ASX Announcement FY22 Results.

For the year ended 30 June 2022.

August 25, 2022

Judo Bank exceeds IPO Prospectus Forecasts – Reports Strong 2022 Full Year Result

Financial Highlights

	FY22 Result	Prospectus FY22 Forecast	Result vs Prospectus	FY21 Result	FY22 vs FY21 (%)
Lending portfolio ($bn)	6.1	6.0	✓	3.5	73%
Pro Forma Profit/(Loss) Before Tax ($m)	15.6	7.4	✓	(7.2)	NM
Statutory Net Profit/(Loss) After Tax ($m)	(7.7)	(10.2)	✓	28.7	NM
Net Interest Income ($m)	169.8	160.5	✓	84.5	101%
Underlying Net Interest Margin	2.79%	2.69%	✓	2.59%	20 bps
Pro Forma Cost-to-income ratio	76.3%	77.8%	✓	96.8%	(21%)
Relationship Bankers	115	98	✓	87	32%

Judo Capital Holdings Limited (ASX:JDO) (“Judo Bank” or “Judo”) today announced FY22 pro forma profit before tax of $15.6 million. The pro forma profit was more than double the original prospectus profit forecast of $7.4 million.

Judo Bank reported Gross Loans and Advances (GLA) of $6.1 billion, up 73%, and Net Interest Income (NII) of $169.8 million, up 101% on the prior year.

Underlying Net Interest Margin (NIM) of 2.79% is up 20 basis points.

Judo’s FY22 result demonstrates the strong progress Judo is making towards its metrics at scale as it continues to deliver on its vision of building a world-class SME business bank.

The result also signals the achievement of exceeding all FY22 prospectus forecasts, including exceeding the company’s GLA forecast of $6.0 billion and exceeding revenue and profit forecasts.

CEO Commentary

Judo's CEO and co-founder, Joseph Healy said FY22 had been a transformational year for Judo, as the company exceeds forecasts and remains on track to achieve metrics at scale.

"This financial year has been a transformational year for our company.

"In our IPO Prospectus, we set out clear forecasts for FY22. We are pleased to announce that we have exceeded all these targets and delivered a strong full year result.

"Since becoming the first commercial bank to list on the Australian Stock Exchange (ASX) in over 30 years on 1 November 2021, Judo Bank has not faltered on its promise to the market and to its customers.

"We have continued to rapidly scale our operations, so more small and medium-sized businesses (SMEs) across the country have access to our unique relationship-led model and a bank that listens, learns and boldly backs their businesses.

"As part of this process, this year we established specialist segments to service SME customers in the areas of agribusiness and health, recruiting the right bankers to establish and build our offering in FY23.

"Over this period, we passed the critical milestone of reaching profitability – making Judo one of the first banks anywhere in the world to achieve this within five years of launch.

"We are proud of our success to date, but we are not complacent. We have the momentum and foundations in place, including the required core equity capital, management experience, discipline and focus to achieve key business metrics at scale and realise our vision of being a world-class SME business bank.

"We passionately believe that specialists outperform generalists. We continue to recruit high-quality relationship bankers who are attracted to our specialist model. This has resulted in strong lending growth and a customer obsessed team who are passionate about bringing back the craft of relationship banking.

"I'm very proud of the culture we have built at Judo. We believe this is one of our unique advantages. Our team is empowered at all levels of the organisation, to think and work as owners of this business.

"With an owners' mindset we will continue to act boldly and quickly, forging ahead with growth plans, so more Australian SMEs can secure the lending they need and the service they deserve to support and grow their businesses."

Commenting on the outlook, Mr Healy said that Judo Bank is well positioned to achieve its metrics at scale.

"In the context of the current macroeconomic environment, Judo's outlook is positive.

"The traditional values of being close to your customer and applying sound credit judgement – the values that Judo is founded on – have never been more important than now.

"Our customer value proposition is proven, and we expect our strong lending growth to continue.

"Our asset quality remains strong, supported by robust risk management. Although Judo is a young company, our experienced management team and bankers have built Judo on a foundation of risk management. We have demonstrated over the course of the pandemic, that economic disruption and uncertainty plays to our strengths and reinforces the value of our model.

"Australian SMEs are a highly profitable yet under-served sector, and we are confident in our ability to meet our ambitious targets.

"Judo is driving lending growth through the delivery of its unique, customer-centric proposition for SMEs that other banks will find difficult to replicate.

"Our low ratio of customers to bankers means that we can work closely with our customers to navigate changes in the operating environment.

"Our focus on the 4 Cs of credit – character, capacity, capital and collateral – underpin the quality of our lending and the sustainability of our business.

"We have great momentum across the business and are making good progress in the delivery of our key priorities to grow, recruit and invest in technology.

"We are focused on achieving our key business metrics at scale. To build a scaled, sustainable bank, we are targeting a lending portfolio of between $15 billion and $20 billion, with a net interest margin that exceeds 3%, a cost-to-income ratio approaching 30%, and ROE in the low-to-mid-teens. We are well positioned to keep progressing towards and achieving these targets.

"It continues to be an exciting time for Judo.

"We are committed to delivering our guidance and growth strategy, making sure our people are well supported in their roles, and that Australian SMEs continue to receive the premium service that they know and expect from Judo Bank."

FY23 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 & Advances	Strong growth to continue within risk appetite, driven by our relationship led CVP.	>$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	~50bps of average GLA
Return on equity	Demonstrating continued progress towards the at scale ROE.	Low to mid single digits	Low to mid-teens

Investor Conference Call.

Chief Executive Officer, Joseph Healy, and Deputy CEO and Chief Financial Officer, Chris Bayliss, will host an investor conference call at 10:30am on 25 August 2022, to present Judo Bank's Full Year Result.

Dial-in details are available on the website **www.judo.bank/investor**.

ENDS

Authorised for release by the Board of Directors.

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About Judo Bank

Judo Bank **www.judo.bank** is Australia's first purpose-built challenger bank for small and medium-sized businesses (SMEs) and on 1 November 2021, was the first commercial bank to list on the Australian Stock Exchange (ASX) in 30 years. Judo was founded by a small group of experienced lending professionals and its purpose is to be the most trusted SME business bank in Australia. The company's relationship-led lending model, which brings back the craft of relationship banking, is enabled by its legacy-free, digital, cloud-based technology architecture. Lending products are originated and distributed through direct and third-party channels and are funded by deposits, wholesale debt and regulatory capital.