuracy of inputs to the ECL calculations; and • Reliability and accuracy of certain critical data elements used in ECL calculations. In addition to controls testing we, along with PwC credit risk modelling experts and PwC economics experts, performed the following substantive procedures, amongst others: • Assessed the ongoing appropriateness of the Group's ECL methodology against the requirements of Australian Accounting Standards; • Recalculated ECL and certain model adjustments to assess the accuracy of the modelled outputs for a selection of the Group's loan portfolios; • Assessed the appropriateness of certain forward-looking information incorporated into the ECL calculation process including the macroeconomic scenarios considered by the Group, the significant assumptions under each scenario and the probability weightings applied to the scenarios; • Tested the completeness and accuracy of a sample of certain critical data elements used as inputs to the ECL models to relevant source documentation; • Assessed the appropriateness of certain model adjustments and overlays identified by

Independent Auditor's Report.
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Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the inherent estimation uncertainty in this area and the extent of judgement involved.	the Group against internal and external supporting information where available; • Tested the appropriateness of individually assessed provisions recognised by the Group for a selection of loan assets identified to be impaired at reporting date by assessing the appropriateness of the Group's estimate of recoveries including, where relevant, associated collateral and guarantees • Compared certain significant assumptions and modelled outputs to external information, where available; and • Considered the impact of events occurring subsequent to balance date until the date of signing the auditor's report on the provision for ECL. We also assessed the reasonableness of the related disclosures in the financial report against the requirements of Australian Accounting Standards.
Recognition of Deferred Tax Assets *(Refer to note 1(b), 7 and 28(c))* The Group has recognised Deferred Tax Assets in relation to carried-forward losses, including those arising due to share-based payment deductions. The recognition of Deferred Tax Assets for carried-forward losses requires judgement in determining the ongoing availability of the losses to the Group and the level of future taxable profits that will arise for the Group to utilise these losses. The judgements required by the Group include interpretation of the relevant taxation legislation in determining the amount of losses, the availability of these losses to the Group and developing forecasts of future profits, against which tax losses can be utilised. We considered this a key audit matter due to the extent of judgement involved, as described above.	We, along with PwC taxation experts, developed an understanding of the Group's key tax positions and the basis for the recognition of deferred tax assets. In addition we, along with PwC taxation experts, performed the following procedures, amongst others: • Assessed key tax treatments relevant to the recognition of deferred tax assets against relevant tax legislation and Australian Accounting Standard requirements, including those related to the ongoing availability of tax losses to the Group and the claiming of tax deductions for share-based payments; • Developed an understanding of the methodology applied to estimate future taxable profits against which the Group expects to utilise carried-forward losses and evaluated the methodology against accounting standard requirements; • Assessed the appropriateness of significant assumptions used in the estimation of future taxable profits by comparing to historical

Key audit matter	How our audit addressed the key audit matter
	experience, approved plans and other relevant data where available; and • Reperformed the calculations used in the estimate of future taxable profits
Operation of financial reporting Information Technology General Controls (ITGCs) The Group's operations and financial reporting are dependent on its IT systems for the processing and recording of a significant volume of transactions. The Group's general controls (ITGCs) over key financial IT systems include: • Overall IT governance, including policies and procedures; • Change management controls; • Access controls over programs and data; and • IT operation controls (i.e. system monitoring and backups). User access management controls are intended to ensure staff have appropriate access to IT systems and that access is appropriately provisioned and monitored, to mitigate the potential for fraud or error as a result of underlying changes to an application or data. Change management controls are particularly important because they are intended to ensure changes to IT systems and data are appropriately initiated, tested, approved and implemented. We considered this to be a key audit matter because of the Group's reliance on IT systems, and key financial IT dependencies, such as reports and calculations, in the financial reporting process.	We developed an understanding of the IT systems relevant to the financial reporting of the Group and associated IT application controls and IT dependencies in manual controls. Our procedures included assessing whether certain IT general control activities relevant to our audit were appropriately designed and were operating effectively throughout the year. We also carried out tests, on a sample basis, of certain IT application controls and IT dependencies in manual controls that were key to our audit testing in order to assess the accuracy of certain system calculations and the generation of certain reports relevant to our audit. Where we identified design or operating effectiveness deficiencies in ITGCs relevant to our audit, we performed alternative audit procedures to assess whether reliance could be placed on IT application controls and/or IT dependent manual controls relevant to our audit.

Independent Auditor's Report.
to the members

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in the directors' report, on pages 89 to 112 of the annual report for the year ended 30 June 2022.

In our opinion, the remuneration report of Judo Capital Holdings Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Sam Garland
Partner

Melbourne
25 August 2022

Other Information.

Shareholding Details.

Twenty largest registered fully paid ordinary shareholders of the Company as at 1 August 2022

	Number of shares	%
Prince Issuer Designated Activity Company	103,898,782	9.40
J P Morgan Nominees Australia Pty Limited	98,683,038	8.93
HSBC Custody Nominees (Australia) Limited	97,417,981	8.81
Sing Glow Investment Pte Ltd	77,728,137	7.03
BNP Paribas Nominees Pty Ltd	77,505,242	7.01
Citicorp Nominees Pty Limited	43,422,733	3.93
Capital Investment LLC	41,428,572	3.75
Cambooya Pty Ltd	38,373,600	3.47
SPF Securitized Products Master Fund Ltd	34,852,275	3.15
Zhong Yi Investment Pty Ltd	32,602,114	2.95
Computershare Trust Company of Canada	32,337,983	2.93
JGT Family Holdings Pty Ltd	28,782,891	2.60
Inception Fiduciary Pty Limited	26,777,000	2.42
BNP Paribas Noms Pty Ltd	21,723,113	1.96
Realta Investments Ireland Designated Activity Company	21,524,813	1.95
Miracle Resource Co. Limited	20,000,000	1.81
SGE Pty Ltd	18,146,781	1.64
HSBC Custody Nominees (Australia) Limited	14,129,268	1.28
National Nominees Limited	13,828,340	1.25
Tikehau Capital UK Limited	13,714,286	1.24
Total	**856,876,949**	**77.51**

Substantial shareholders

As at 1 August 2022, the organisations listed below are substantial shareholders in the Company, per the meaning within the Corporations Act 2001. The number of shares in which each has an interest as disclosed in substantial shareholder notices given to the Company were:

Name	Number of shares	% of voting power
Prince Issuer Designated Activity Company	103,898,782	9.40
GIC Private Limited, Sing Glow Investments Pte Ltd, GIC (Ventures) Private Limited and GIC Special Investments Pte Ltd	77,728,137	7.03
UniSuper Limited as trustee for UniSuper and UniSuper Management Pty Ltd	74,706,778	6.76
FIL Limited	68,983,061	6.24

Distribution of fully paid ordinary shareholdings as at 3 August 2022

Range (number)	Number of shares	% of holders	Number of shares	% of shares
1 to 1,000	904,303	28.18	904,303	0.08
1,001 to 5,000	5,795,527	35.51	5,795,527	0.53
5,001 to 10,000	6,650,024	15.36	6,650,024	0.60
10,001 to 100,000	27,227,223	17.55	27,227,223	2.46
100,001 and over	1,064,942,795	3.40	1,064,942,795	96.33
Total	**1,105,519,872**	**100**	**1,105,519,872**	**100**

Shareholding Details.

Voting rights

Ordinary Shares are fully paid and entitle the holder to one vote at a shareholder meeting and to participate in dividends.

Shareholder information

Share registry

Locked Bag A14
Sydney South NSW 1235

Australia: 1800 754 866
Email: info@linkmarketservices.com.au

Company details

Judo Bank Pty Ltd
ABN 11 615 995 581

Judo Capital Holdings Limited
ABN 71 612 862 727

13 JUDO (13 58 36)

Level 3, 40 City Road
Southbank VIC 3006
Australia

www.judo.bank

Investor relations

investor@judo.bank

Key shareholder dates

Financial full year end:
30 June 2022

Full year results:
25 August 2022

Annual General Meeting:
28 October 2022

Appendix 4E – Cross reference index

Glossary.

Term	Meaning
$	Dollar amounts (in Australian dollars or AUD unless stated otherwise)
AASB	Australian Accounting Standards Board
A Class Share	A former A Class share in the Company
Additional Tier 1 Capital	As defined by APRA
ADI	Authorised deposit-taking institution
ALCO	Asset and Liability Committee
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691)
Awards	The awards made under Judo Grows, Judo Grows+ or IPO Top-up Award, as the context requires
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the AASB
BBSW	Bank Bill Swap Rate
B Class Share	A former B Class share in the Company
Board or **Board of Directors**	The board of directors of the Company
Board Audit Committee	The sub-committee of the Board that has membership, key responsibilities and duties set out in the Corporate Governance section of this Report
Board Remuneration and Nominations Committee	The sub-committee of the Board that has membership, key responsibilities and duties set out in the Corporate Governance section of this Report
Board Risk Committee	The sub-committee of the Board that has membership, key responsibilities and duties set out in the Corporate Governance section of this Report
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
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
Chair	Chair of the Board
Company	Judo Capital Holdings Limited (ACN 612 862 727)
Corporations Act or **Corporations Act 2001**	*Corporations Act 2001 (Cth)*

Glossary.

Term	Meaning
Cost of funding	Effective average cost of Judo's funding sources, including: • customer deposits • warehouse debt • certificates of deposit • senior unsecured • Tier 2 • 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 or **CTI 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 Organization on 11 March 2020
CRelO	Chief Relationship Officer
COO	Chief Operating Officer
Cost of risk	Impairment expense on loans, advances, and treasury investments
CRO	Chief Risk Officer
CVP	Customer value proposition
Deferred Share Right	A deferred share right, being a right to acquire one Share subject to the satisfaction of any vesting conditions outlined in an invitation to a participant
ECL	Expected credit losses
ESG	Environmental, social and governance
Executive KMP	KMP who are part of Judo's executive management team
FTE	Full-time equivalent
FY	Financial year
FY20	Financial year ended 30 June 2020
FY21	Financial year ended 30 June 2021
FY22	Financial year ending 30 June 2022
FY23	Financial year ending 30 June 2023
GHG	Greenhouse gas
GLA	Gross loans and advances
IE&D	Inclusion, equity and diversity
IPO	Initial public offering
IT	Information technology
JEDI	Judo Employee Delight Index
Judo Grows	Judo's short-term incentive plan
Judo Grows+	Judo's long-term incentive plan

Term	Meaning
Judo, **Judo Bank**, **JCHL**, **Judo Group** or **Group**	Judo Capital Holdings Limited (ACN 612 862 727) and its controlled entities including Judo Bank Pty Ltd (ACN 615 995 581), and where the context requires, the business conducted by those entities, unless otherwise stated
KMP	Key Management Personnel
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
Management Board	As described in the Corporate Governance section and Directors' Report in this Report
Malus Event	As described in the Remuneration Report (Table 5.2) in this Report
MIP	The management incentive plan
MMIP	The "mirror" management incentive plan
MLH	Minimum Liquidity Holdings under the Minimum Liquidity Holdings regime where APRA requires Judo to hold a minimum buffer in cash and eligible securities
NM	Not meaningful
NCD	Negotiable certificate of deposit
Net interest margin or **NIM**	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
NPS	Net promoter score
Option	An option to acquire Shares subject to satisfaction of any vesting conditions as outlined in an invitation to a participant and payment of the exercise price
Participant	A participant under either the MIP, MMIP, Judo Grows, Judo Grows+ or IPO Top-up Award, as the context requires
Performance Rights	A performance right over one B Class Share in the Company, issued under the MIP or MMIP
P&L	Profit and loss statement
pp	Percentage points
Premium Priced Option	An Option granted under the Judo Grows+ program or IPO Top-up Award, which carries an exercise price set at a 30% premium to the value of the underlying Shares at the time of the grant
PBT	Profit before tax
Preserved TFF	The component of Judo's allocation of the RBA Term Funding Facility that 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
Prospectus	The prospectus dated 14 October 2021 in relation to the initial public offering of fully paid Shares in the Company
RAS	Risk Appetite Statement
RBA	Reserve Bank of Australia

Glossary.

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
RMF	Risk Management Framework
RMS	Risk Management Strategy
ROE	Return on equity
RWA	Risk-weighted asset
Share or **Ordinary Share**	A fully paid ordinary share in the capital of the Company
Share Registry	Link Market Services Limited (ACN 083 214 537)
Shareholder	A registered holder of a Share
SME	Small and medium enterprise
SME customer	A customer who has a lending product with Judo
STI	Short-term incentive
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
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
VWAP	Volume weighted average price
Warehouse	A revolving credit facility extended by a financial institution to a loan originator for the funding of loans
Warrant	A warrant, which entitles its holder to acquire one Share on the payment of the exercise price

Contact Us.

Judo Bank

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ABN 11 615 995 581

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