

ASX Announcement.

23 January 2024

Judo Bank 1H24 Trading Update

Judo Capital Holdings Limited (ASX: JDO; 'Judo') today provided an update to the market ahead of its results for the six months ended 31 December 2023 ('1H24'). Judo's 1H24 financial results remain subject to auditor review.

Judo also provided commentary regarding the outlook for FY24 and preliminary expectations for FY25.

Unaudited results for the six months ended 31 December 2023

Half year to	Dec-23	Jun-23
Total income (\$m)	200	188
Total expenses (\$m)	(106)	(101)
Net profit before impairment (\$m)	94	87
Cost of risk (\$m)	(27)	(32)
Net profit before tax (\$m)	67	54
GLA (\$b) (end of period)	9.7	8.9
NIM	3.02%	3.34%
CET1 ratio (end of period)	16.2%	16.7%

1H24 performance

Judo's **profit before tax (PBT)** was \$67m, up 24%, and ahead of company compiled consensus. PBT was driven by continued above-system lending growth, strong net interest margins, continued investment in growth, and minimal write offs.

Net lending growth of ~\$800m for the half, representing approximately 3 times system business credit growth¹. Judo has continued to grow prudently in an uncertain and uneven economic environment, with lending growth moderating in sectors susceptible to the changes in discretionary consumer expenditure and to weakening asset values, as the economy adjusts to higher interest rate settings and inflationary pressures. Judo continued the proactive risk management of its existing exposures, and also saw customer de-gearing funded by asset sales.

Front book lending margins increased throughout the period. The average gross lending margin on new lending for the Dec-23 quarter was 464bps², up from 398bps in the Sep-23 quarter, and 390bps in the Jun-23 quarter. The increase in lending margins reflects Judo's disciplined approach to pricing for risk and sustainable growth. There has been no change to the Bank's credit risk settings.

NIM was 3.02%. NIM moderated as Judo continued to execute its TFF repayment strategy and held an elevated level of liquids over the half. During the period, Judo increased warehouse funding by ~\$500m

¹ Judo estimate based on RBA statistics to Nov-23

² Over 1m BBSW

and raised \$500m via its upsized inaugural capital relief securitisation transaction. Judo also achieved ~\$1.0bn in growth in term deposit (TD) balances.

\$2.44bn of TFF was drawn at Dec-23, with \$1.2bn utilised to fund loans, and the balance invested in treasury securities. Judo had \$1.6bn of undrawn committed warehouse capacity available at Dec-23.

Impairment expense of \$27m was driven by lending growth and an associated increase in collective provisioning, including an increase in the vulnerable sector overlay, as well as ongoing seasoning of the book. Judo incurred lower than expected write offs during the period.

Credit quality remains sound. As expected, the number of customers in 90+ day arrears and impaired continued to increase, however remains below the sector average and within Judo's long run planning assumptions.

CET1 remained strong at 16.2% benefitting from organic capital generation and the successful capital relief securitisation transaction. Judo's total capital position also benefitted from the inaugural AT1 transaction completed in Nov-23.

Outlook

Judo expects 2H24 PBT of \$40m – \$45m, resulting in FY24 PBT of \$107m - \$112m.

Judo is on track to repay all its TFF funding by Jun-24. As a result of repaying the TFF, Judo's funding costs will normalise and NIM will continue to moderate in 2H24. Judo expects its FY24 NIM to be between 2.85% and 2.90%, with 2H24 NIM between 2.70 – 2.80%. 2H24 is expected to represent trough NIM, with improvement thereafter driven by the Bank's liquidity levels normalising, improving lending margins, and a higher proportion of funding from lower-cost TDs.

In the continued uncertain operating environment, Judo will remain disciplined in its approach to growth and pricing. As a result, Judo is targeting a lending book of \$10.5 - \$10.7bn by Jun-24.

Judo expects its FY24 CTI to be between 55% and 57%.

Beyond FY24, assuming economic conditions stabilise, Judo expects GLA growth to accelerate. Judo is targeting profit growth of 15% or higher in FY25.

1H24 results

Judo's 1H24 results will be released on 20 February.

Authorised for release by the Judo Board.

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