

2024 Full Year Results.

ASX Announcement

20 August 2024



FY24 results meet or exceed guidance; FY25 profit guidance re-confirmed

Judo Capital Holdings Limited (ASX:JDO) (“Judo Bank”, “Judo” or “bank”) today reported strong financial and operating performance for the year ended 30 June 2024.

FY24 Highlights

- Strong FY24 performance, with financial results meeting or exceeding FY24 guidance
- Gross loans and advances (GLA) growth of 20% to \$10.7bn, at the top end of previous guidance, reflecting 3x system lending growth with strong margins
- FY24 net interest margin (NIM) of 2.94%, above previous guidance of 2.85% – 2.90%
- Underlying profit before tax (PBT) of \$110.1m, in line with previous guidance, reflecting above-system lending growth at strong margins, prudent management of costs, and a fundamental shift in the bank’s funding mix
- Successful refinancing of the RBA’s Term Funding Facility (TFF) and continued transition to Judo’s long-term funding mix with deposits now 64% of total funding
- Arrears and impaired loans (as a percentage of GLA) have flattened to 2.31% at Jun-24 from 2.63% at Mar-24, remaining below Judo’s through-the-cycle assumption of 3.30%
- Strong Common Equity Tier 1 (CET1) position of 14.7%, with increasing capital diversity
- Re-confirming FY25 target of 15% growth in profit before tax vs FY24¹

Financial Highlights	FY24 Result	FY23 Result	FY24 vs FY23
GLA (\$bn)	\$10.7bn	\$8.9bn	20%
Relationship Bankers	144	123	17%
Deposits (\$bn)	\$8.2bn	\$6.0bn	38%
Underlying PBT (\$m)¹	\$110.1	\$107.5	2%
Statutory PBT (\$m)	\$104.3	\$107.5	(3%)
NIM	2.94%	3.29%	(35bps)
Underlying cost-to-income (CTI) ratio¹	54.6%	54.1%	50bps

¹ Excluding non-recurring costs related to CEO transition and organisational restructuring in FY24

Chris Bayliss, CEO and Managing Director said, "FY24 has been another year of strong financial and operational performance, delivering to our guidance targets, and growing our bank. This year we celebrated several milestones that highlight the incredible progress we have made since our inception in 2016, including marking our five-year anniversary as a fully licenced bank and surpassing \$10bn in lending. Judo is now an established player in the Australian business banking market."

"We have achieved lending growth of 130% per annum² since obtaining our banking licence in April 2019. Our above-system growth is supported by our unique customer value proposition, which continues to resonate with SME customers, evidenced by our sector-leading net promoter score".

Judo's loan book grew by 20% to \$10.7bn, supported by strong momentum with its regional expansion strategy. Judo established four new locations and recruited 21 additional relationship bankers during the year. Judo plans to establish a further 10 locations and recruit another 20 bankers in FY25, which will underpin an acceleration in lending.

Growth has been achieved whilst balancing margins and risk. Margins on new loans have been in the mid-4% level, consistent with the bank's at-scale NIM of greater than 3%. The bank achieved a record month of lending growth in June 2024 at an average margin of 4.5%. Judo's pipeline of loans in application, approved and accepted status was at an all-time high of \$1.8bn at June, with an average margin of 4.5%.

Impairment expense of \$70.1m was in line with the bank's guidance. During the June quarter, Judo saw the proportion of customers in 90-day arrears or impaired flatten to 2.31%, compared with 2.63% in March, further demonstrating the advantage of the bank's specialist business model through all parts of the economic cycle.

Judo has successfully refinanced its share of the TFF through term deposits and wholesale funding. Judo's award-winning term deposit franchise grew to \$8.2bn in balances and 46,800 customers, an increase of \$2.2bn over the year. The bank's proportion of funding from term deposits was 64% as of June, ahead of guidance of 60%. The bank is now targeting 75% of its at-scale funding to be sourced from term deposits.

During the year, the bank continued the rapid execution of its multi-year technology investment program and upgraded several core platforms to best-in-class scalable solutions. This included designing and migrating to a new core lending platform, which was completed successfully in early FY25.

The bank's underlying CTI ratio³ was broadly stable at 54.6% in FY24, as cost growth slowed significantly, partly due to benefits from technology. Judo is now demonstrating the significant operating leverage that is inherent in its business model and which will deliver significant profit growth in 2H25 and beyond.

With a larger balance sheet, diverse funding and robust capital levels, the bank moves into FY25 well positioned to unlock growth opportunities, such as continued regional expansion, and consideration of new product segments and adjacent SME lending products.

² Compound annual growth rate of Judo's lending book as per Australian Prudential Regulation Authority (APRA) statistics

³ Excluding non-recurring costs related to CEO transition and organisational restructuring in FY24

FY25 economic outlook and guidance.

The Australian economy has demonstrated resilience over the last two years, with many businesses able to maintain margins and preserve robust balance sheets. However, some are experiencing stress with high inflation and interest rates impacting certain sectors, particularly those reliant on consumer discretionary spending.

The economy also appears to be experiencing a significant structural shift, transitioning from being consumer-led to being business-led. Sustained increases in input costs require businesses to increase productivity.

Mr Bayliss said, "Judo is well positioned to continue growing towards our vision of becoming a world-class SME business bank. Our relationship-based approach to lending will enable our experienced relationship bankers to continue supporting SMEs, providing credit to successful operators who are looking to grow and invest in their businesses. We will also continue to provide support and seek optimal resolutions for any customers encountering challenges."

"Our ongoing growth, focusing on expansion into new regional areas, combined with continued investments in technology, will underpin further progress towards the bank's at-scale target for return on equity (ROE) in the low to mid-teens."

"Judo's leadership team shares almost 200 years of banking experience, positioning us exceptionally well to capitalise on the opportunities we have as a larger bank, as well as the challenges created by the continued uncertain economic environment. I am so proud to work with such a deeply experienced and talented team who are committed to delivering our market-leading proposition to Australia's SME sector".

FY25 guidance

Judo has provided FY25 guidance, described in the table below.

Metric	Detail	FY25 Target	Metrics at-scale
GLA	Lending to accelerate, supported by recruitment of an additional 20 bankers in 10 new locations by Jun-25	\$12.7bn - \$13.0bn	\$15bn - \$20bn
NIM	Gradual improvement throughout FY25 from trough NIM in Jun-24 <ul style="list-style-type: none"> 1H25 NIM of 2.75% - 2.85% 2H25 NIM of 2.90% - 3.00% Jun-25 exit NIM of ~ 3% 	2.80% - 2.90%	>3%
CTI ratio⁴	Cost growth slowing in FY25, CTI ratio to improve 2H25 vs 1H25	Broadly stable vs FY24 (%)	Approaching 30%
Cost of risk	Continued growth and seasoning of the portfolio	Broadly stable vs FY24 (\$)	50bps of GLA
PBT / ROE	Significant operating leverage evident in 2H25 and beyond	Targeting 15% growth in PBT ⁴ vs FY24	Low - to mid-teens ROE

⁴ Excluding non-recurring costs related to CEO transition and organisational restructuring in FY24



Investor conference call

Chief Executive Officer, Chris Bayliss, and Chief Financial Officer, Andrew Leslie, will host a live investor webcast at 10.30am AEST on 20 August 2024, to present Judo Bank's 2024 Full Year Result.

Dial-in details are available on the website www.judo.bank/full-year-result-2024 or via the ASX.

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Authorised for release by the Judo Board.

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