judobank

Boldly backing business.

Annual Report 2023

Hamish Coates and Mel Holland | Rocky Ridge

Judo Capital Holdings Limited
ABN 71 612 862 727

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.

"The biggest thing we need as a growing business is flexibility, and Judo Bank has that in gallons. There would be no Brisbane Radiology without Judo."

Zane Sherif | Brisbane Radiology

Judo Bank is Australia's only purpose-built challenger business bank, dedicated to boldly backing Small and Medium Enterprises (SMEs).

Reporting Suite

About this Report

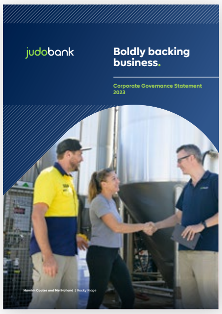
Judo Bank Pty Ltd is an authorised deposit-taking institution (ADI) that is regulated by the Australian Prudential Regulation Authority (APRA). It is a subsidiary of Judo Capital Holdings Limited ABN 71 612 862 727 (JCHL), which is listed on the Australian Securities Exchange (ASX) under the ASX code "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.

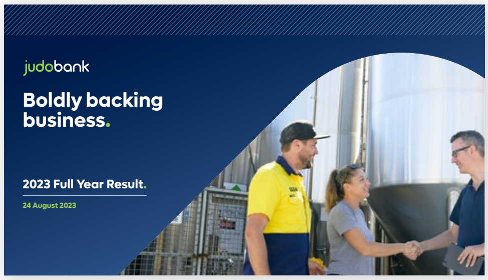
This year's Report includes Judo Bank's purpose and values, FY23 highlights and strategic priorities, audited financial statements and other statutory disclosures. Unless otherwise stated, the Report encompasses all Judo Bank activities for the financial year starting 1 July 2022 and ending 30 June 2023 (FY23). All monetary values in this document are presented in Australian dollars, which is Judo Bank's functional currency.

Welcome to our FY23 Annual Report

Other documents in our 2023 reporting suite

Judo Bank produces a range of reports designed to meet the evolving expectations of diverse stakeholder groups. Our 2023 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.

Basis of preparation

Judo Bank comprises Judo Capital Holdings Limited and its subsidiaries. The Group's results and historical financial information are reported as a single segment.

Throughout the 'Operating and Financial Review' and 'Financial Performance' sections of this document, financials for the full year to 30 June 2022 (FY22) include pro forma adjustments. These include incremental costs 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.

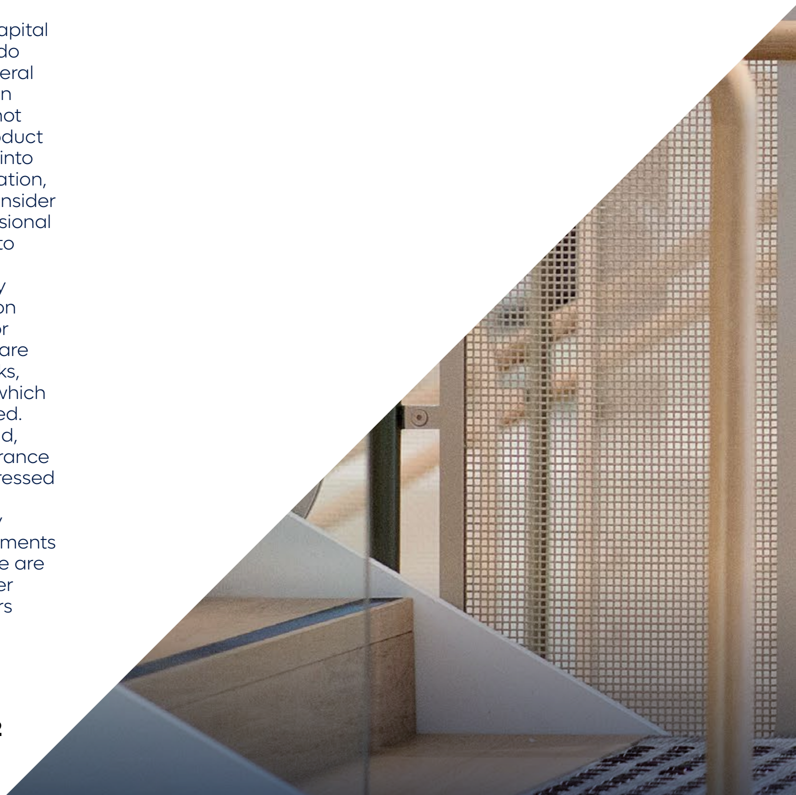
A reconciliation between pro forma and statutory results is detailed in section 2.1 of the 2022 Annual Report dated 25 August 2022.

All figures are presented in Australian dollars ('A$' or '$') and, unless otherwise noted, are rounded to the nearest A$0.1 million. Calculations within tables, percentage movements and movements with the commentary have been calculated from underlying source information and hence may not reconcile with rounded calculations.

Movements within the financial tables have been labelled 'large' where there has been a percentage movement greater than 200%, or 'NM' if a line item changes from negative to positive (or vice versa) between periods.

Important notice

The material in the 2023 Full Year Report (**the Report**) is provided by Judo Capital Holdings Limited ABN 71 612 862 727 and its controlled entities (variously, "Judo Bank", "Judo", "us", "we", "the Group", "the Company" or "our"), contains general background information and is current as at 24 August 2023. 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, and these include those matters discussed on pages 39 to 43 under our approach to risk management.



"We value positive connections. We value a bias to action. We value transparent conversations, and we value having fun along the way as well."

Alia Galatis | Judo Bank

To be the most trusted SME business bank in Australia.

Justin Jenkins | Fleet Wines

Our Strategy

Purpose

To be the most trusted SME business bank in Australia

Vision

To build a world-class SME business bank

Our Values

- Accountability
- Performance
- Teamwork
- Trust

Who We Are

As a unique specialist pure-play 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.

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.

We believe that each SME is unique, and that each deserves a relationship with their bank that is built on a deep understanding of their business, professionalism, trust and exceptional customer service – something that has 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 that prioritised mortgage lending, industrialised their operating models and fundamentally diminished their relationship proposition in a market with no real competition.

We are proud to be a founder-led organisation with high levels of equity ownership across the Company, which underpins a strong owner's mindset and a challenger culture.

Pillars

Relationship-led banking

- Judgement-based lending
- Empowered and experienced bankers
- Deeper customer relationships

Exceptional people and culture

- Attract the best
- Invest in our people
- A career game changer

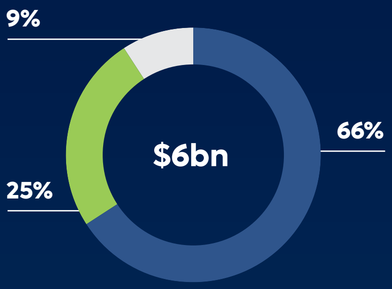
Enabled by technology

- Born in the cloud
- Modern and flexible systems
- Investing to scale

Everyone at Judo is a risk manager

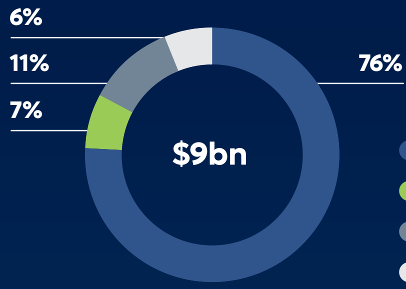
Our Products

Term Deposits



- Direct
- Intermediated SMSF/Retail
- Intermediated Middle Markets

Lending



- Business Loans
- Equipment Loans
- Home Loans
- Line of Credit

Awards

FT FINANCIAL TIMES statista

HIGH-GROWTH COMPANIES ASIA-PACIFIC 2023

#4 in the Top 500 Asia-Pacific

#1 in our industry category

#1 in Australia

LinkedIn TOP 2023 COMPANIES judobank

#1 in 2023 LinkedIn Top Companies in Australia

FINANCIAL REVIEW BOSS BEST PLACES TO WORK

#4 in the 2023 AFR Boss Best Places to Work (Banking, Superannuation and Financial Services list)

Term Deposit awards

Money Magazine Winner 2023 – Best Term Deposit – Long Term – Bank – Best of the Best 2023

Canstar 2022 Bank of the Year Term Deposits

RateCity Gold Award 2022 Best Term Deposit 6 Month 50k

RateCity Gold Award 2022 Best Term Deposit 12 Months 50k

mozo Experts Choice Award 2023 SMSF Term Deposit

mozo Experts Choice Award 2023 Term Deposit

About Us

Judo Bank is Australia's only specialist pure-play, challenger business bank, dedicated to boldly backing SMEs.

Progress metrics at scale

Metric	At-scale drivers	FY23 results	At-scale metrics
Gross Loans and Advances (GLA)	Strong growth within risk appetite, driven by our relationship-led customer value proposition (CVP)	✓ $9bn	$15 billion to $20 billion
Underlying net interest margin (NIM)	Performance supported by SME lending margins and at-scale funding costs	✓ 3.53%	>3%
Cost-to-Income (CTI) ratio	CTI improvement driven by industry-leading margins, legacy-free tech stack and branchless model	✓ 54%	Approaching 30%
Cost of risk	Conservative estimate relative to historical performance of the business segment over 30 years[1]	✓ $55m	~50 basis points of GLA
Return on equity (ROE)	ROE outcomes supported by delivery of key metrics above	✓ 5.1%	Low to mid-teens

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

"Being a challenger bank is about pushing the boundaries, thinking differently, challenging yourself, challenging each other."

Inakshi Rajadurai | Judo Bank

Relationship-led banking.

Through a deep and trusted relationship, and a clear understanding of its vision and purpose, we are supporting the owners of Brisbane Radiology to expand and continue to make a positive impact within their community.

Scan the QR code to find out about how we are supporting Brisbane Radiology

Doing things differently.

Zane | Brisbane Radiology

"Judo took the time to get to know us and really understand our business – our vision and the difference we bring to the table. Judo wanted to be a part of our journey."

FY23 Highlights

In FY23, we have made strong progress towards our key business metrics at scale. The inherent benefits of scale in our business model gives us confidence we will deliver strong returns when we achieve our at-scale lending targets.

Financials

Profit before tax (PBT)	Loan book	Term Deposits
$108m	$9bn	$6bn
Underlying NIM	**CTI ratio**	**Cost of risk**
3.53%	54%	$55m
Loan growth vs system	**ROE**	**CET1 Ratio**
8x[1]	5.1%	16.7%

1. Reflects Judo's multiple of system growth for GLA across FY23, per the Australian Prudential Regulation Authority (APRA) statistics.

18 Locations

throughout Australia

Capital City

Regional Centre

Customers

3,758

SME Lending customers

+65[1]

Lending Net Promoter Score (NPS)

35,050

Term Deposit customers

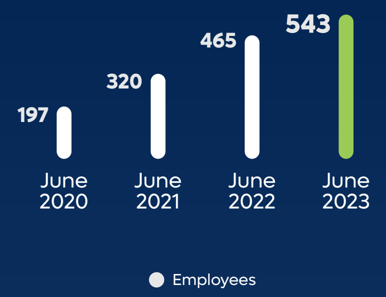
+60[2]

Deposit NPS

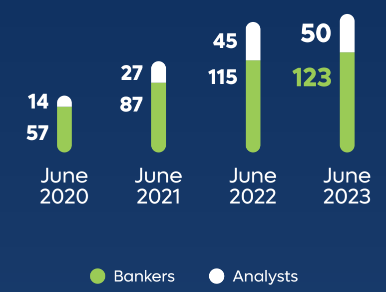
1. Across FY23, measuring Judo's overall NPS including onboarding, relationship and exit scores.
2. Across FY23, measuring Judo's overall NPS including origination, maturity and rollover scores.

People

Employees



Bankers and Analysts



Management, Directors and employees share ownership

8% of issued capital

30

Low average customer-to-banker ratio

Accredited third-party brokers

1,220

Supporting our community and our future.

Rocky Ridge has a goal to become the first net-zero brewer in Australia. We're supporting this microbrewery on its path to becoming an off-grid, sustainable and carbon-neutral brewery in the southwest.

Scan the QR code to find out about how we are supporting Rocky Ridge

Boldly backing customers.

Hamish Coates | Rocky Ridge

"With Judo Bank alongside us, we have a lot of optimism and confidence in being able to develop our brewery the way that we want to develop it – as an ESG-leading, carbon-neutral, net-zero emissions brewery."

Chair's Review

Peter Hodgson
Chair of the Board

This year has proven the value of our strategy for our business and our customers.

Continuing on our path of building a world-class SME business bank, despite the economic uncertainty, is a testament to the trust and engagement we continue to build with our SME customers.

It has been another year of growth and continued momentum for Judo. We have met or exceeded our targets, invested in our people, and scaled the business. We've again finished the year a more substantial bank, proving resilient in the current environment, and remain on track to realise our vision of building a world-class SME business bank.

Over the past year, Judo Bank has continued to expand its customer base, which now sits at 3,758 Lending customers and 35,050 Deposit customers. We have grown our footprint and operations, now with 18 locations across Australia and scaled into the agriculture and health sectors, both of which have made strong progress this year.

Our relationship-centred model is a competitive advantage in these uncertain economic times. The value of the direct relationships our bankers have with our SME customers and the in-depth knowledge of their businesses help our customers navigate the current economic challenges, as well as the opportunities they face. We believe every SME is unique, and that each deserves a trusted relationship with their bank. Now, more than ever, our team's experience and capacity to build this trust, along with our deep understanding of a customer's business, is what sets us apart and helps us to grow, despite the uncertainty.

Our strategy remains simple and clear: to ensure disciplined growth; to continue to build trusted relationships with our customers; and to support and embed the unique culture we have fostered at Judo. The simplicity of our strategy, we believe, is how we maintain our market-leading customer satisfaction and employee engagement.

Judo's Board remains highly focused on the at-scale economics that we outlined to investors at the time of our initial public offering (IPO). Our key priority is the successful execution of our strategy and delivery of the metrics at scale, which we believe will translate to shareholder returns.

The Board and management team hold a significant amount of equity in the business and, as such, are highly aligned with the rest of our shareholders in wanting to see the business deliver for us all. Despite the very strong progress we have made since our IPO, returns to shareholders have been impacted by the market's perspectives on the economy, and uncertainty about SMEs through a down cycle.

Our results to date, the simplicity of our business model, the clarity of our strategy, and the calibre of our management team give us great confidence that we will continue to make progress towards our at-scale metrics through FY24 and beyond. The Board and I remain committed to keeping investors fully informed of our progress, and educating the wider market about Judo's long-term potential.

3,758

SME Lending customers

35,050

Deposit customers

Maintaining our strong risk management framework and robust governance practices is crucial to the sustainability and success of our bank. In FY23, we strengthened our risk management practices, ensuring that we identify, assess and mitigate risks effectively. Our "Three lines of defence" model is well established and regularly reviewed by the Board. Our Relationship Bankers are supported by a credit team with an average of over 20 years' experience, each having confidently managed through the highs and lows of numerous economic cycles. Our experienced management team deeply understands the inherent risks in banking and the importance of risk management as a key function of every team member across the business, from the Board down.

As we move to a new financial year, sustainability and social responsibility sit firmly on the leadership agenda. FY23 has been a foundational year for Judo's environmental, social and governance (ESG) strategy and approach. We have built out our sustainability program of work and capacity for ongoing management, monitoring and reporting on ESG. A large part of sustainability at Judo means supporting our customers in the changing landscape. Our team continues its great work to promote diversity and inclusion, contribute to community initiatives, and understand the role we play in supporting the SME economy of this country. Although early in our journey, we are committed to the ongoing alignment of our business practices with ESG principles.

There is no doubt our business has built solid foundations for growth over the long term. We have brought much-needed competition to the SME sector in Australia, and we are very proud of that. The team we have is committed to our purpose of being the most trusted SME business bank in Australia, and we continue to deliver exceptional banking experiences for this critical sector of the economy. We are confident in our ability to continue to navigate the ever-changing landscape and seize the opportunities that will arise.

I extend my thanks to my fellow Directors, our customers and stakeholders, and the whole Judo team for yet another successful year of delivering on our commitments to shareholders. On behalf of the Board, I thank our investors for their ongoing support, including our foundation investors, all of whom remain committed to Judo's mission as we continue to scale the bank.

Peter Hodgson
Chair of the Board

Chief Executive Officer's Review

Judo is a unique, pure-play, specialist bank that exists to serve the needs of SMEs.

Joseph Healy
Chief Executive Officer

+65

Market-leading lending NPS score

$108m

Profit before tax

Sevenfold increase from FY22

Dear Fellow Shareholders,

Our FY23 results clearly demonstrate that we are delivering on our purpose and we are well on our way to achieving our vision of building a world-class SME business bank that delivers best-in-market economics.

We have brought back the craft of SME banking with a business model that was designed from a blank sheet of paper. We have recruited among the best business bankers in the market, and we built a legacy-free modern technology platform that allows us to invest more into what SMEs really value – our 'high-touch, high-tech' model. The experience we provide our customers is our point of differentiation. This is reflected in the strong demand for our lending products and our market-leading net promotor score (NPS) of +65, in a sector where a positive NPS is aspirational.

In the past year, we have grown our loan book by close to $3 billion, bringing our total lending to SMEs to $9 billion. In achieving this growth, Judo has reached profitability faster than any other challenger bank globally, just four years after being granted our banking licence.

In FY23, we delivered profit before tax of $108 million, a sevenfold increase from the pro forma profit before tax of $16 million we achieved in FY22. This strong growth in profitability clearly demonstrates the significant benefits of scale that are inherent in our unique business model. We believe our business will deliver strong returns when we reach scale, which we define as a loan book of between $15 billion to $20 billion. We are now halfway to achieving this goal, and we are already delivering a return on equity that is comparable to some of the oldest banks in the country.

The combined experience in commercial banking of your management team and Board means that we are mindful of the risks that have undermined fast-growing banks in the past.

We made several policy decisions on day one to protect ourselves from these risks. We are building a lending portfolio that mirrors the broader SME economy with a few key exceptions: we have very little appetite for pure construction risk, and we have no direct exposure to natural resources. We also began proactively reducing our concentration to commercial real estate two years ago, when valuations felt stretched driven by ultra-low cash rates, which were bound to reverse direction – and did in due course.

In terms of funding, we have built a base of $6 billion in Term Deposits. Our fastest-growing funding channel is Direct Retail Term Deposits. As a result, we have a highly diversified depositor base that is largely covered by the $250,000 Australian Government Guarantee. We have complemented our Term Deposit strategy with a comprehensive wholesale funding program, which accesses largely all the same markets as our major bank counterparts. Chief among these is our warehouse program, which provides $3 billion of contractually committed funding to support our growth and repayment of the Reserve Bank of Australia's (RBA) term funding facility, which we will complete by 30 June 2024.

A key element underpinning our sustainable competitive advantage is our simplicity. Simplicity reduces complexity, which in turn reduces risks and costs. Our simple product set combined with our modern, cloud-based technology platform, has enabled us to rapidly progress towards our at-scale target of a cost-to-income ratio approaching 30%. This will be the lowest CTI of any of the Australian listed banks. FY23 has been a year of major progress for our technology program, as we have recruited a number of high-calibre executives who will lead our investments in the coming years.

We are creating a unique culture and have a team that identifies strongly with our core values of trust, performance, accountability and teamwork. Our team runs the business with an owner's mindset – focusing on providing world-class service to our customers, which in turn aims to deliver strong returns. Our unique culture is supported by very high levels of equity ownership across the company. Management, Directors and employees own 8% of Judo's stock.
As an ownership stake, this is greater than all equity held by senior management and directors at all the Australian major banks combined. Judo's ownership mindset is a fundamental tenet of our culture.

We are in the business of managing risk

We are proud of our achievements to date, and the very strong progress we have made in the past year. However, the outlook for the economy has changed over the past 12 months, as our Chief Economic Advisor outlines later in this Report, and we are by no means complacent about the risks.

When we established Judo, one of our core beliefs was that commercial banking is fundamentally the business of managing risk and this belief remains just as true today. In managing risk, we are especially conscious of the key role we play for our customers in times of economic uncertainty. We see it as important that we are helping our customers manage their risks in a tough economic setting and in doing so, we better manage our own credit risks. This is an important characteristic of our high-touch relationship banking model.

Our rigorous approach to credit assessment based on the 'four Cs' of credit (4Cs) – Character, Capacity, Capital and Collateral – means we have been lending with our eyes wide open to the risks through an extended period of economic disruption. Our loan book was just over $1 billion at the beginning of the pandemic and has now grown to $9 billion. To date, we have experienced low levels of stress in our portfolio and as we enter the next phase of the economic cycle, we carry prudent levels of provisioning.

Our high-touch relationship model means we remain close to all our customers and can provide support where it is needed. This also helps us manage credit quality regardless of how the economy performs.
This is why we believe our business should continue to perform well notwithstanding the challenges the economy may present.

Our conviction in the long-term prospects for our business is as strong as ever. The opportunity for Judo remains vast and it is difficult for any of the incumbent banks to replicate our model. The dominant culture in the banking industry is that of commoditised products and individual sales targets. History demonstrates that this can drive poor outcomes for customers. We are unashamedly a relationship-centred bank; products and people can come and go, but customer relationships are forever!

SMEs, now more than ever, need a relationship bank that understands their business. We remain anchored to our purpose of being the most trusted SME business bank in Australia, and unwavering in our vision to build a world-class SME business bank.
A truly unique bank.

Joseph Healy
Chief Executive Officer

8%
of issued capital

Owned by management, Directors and employees

$9bn

Loan book

Investing in innovation.

Quik Corp, an established business of 30 years, wanted to continue to innovate, grow and diversify its business. We boldly backed its aspirations, and now Quik Corp is clearly focused on the future.

Scan the QR code to find out about how we are supporting Quik Corp.

Your vision in reach.

Grant Mitchell | Quik Corp

"Judo Bank understands our approach to innovation. Judo understands the importance we place on culture. This is how Judo is helping us achieve our growth aspirations."

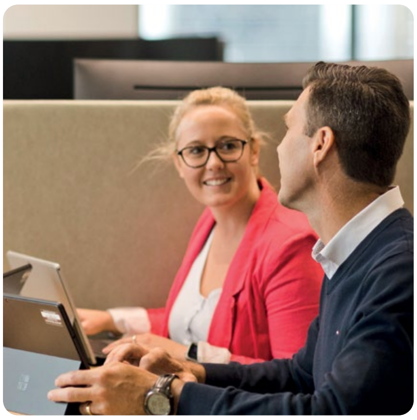
The Australian Economy in FY23

Over the past year, the Australian economy has been surprisingly resilient in the face of higher interest rates and global uncertainties.

Households have continued to spend throughout FY23 despite weak consumer confidence. In particular, spending on services has held up well, while spending on goods started to decline in the first half of 2023.

The business community has navigated the economic environment with distinction. Business confidence has held up well, in direct contrast to consumer confidence. Various measures of business confidence and expectations, including the new Judo Bank S&P Global Purchasing Managers Index, have shown not only resilience across the business community, but also optimism about the future.

While there is little doubt that SMEs have had a tougher time over the last two years than large companies,



a big factor behind business confidence holding up over the first six months of the 2023 calendar year has been the recovery in SME conditions.

Similar to consumers, businesses also entered this year with strong balance sheets, largely assisted by the boost from pandemic era stimulus programs. However, in contrast to large, listed companies that have been pressured to return excess capital to shareholders, privately owned SMEs have been able to maintain strong levels of liquidity.

The strength of business balance sheets has been a major factor underpinning ongoing business investment, despite higher funding costs and rising uncertainty about the outlook. Investment in non-mining plant and equipment has been strong in FY23, which we expect to grow by about 6% in real terms compared to last year. In nominal terms, that is, when not adjusting for the effects of price inflation, business investment increased by an estimated 13% in FY23 compared to the previous financial year.

"You're given the ability to make decisions, you're empowered and you have a lot of support here."

Elizabeth Louie | Judo Bank

The Australian Economy in FY23 continued

Strong liquidity positions on the balance sheets of many Australian businesses, particularly SMEs, has meant that some of this investment has been funded through retained earnings. However, business credit growth has continued to be strong, growing at an estimated 10% in FY23, though the majority of that was in the large business sector.

A key development for the domestic economy has been a surge in net overseas migration. This has driven the fastest population growth that we have seen in at least 40 years. With unemployment hovering at near 50-year lows throughout the year, the availability of work has seen these people find employment, which has created even more demand in the economy.

The immigration story has been welcomed by businesses struggling with acute labour shortages and is supportive of SME business confidence. However, immigration has not been a silver bullet for our broader economic challenges. With more people comes more demand for everything, from housing to food and groceries. This explains some of the economy's resilience, but at the same time it has frustrated the RBA's efforts to reduce aggregate demand across the economy to slow inflation.

It is well known that inflation has been very strong, rising to a peak of 7.8% in December 2022. Further, like other economies around the world, inflation is only coming down gradually. With the RBA increasing interest rates by 4%, monetary conditions are tightening up and there is some evidence they are beginning to have the desired effect on spending across the economy.

However, at the end of the fiscal year, the level of the RBA cash rate remains below all measures of inflation. We are also seeing continued strong jobs growth and high inflation in overseas economies, with very little data that suggests the Australian experience will be different. The war on inflation is far from won, and, noting that the US and UK central banks have cash rates of over 5%, we cannot rule out further interest rate hikes in FY24.

The RBA has been very careful in its tightening of monetary policy thus far. It is mindful of high household debt, and an immediate exposure to higher interest rates via variable rate

mortgage lending. Indeed, there is a tangible risk of a further substantial downward adjustment in Australian residential property prices should the RBA need to move the cash rate significantly higher in FY24.

Over the past three years, Australian SMEs have successfully managed through one of the most challenging operating environments in decades, with the pandemic bringing a unique set of challenges including staff shortages, disrupted supply chains and rising costs.

Looking forward, higher costs and a weaker economy are expected to be the main challenges for businesses. While it is easy to forecast doom and gloom, Australian SMEs are generally well positioned to manage through choppy economic waters. Strong balance sheets and a fundamentally sound economy should continue to underpin growth in business activity over the medium to long term.

Warren Hogan
Chief Economic Advisor to Judo Bank


SMEconomics.

June 2023

Embargoed until 0900 AEST 07 July 2023

SME PMI® Business Activity Report.

Exclusive insights into the SME economy presented by Judo Bank.

New order growth supported by improvement in services.

Key findings

Business activity contracts amid manufacturing weakness

Cost pressures recede further

Business confidence improves among SMEs

Business activity across Australian SMEs saw a slight downturn in June according to the latest Judo Bank SME Business Activity Report data. The reduction was concentrated in the manufacturing sector, however, as services activity stayed broadly unchanged. Overall new orders meanwhile continued to expand, which led firms to continue hiring and supported further improvements in business confidence. Price pressures meanwhile receded for SMEs with input cost inflation at the lowest in 22 months.

The seasonally adjusted Judo Bank Australia SME Business Activity Index posted at 49.6 in June, down from 50.7 in May. Falling below the 50.0 neutral mark, the latest reading signalled a renewed contraction of business activity at SMEs, albeit one that was only slight. Central to the decline was a deterioration of manufacturing output in June, though services activity growth also slowed to near-stagnant levels.

New orders placed at manufacturing SMEs fell for the seventh straight month, and at the fastest pace since August 2021, leading to lower goods production. In contrast, service providers continued to secure solid expansion in new business, helping to drive a modest improvement in overall new orders at SMEs. The rate of expansion in new orders at SMEs was faster than that among large enterprises.

Backlogged work nevertheless depleted at the end of the second quarter among SMEs. Anecdotal evidence suggested that better efficiencies enabled SMEs to clear their work outstanding midway through the year. This was especially so within the goods producing sector, where the volume of backlogs eased at one of the quickest rates on record.

Supporting the latest improvements in efficiency among SMEs was another expansion in workforce capacity, albeit one that was marginal and the least pronounced in the year-to-date. Difficulties in acquiring skilled labour, especially among services SMEs, limited the expansion in staffing levels according to panelists.

Boldly backing business.

1

judobank | PMI by S&P Global

The Judo journey

From a blank sheet of paper in 2015, Judo Bank has successfully grown to a profitable bank with more than 3,700 Lending customers and a loan book of $9 billion.

Judo has cemented itself in the economic landscape as a true SME challenger bank.

We are continuing on our journey to building a world-class SME business bank.

2015

Concept

Mid 2015
Judo concept developed

2016

Seed capital

September 2016
First office space in Melbourne

Late 2016
Seed funding raised

2018

Pre-ADI launch

March 2018
Pre-ADI pilot business launch

October 2018
Sydney office opens

2019

Full banking licence

Early 2019
Brisbane office opens

April 2019
Full banking licence granted by APRA

May 2019
Deposits launch

2020

Scaling despite COVID-19

July 2020
Perth office opens

November 2020
Adelaide office opens

2021

Growth and ASX listing

July 2021
Hobart office opens

October 2021
S&P investment grade rating

November 2021
Judo Bank lists on ASX

2022

Achieved profitability

May 2022
Inaugural Investor Day

August 2022
Reported FY22 pro forma PBT of $16m

September 2022
Inaugural benchmark senior unsecured deal

2023

Halfway to metrics at scale

Over the financial year
Grew Agri and Health sectors

Opened four new locations – Bunbury, Rockhampton, Orange, Albury

July 2023
Achieved $3bn in committed warehouse lines

August 2023
Reported FY23 PBT of $108m

Our strategy

Since day one, Judo Bank's purpose has been clear, to be Australia's most trusted SME business bank.

Our strategy prioritises giving our customers the experience they deserve

In FY23, we have continued to deliver on our strategy to boldly back Australian SMEs with the funding they need to support and grow their businesses. We've grown our loan book from $6 billion to $9 billion as customers find value in our relationship-based approach to lending.

Over the past 12 months, we have expanded our specialist health and agriculture teams, and established a presence in four new locations – Bunbury, Rockhampton, Orange and Albury – to take our total number of locations around Australia to 18. We believe it is vital to have a physical regional presence in order to maintain a strong relationship with our customers.

Our strategy has been supported by the continued increase in Relationship Bankers from 115 in June 2022 to 123 in June 2023, with the number of Analysts growing from 45 to 50 over the same period.

We have also grown our network of accredited third-party commercial brokers, who work with our target market and value the core elements of our customer value proposition, being relationship-led, judgement-based and a fast response.

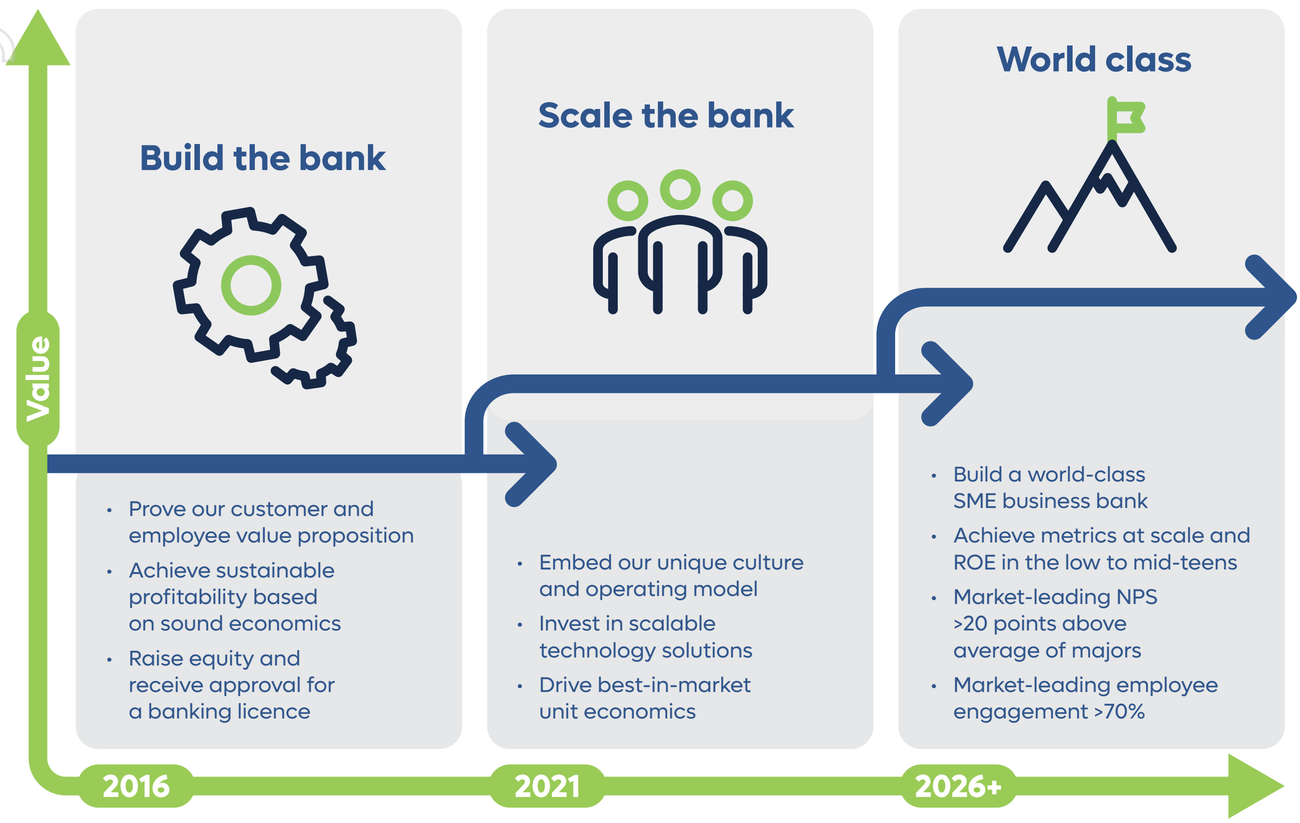
Our customers have their Relationship Banker's direct line. It's banking as it used to be, banking as it should be.

Following a strong year, with Judo now being halfway to its at-scale GLA target, our focus is to continue investing in people and technology to scale the bank and deliver world-class economics, underpinned by market-leading customer satisfaction and employee engagement.

Banking and Financial Services Oath

Judo is 100% committed to the Banking and Financial Services Oath. We're doing our part to re-assert the ethical foundation of the banking and finance industry, beyond regulation and compliance, by broadening expectations and discussion to include ethics, integrity, honesty and trust.

Building a world-class bank



Our business and operating performance

Another strong performance in FY23

Judo has delivered another year of strong financial and operational performance in FY23, delivering a profit before tax (PBT) of $108 million, a sevenfold increase from the FY22 pro forma PBT of $16 million.

This result was predominantly driven by operational leverage as Judo continues to scale. Our loan book grew within risk appetite by $3 billion at eight times system growth, with margins supported by favourable Term Deposit margins and rates leverage. Our cost-to-income ratio continued to fall, down 22 percentage points to 54% in FY23.

Asset quality remained benign, and capital remained at robust levels with a CET1 ratio of 16.7%, well above regulatory buffers.

Metric	FY23 result drivers	FY23 results	FY23 guidance
GLA	Strong growth within risk appetite, driven by our relationship-led CVP	**$9bn**	>$9bn
Underlying NIM	NIM performance supported by hedging strategy and rates leverage	**3.53%**	>3%
CTI	CTI improvement driven by revenue growth more than offsetting ongoing investment in growth	**54%**	<60%
Cost of risk	Cost of risk driven by loan growth and higher provision coverage	**$55m**	$50m-60m
ROE	Demonstrating continued progress towards key business metrics at scale	**5.1%**	Low to mid single digits

Our Lending customers

We are a young bank, but our customers are experienced operators.

Our Lending customers increased by 995 to 3,758 over FY23. Our customers have reliable revenues, strong balance sheets and have generally been operating for more than five years.

Our customers come to Judo for a genuine relationship with an experienced banker who is empowered and has authority to act – something which is difficult to find at the incumbent banks. As at June 2023, approximately two-thirds of our customers were refinanced from the five largest domestic banks.

Our loan growth in FY23 came both from existing customers (40%) and new customers to Judo (60%). Our customers exhibit similar characteristics to Judo – ambitious, with an appetite to grow.

As at June 2023, our lending NPS was +65, well above the industry average.

~85%

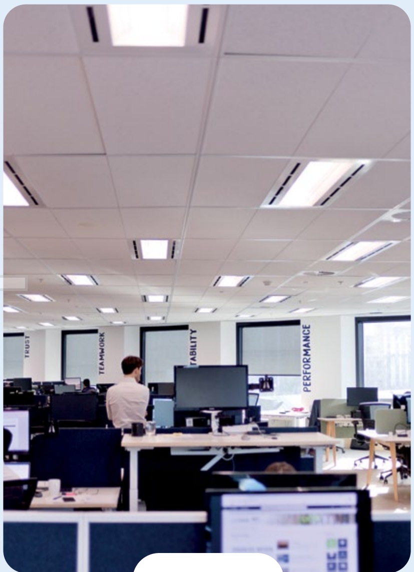
of our borrowers have >five years' experience in managing their business or similar business

+65

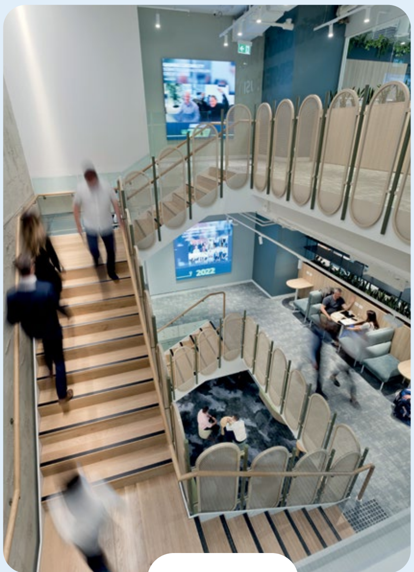
Lending NPS

$2.3m

average loan size



2017



2023

Judo then to now

From a blank sheet of paper in 2015, we now celebrate more than 500 employees located across 18 locations in Australia.

We continue to expand our operations so that more SME businesses have access to a relationship bank that listens, understands and boldly backs their business.

We are close to our customers, and our model works through all parts of the cycle

Our unique 4Cs approach to credit remains fundamental to our lending process, which is founded on the basis that SMEs are all different. Judo's approach to assessing loan applications places significant emphasis on the outlook for loan applicants, instead of focusing purely on historical financial performance and security.

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

The 4Cs approach consists of Character, Capacity, Capital and Collateral, in that order.

Character

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

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.

Collateral

Collateral is often assessed first by other lenders with industrialised processes, which rely largely 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.

Capital

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.

As at 30 June 2023, Judo Relationship Bankers on average maintained a portfolio of 30 customers. Being close to our customers means our bankers deeply understand their businesses, and can make fast but considered decisions as they structure loans based on the customers' needs, circumstances and growth ambitions.

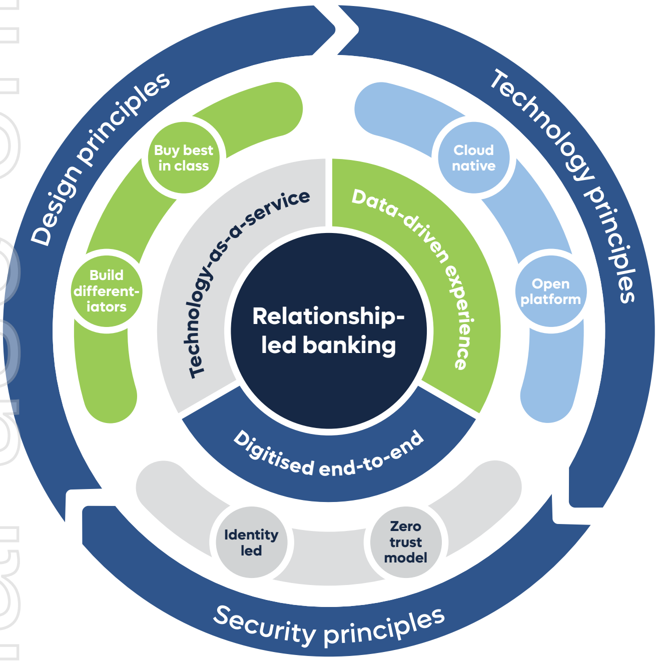
As we head into a period of increased macroeconomic uncertainty, this closeness to customers will be an advantage in various ways – through a more personalised approach to credit management.

Judo's model works through all parts of the cycle

Judo way of banking	• Specialist model that incentivises positive customer and shareholder outcomes • Experienced bankers with credit risk as a core competency • Ongoing investment in technical credit competency, not sales skills
Low customer-to-banker ratio	• Current ratio of 30 customers to Relationship Bankers on average
Early detection of issues	• Relationship-focused model enables Relationship Bankers to engage proactively, allowing early detection of issues
Clear arrears management process	• Asset management team is engaged by Relationship Bankers at 'point easy' to manage distressed customers • Embedded asset management teams rather than separate 'workout' teams
Individualised approach to resolution	• Judo's model enables a customer-specific approach to resolutions • Credit executives have an average of over 20 years' experience

Our technology

Our technology strategy, updated for scaling



Result: A flexible tech stack, a structural competitive advantage.

1. Build new tech **capabilities**
2. Optimise our **cost of delivery**
3. Consolidate **what's working well**
4. Deliver our **integrated banker experience**

Judo's technology strategy centres on supporting human relationships. We are focused on using technology to enable banker and customer relationships, which is our real competitive advantage.

We have a purpose-built, modern, cloud-based, flexible technology stack and we leverage adoptive technology principles. Cloud-based modern technology offers a cost advantage, and this, combined with the absence of decades of legacy systems, means our technology costs less to run.

As our business has grown, our technology strategy has evolved. Judo started with small investments in technology, as our preference was to focus our capital on establishing our relationship bank, recruiting bankers and proving our customer value proposition in market.

Our technology was largely outsourced to providers. While this model worked for the early stage of our development, as we are now scaling, we are optimising technology by balancing:

- economics of outsourcing;
- the criticality of building an in-house knowledge base; and
- the ability to build what differentiates us.

Data and insights are also central to achieving our long-term strategic goals. Our data strategy focuses on empowering bankers and customers. Our cloud-based data platform is scalable and built to deliver reporting, insights and advanced analytics that aims to deliver capabilities to bankers and enable them to scale their portfolios. We are giving bankers access to insights to make their lives easier, help them get things done for their customers and help them prioritise.

Beyond our relationship banking team, we are also empowering our team members right across Judo. We believe in a distributed data model, with security, that enables teams within Judo to access the data and insights they need to do their jobs more effectively and efficiently.

While we have an ambitious technology and data agenda, we've already had a number of successes in FY23:

- We designed, built and commenced the rollout of a new digital platform that will enable additional self-service for our Lending and Deposits customers, both enhancing their experience with Judo and freeing up banker and support teams to focus on more complex inquiries.
- We redesigned the origination experience for our Direct Deposit customers and built and deployed four new Deposit products for self-managed super funds (SMSF) and business customers.
- We continued to enhance the tools and systems that our Relationship Bankers use to originate and service customers, eliminating manual tasks around annual reviews and loan contracts in favour of time spent with our customers.
- We rebuilt our entire data platform in-house at a total cost of under $3 million and now have a single data platform for seamless data creation and consumption.

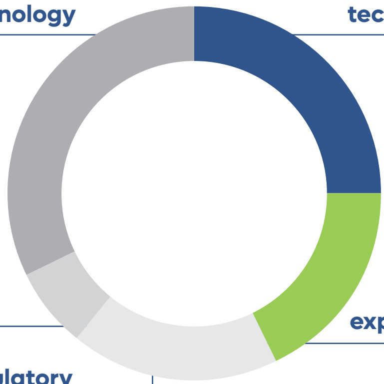
We are investing to scale, making investments in both existing and new technologies, data platform and insights, digital experiences and risk and compliance.

These investments aim to unlock significant efficiencies across the bank.

Progress on delivery of these initiatives, and the value they generate are components of the 'Judo Grows' performance scorecard as described in the Remuneration Report in section 1.2.

Expected CAPEX investment of ~$100million over five years from IPO

Indicative profile of investment spend
Per investment theme



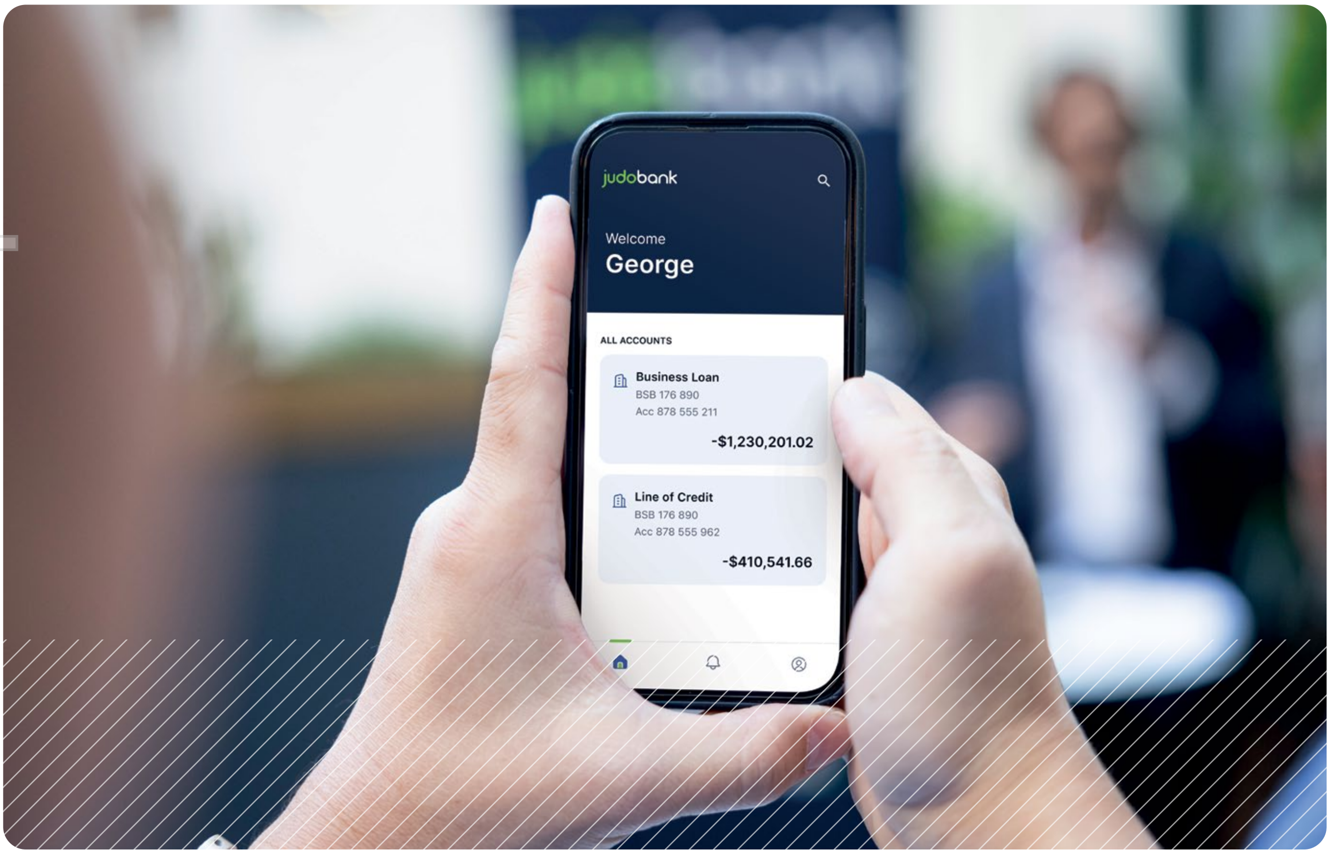
New technology
- Workflow tools to deliver on process optimisation across the bank
- Customer relationship management to provide bankers with a 360° customer view and lead-management tools
- Enterprise resource planning including new general ledger, HR and employee planning

Existing technology
- Adding functionality to our origination platform
- Upgrades to existing platforms such as core banking
- Uplifting payment capability

Regulatory and compliance
- Build and maintain functionality required as an ADI (e.g. open banking)
- Ongoing investments in information security

Digital experience
- Enable customer self-service
- Digital banking and mobile app rollout, and incremental feature build

Data platform and insights
- Single data platform for seamless data creation and consumption
- Data insights to facilitate higher quality interactions between bankers and customers
- Credit decisioning and monitoring capabilities



Our people and culture

- Ranked #1 Top Company by LinkedIn
- 123 Relationship Bankers at 30 June 2023
- Celebrated 74 internal promotions and career moves
- Women hold 33% of senior leadership roles, up 2 percentage points
- A new Melbourne office – Sydney to follow
- Grew by 78 team members (+17%)

Think outside the bank.

No legacy, no limit

Think outside the bank

In FY23 we launched our new employee value proposition (EVP), which articulates the essence of the Judo culture, based on our team's experience of working with us. This bank was built from the ground up and we've made sure to cultivate a space where bureaucracy can be challenged, processes can be questioned, and new thinking can be embraced. While 'Think outside the bank' is a statement, it's also an invitation to our team now and in the future. To think different, somewhere different.

CUSTOMER OBSESSED

BIAS FOR ACTION

A culture that sets us apart

We believe our unique culture is a key competitive advantage.

Judo is founder-led, with strong founder involvement at the Board and management levels. Relationships are at the very core of everything we do. Our organisational architecture has been designed to support this, through our team-based operating model and performance targets, which mean we work and win as one team.

We hand select people who are passionate about supporting SMEs through relationship-led banking, and who operate with an owner's mindset at all levels of our business, which we embed through equity ownership as a key remuneration principle.

We are so proud of our culture that this year we launched the **Judo Engagement Month**, a truly market-differentiated induction program, which allows all new team members to immerse themselves in the Judo culture, before launching into their role.

We also know that great cultures aren't set and forget. Our engagement tracking tool, **Judo Employee Delight Index**, measures energy, mood and commitment of our team weekly.

This way, in near real time, we have our finger on the pulse of how our people are feeling and what actions and changes we can quickly take to keep our high engagement.

We win together

We firmly believe that culture eats strategy for breakfast, lunch and dinner and the most important investment we can make is in our people. This year, we were awarded the #1 ranking in LinkedIn's Top Companies Australia.

Judo also ranked #4 in the Banking, Superannuation and Financial Services category of the AFR BOSS Best Places to Work awards.

Being recognised as the best place to grow your career in Australia, and as one of Australia's best places to work, is a testament to our incredible team and the work they do to support each other and our valued customers.

"We're all here to build a world-class SME business bank, so if you join us, know that you'll be part of building something unique. Also, joining our team will be a game changer for your career."

Jessica Lantieri | Chief People and Culture Officer, Judo Bank

Investing in our people through Judo U

Judo U is our promise to our people. It articulates what shapes their unique experience at Judo. It sets out our key people initiatives and programs and the ways we invest in our people, helping them to grow, thrive and belong.

judo u

Putting U in Judo.

u grow

Supporting you to perform, develop and expand your career.

We are passionate about hiring among the best Relationship Bankers in the industry and empowering them to apply judgement and make decisions that best serve our customers. We know we attract some of the very best, because each banker that joins us is required to pass a stringent credit test as part of our standard recruitment process. And once they're with us, we invest in developing and growing them through our bespoke development program, the **Judo Way of Banking**. We also invest in the next generation of Judo Relationship Bankers, through our **J Factor** development program, accelerating Analyst to Relationship Banker promotions.

u thrive

Backing you to live your best life, inside and outside of work.

At Judo, our people's health, wellbeing and happiness are our highest priority. We are committed to providing a safe and healthy environment for all our team members and everyone else who may visit our workplace or who might be affected by our work. In FY23, we reviewed our **Health, Safety and Wellbeing** policy, information and resources, and continued to invest in our partnerships with The Mindroom and Headspace.

We want to support our people to live their best lives. Our **Flex@Judo** policy ensures they have the option to work in a flexible way, while balancing the needs of our teams, culture and customers.

We also offer **industry-leading benefits and perks**, that include six weeks of annual leave, educational assistance, an annual 'happiness allowance'* and wellbeing workshops.

* $750 allowance to spend on health, family, community or personal development initiatives.

u belong

Nurturing an inclusive culture where everyone belongs.

As a challenger bank we welcome new ideas every day and thrive on tackling things differently – and we know that diversity of people, experience and thought helps us to do just that.

Our **Inclusion, Equity and Diversity** (IE&D) vision is that Judo is a place where everyone feels like they belong – a place where our people and our customers thrive because our unique differences make us collectively stronger.

To support this vision, in partnership with our people we defined three strategic IE&D pillars:

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**

To progress our IE&D strategy in FY23, we launched our **Belong@Judo Network**, an employee-led initiative to inform, celebrate and promote diversity in all its forms across the organisation.

Judo continues to advocate for equality, and we were pleased to introduce enhancements to our parental leave policy, such as paid superannuation on any unpaid portion of parental leave. We also formally integrated a gender pay review into our remuneration review processes and introduced manager training to minimise unconscious bias and maximise inclusion in the way we work.

We submitted our annual compliance report to the Workplace Gender Equality Agency.

> "The culture here is very collaborative and inclusive. There is a sense of belonging that empowers our teams to confidently bring their whole selves to work and challenge the status quo."

Aaron Browne | Belong@Judo Network co-lead, Judo Bank

Diversity targets

As part of our IE&D strategy, we continue working towards our measurable targets for gender diversity by the end of FY26, which are:

- 40% women;
- 40% men; and
- 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 2023:

- women held 43% of Board positions (no change from FY22);
- women held 33% of senior leadership roles* including on the Management Board (31% as of 30 June 2022); and
- women accounted for 37% of Judo's entire workforce (no change from FY22).

* 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 communities

Giving back to the communities we live and work in is important to us.

In FY23 we launched the **Andrew Gibson Award** in partnership with the University of Melbourne. This award is in honour and tribute to Andrew's legacy at Judo as someone who role modelled a passion for helping others achieve their potential, and has been designed to develop future talent in the community and reflect Andrew's passion for developing others.

Judo is proud to make donations to community-giving projects and causes that our people are passionate about, through matching employee donations up to an aggregate amount.

This year, we became a Food Security Champion for the Asylum Seeker Resource Centre (ASRC) in Melbourne. Our donation drive supported the ASRC's Foodbank in supplying groceries to around 1,000 people every fortnight.

Volunteering

We encourage our people to support local communities through paid volunteering leave. We are incredibly proud of our teams who got out into the communities in FY23 to give back.

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.

Funding and liquidity are our strengths

Term Deposits

Term Deposits remain the cornerstone of Judo's funding strategy, with a long-term goal of 70% to 75% of total assets to be funded through this channel.

Judo is licensed as an ADI from APRA, with depositors at Judo Bank covered by the Australian Government Guarantee (Guarantee) for up to $250,000 per account holder. A high proportion of Judo's Term Deposit balances are fully covered by this Guarantee, with the deposit book well diversified across customer groups, channels and tenors.

Judo's specialist business model means the bank can sustainably offer market-leading Term Deposit pricing. By only lending to SMEs, Judo can offer Term Deposit customers higher rates versus competitors who lend more to lower-margin segments including as mortgages. Further, Judo only needs to achieve approximately 2% share of the $1.1 trillion[1] invested in term deposits in Australia to achieve its at-scale loan growth targets.

Judo's Term Deposit offering is becoming well known in the market, having won several independent deposit industry awards over the past four years and maintaining a NPS well above industry averages. These factors have supported improved new business and retention rates.

Judo's deposits grew by $1.9 billion in FY23 to reach $6.0 billion at 30 June 2023, reflecting increasing brand strength and competitive pricing. The majority of growth was from Direct Term Deposits and Intermediated SMSF/Retail Term Deposits. This growth was supported by Judo's expansion into new products including Direct SMSF and Direct Business Term Deposits.

Wholesale funding

Wholesale funding is an important part of Judo's funding strategy, providing greater diversity and surety. Over the longer term, wholesale funding is expected to represent 15 to 20% of total funding.

Judo has achieved several key milestones in its treasury activities in FY23, against a backdrop of significant market volatility including overseas banking failures and general market uncertainty from rising rates.

Judo has now proven its ability to access largely the same wholesale funding sources available to much older, more established banks. As a result, Judo now has a range of wholesale funding facilities in place, including warehouse funding, senior unsecured bonds, hybrid capital instruments and Negotiable Certificate of Deposits (NCDs).

Judo has $3 billion of total committed warehouse capacity (which includes a new $500 million facility signed in July 2023), with funders including four international banks, three domestic banks and the Australian Office of Financial Management (which issues securities on behalf of the Australian Government). Our committed warehouse facilities provide a significant amount of flexibility as Judo manages its repayment of the Reserve Bank of Australia's Term Funding Facility[2] (TFF) by 30 June 2024, and to provide ongoing certainty of funding.

Key funding milestones in FY23 included Judo executing its inaugural public senior unsecured benchmark deal in September 2022, raising $200 million, and in June 2023, raising $65 million through a Tier 2 transaction that further optimised and diversified the capital structure.

Liquidity

Judo continues to maintain significant liquidity buffers, with a Minimum Liquidity Holdings (MLH) ratio of 19.1% at 30 June 2023, well above Board targets. Liquid assets include Australian Commonwealth Government Securities, Semi-Government securities, ADI debt securities and cash/cash equivalents.

1. March 2023 quarter APRA ADI statistics.
2. As part of the comprehensive policy response to the effects of the pandemic, the RBA established the TFF to offer low-cost three-year funding to ADIs. The facility closed to new drawdowns on 30 June 2021, at which time $188 billion of funding was outstanding. Judo's drawn balance is $2.86billion.

Our approach to risk management

Everyone at Judo is a risk manager

Judo has a dynamic and disciplined approach to risk management. As Judo continues to chart its course, during FY23 we refreshed our Risk Management Framework (RMF) with a focus on helping teams effectively manage applicable risks.

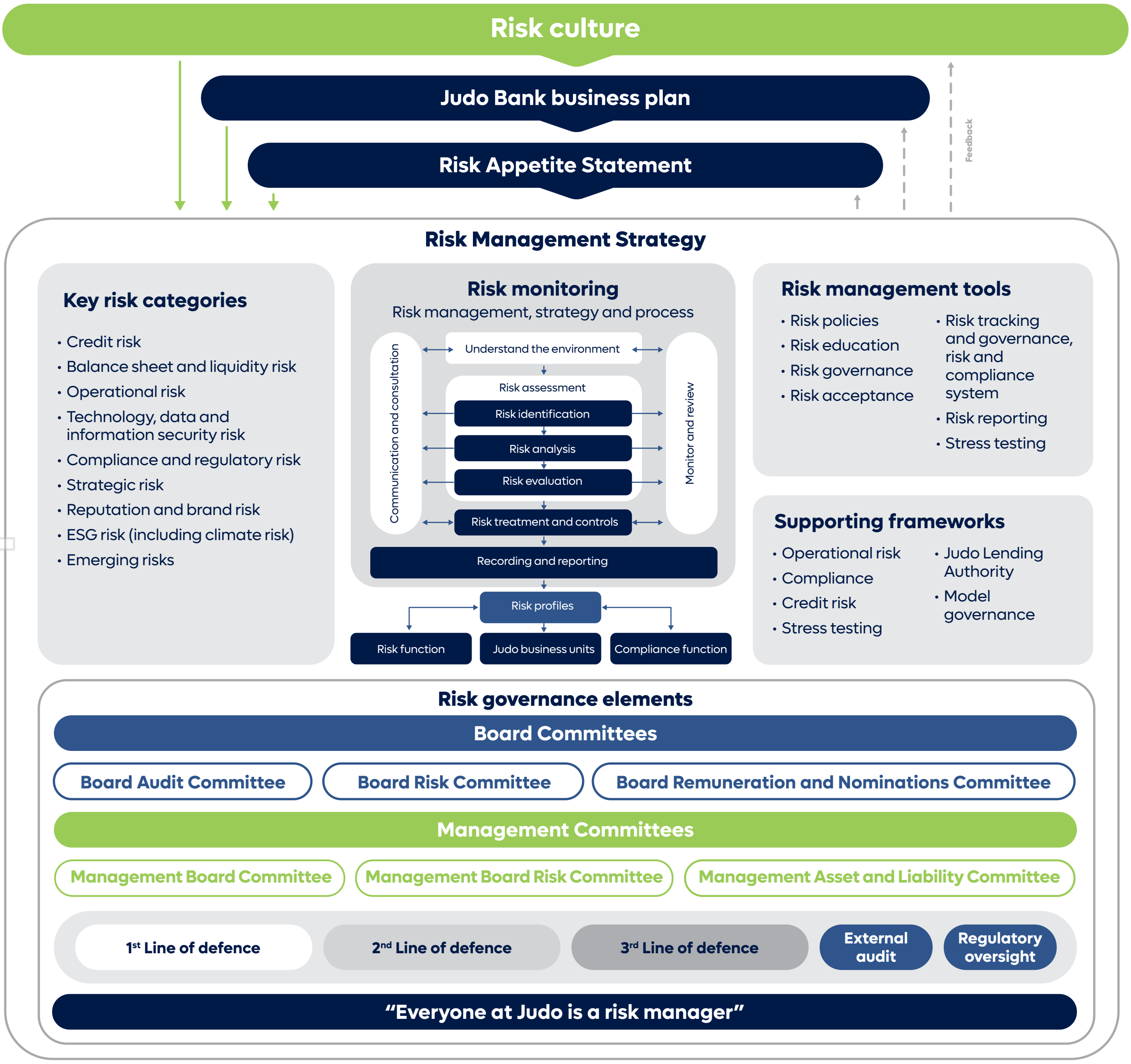
Judo's approach to managing risk is executed in accordance with our RMF. Having a positive and healthy risk culture is a core component of Judo's framework and the most important aspect of Judo's operating model. We believe every team member is a risk manager, and each business division at Judo is fully accountable for risk performance, supported by a strong internal culture of 'review and challenge'.

We further strengthened business decisions through the introduction of comprehensive assessments of material risks, conducted throughout the year.

With the development of new data platforms, we continued to enhance the accuracy and completeness of our regulatory reporting.

To reinforce our risk culture, we continued our investment in learning and development, especially with new team members. The ongoing development of a positive risk culture was supported by an externally commissioned report.

Judo Bank Risk Management Framework



Operating and Financial Review continued

We further expanded Judo's first- and second-line risk capability by expanding the workforce in a targeted fashion to onboard the skills and experience the business required. This allowed us to support growth in lending, deposits, funding and treasury assets as well as delivery of technology projects achieved through the year.

With the expansion of our Agribusiness and Health specialisations this year, we delivered amendments to credit policies that provided our banker teams with empowerment and simplification, in service of our customers.

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

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

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

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 table below outlines the key risks[1] impacting our business in alphabetical order, and the approach to managing them.

Risk	Description	Management of risk
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 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, the Internal Capital Adequacy Assessment Process and supporting policies, risk settings and minimum liquidity and capital requirements as detailed in the applicable regulatory standards.
Conduct risk	Conduct risk relates to the possibility of mis-selling 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 employees (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 4Cs – robust 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 service providers' technology platforms or applications.	Judo maintains robust defences 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 risk	This risk relates to the potential occurrence of 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 and has a dedicated anti-fraud function.
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.
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. Judo's set of Risk Management Frameworks and policies are aimed at managing other key risks that may affect reputation risk.

1. The key risks disclosed in the table above do not present all risks to Judo. The risks included are assessed to the material business risks that could adversely affect the achievement of the financial performance or financial outcomes described.

Risk	Description	Management of risk
Strategic risk	Strategic risk includes the risk associated with the strategic choices made by Judo and its 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.
Technology risks	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.

Sustainability risks including climate change

Sustainability risks include those related to climate change impacts, mitigation and adaptation, environmental management practices, working and safety conditions, respect for human rights, anti-bribery and corruption practices, and compliance with relevant laws and regulations for Judo and our value chain.

Sustainability risks are present throughout Judo's key risk types and managed under our RMF. In FY23 we identified Judo's material ESG topics and commenced work to incorporate management of these topics across the impacted key risks. In FY23 we:

- finalised our ESG Credit Risk Guidance to assist in the identification, assessment, and mitigation of sustainability credit-related risks; and
- updated Supplier Management Policies to assist in identifying, assessing and mitigating operational sustainability risk.

Refer to page 47 for material ESG topics.

Judo has commenced work to identify and assess sustainability risks as they emerge and incorporate the management and mitigation of these risks across our key risks as appropriate. Our refreshed RMF guides our approach to risk management, including how we identify, analyse and evaluate sustainability related risks for Judo. Our RMS will continue to guide the process for monitoring sustainability related risks while we build capability and capacity to qualitatively and quantitively assess the potential impact of material ESG topics and other emerging sustainability risks.

Keeping our business cyber safe

As Judo scales its operations, we are also scaling and maturing our information security capabilities, processes and solutions.

In the ever-changing cybersecurity environment, we understand the importance of continually monitoring for vulnerabilities and quickly deploying the required mitigations to reduce and prevent the impacts of security incidents. We maintain internal policies and procedures to identify, manage and respond to cybersecurity incidents, both within Judo as well as our operating environment including:

- Judo's Information Security Policy Framework, and related policies to articulate how we protect our information systems, users and customers from potential security breaches; and
- IT incident and event policy and associated procedures to respond to data, cyber or technology incidents.

Judo continuously monitors the external threat environment through several key alliances with the Australian Cyber Security Centre, Financial Services Information Sharing and Analysis Centre, and third-party threat intelligence providers that provide early warning of emerging cyberthreats.

Judo has adopted a continuous improvement approach to maturing its "Zero Trust" security architecture and leverages investments in market- leading cybersecurity solutions to support its cloud-first technology strategy.

As part of our annual security program, we continue to test and update our business continuity and disaster recovery plans in order to maintain the operational resilience of critical platforms in the face of unexpected events.

Our security program continues to mature and includes a regular schedule of security assurance activities, regular incident response exercises, employee education and awareness, information security control testing, security assurance initiatives, and regular review and hardening of security configurations to ensure Judo adapts to the evolving threat landscape.

Judo reviews its information security control framework against industry-accepted security control frameworks on an annual basis, and work has continued throughout the year to maintain alignment with regulatory standards.

During FY23, we are pleased to report that:

- 100% of our employees completed training on cybersecurity, data governance and customer privacy.
- We provided additional guidance to customers and prospective customers via our website: **judo.bank/help-hub/online-scammers** on how to spot and deal with phishing scams.

We continually reassess the security of our third-party suppliers in line with Judo's cybersecurity policies, practices and risk appetite.

Sustainability

For Judo, sustainability means supporting our customers on their journey to be more sustainable, in turn helping us to build a more resilient bank that operates sustainably for the long term.

Our underlying beliefs

Sustainability of our customers

We believe in supporting our customers to be sustainable both now and into the future. We have continued to support customers through our hardship policies and through support of the Federal Government's SME Guarantee Scheme and SME Recovery Loan Schemes.

Supporting our SME customers extends to supporting them through their transition journey. Our first focus is on climate change and the risks for Australian SMEs. We intend to support our customers by leveraging our unique relationship-led banking model to deliver sustainable outcomes for customers in a way that makes sense for their business. We recognise every SME is different, and our Sustainability Strategy reflects an approach that is as unique to our customers as our customers are to the economy.

Inclusion, equity and diversity

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

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.

Judo's climate change-related risks present both at an organisational and customer level. We have worked to understand our climate change-related risks as an ADI throughout the year through the measurement and identification of emissions sources, and development of an Emissions Reduction Plan.

As an ADI with a cloud-based technology platform, the risks relating to climate change for our business predominantly present in our customer portfolio. Our priority for our Sustainability Strategy is helping our SME customers understand and mitigate their own climate-related risks, which will then inform a deeper understanding of our portfolio-level risks.

Financial inclusion

We believe that all Australian SMEs deserve to have access to financial services to help grow their business. We know that Australian SMEs have been underserved in an industrialised banking market that has de-prioritised relationship-led banking.

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*.

"As we grow, achieving greater sustainability for us and our customers is a key focus area across all parts of our business"

Yien Hong | General Counsel and Company Secretary, Judo Bank

Sustainability continued

Key highlights for FY23 include:

- **Finalising our ESG Credit Risk Guidance (Guidance):** to assist Relationship Bankers and Analysts in the identification, assessment and mitigation of ESG-related risks when considering transactions.
- **Launch of our SME Business Activity Report:** in partnership with S&P Global, our monthly report and SMEconomics website give SMEs up-to-date economic insights and emerging trends across the SME business sector.
- **Appointing an independent third-party adviser to assess our Scope 3 GHG (Greenhouse Gas) emissions for suppliers and customers:** the preliminary dataset will be available to Judo in early FY24.
- **Regular meetings and oversight by our dedicated ESG Working Group,** comprising a cross-functional team including members of the Management Board, Credit Risk, Risk, Product, Relationship, Finance, Agribusiness, Corporate Affairs, Governance and Legal teams.
- **Forming our dedicated ESG Committee,** comprising the Chief Risk Officer, Chief Relationship Officer and the General Counsel and Company Secretary, with the final decision-making power in relation to transactions or customers with negative or complex ESG-related risk factors.
- **Appointing a dedicated Sustainability Manager.**

Material ESG topics

Judo engaged an independent third-party adviser to assist in our inaugural materiality assessment to identify material ESG topics to us and our stakeholders that could have a positive or negative impact on society and the environment. Our material ESG topics focus on how we can protect and create value for all our stakeholders across the short, medium and long term, and inform our strategic initiatives for the coming financial year.

Our material topics will change and evolve, as will the priority topics based on changing stakeholder views, the regulatory and reporting environment, and Judo's operating environment. We aim to perform a comprehensive materiality assessment at least every three years, supported by annual reviews of our current material topics based on internal and external publications and stakeholder feedback.

Our approach to materiality

Desktop review

Judo's materiality assessment included a review of key internal and external documents, including emerging sustainability standards, frameworks, regulatory guidance and requirements, Judo's RMF and relevant risk policies, and other industry, media or peer publications.

Stakeholder engagement

Internal and external stakeholder interviews were conducted by our independent third-party adviser to gain insights into stakeholder perceptions and priorities for Sustainability at Judo.

Consultation and validation

Potential material topics identified were tabled before, and discussed by, the ESG Working Group for consideration and validation.

Prioritisation

The top material topics identified for Judo were scored on:

- potential impact to Judo, based on desktop review and internal consultation; and
- stakeholder priority, based on independent third-party advisor interviews.

Judo's top five material ESG topics for FY23 identified through our inaugural material assessment are:

Material topic	Judo definition
Climate risk	Identifying, mitigating, monitoring and disclosing the impact of physical and transitional climate-related risks on Judo as a commercial entity, and on our customers.
Ethical banking	Judo's ability to influence both positive and negative social and environmental externalities through lending practices.
Digital and cybersecurity	The safety and privacy of our customer, employee and supplier data, including protecting personal and financial data against cyberthreats and harnessing new technologies to improve business processes and continuously improve our customer experience.
Supporting SMEs	Supporting SMEs is core to our purpose. Supporting SMEs for Judo is supporting the development and economic viability of our customers now and into the future.
Conduct and ethics	Building and maintaining a culture of integrity, transparency and accountability at all levels within Judo. We see conduct and ethics as underpinning robust governance practices, ethical decision-making, and operating in an inclusive and equitable environment.

Governance

Sustainability governance is incorporated within Judo's existing governance structures with the Board having ultimate responsibility for oversight and management. Sustainability was recognised as a priority for the Board in FY23. Refer to our approach to corporate governance for further details of Judo's governance structures on page 56.

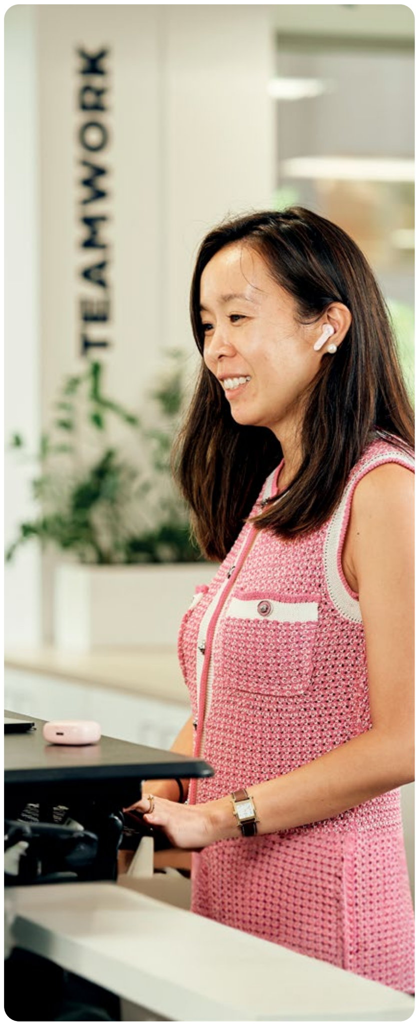
As an emerging area of focus, the Board, Management Board, and Board and Management Board Committees are supplemented by:

- The ESG Working Group, comprising members from across the organisation, who meet at least quarterly to assess and manage Judo's material ESG topics or other risks and opportunities as they arise, deriving the ESG Credit Risk Guidance and planning ESG events and training.
- The ESG Committee, established to provide oversight and review of credit origination and review in line with our ESG Credit Risk Guidance.

The Management Board Committee is updated on a regular basis on the implementation of Judo's sustainability priorities. The Board also receives quarterly updates on these priorities as well as completing deep dives into specific areas of ESG.

Risk management

Risks associated with ESG across our customers and our portfolio are embedded into Judo's RMF. For details on how these risks are incorporated into Judo's RMF, and the management of sustainability risks, refer to Key Risks in this report, page 41.



Metrics and targets

As our most material ESG topic, climate risk metrics and targets related to it have been a focus for FY23. FY24, and beyond, will involve refining metrics and targets for all material ESG topic areas.

Climate risk

Being an agile, digitally enabled challenger bank without physical bank branches, Judo has a relatively low-carbon operational footprint for an ADI. With the assistance of Ndevr Environmental, an independent third-party advisor, in FY21 and FY22 we mapped our operational Scope 1 and 2 and value chain (non-financed) Scope 3 GHG emissions. During FY24 we intend to report FY23 and FY24 metrics as we begin to align with IFRS S2 requirements.

Year	Total operational carbon footprint (total tCO_2e[1])
FY21	5,630
FY22	4,580

The above metrics were calculated based on the GHG Accounting Principles under the global GHG Protocol and were determined using an operational control approach. In each case, no direct emissions (Scope 1) were identified for Judo. A relevance test was undertaken to identify all other relevant indirect emissions (Scope 3).

The reduction of emissions in FY22 is the result of enhancements made to the collection and reporting of our operational and value chain emissions.

Our operational and value chain (non-financed) emissions are as follows:

tCo_2e[1]	30 June 2022	30 June 2021	Year-on-year (YoY) change
Scope 1	0	0	0%
Scope 2			
Electricity (market-based)	142	172	↓17%
Scope 3			
Purchased goods and services	3,616	4,833	↓25%
Waste generated in operations	69	78	↓12%
Upstream transportation and distribution	3	79	↓96%
Business travel	295	92	↑221%
Employee commuting	439	356	↑23%
Electricity (market-based)	16	20	↓20%
Total operational carbon footprint (market-based)	**4,580**	**5,630**	**↓19%**

In line with the GHG Protocol, our electricity emissions have been calculated on market-based and location-based criteria:

Electricity emissions tCo_2e[1]	30 June 2022	30 June 2021	YoY change
Market-based			
Scope 2	142	172	↓17%
Scope 3	16	20	↓20%
Total market-based	**158**	**192**	**↓18%**
Location-based			
Scope 2	216	223	↓3%
Scope 3	24	27	↓11%
Total location-based	**240**	**250**	**↓4%**

1. Tonnes of CO_2e or carbon dioxide equivalent.

Calculation of emissions from purchased goods and services is based on primary and secondary data sources. Where primary data was not available, the spend-based method was used to estimate emissions. Using this method, spending on goods and services is multiplied by supplier-specific emissions intensity (preferred approach) or industry average emissions factors.

Judo relied heavily on estimates[1] in FY21 due to data availability. Increased availability of public data in FY22 does not represent a methodology change for Judo, hence FY21 reported figures have not been recalculated. The accuracy of reported emissions is expected to improve in future periods as more supplier specific information becomes available to Judo. Where there is a material change in Judo's methodology or the granularity of available data, Judo will report these changes.

Judo saw an increase in emissions as a result of:

- **Employee commuting** increase in full-time equivalent employees (FTE) of 45% YoY has driven a corresponding increase in employee commuting with a return to the office post-pandemic. This increase is offset by a decrease in working-from-home (WFH) emissions. After successive COVID-19 lockdowns and significant portions of FY21 involving team members WFH, WFH emissions reduced in FY22 in line with employees returning to the office.
- **Business travel** has increased YoY due to a return to post-pandemic levels of business travel. FY21 was impacted by COVID-19 travel restrictions, and business travel was lower than FY22 as a result. As a relationship-led bank, business travel is unavoidable for Judo. Building a genuine relationship with our customers is core to our purpose, which means prioritising face-to-face interactions with our customers as standard. Visiting customer premises helps our bankers deeply understand customers' businesses and is core to our unique credit assessment process.

We recognise the impact business travel has on our emissions, and Judo is working to reduce these emissions wherever possible. These updates will begin to have an impact for the FY24 reporting year.

Judo's reported emissions boundary increased from FY21 – FY22 including:

- FTE increase (FY22: 465, FY21: 320).
- Increase in operational facilities (FY22: 17, FY21: 14), including the addition of new offices in Bendigo, Parramatta, and Toowoomba.

No other changes were made to Judo's reported YoY emissions boundary.

1. Estimates in accordance with the GHG protocol and industry-based emissions factors sourced from the National Greenhouse Accounts or other alternative reputable sources.

Emissions Reduction Plan

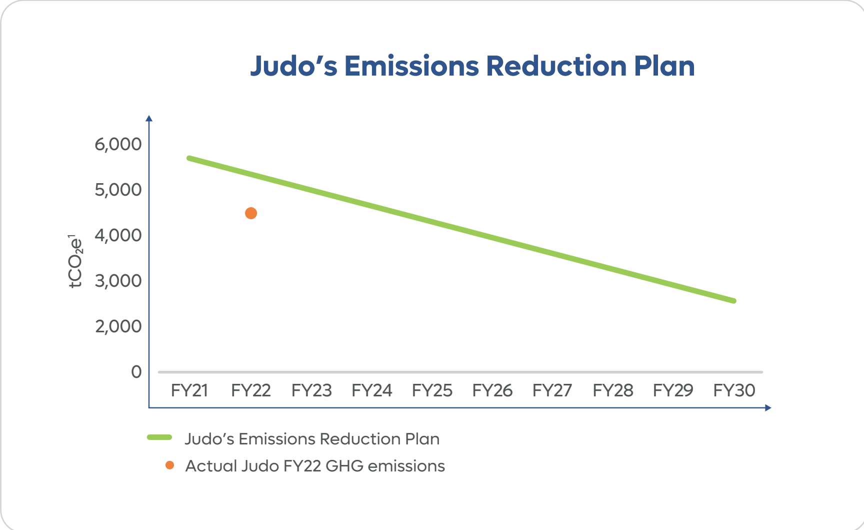
Judo recognises that the primary means of affecting GHG reductions is through our SME customers. While we work towards reporting our financed emissions in FY24, we are also committed to reducing our operational and value chain emissions.

The Judo Emissions Reduction Plan (operational and value chain) has been developed by reference to a 42% linear reduction per annum over 10 years to 2030, considering best practice international frameworks, such as the Science Based Targets Initiative (SBTi) recommended emissions scenario of a 1.5° global warming trajectory. Our Emissions Reduction Plan includes both Scope 2 and Scope 3 operational and value chain emissions (non-financed emissions).

Judo's Emissions Reduction Plan includes 100% of our Scope 2 and 3 operational and supplier emissions (non-financed emissions), based on FY21 emissions of 5,630 tCO_2e[1] as our base year. The FY21 base is used as the first year Judo calculated and reported GHG emissions. Judo's Emissions Reduction Plan is represented in the graph on the right as Judo's emissions trajectory. Our actual emissions for FY22 are plotted against the trajectory.

We are committed to emissions reduction in line with internationally accepted climate science, and also committed to reducing emissions to support the ongoing decarbonisation of the communities in which we operate. We will continually review historical emissions data gathered to 2030, and our Emissions Reduction Plan will be adjusted, over time, to reflect a decrease in emissions.

We plan to achieve these targets through a combination of supplier selection, engagement and internal policy updates. We will continually review our Emissions Reduction Plan and targets, and update these in ways that are meaningful to Judo and the wider community.



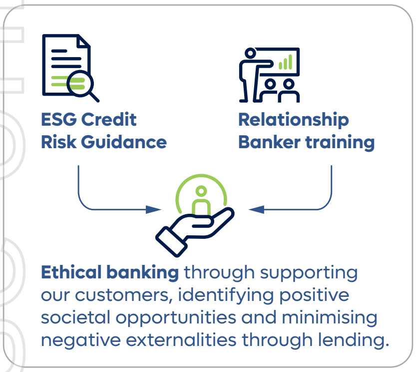
Our Emissions Reduction Plan will be measured against the following metrics:

Metric	Target
42% reduction in Judo's (including supplier) operational emissions	**2030**
Purchase of 100% renewable energy for Judo's offices	**2030**
50% reduction in supplier emissions attributable to Judo	**2030**
65% reduction in business travel emissions	**2030**

1. Tonnes of CO_2e or carbon dioxide equivalent.

Ethical banking

Ethical banking, for Judo, is the ability to influence both positive and negative social and environmental externalities through lending practices.



Finalising our ESG Credit Risk Guidance (Guidance) in FY23 to assist our Relationship Bankers and Analysts in the identification, assessment and mitigation of ESG-related risks when considering credit transactions at the individual customer or transactional level was an important step, supporting our bankers in understanding Judo's ESG values. The Guidance is the foundation for our ESG credit risk screening and oversight processes that we will apply to each prospective customer, and for 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. The Guidance contains a mechanism to escalate particular customers or transactions with negative or complex ESG-related risk factors to our ESG Committee.

ESG-specific training is commencing with our Relationship Bankers in early FY24 to upskill our customer-facing specialists in the application of the Guidance and identification of customer ESG risks and opportunities. FY24 and beyond will focus on continued risk mitigation across our portfolio, and identification of ESG opportunities for our customers, and across our community.

Industry exposure

As a unique pure-play specialist SME business lender, we are less exposed to heavy emissions industries than other commercial banks. Despite this, we are committed to understanding the climate risks and opportunities in our loan portfolio. We are working with an independent third-party adviser to estimate our financed emissions for reporting in FY24. Data availability and accuracy are especially challenging for Judo, with our unique pool of customers, which is why we are seeking bespoke emissions estimations utilising specific customer data (where available) and detailed industry insights specific to SMEs to aid in building a more accurate picture of our financed emissions.

To bolster our understanding of climate risks and opportunities in our lending portfolio, financed emissions estimations are supplemented by climate risk and opportunity assessments by an independent third-party adviser. We will utilise these to further inform Judo's environmental strategy in reducing our emissions and perform scenario analysis as required by the IFRS Sustainability standards.

GLA as at 30 June 2023 were $9 billion.

As at 30 June 2023, Judo had no direct lending to:

- Extractive mining, including coal mining, oil and gas extraction and metal ore mining[1].
- Fossil fuel electricity generation, transmission, distribution, or retail[2].
- Manufacturing or distribution of weapons including chemical, biological, or nuclear weapons, or components, landmines and cluster munitions[3].

As at 30 June, Judo's total exposure to:

- Other electricity generation[4] was 0.02% of total outstanding loans and comprised solely of renewable energy or sustainable energy transition activities.
- Oil and gas supply and distribution[5] was 0.01% of our total outstanding loans.

Digital and cybersecurity

We take the privacy of our customers', prospective customers' and suppliers' personal information seriously. We maintain a publicly available privacy policy (reviewed and significantly refreshed in FY23) that sets out how Judo Bank 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.

For more on how we secure and protect customer data and personal information, please refer to page 42 of this Report.

Supporting SMEs

Our relationship-centric approach to lending allows us to take a bespoke approach to each customer. Our highly experienced Relationship Bankers deeply understand each customer, making tailored, judgement-based lending decisions which support SME businesses, and Judo's ESG program. We are committed to building the understanding of ESG risks and opportunities through targeted, SME-specific ESG banker training throughout FY24. We are exploring ways in which Judo can assist our customers, and the wider SME community, adapt and respond to pressing sustainability challenges, including climate risks and opportunities.

Judo's customers are primarily Australian citizens, Australian permanent residents, or Australian tax resident entities. Judo does not maintain any operations in foreign jurisdictions.

1. Refers to ANZSIC Industry Subcodes 6-8 (600-809 inclusive).
2. Refers to ANZSIC codes 2611, 2620, 2630 and 2640.
3. Firearms (broadly, portable guns) are not included within the definition of weapons for the purpose of disclosure. Firearms manufacture, wholesale and retail are considered under Judo's ESG Credit Risk Guidance. No ANZSIC codes directly refer to weapons manufacture, wholesale or retail. The disclosure is based on a review of credit portfolio and compliance with our ESG Credit Risk Guidance.
4. Refers to ANZSIC code 2619.
5. Refers to ANZSIC code 2700.

Conduct and ethics

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. Everyone at Judo is a 'risk manager' and everyone is accountable for effectively implementing the RMF.

During FY23 we are pleased to report

100%	Of Judo FTE completed mandatory compliance training.
0 (zero)	Whistleblower reports through our independent whistleblowing service.
$0	Donations to a political party or associated body[1].
$0	Losses as a result of legal proceedings associated with fraud, insider trading, antitrust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations.

The Judo Code

At Judo, we aspire to excellent personal and professional conduct, doing the right thing by our customers and our team members, establishing trusted relationships and behaving in the right way, not only in the office, but at all times. The Judo Code sets out the expectations on how we work together – from making decisions, to addressing problems, to how we conduct ourselves. It applies to everyone at Judo – Directors, leaders, team members and temporary employees. Everyone is expected to comply with the Code. The Judo Code, and our Values, are available on our website: judo.bank/corporate-governance.

Whistleblowing

Judo encourages its employees to speak up about improper conduct and commits to ensuring that our people can do so without fear of intimidation, disadvantage or reprisal. This allows us to detect and address wrongdoing as soon as possible. Our Whistleblower Policy sets out our commitment to 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. Our Whistleblower Policy is available on the Judo website: judo.bank/corporate-governance.

Whistleblowing at Judo is enabled through various channels. Our independent whistleblower service is the preferred method of disclosure to support the protection and anonymity of disclosure. The service is available 24/7 by phone, email, website or dedicated app.

Human rights and modern slavery

In addition to our strong IE&D focus, 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 and are 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;
- 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; and
- do business with like-minded organisations that uphold human rights and seek to prevent modern slavery.

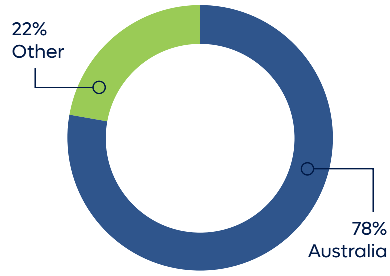
In FY23, Judo lodged its second Modern Slavery Statement as required under the *Modern Slavery Act 2018* (Cth).

Supply chain

Robust governance for Judo extends to those we seek to engage with. As at 30 June 2023, our supply chain comprises 202 first-tier direct suppliers, with 157 of these (approximately 78%) headquartered in Australia with the remaining 45 suppliers (approximately 22%) headquartered or based in:

- New Zealand;
- the United States of America;
- the United Kingdom;
- Germany;
- Switzerland;
- Canada;
- Singapore; and
- Sweden.

Tier 1 Suppliers



Throughout FY23, we undertook a detailed program of work including 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. Any supplier located, or that Judo is reasonably aware has operations or subcontractors, in any high-risk or medium-risk countries as defined by the United Nations Environment Programme Finance Initiative must be pre-vetted before the relevant agreement is executed. Depending on the nature of the service and the supplier, enhanced due diligence is required prior to entering supply agreements.

We have updated our standard supplier contracts with anti–modern slavery contractual provisions, as far as practicable, and begun to regularly monitor our largest and most significant suppliers through annual modern slavery and ESG questionaries.

1. In the table above, "associated body" includes elected member, group, candidate, associated entity or third-party campaigner.

Judo's commitment

We are committed to continuing to embed our material ESG topics into Judo's business strategy, objectives and operations in the short, medium and long term. We have a comprehensive FY24 plan to operationalise and deliver against our climate risk objectives outlined above. For FY24, we will continue to develop a detailed roadmap against our material ESG topics over the short to medium term.

We are cognisant of the rapidly evolving regulatory landscape for sustainability and climate-related risks. In preparation for the implementation of the International Financial Reporting Standards (IFRS) S1 *General Requirements for Disclosure of Sustainability-Related Financial Information* and S2 *Climate-related Disclosure Requirements*, we are working with an independent third-party adviser to assist us in determining a roadmap for compliance by FY25.

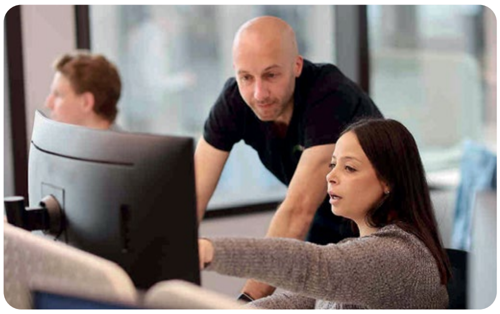
"We know that more and more people place values and ESG at the core of their investment decisions. Judo is committed to action and ensuring ESG remains high on our agenda."

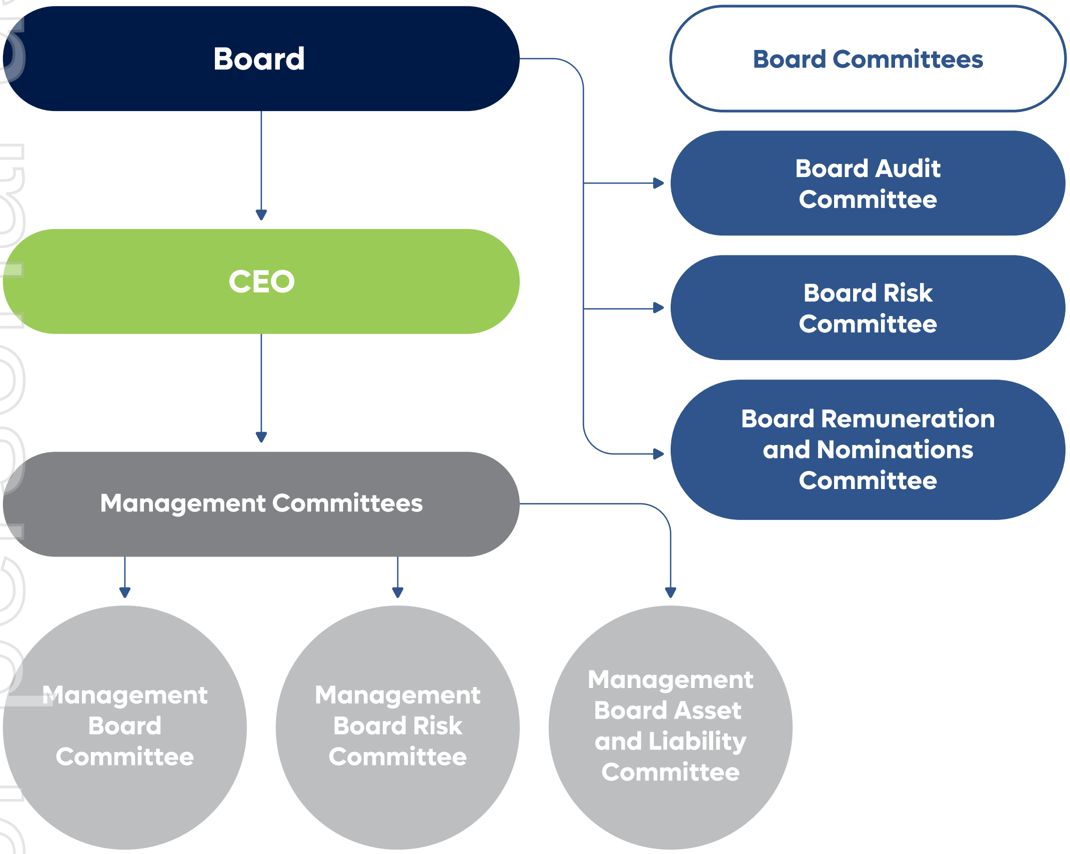
Andrew Leslie | Chief Financial Officer, Judo Bank

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 closely 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.





Board responsibilities

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

a) Approving and monitoring delivery of Judo's business strategy and its financial objectives.

b) Approving annual budgets and financial statements and capital management of Judo.

c) Overseeing operational and financial performance of Judo.

d) Assessing Judo's risk culture and the extent to which the risk culture supports the ability of Judo to operate consistently within Judo's Risk Appetite Statement (RAS).

e) Approving and monitoring effective operation of Judo's RMF, RMS and RAS.

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: judo.bank/corporate-governance.

	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 Relationship Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief People and Culture Officer, Chief Third-Party Officer, Chief Marketing Officer[1] and the General Counsel and Company Secretary.

Judo has three Management Committees: the Management Board Committee, the Management Board Risk Committee, and the Management Board 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 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.

Management Board Asset and Liability Committee

The Management Board Asset and Liability Committee 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.

1. The Chief Marketing Officer departed Judo on 21 July 2023 and the core responsibilities of this role has subsequently been reallocated to the Deputy CEO and Chief Relationship Officer.

Board priorities

During FY23, the following key areas were priorities for the Judo Board:

- Continuing delivery of Judo's key business metrics at scale, including oversight of the strategic delivery portfolio.
- Ongoing monitoring of the external economic environment and the impacts to Judo's risk profile.
- Judo's funding and liquidity position to support growth.
- Ongoing monitoring of the external cybersecurity threat landscape and ensuring processes are in place to manage this increasing threat, including compliance with regulatory obligations.
- Maintaining strong relationships with all regulators, including direct engagement with APRA.
- Continuing to embed Judo's Risk Culture Framework.
- Continuing to evolve Judo's ESG Strategy and oversight of Judo's sustainability-related risks and opportunities.

Board composition and renewal

Judo's Board currently has seven Directors. The Constitution requires a minimum of three and not more than nine Directors (not including Alternates). Directors must retire from office at the third annual general meeting (AGM) after their election or last re-election and may seek re-election.

The following Directors were re-elected at the 2022 AGM:

- Peter Hodgson
- Manda Trautwein
- Mette Schepers

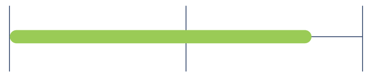
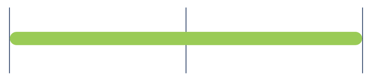
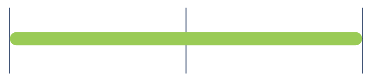
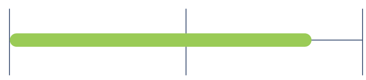
Further details regarding the skills and experience of all Judo Directors are outlined in the Directors' Report.

The Board and the Board Committees have a formal succession plan in place and regularly consider their skills and experience relative to the needs of the Company.

Board skills and experience

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

Board skills and experience as at 30 June 2023

Skills and experience	Description	Collective experience
Relevant industry experience	Experience working in a senior role in the commercial banking sector, strong understanding of the economic drivers and the regulatory environment which have an impact on Judo and its customers.	 Limited Some Extensive
Small business and start-up experience	Experience working in or acting in an advisory role to the small business sector and start-up organisations. Understanding of key issues facing these sectors and a proven capacity as an advocate for small businesses for whom Judo is a key partner.	 Limited Some Extensive
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.	 Limited Some Extensive
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.	 Limited Some Extensive
Strategy and performance	Experience developing and delivering on growth plans and strategic direction to support Judo's purpose to be Australia's 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.	 Limited Some Extensive
Transformation, digital technology and data	Experience in delivery and oversight of technology strategies, technology risk and technology transformation programs, including in utilising digital technology and data (and the associated risks, e.g. cyber).	 Limited Some Extensive
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.	 Limited Some Extensive
Ownership mindset	Experience in taking an owner's mindset approach and the continuous exercise of critical, independent thinking to avoid bureaucracy.	 Limited Some Extensive
Environment and social	Understanding potential risks and opportunities from an environmental and social perspective relevant to a challenger bank focused on the SME market.	 Limited Some Extensive

Financial Performance

1.0 FY23 Results Overview

Profit before tax (PBT)
$108m
FY22: $16m[1]

Gross Loans & Advances (GLA)
$9bn
FY22: $6bn

Total deposits
$6bn
FY22: $4bn

Underlying net interest margin (NIM)[2]
3.53%
FY22: 2.79%

CTI ratio
54%
FY22: 76%[1]

Total provision coverage (GLA %)
1.21%
FY22: 0.91%

Common Equity Tier 1 ratio (CET1)
16.7%
FY22: 20.5%

Return on equity (ROE)
5.1%
FY22: 0.7%[1]

1. Refer to basis of preparation on page 2 for more information on prior year comparative figures.
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 on page 63 of this Report (section 2.3).

1.1 FY23 results summary

Judo has delivered another year of strong financial and operational performance in FY23, achieving or exceeding all of its FY23 guidance targets. Judo remains well on track to achieve its stated key business metrics at scale.

Profit before tax for FY23 was $107.5 million, up from pro forma $15.6 million, driven by continued strong lending growth and higher underlying net interest margin (Underlying NIM)[1], demonstrating the significant operating leverage the business has as the loan book continues to grow.

Net interest income (NII) was $347.6 million, up 105 per cent from $169.8 million, driven by an increase in gross loans and advances and an increase in Underlying NIM[1].

GLA at 30 June 2023 were $8.9 billion, up 46 per cent from $6.1 billion, with growth across all lending products and geographies underpinned by Judo's strong customer value proposition and workforce of experienced Relationship Bankers.

Funding continued to strengthen and diversify during the year. Judo's Term Deposit base increased by $1.9 billion to $6.0 billion. The bank has also evolved and matured its wholesale funding profile, including increasing its committed warehouse funding capacity to $3 billion. This includes a new $500 million facility executed in July 2023.

Underlying NIM[1] was 3.53 per cent, up 74 basis points (bps) from 2.79 per cent, driven by favourable deposit pricing[2] and the increased benefit of fixed rate TFF funding and equity in a rising rate environment, more than offsetting a modest decline in lending margins. Underlying NIM adjusts for the impact of Judo's TFF preservation strategy. The Underlying NIM calculation is described in detail in section 2.3 of this Report.

NIM was 3.29 per cent, up 121 bps from 2.08 per cent. Drivers of NIM are the same as Underlying NIM, plus the impact of the TFF preservation strategy. The variance between NIM and Underlying NIM of 24 bps reflects the relatively low yield achieved on the excess treasury securities collateralising the preserved component of the TFF.

Operating expenses were $190.9 million, up 45 per cent from $132.0 million, driven by continued recruitment and growth-related expenditure, and the impact of inflation.

CTI was 54 per cent, a 22 percentage point improvement from 76 per cent, driven by strong net interest income growth and the emerging leverage of Judo's operating model across both people and technology.

Credit impairment expense was $54.6 million, up 115 per cent from $25.4 million, reflecting lending book growth, an increase in impaired loans off a low base as Judo's lending portfolio seasons, as well as changes to Judo's expectations for the macroeconomic outlook. Write-offs for FY23 were limited at $0.3 million driven by a partial write-off of a single customer group.

Expected credit losses (ECL) provisions on loans and advances increased to $107.5 million, up 95 per cent from $55.2 million. Collective provisioning increased from $53.5 million to $88.7 million, driven by growth in the loan book, changes in expectations for the economic outlook, and increased overlays. Specific provisioning increased from $1.7 million to $18.8 million due to an increase in impaired customers from a low base.

Capital remained strong with a CET1 ratio of 16.7 per cent, down 3.8 per cent from 20.5 per cent, driven by the growth in lending assets and the lending pipeline, offset by organic capital generation and the impact of revised prudential capital standards providing a one-off benefit.

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. On an effective hedged basis. Judo's approach to treasury management of interest rate risk is detailed in section 2.7.

2.0 Analyst Pack

2.1 Income statement[1]

	Year to			Half year to		
	Jun-23 $M	**Jun-22 $M**	**YoY %**	**Jun-23 $M**	**Dec-22 $M**	**HoH %**
Interest income	574.2	221.9	159%	332.4	241.8	37%
Interest expense	(226.6)	(52.1)	large	(147.8)	(78.8)	88%
Net interest income	**347.6**	**169.8**	**105%**	**184.6**	**163.0**	**13%**
Other operating income	5.4	3.2	69%	3.2	2.2	45%
Net banking income	**353.0**	**173.0**	**104%**	**187.8**	**165.2**	**14%**
Employee benefits expense	(119.3)	(79.5)	50%	(63.0)	(56.3)	12%
Other expenses	(71.6)	(52.5)	36%	(38.2)	(33.4)	14%
Total operating expenses	**(190.9)**	**(132.0)**	**45%**	**(101.2)**	**(89.7)**	**13%**
Net profit before impairment	**162.1**	**41.0**	**large**	**86.6**	**75.5**	**15%**
Impairment	(54.6)	(25.4)	115%	(32.3)	(22.3)	45%
Net profit before tax	**107.5**	**15.6**	**large**	**54.3**	**53.2**	**2%**
Income tax expense	(34.1)	(6.5)	large	(17.0)	(17.1)	(0%)
Net profit after tax	**73.4**	**9.1**	**large**	**37.3**	**36.1**	**3%**

2.2 Operating metrics[1]

	Year to			Half year to		
	Jun-23 $M	**Jun-22 $M**	**YoY %**	**Jun-23 $M**	**Dec-22 $M**	**HoH %**
GLA						
GLA (end of period)	8,908	6,092	46%	8,908	7,485	19%
GLA (average)	7,410	4,773	55%	8,050	6,781	19%
Performance						
Net interest margin (%)	3.29%	2.08%	121 bps	3.34%	3.23%	11 bps
Underlying NIM (%)	3.53%	2.79%	74 bps	3.49%	3.56%	(7 bps)
Cost-to-income ratio (%)	54.1%	76.3%	(22.2%)	53.9%	54.3%	(0.4%)
Capital adequacy						
Total risk-weighted assets (RWA)	8,179	6,311	30%	8,179	7,734	6%
Average risk weight (RW) on lending (%)	76%	83%	(710 bps)	76%	84%	(810 bps)
Common Equity Tier 1 capital ratio (%)	16.7%	20.5%	(380 bps)	16.7%	17.3%	(60 bps)
Total capital ratio (%)	18.9%	21.9%	(300 bps)	18.9%	18.6%	30 bps
Asset quality						
Impairment expense on average GLA	0.74%	0.53%	20 bps	0.87%	0.66%	21 bps
Losses ratio (%)	0.00%	0.11%	(11 bps)	0.00%	0.00%	0 bps
Collective provision/GLA (%)	1.00%	0.88%	12 bps	1.00%	0.98%	2 bps
Specific provision/GLA (%)	0.21%	0.03%	18 bps	0.21%	0.06%	15 bps
Total provision/GLA (%)	1.21%	0.91%	30 bps	1.21%	1.04%	17 bps
Operations (end of period)						
Total staff	543	465	17%	543	518	5%
Number of Relationship Bankers	123	115	7%	123	125	(2%)

1. Certain metrics include the impact of pro forma adjustments in FY22. Refer to Basis of Preparation on page 2 for more information on prior year comparative figures.

2.3 Net interest income

	Year to			Half year to		
	Jun-23 $M	**Jun-22 $M**	**YoY %**	**Jun-23 $M**	**Dec-22 $M**	**HoH %**
Interest income	574.2	221.9	159%	332.4	241.8	37%
Interest expense	(226.6)	(52.1)	large	(147.8)	(78.8)	88%
Net interest income	**347.6**	**169.8**	**105%**	**184.6**	**163.0**	**13%**
Average GLA	7,410	4,773	55%	8,050	6,781	19%
Average trading and investment securities	3,145	3,406	(8%)	3,083	3,222	(4%)
Average interest earning assets	**10,555**	**8,179**	**29%**	**11,133**	**10,003**	**11%**
Net interest margin (%)	3.29%	2.08%	121 bps	3.34%	3.23%	11 bps
Underlying NIM (%)	3.53%	2.79%	74 bps	3.49%	3.56%	(7 bps)
Yield on treasury assets (%)	2.10%	0.25%	185 bps	2.67%	1.55%	112 bps

Net interest income

Net interest income (NII) of $348 million increased by 105 per cent. 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 RBA; and
- less debt and deposit-related establishment fees, commission expenses and line fees.

Average interest earning assets

Average interest earning assets increased to $10.6 billion, up 29 per cent.

Average gross loans and advances increased to $7.4 billion, up 55 per cent, discussed in more detail in section 2.6.

Average trading and investment securities reduced to $3.1 billion, down 8 per cent, due to the replacement of treasury securities with self-securitisation assets as part of Judo's use of the RBA's TFF.

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 the 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 TFF, which was established as part of the RBA's policy response to the pandemic. The TFF offers low-cost funding to ADIs to support lending to businesses. The RBA requires lenders to collateralise their TFF funding with eligible securities, including self-securitisation assets and other instruments. At the time the TFF was established, Judo did not have sufficient lending assets to collateralise its full TFF limit with self-securitisation notes. Judo subsequently 'preserved' an amount of TFF funding using treasury securities as collateral. These treasury securities have been progressively replaced with self-securitisation assets as Judo's lending book has grown.

At 30 June 2023, the amount of TFF collateralised with self-securitisation assets was $2.25 billion, out of Judo's total available TFF funding of $2.83 billion.

Judo's 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 the RBA's TFF, which is 10 bps, but excludes the temporary impact of excess treasury assets, which are relatively low yielding.

Judo does not intend to report Underlying NIM during FY24, given Judo has now reached peak self-securitisation on its TFF balance and the focus is now on repayment of the TFF. In addition, at 30 June 2023 Underlying NIM and NIM measures had largely converged, in comparison to these metrics during the prior reporting period.

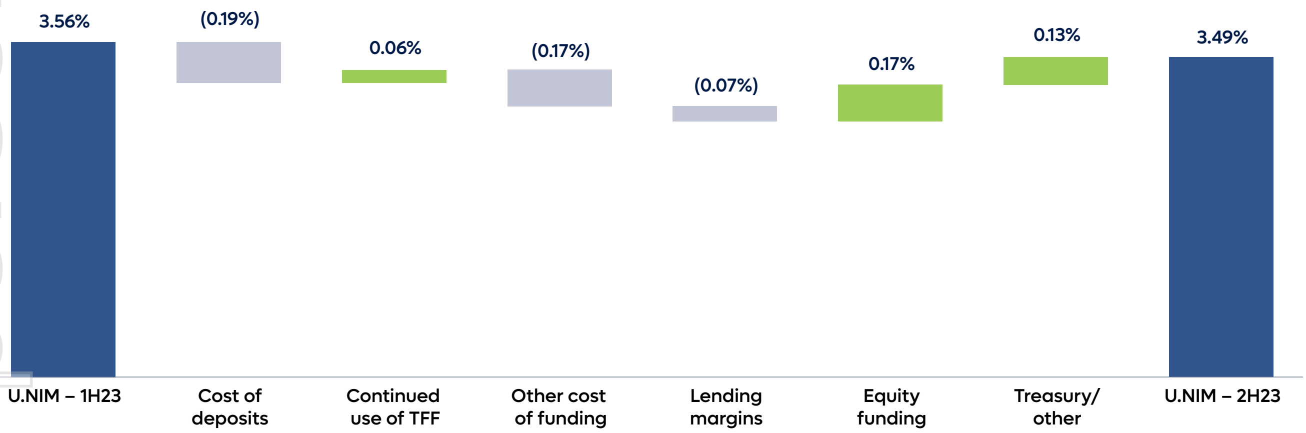
Underlying NIM

For FY23, underlying NIM was 3.53 per cent, an increase of 74 bps, primarily driven by favourable deposit pricing and the increased benefit of fixed rate TFF funding and equity in a rising rate environment.

Underlying NIM for the second half of FY23 was 3.49 per cent, a decrease of 7 bps from 3.56 per cent in 1H23. The key drivers of the movement are outlined below.

- Cost of deposits contributed a 19 bps decrease in Underlying NIM, reflecting the higher cost of new and existing deposits on a hedged basis over the half. While new deposits were originated at a margin of 74 bps over Bank Bill Swap Rates (BBSW), this was still under our through-the-cycle assumption of 80-90 bps over BBSW.
- Other cost of funding contributed a 17 bps decrease, predominantly reflecting a higher drawn warehouse balance and the impact of commitment fees on warehouse funding limits.
- Lending margins contributed a 7 bps decrease, due to heightened market competition for business lending and proactive repricing of customer facilities as their risk profiles improve.

Over the half, the TFF contributed 6 bps increase and equity contributed 17 bps increase, reflecting the benefit of rising rates on fixed rate funding. Treasury/other contributed a 13 bps increase reflecting lower liquidity and favourable funding mix over the half.



NIM

For FY23, NIM was 3.29 per cent, an increase of 122 bps, from 2.08 per cent. Over the half, NIM increased from 3.23 per cent to 3.34 per cent.

Drivers of NIM are the same as Underlying NIM, plus the impact of the TFF preservation strategy. The variance between FY23 NIM and Underlying NIM was 24 bps, as a result of the relatively low yield achieved on the excess treasury securities collateralising the preserved component of the TFF.

2.4 Other operating income

	Year to			Half year to		
	Jun-23 $M	**Jun-22 $M**	**YoY %**	**Jun-23 $M**	**Dec-22 $M**	**HoH %**
Fee income[1]	2.9	1.9	53%	1.7	1.2	42%
Other income[1]	2.5	1.3	92%	1.5	1.0	50%
Total other operating income	**5.4**	**3.2**	**69%**	**3.2**	**2.2**	**45%**

Other operating income consists of Fee income and Other income.

- Fee income is derived from fees charged on Bank Guarantee products and undrawn Lines of Credit.
- Other income includes mandate fees, Term Deposit break fees and other one-off items.

Other operating income in the current period was $5.4 million, an increase of 69 per cent. The drivers of growth included fees from continued increase in Bank Guarantee and undrawn Line of Credit products, and an increase in Term Deposits break fees.

1. Term Deposit break fees have been reclassified from Fee income to Other income in FY23, consistent with the financial statements presentation. Prior period comparatives have been restated to align with the current period presentation.

2.5 Operating expenses[1]

	Year to			Half year to		
	Jun-23 $M	Jun-22 $M	YoY %	Jun-23 $M	Dec-22 $M	HoH %
Employee benefits expense	119.3	79.5	50%	63.0	56.3	12%
IT expense	24.6	18.4	34%	14.2	10.4	37%
Marketing expense	8.1	5.8	40%	5.1	3.0	70%
Occupancy and depreciation	7.2	4.6	57%	4.0	3.2	25%
Intangibles amortisation	4.7	3.5	34%	2.9	1.8	61%
Other expenses	27.0	20.2	34%	12.0	15.0	(20%)
Total operating expenses	**190.9**	**132.0**	**45%**	**101.2**	**89.7**	**13%**
Total FTEs	543	465	17%	543	518	5%
Average FTEs	509	374	36%	529	491	8%
Total Relationship Bankers	123	115	7%	123	125	(2%)
CTI (%)	54.1%	76.3%	(22.2%)	53.9%	54.3%	(0.4%)

Operating expenses were $190.9 million, up 45 per cent from FY22. CTI fell 22 percentage points to 54.1 per cent, with revenue continuing to grow more rapidly than expenses as operational leverage continued to be demonstrated.

Employee benefits expense increased 50 per cent to $119.3 million due to:

- continued recruitment during the year and the full-period impact of recruitment completed during FY22. Total FTE grew by 17 per cent to 543; however, timing of recruitment meant that average FTE count increased by 36 per cent;
- full-year cost of the incentive programs introduced in November 2021, with these programs pro-rated for a partial year (50 per cent) in FY22; and
- some wage inflation was observed, particularly for specialist roles.

IT expense increased to $24.6 million, largely due to growth in software licences and IT equipment costs.

Amortisation of intangible IT assets increased to $4.7 million. Several projects expanding the banker lending platform were completed and commenced amortisation during FY23.

Marketing expense was $8.1 million, a 40 per cent increase due to continued level of brand awareness marketing and an increase in deposit marketing expense.

Other expenses were $27.0 million, up 34 per cent. This reflects growing organisational scale and impact of inflation on a number of expense categories, particularly cost of travel and entertainment to support banker engagement with customers.

1. Certain metrics include the impact of pro forma adjustments in FY22. Refer to Basis of Preparation on page 2 for more information on prior year comparative figures.

2.6 Gross loans and advances

Gross loans and advances were $8,908 million, an increase of 46 per cent from FY22. This has been supported by growing banker portfolios, 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. The geographical mix has seen growth skew moderately away from the larger states of New South Wales and Victoria due to the continued expansion into other states off a smaller footprint.

GLA by product

	Jun-23 $M	Dec-22 $M	Jun-22 $M	Jun-23 % GLA	Dec-22 % of GLA	Jun-22 % GLA
Business Loans	6,807	5,793	4,716	76%	77%	77%
Equipment Loans	582	466	380	7%	6%	6%
Line of Credit	570	457	374	6%	7%	7%
Home Loans	949	770	622	11%	10%	10%
Gross loans and advances	**8,908**	**7,485**	**6,092**	**100%**	**100%**	**100%**
Allowance for credit losses	(108)	(78)	(55)			
Total loans and advances	**8,800**	**7,408**	**6,037**			

GLA by geography

	Jun-23 $M	Dec-22 $M	Jun-22 $M	Jun-23 % GLA	Dec-22 % GLA	Jun-22 % GLA
New South Wales	3,498	3,005	2,498	39%	40%	41%
Victoria	2,734	2,407	2,071	31%	32%	34%
Queensland	1,396	1,102	853	16%	15%	14%
Western Australia	808	588	487	9%	8%	8%
Other	472	383	183	5%	5%	3%
Gross loans and advances	**8,908**	**7,485**	**6,092**	**100%**	**100%**	**100%**

GLA by industry

	Jun-23	Dec-22	Jun-22	YoY %	HoH %
Rental, hiring and real estate services	27%	27%	26%	1%	0%
Property operators (property investment)	*22%*	*22%*	*22%*	*0%*	*0%*
Other rental, hiring and real estate services	*5%*	*5%*	*4%*	*1%*	*0%*
Accommodation and food services	10%	10%	9%	1%	0%
Manufacturing	7%	8%	8%	(1%)	(1%)
Retail trade	7%	8%	8%	(1%)	(1%)
Construction	7%	7%	7%	0%	0%
Financial and insurance services	5%	6%	6%	(1%)	(1%)
Wholesale trade	4%	5%	5%	(1%)	(1%)
Professional, scientific and technical services	5%	4%	4%	1%	1%
Health care and social assistance	4%	3%	3%	1%	1%
Transport, postal and warehousing	3%	3%	2%	1%	0%
Residential mortgage	11%	10%	10%	1%	1%
Other	10%	10%	12%	(2%)	0%
Gross loans and advances	**100%**	**100%**	**100%**	**0%**	**0%**

2.7 Funding

	Jun-23 $M	Dec-22 $M	Jun-22 $M	YoY %	HoH %
Customer deposits					
Direct Term Deposits	3,930	3,271	2,346	68%	20%
Intermediated SMSF/Retail Term Deposits	1,495	1,476	1,123	33%	1%
Intermediated Middle Markets Term Deposits	530	512	622	(15%)	4%
Total customer deposits	**5,955**	**5,259**	**4,091**	**46%**	**13%**
Wholesale funding					
TFF self-securitisation drawn	2,252	2,276	1,536	47%	(1%)
Warehouse facilities	868	402	317	174%	116%
Senior unsecured debt	200	200	80	150%	0%
Tier 2 subordinated debt	115	50	50	130%	130%
NCDs	327	459	332	(2%)	(29%)
Total wholesale funding	**3,762**	**3,387**	**2,315**	**63%**	**11%**
Other					
TFF preserved component	580	584	1,324	(56%)	(1%)
Repurchase agreements	170	20	196	(13%)	large
Total other	**750**	**604**	**1,520**	**(51%)**	**24%**
Total funding	**10,467**	**9,251**	**7,926**	**32%**	**13%**
Customer deposits – average tenor at origination (days)					
Direct Term Deposits	515	474	458		
Intermediated SMSF/Retail Term Deposits	294	284	277		
Intermediated Middle Markets Term Deposits	274	285	281		

Funding sources and strategy

Judo has established diversified sources of funding in the form of deposits and wholesale funding to support growth in the loan book. The funding strategy has remained unchanged in FY23, based on the following key elements:

- achieving surety of funding sources to support Judo's growth strategy;
- attaining diversified sources of funding by product, tenor and channel;
- managing funding risk, including maturity profile and counterparty concentrations; and
- optimising the cost of funds.

Judo actively manages its exposure to interest rate risk by entering into interest rate swaps. The swaps effectively match the cash flow of the bank's lending and funding payments, so that both are floating over the one-month BBSW (1m BBSW). This reduces volatility in Judo's realised NIM during periods of movement in the 1m BBSW.

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 cash flows floating over the 1m BBSW.

Judo's hedging policy is centred around a tenor-based approach which comprises:

- six to 12-month Term Deposit tenors representing the core components of the hedging program and reflect the majority of Term Deposit origination volumes;
- zero to five-month funding tenors present lower interest rate risk and are largely left unhedged; and
- 12-month+ tenors represent a low proportion of the Term Deposit book and act as a natural hedge against the longer-dated Asset Finance loan book and fixed rate liquidity portfolio.

As of 30 June 2023, 74 per cent of our deposit book, 35 per cent of the TFF and 100 per cent of our senior unsecured funding had been hedged back to the 1m BBSW. This translates to 65 per cent of the total funding stack now on floating rates, compared to 76 per cent of assets on floating rates.

Deposits

Judo's deposits over the year grew by $1.9 billion to $6.0 billion. The growth predominantly came from the direct channel, driven by growth in Direct Retail Term Deposits underpinned by Judo's strengthening customer value proposition, evidenced by a net promotor score of +60 over FY23. Judo's two new direct channels – direct SMSF and direct Business – have both contributed steady growth since being established. The Intermediated SMSF/Retail channel has also grown strongly over the year, albeit to a lesser extent than the direct channel.

Judo has progressively reduced its concentration to Intermediated Middle Market Term Deposits in response to increased competitive pressure in this channel through the period. The shift in deposit mix demonstrates the bank's ability to dynamically access a range of different markets in order to optimise cost of funds while also balancing other strategic objectives of surety, tenor and diversity.

Pricing for Judo's new Term Deposits throughout the year of 60 bps remained below the bank's through-the-cycle assumption being an average of 80-90 bps over the 1m BBSW. New Term Deposit pricing in the first half of FY23 was 47 bps over the 1m BBSW and in the second half of FY23 was 74 bps over 1m BBSW.

Wholesale funding

During FY23, Judo continued to evolve and mature its wholesale funding profile and has now largely demonstrated its ability to access most of the same channels available to much larger banks.

Judo's TFF self-securitisation collateralised funding balance was $2.3 billion as at 30 June 2023, up from $1.5 billion. Judo has now shifted its focus to repayment of the TFF, and completed the first tranche of its TFF repayment in the second half of FY23.

Judo now has $3 billion of committed warehouse capacity, including a new $500 million facility signed in July 2023 with a large international financial institution. The drawn balance of the warehouses sits at $868 million as at 30 June 2023, leaving $2.1 billion of undrawn committed capacity (pro forma at 31 July), which provides a significant amount of flexibility and contingency as Judo manages through its TFF repayment period.

Judo executed its inaugural public senior unsecured benchmark deal in September 2022 that was well supported by fixed income investors, raising $175 million. A further $25 million private placement was also executed shortly thereafter.

In June 2023, Judo executed a $65 million Tier 2 transaction, increasing its Tier 2 capital stack to $115 million to further optimise and diversify the capital structure and support further lending growth.

NCDs remained largely flat over the year, reflecting the supplementary nature of this funding source.

2.8 Asset quality

Impairment on loans, advances and treasury investments

	Year to			Half year to		
	Jun-23 $M	Jun-22 $M	YoY %	Jun-23 $M	Dec-22 $M	HoH %
Impairment expense – specific	17.4	1.2	large	14.8	2.6	large
Impairment expense – collective	35.2	24.2	45%	15.5	19.7	(21%)
Impairment on loans and advances	**52.6**	**25.4**	**107%**	**30.3**	**22.3**	**36%**
Impairment on treasury investments – collective	2.0	0	N/A	2.0	0	N/A
Impairment on loans, advances and treasury investments	**54.6**	**25.4**	**115%**	**32.3**	**22.3**	**45%**
Impairment expense/average GLA (%)	0.74%	0.53%	21 bps	0.87%	0.66%	21 bps

Lending provisions and coverage

	Jun-23 $M	Dec-22 $M	Jun-22 $M	YoY %	HoH %
Specific provision – individually assessed ($M)	18.8	4.3	1.7	large	large
Collective provision ($M)	88.7	73.2	53.5	66%	21%
Total provisions ($M)	**107.5**	**77.5**	**55.2**	**95%**	**39%**
Specific provision/impaired assets (%)	36.3%	29.1%	25.2%	11.1%	7.25%
Total provisions/impaired assets (%)	206%	525%	594%	large	large
Specific provision/GLA (%)	0.21%	0.06%	0.03%	0.18%	0.15%
Collective provision/GLA (%)	1.00%	0.98%	0.88%	0.12%	0.02%
Total provisions/GLA (%)	1.21%	1.04%	0.91%	0.30%	0.17%
Total provisions/credit RWAs (%)	1.45%	1.11%	0.97%	0.48%	0.34%

Days past due ("DPD") and impaired assets

	Jun-23 $M	Dec-22 $M	Jun-22 $M	YoY %	HoH %
30-89 DPD but not impaired ($M)	45.2	26.1	20.4	122%	73%
90+ DPD but not impaired ($M)	45.0	13.0	0.7	large	large
Impaired assets ($M)	52.1	14.8	9.3	large	large
30+ DPD and impaired assets ($M)	**142.3**	**53.9**	**30.4**	**large**	**164%**
30-89 DPD but not impaired/GLA (%)	0.51%	0.35%	0.33%	0.18%	0.16%
90+ DPD but not impaired/GLA (%)	0.51%	0.17%	0.01%	0.50%	0.34%
Impaired assets/GLA (%)	0.58%	0.20%	0.15%	0.43%	0.38%
30+ DPD and impaired assets/GLA (%)	**1.60%**	**0.72%**	**0.49%**	**1.11%**	**0.88%**

Impairment on loans, advances and treasury investments

Impairment expenses for FY23 were $54.6 million, up from $25.4 million reflecting ongoing provision build due to growth in the loan book, incorporating a more conservative outlook for the economy, a small number of impaired assets driving higher specific provisions, and minimal write-offs.

Provision coverage

Total lending book provisions were $107.5 million as at 30 June 2023, up 95 per cent.

Total provision coverage was 1.21 per cent of GLA at 30 June 2023, an increase of 30 bps from 0.91 per cent at 30 June 2022.

Collective provision coverage increased by 12 bps, to 1.00 per cent of GLA.

Judo's collective provision was $88.7 million, up 66 per cent in FY23. The key drivers of the increase in the provision include:

- growth in the loan book, which results in an increase in forward-looking provisions under accounting standards;
- changes in the Judo's expectations for the economic outlook, which have resulted in an increase in the weighting towards its downside economic scenario, up 5 per cent to 30 per cent, and a corresponding reduction in the base case weighting of 5 per cent, to 50 per cent;
- the addition of a $5.0 million economic overlay, which has been raised for specific sectors considered more vulnerable to higher interest rates, high energy costs and inflation; and
- the release of other management overlays.

Judo's specific provision was $18.8 million, an increase of $17.1 million, due to a modest increase in new impaired customers in FY23.

Write-offs for FY23 were minimal, at $0.3 million, driven by a partial write-off of a single customer group.

Further detail on the process of measuring the group's ECL can be found in Note 11 (Provision for credit impairment) of these financial statements.

DPD and impaired assets

Judo's 30-89 DPD loans were $45.2 million or 0.51 per cent of GLA, an increase from 30 June 2022 of 18 bps.

Judo's 90+ DPD loans (but not impaired) were $45.0 million or 0.51 per cent of GLA, up 50 bps from 30 June 2022. As of 30 June 2023, there were 17 customer groups with loans 90+ DPD.

Judo's gross impaired assets to GLA was up 43 bps to 0.58 per cent during FY23, a net increase of $42.8 million due to new impaired customers. As of 30 June 2023, there were 17 customer groups in impaired status.

The increase in arrears and impaired assets predominantly came from sectors classified as vulnerable, including accommodation and food services, discretionary retail, arts and recreation services, manufacturing and construction[1]. Collective provisioning for these sectors taking into account the additional economic overlay raised during the year was 1.18 per cent, compared to 0.90 per cent for the rest of the portfolio. Judo has prudent specific provision coverage for impaired loans of 36.3 per cent.

1. Excluding the Asset Finance segment of the construction exposure not deemed as vulnerable.

2.9 Capital management and liquidity

Capital adequacy	Jun-23 $M	Dec-22 $M	Jun-22 $M	YoY %	HoH %
CET1 capital	1,366	1,336	1,292	6%	2%
Tier 2 capital instruments	115	50	50	130%	130%
General reserve for credit losses	68	49	40	69%	38%
Tier 2 capital	**183**	**99**	**90**	**103%**	**85%**
Total capital	**1,549**	**1,435**	**1,382**	**12%**	**8%**
Total credit RWAs ($M)	7,436	7,012	5,662	31%	6%
Total RWA ($M)	8,179	7,734	6,311	30%	6%
Average risk weight on lending (%)	76%	84%	83%	(710 bps)	(810 bps)
CET1 ratio (%)	16.7%	17.3%	20.5%	(380 bps)	(60 bps)
Total capital ratio (%)	18.9%	18.6%	21.9%	(300 bps)	30 bps

Liquidity	Jun-23 $M	Dec-22 $M	Jun-22 $M	YoY %	HoH %
Total liquid assets balance	3,143	3,238	3,126	1%	(3%)
Less: liquid assets ineligible for MLH	(980)	(826)	(1,657)	(41%)	19%
Total adjusted MLH balance	**2,163**	**2,412**	**1,469**	**47%**	**(10%)**
Total adjusted MLH balance (%)[1]	19.1%	23.9%	16.8%	230 bps	(480 bps)

Judo maintains strong capital levels in order to satisfy regulatory capital requirements and provide financial security to depositors while balancing adequate return to shareholders.

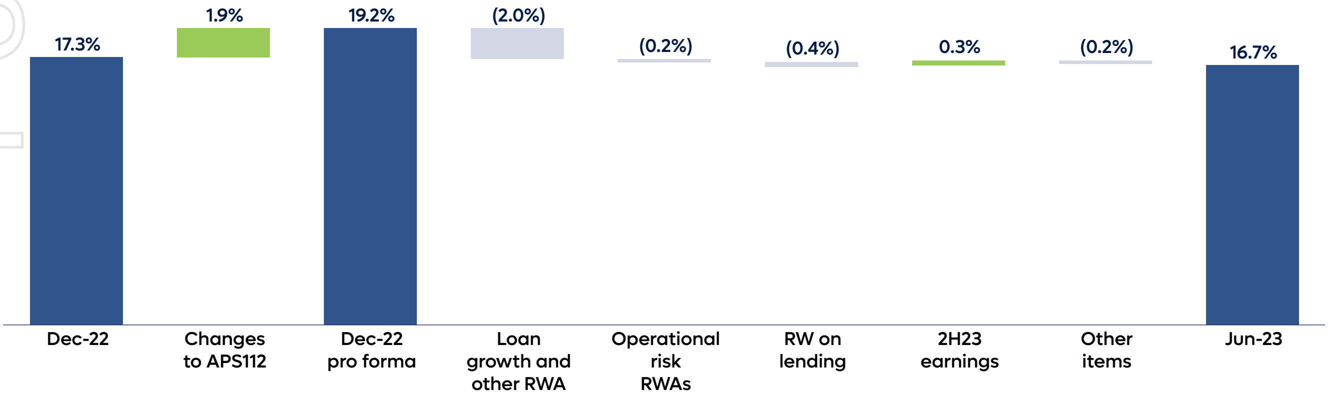
Judo's capital ratios throughout the year remained well above both APRA's minimum capital adequacy requirements and Board-approved thresholds.

Judo is a high-growth business, and the current dividend policy is to reinvest all cash flows and any excess capital generated by its activities into the business to support and maximise future growth. Accordingly, Judo does not expect to pay any dividends to shareholders in the near term.

Judo's MLH position at 30 June 2023 was 19.1 per cent, an increase of 2.3 per cent from 16.8 per cent at 30 June 2022. The average MLH across FY23 was 21.5 per cent, an increase from 19.6 per cent in FY22. Liquid assets ineligible for MLH reduced during FY23 due to replacement of part of the preserved component of the TFF.

CET1 waterfall – Dec 2022 to Jun 2023 (%)

As at 30 June 2023, the bank's CET1 ratio was 16.7 per cent, down 0.6 per cent from 17.3 per cent as at 31 December 2022. The key drivers of the movement were the lending growth across the second half of FY23 and changes to the APS 112 capital standard effective from 1 January 2023 that provided a reduction in risk weights on lending and a one-off 1.9 per cent CET1 benefit.



1. MLH ratio is specified liquid assets as a percentage of liabilities, per Prudential Standard APS 210.

2.10 Tax[1]

Effective tax rate	Year to Jun-23 $M	Jun-22 $M	YoY %	Half year to Jun-23 $M	Dec-22 $M	HoH %
Net profit/(loss) before tax	**107.5**	**15.6**	**large**	**54.3**	**53.2**	**2%**
At the corporate tax rate (30%)	32.3	4.7	large	16.3	16.0	2%
Add tax effect of:						
Share-based payments	1.0	0.9	11%	0.5	0.5	0%
Non-deductible expenses	0.2	0.1	100%	0.1	0.1	0%
Changes in estimates relating to prior years	0.6	0.8	(25%)	0.1	0.5	(80%)
Income tax expense	**34.1**	**6.5**	**large**	**17.0**	**17.1**	**(0%)**
Effective tax rate	32%	42%	(10%)	31%	32%	(1%)

Deferred tax	Jun-23 $M	Dec-22 $M	Jun-22 $M	YoY %	HoH %
Tax losses[1]	0	0	13.5	(100%)	N/A
Capital raising costs[2]	5.4	6.3	7.3	(26%)	(14%)
Share-based payments[3]	14.3	15.4	15.8	(9%)	(7%)
Allowance for credit losses[4]	33.0	23.4	16.7	98%	41%
Other[5]	11.2	5.4	5.2	115%	107%
Deferred tax assets	**63.9**	**50.5**	**58.5**	**9%**	**27%**
Other[5]	0	(0.4)	(1.9)	(100%)	(100%)
Deferred tax liabilities	**0**	**(0.4)**	**(1.9)**	**(100%)**	**(100%)**
Net deferred tax assets	**63.9**	**50.1**	**56.6**	**13%**	**28%**

Notes
1. Accumulated income tax losses available for use, to be applied against any future taxable income.
2. Capital raising costs are deductible over five years, commencing in the year they are incurred. Most of the capital raising costs were incurred in FY22.
3. Share-based payments includes the settlement of a legacy incentive plan, which is deductible over five years commencing in FY22, as well as the build-up of new employee incentive plans.
4. Credit losses are deductible when the associated asset is formally written off.
5. All other deferred tax balances reflect temporary differences between the accounting and tax treatment, which are expected to unwind as the tax benefits/liabilities are realised.

Judo's profitability in FY23 resulted in the utilisation of all deferred tax assets related to income tax losses brought forward from prior periods. Given the profits are in excess of losses brought forward, Judo is in a tax payable position, with a current tax liability of $18.5 million recognised as at 30 June 2023.

1. Certain metrics include the impact of pro forma adjustments in FY22. Refer to basis of preparation on page 2 for more information on prior year comparative figures.

Financial Performance continued

2.11 Average balance sheet – full year

	Full year ended 30 June 2023			Full year ended 30 June 2022		
	Avg bal $M	Interest $M	Avg rate %	Avg bal $M	Interest $M	Avg rate %
Assets						
Interest earning assets						
Trading and investment securities	3,145	65.9	2.10%	3,406	8.7	0.26%
Gross loans and advances	7,410	508.3	6.86%	4,773	213.2	4.47%
Total interest earning assets	**10,555**	**574.2**	**5.44%**	**8,179**	**221.9**	**2.71%**
Non-interest earning assets						
Other assets (incl. loan provisions)	104	NM	NM	87	NM	NM
Total non-interest earning assets	**104**	**0**	**NM**	**87**	**0**	**NM**
Total assets	**10,659**	**574.2**	**NM**	**8,266**	**221.9**	**NM**
Liabilities						
Interest-bearing liabilities						
Direct Term Deposits	3,199	104.5	3.27%	1,698	20.0	1.18%
Intermediated Term Deposits	1,894	62.3	3.29%	1,552	15.2	0.98%
TFF self-securitisation drawn	2,088	2.3	0.11%	1,207	0.2	0.01%
Warehouse facilities	421	26.8	6.37%	472	12.2	2.58%
Senior unsecured debt	182	10.2	5.60%	49	0.6	1.22%
Tier 2 subordinated debt	55	4.3	7.82%	50	2.4	4.80%
NCDs	412	13.4	3.25%	129	1.0	0.78%
TFF preserved component	767	0.8	0.11%	1,653	0.2	0.01%
Repurchase agreements	57	1.6	2.83%	122	0.2	0.16%
Other interest-bearing liabilities	6	0.4	6.67%	2	0.1	5.00%
Total interest-bearing liabilities	**9,081**	**226.6**	**2.50%**	**6,934**	**52.1**	**0.75%**
Non-interest bearing liabilities						
Other liabilities	134	NM	NM	47	NM	NM
Total non-interest bearing liabilities	**134**	**0**	**NM**	**47**	**0**	**NM**
Total liabilities	**9,215**	**226.6**	**NM**	**6,981**	**52.1**	**NM**
Average net assets	**1,444**	**NM**	**NM**	**1,285**	**NM**	**NM**
Average shareholder equity	**1,444**	**NM**	**NM**	**1,285**	**NM**	**NM**
Average 1m BBSW			**2.87%**			**0.11%**

2.11 Average balance sheet – half year

	Half year ended 30 June 2023			Half year ended 31 December 2022		
	Avg bal $M	Interest $M	Avg rate %	Avg bal $M	Interest $M	Avg rate %
Assets						
Interest earning assets						
Trading and investment securities	3,083	40.8	2.67%	3,222	25.1	1.55%
Gross loans and advances	8,050	291.6	7.31%	6,781	216.7	6.34%
Total interest earning assets	**11,133**	**332.4**	**6.02%**	**10,003**	**241.8**	**4.80%**
Non-interest earning assets						
Other assets (incl. loan provisions)	110	NM	NM	99	NM	NM
Total non-interest earning assets	**110**	**0**	**NM**	**99**	**0**	**NM**
Total assets	**11,243**	**332.4**	**NM**	**10,102**	**241.8**	**NM**
Liabilities						
Interest-bearing liabilities						
Direct Term Deposits	3,595	69.8	3.92%	2,814	34.7	2.45%
Intermediated Term Deposits	1,880	37.6	4.03%	1,921	24.7	2.55%
TFF self-securitisation drawn	2,263	3.6	0.32%	1,941	(1.0)	(0.10%)
Warehouse facilities	554	18.2	6.62%	284	8.6	6.00%
Senior unsecured debt	199	6.3	6.37%	167	3.9	4.62%
Tier 2 subordinated debt	59	2.5	8.50%	50	1.8	7.14%
NCDs	408	7.6	3.75%	422	5.8	2.73%
TFF preserved component	589	0.9	0.32%	919	(0.4)	(0.10%)
Repurchase agreements	48	0.9	3.77%	60	0.7	2.32%
Other interest-bearing liabilities	10	0.4	8.15%	3	0	0.00%
Total interest-bearing liabilities	**9,605**	**147.8**	**3.10%**	**8,581**	**78.8**	**1.82%**
Non-interest bearing liabilities						
Other liabilities	170	NM	NM	101	NM	NM
Total non-interest bearing liabilities	**170**	**0**	**NM**	**101**	**0**	**NM**
Total liabilities	**9,775**	**147.8**	**NM**	**8,682**	**78.8**	**NM**
Average net assets	**1,468**	**NM**	**NM**	**1,419**	**NM**	**NM**
Average shareholder equity	**1,468**	**NM**	**NM**	**1,419**	**NM**	**NM**
Average 1m BBSW			**3.48%**			**2.25%**

2.12 Outlook

Judo's central case is that the Australian economy will experience a soft landing; however, the bank believes risks remain significant. High interest rates and inflation are not expected to have a uniform impact on the economy, with some sectors likely to be impacted more than others.

Judo believes periods of economic uncertainty reinforce the value of its relationship-based SME banking proposition. This will underpin continued growth in the loan book and progress towards the key business metrics at scale, while also ensuring prudent management of the bank's existing customer base.

Judo will seek to optimise the balance between funding, liquidity and net interest margins. Term Deposits will remain the bank's primary source of funds, with wholesale funding, including the existing $3.0 billion in committed warehouse facilities, providing additional flexibility. As Judo repays the TFF, the bank's mix of funding will transition closer to its long-run target state, with Term Deposits becoming a larger proportion of total funding.

The bank will continue investing in people and technology, to drive productivity enhancements and support the ongoing scaling of the business and drive unit economics. Cost growth will continue, however, and will moderate materially from FY23 levels as Judo's headcount begins to stabilise.

Judo will maintain a strong balance sheet with prudent levels of provisioning. Judo expects its credit quality metrics to trend towards the sector average as its loan book continues to season.

Judo remains very well capitalised. The bank's CET1 ratio of 16.7% is the highest of all the listed ADIs, to support ongoing lending growth.

Judo remains highly confident in achieving its vision of building a world-class SME business bank. At scale, Judo's pure-play specialist model will deliver a strong ROE in the low to mid-teens.

Annual Financial Report

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 2023.

Directors' information

Peter Hodgson

Chair of the Board

Appointed
25 January 2017

Board Committees	Board Audit Committee; Board Risk Committee; Board Remuneration and Nominations 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 board of Drummond Capital Partners and is also a member of the Trinity College Investment Management Committee. He is chair of the Centre of Evidence and Implementation and is a director of the Save the Children Impact Fund, and of Planum Partners. 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[1]

Jennifer Douglas

Non-Executive Independent Director

Appointed
23 August 2021

Board Committees	Board Remuneration and Nominations 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

1. Peter Hodgson has been appointed as a non-executive director of The Star Entertainment Group Ltd post 30 June 2023, subject to casino regulatory approvals being obtained. Peter will be an Observer until confirmation of regulatory approval.

John Fraser

Non-Executive Independent Director

Appointed
1 October 2018

Board Committees	Board Risk Committee (Chair); Board Remuneration and Nominations 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. 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

Malcolm McHutchison

Non-Executive Director

Appointed
27 February 2020

Board Committees	Board Remuneration and Nominations 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. 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 and the Colonial Foundation. 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 close to 25 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	Task Group Holdings Ltd

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 2023, and the numbers of meetings attended by each Director, were:

			Meetings of Committees					
	Directors' meetings		Audit		Risk		Remuneration and Nominations	
	A	B	A	B	A	B	A	B
Peter Hodgson	14	14	6	6	6	6	6	6
Jennifer Douglas	14	14	–	–	–	–	6	6
John Fraser	14	14	–	–	6	6	6	6
David Hornery	14	14	6	6	6	6	–	–
Malcolm McHutchison	14	14	–	–	–	–	6	5
Mette Schepers	14	14	6	6	6	6	–	–
Manda Trautwein[1]	14	14	6	6	6	6	–	–
Joseph Healy[2]	14	14	6	6	6	6	6	6

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' 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 Australian Institute of Company Directors.
Skills and expertise	Yien commenced her career as a credit analyst at Macquarie Bank and then 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 and is currently a director of the Australian Arts Orchestra.

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 four years in the Banking team. In 2003 he relocated to London to work for Linklaters, where he worked for five 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.

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 and 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 Relationship 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.

Andrew Leslie

Chief Financial Officer

Background

Andrew joined Judo in October 2019 and has over 18 years of experience in banking, finance, strategy and corporate advisory. During his time at Judo, Andrew helped lead several of the bank's private funding rounds and its initial public offering on the ASX. Prior to joining Judo, Andrew had an executive banking career at Morgan Stanley, where he advised clients in Australia, Asia and the UK on mergers and acquisitions, capital raisings and strategic projects in the financial services, mining and infrastructure sectors. He holds a Bachelor of Commerce and Bachelor of Arts (Asian Studies) from the University of Melbourne, a Graduate Diploma of Chartered Accounting from Chartered Accountants Australia and New Zealand, a Master of Business Administration from Melbourne Business School, and is a Graduate of the Australian Institute of Company Directors.

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.

Lisa Frazier

Chief Operating Officer

Background

Lisa 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 services in roles such as leading the Innovation Group at Wells Fargo in San Francisco, an enterprise-wide organisation 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 start-up ecosystem advising companies on growth. Earlier in her career Lisa was a Partner at McKinsey and Company in New York and San Francisco, a non-executive director of OFX Group and a Digital and Technology Advisor to Australia and 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.

Jess Lantieri

Chief People and Culture Officer

Background

Jess joined Judo in early 2022 with over 15 years' experience in People and Culture (P&C) roles across diverse industries, including FMCG, global Information Technology, Foreign Direct Investment and Professional Services. Jess brings to Judo a global perspective on best practice People and Culture strategies, having spent much of her career working in the US and the UK, and in global P&C roles with accountability for teams in Asia, Europe, North America and New Zealand.

Prior to Judo, Jess spent almost seven years in senior P&C leadership roles at ASX-listed Treasury Wine Estates in Australia and the US, working across HR business partnering, culture and engagement, organisational design and business transformation, capability development and talent acquisition. Prior to this, Jess worked in senior P&C Business Partnering roles at Fujitsu across Australia and the UK.

Jess holds a double Bachelor's degree in Commerce (International Business) and International Studies (Politics and Languages) from the University of Adelaide and Post Graduate Certification in Human Resources Management from Coventry University, UK.

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 and 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 has 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.

Kevin Ramsdale departed Judo on 21 July 2023 and the core responsibilities of the Chief Marketing Officer have subsequently been reallocated to the Deputy CEO and Chief Relationship Officer.

Principal activities

During the year the principal continuing activities of the Group consisted of the provision of finance and credit to 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; and

(e) Bank Guarantees.

The Group funds lending activity through a variety of sources that optimise its cost of funds and liquidity preferences, and provide diversification of available funding channels. Term Deposit products are offered for customers across Retail, Wholesale and Business sectors as well as SMSF. Securitisation warehouse funding, NCDs, subordinated Tier 2 Capital notes and senior unsecured notes provide additional sources of funding.

Review of operations

The profit of the Group for the year after providing for income tax amounted to $73.4 million (2022: $7.7 million loss), increasing as a result of continued strong lending growth and higher net interest income. Operating expenses were higher driven by continued recruitment and growth-related expenditure, and credit impairment charges were higher reflecting growth in the loan book and an increase in impaired loans across the year.

Net interest income increased by $177.8 million or 104.7% driven by strong growth in loans and advances and an increase in lending interest attributable to the rising market rate environment. Interest expenses increased as a result of the rising rate environment and growth across the Group's funding channels, primarily driven by an increase in Term Deposits funding, in order to facilitate growth across the lending book.

Operating expenses increased by $36.1 million or 23.3% as the Group continues to invest in resources, IT software and property, plant and equipment as required to support growth in operations. The key drivers of higher operating expenses were employee benefits, IT expenses including software amortisation, depreciation and marketing expenditure.

Credit impairment charges increased by $29.2 million or 115.0%, driven primarily by forward-looking loss estimates for new lending originations during the period and higher provisioning levels to reflect an increase in impaired loans. The Group also made changes to its expectations for the economic outlook, which include an economic overlay raised during the period for industries expected to be more adversely impacted from reduced retail discretionary consumer spending, staff shortages and higher input and energy costs. Write-offs for the year were contained to $0.3 million for a single customer.

Income tax expense has increased by $33.6 million as compared to the prior year driven by the increase in net profit before tax.

Total assets increased by $2,737.1 million or 29.1% compared to the previous financial year. The increase was mainly due to an increase in loans and advances of $2,782.6 million or 45.8% supported by growing banker portfolios, recruitment of high-quality Relationship Bankers and expanding national footprint. Intangible assets increased by $14.5 million reflecting the Group's continued investment in core banking IT software development net of amortisation.

Total liabilities increased by $2,664.6 million or 33.3% compared to the previous financial year. The increase was mainly driven by an increase in Term Deposits of $1,863.9 million or 45.6% arising from growth across retail and wholesale channels, and also included expansion into the direct SMSF and direct business channels. Other borrowings increased by $674.2 million or 17.6% largely through the issuance of the Group's inaugural public senior unsecured bond, drawdowns on new warehouse facilities and an additional subordinated Tier 2 Capital note issuance.

Total equity increased by $72.5 million or 5.2% compared to the previous financial year driven by the current period's statutory profit, and reflecting movements in the share-based payments reserve and changes to fair values in the cash flow hedge reserve.

Significant changes in the state of affairs

There were no significant changes in the Group's state of affairs that occurred during the financial year, other than those referred to elsewhere in this Report.

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 (2022: $nil).

Share options and rights

As at the date of this Report, there are 7,205,480 deferred share rights outstanding, which entitle the holder to one fully paid ordinary share in the Group (subject to vesting conditions). No exercise price is payable for these rights. The rights are automatically exercised upon vesting, with vesting dates ranging between 5 October 2023 and 2 November 2026.

In addition, as at the date of this Report there are 68,218,938 options that are exercisable or may become exercisable, which represents an entitlement to one fully paid ordinary share in the Group (subject to vesting conditions). The exercise price for these options ranges between $1.40 and $2.73, with the last date for the exercise of the options ranging between 20 December 2019 and 5 October 2032.

For the period from 1 July 2022 to the date of this Report, no fully paid Ordinary Shares were issued as a result of the exercise of a right or option.

For further details on the rights and options on issue, refer to Note 26 Share-based payment plans and the Remuneration Report.

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* (Cth) (Corporations Act) 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 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.

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 27.

The Company may decide to employ the auditor on assignments additional to its 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. 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 for the following reasons:

- all non-audit services have been reviewed by the Board 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 is set out on page 111.

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

24 August 2023

Remuneration Report

Letter from the Chair

Dear Shareholders,

On behalf of the Board of Directors of Judo Bank, I am pleased to present our FY23 Remuneration Report. This Report outlines the remuneration arrangements in place for key management personnel (KMP) of Judo in FY23 – 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. As a relationship-led business, having the right culture and a strong team working with a clear purpose are critical to our growth strategy. We recognise that remuneration is only one of the many reasons why our people come to work at Judo every day.

Our core values of teamwork, accountability, performance and trust remain central to our executive remuneration strategy. Our executive remuneration framework has been designed to drive our strategic objectives and align the long-term interests of our executives with our shareholders. To ensure this alignment, our executive incentive programs are delivered predominantly in equity and performance assessment is based solely on team measures, reinforcing our value of teamwork.

Importantly, customer outcomes, strong governance and risk management are also core to our framework.

Our performance and variable remuneration outcomes in FY23

In FY23, we exceeded our target business plan across most scorecard metrics and outperformed against our agreed FY23 financial measure. The Judo Board of Directors was satisfied that the Company met its Risk Management Considerations, that all KMP met their individual risk, values and conduct requirements and, importantly, that due to our equity strategy, our executives are aligned to the shareholder experience. Taking all the above into account, the Board has determined a Judo Grows scorecard outcome of 115% out of a possible maximum of 120%.

In reviewing remuneration outcomes, the Board carefully considers factors outside of the scorecard to ensure outcomes reflect a holistic assessment of performance, including the shareholder experience. Judo's Executive KMP have, to date, received 100% of their variable pay in equity on a deferred basis, and in FY23 will continue to receive most of their variable pay in deferred equity. This approach creates strong alignment with the shareholder experience over FY23 when we recognise Judo's share price remained relatively flat despite our continued delivery of strong results.

In FY23 no Judo Grows+ awards (long-term incentive) were eligible for vesting, with vesting due for the first time in FY27.

Further detail in respect of the Group's FY23 performance and remuneration outcomes for Executive KMP is outlined in section 1 of this Remuneration Report.

Changes for FY23

Since last year's report we have made minor changes to our executive remuneration framework to support our executives through the next phase of growth as we work towards our key business metrics at scale (KBMAS). The framework changes both respond to a competitive executive talent market and support achievement of our KBMAS more closely, to ensure our executive team's remuneration remains competitive, motivating and aligned to shareholder returns over the medium to long term. Core updates introduced in FY23 include:

- **Uplift in Judo Grows opportunity**, our short-term incentive program, along with fixed remuneration increases to continue to remain market competitive and reward and motivate our executive team.
- **Change in the delivery mechanism for our Judo Grows outcomes**, to include a 25% cash component, to better meet the competitive talent market and continue to incentivise management, but also continue to deliver a majority equity component, reinforcing our owner's mindset principle and aligning to the long-term shareholder experience.
- **Refinement of metrics in our Judo Grows scorecard**, to include a measure for achievement of our Strategic Delivery Portfolio and technology investments to scale the loan book, enable better cultural outcomes and reflect the end-to-end customer experience.
- **Change in the vesting period for Judo Grows Plus+**, our long-term incentive program, for awards made in FY23 and onwards, from five to four years, to appropriately align to our long-term strategic objectives, risk time horizon and ensure a competitive offering.

Further details regarding these changes are in section 4 of this Remuneration Report.

Jennifer Douglas
Chair of the Remuneration and Nominations Committee

1. Key messages

1.1 FY23 Company performance snapshot

Judo delivered strong financial performance in FY23. PBT was $108 million, a seven-fold increase from the $16 million pro-forma PBT delivered in the prior period, which informs underlying PBT, the key financial measure in the Company's Judo Grows scorecard (refer section 1.2). The increase in profit was driven by an increase in net interest income, following significant growth in the loan book to $9 billion, up 46%, as well as improved net interest margins. Net interest margins benefited from the bank's leverage to higher interest rates, including from fixed rate TFF funding, as well as favourable Term Deposit margins, which continue to be the key source of funding.

Growth in net interest income more than offset an increase in expenses. Growth in expenses reflected continued investment in people and technology to support Judo's long-term growth agenda. As a result of revenue growth outpacing expense growth, the bank's cost-to-income ratio improved by 22 percentage points, to 54% from 76%.

The bank's credit quality remains sound. Minimal write-offs were incurred during the financial year, while provisions were prudently increased consistent with growth in the loan book and a modest increase in arrears and impaired customers. The bank also raised an economic overlay during the year, reflective of heightened economic uncertainty.

The bank achieved a return on equity of 5.1%, with CET1 of 16.7% at 30 June 2023.

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 has been listed in the form of the following table.

Table 1.1 Overview of Company performance

	30 Jun 21[1]	30 Jun 22[1]	30 Jun 23
Lending portfolio ($bn)	3.5	6.1	8.9
Underlying NIM	2.59%	2.79%	3.53%
Impairment expense ($M)	10	25	55
Cost-to-income ratio (CTI)	97%	76%	54%
Profit before tax (PBT) ($M)	(7)	16	108

Judo's closing share price as at 30 June 2023 was $1.19 resulting in a financial year-on-year movement of 0.2%, compared with the ASX200 financials index finishing the year up 10%. Broader market concerns about the economic outlook, and subsequent risks for the financial health of Judo's SME customer base, have weighed on the Judo share price.

Overall, Judo has achieved significant growth in FY23, making strong progress towards its KBMAS.

1.2 FY23 performance scorecard outcomes

Judo operates an annual short-term incentive (STI) plan, Judo Grows, with a 12-month performance period. 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 FY23 was broadly the same as FY22, with the following enhancements:

- **Customer NPS:** an enhanced customer NPS measure, to include ongoing relationship NPS and exit NPS, along with onboarding NPS, to provide a more holistic view of customer satisfaction. Relationship NPS makes up the highest weighted component of the result, and given Judo's Customer Value Proposition (CVP), is a critical metric.
- **Employee engagement:** employee NPS was replaced with Employee Engagement, which is a more market comparable measure that provides a more holistic measure of employee sentiment.
- **Strategic Delivery Portfolio (SDP):** the addition of a new SDP component (10%), given the importance of Judo's core Technology, Compliance and Process Optimisation roadmap to enable the bank to scale. The specific measures for this component were a combination of present value targets achieved during the year and delivery of core initiatives during FY23.

1 Prior period comparatives for CTI and PBT are reported on a pro forma basis. Refer to basis of preparation on page 2 for more information on prior year comparative figures.

Below is a summary of the scorecard and measures for FY23, including the Board's assessment of performance against these measures, which produced an overall scorecard outcome of 115% resulting in the remuneration outcomes to Executive KMP summarised in Table 1.3.

Table 1.2 Judo Grows scorecard performance outcome

Weighting	Measure	FY23 method for assessment	Outcome and discussion
Our customers			
10%	Customer NPS	The weighted average of the three components of onboarding NPS, relationship NPS and exit NPS.	*Maximum* Our FY23 performance levels were set well above our industry peers, reflecting an outstanding result as we deliver upon our core customer value proposition through all stages of the customer lifecycle.
10%	Customer retention	Regrettable refinance loss[1].	*Above target* Our FY23 outcome exceeded target, with outperformance levels set to ensure 100% customer retention. The result was strong, considering the highly competitive lending market through 2023.
Our culture			
10%	Employee engagement	Internal survey score measured weekly via a third party based on an annual average of monthly engagement outcomes. The monthly employee participation threshold was met.	*Maximum* Our FY23 performance levels were set above industry benchmarks. The Board considers the result to be outstanding.
10%	Risk culture	Risk culture measured based on action orientation, risk awareness and Chief Risk Officer (CRO) qualitative assessment.	*Target* The risk culture outcome was strong for FY23, representing our continued progress towards our desired risk culture and managing within our risk appetite as we scale the bank.
Our strategic delivery			
10%	SDP	Value unlocked from the SDP, defined as the present value of expected benefits over the period FY24-27.	*Maximum* We overachieved on the value unlocked from the SDP during FY23, leading to banker and customer servicing productivity gains, and better risk outcomes.
		Number of FY23 major initiatives delivered.	*Target* We delivered the agreed strategic initiatives during FY23, including core compliance initiatives and digital platforms and programs to enable continued scaling.
Our shareholders			
50%	Underlying profit before tax (PBT)[2]	Calculated from statutory financial results (PBT) excluding expense attributable to Judo Grows.	*Maximum* A strong underlying PBT of $130 million, resulting from our strong financial performance on the FY23 PBT outcome as outlined in section 1.1.

The Board, upon recommendation of the Remuneration and Nominations Committee, determined that the final scorecard outcome was 115% out of a potential maximum of 120%. The Board regards the outcome achieved for Judo's FY23 corporate scorecard as very strong and representative of solid progress towards delivering targeted at-scale economics.

1. Regrettable refinance loss is where customers actively refinance due to servicing gap or pricing gap where Judo has met the market price. Regrettable refinance 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. Regrettable refinance loss is a non-IFRS measure that is unaudited.
2. Underlying PBT is a non-IFRS measure.

1.3 FY23 executive remuneration outcomes

Judo Grows short-term incentive plan (STI)

All Executive KMP received outcomes under Judo Grows. All Executive KMP are accountable persons (Accountable Persons) and met their risk, values and conduct requirements, and therefore no downward adjustments were applied with respect to Judo Grows. FY23 Judo Grows individual target incentive opportunity as a percentage of fixed remuneration was increased by 10% for all eligible KMP. These opportunities are in line with Judo's competitive talent market. All amounts represent full year outcomes.

Table 1.3 Judo Grows remuneration outcomes for current KMP

Name	Role	FY23 individual target as a % of fixed remuneration	Outcome	% bonus paid (relative to target)	% bonus forfeited (relative to target)
Joseph Healy	Chief Executive Officer	80%	1,062,600	115%	0%
Chris Bayliss	Deputy Chief Executive Officer and Chief Relationship Officer[1]	60%	517,500	115%	0%
Andrew Leslie	Chief Financial Officer[2]	60%	261,724	115%	0%
Lisa Frazier	Chief Operating Officer	60%	434,700	115%	0%
Frank Versace	Chief Risk Officer	50%	373,750	115%	0%

Judo Grows+ long-term incentive plan (LTI)

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+ in October 2022, and these have a four-year vesting period, as well as Company and individual risk, values and conduct requirements.

In FY23, we changed the Judo Grows+ vesting term from five years to four years for KMP for awards from FY23 onwards, to appropriately align to our long-term objectives, risk time horizon and ensure a competitive offering. This creates a more motivating and retentive program for our key executives, while maintaining market and shareholder alignment. It also maintains alignment between all program Participants and Judo's long-term horizon for risk events.

No amounts were eligible to vest under Judo Grows+ in FY23.

Other awards

The first tranche of Legacy LTI Options vested for Lisa Frazier and Angelo Manos in FY23.

Incentive plans that were in operation prior to the Company's listing have now ceased. Further detail can be found about these legacy arrangements in section 6.2.

1. Chris Bayliss ceased his role of Deputy Chief Executive Officer (CEO) and Chief Financial Officer on 14 November 2022, to become Deputy Chief Executive Officer and Chief Relationship Officer. As a result of the role change, Chris's remuneration remained unchanged. Chris remains an Accountable Person for Banking Executive Accountability Regime (BEAR) purposes.
2. Andrew Leslie became Chief Financial Officer on 14 November 2022 and was also registered as an Accountable Person for BEAR. Andrew's full year Judo Grows has been prorated from his date of commencement.

2. Who is covered by this Report?

This Report outlines the remuneration arrangements in place for KMP of Judo in FY23 – that is, all Non-Executive Directors and executives who have authority and responsibility for planning, directing and controlling the activities of the Group. All members of Judo's Board of Directors are therefore considered KMP. Table 2 sets out the Group's KMP during FY23. Judo's Board Audit Committee approved the named Executive KMP and the grouping's make-up. It is comprised of all the roles that have primary accountability and decision-making authority over the Group's core strategy, operations and segments.

During FY23, there were changes made to Judo's KMP:

- Angelo Manos concluded his role as Chief Relationship Officer on 14 November 2022.
- Chris Bayliss commenced the Chief Relationship Officer role, in addition to his Deputy Chief Executive Officer role, on 14 November 2022.
- Andrew Leslie was promoted to Chief Financial Officer on 14 November 2022 and became KMP.
- Malcolm McHutchison became a paid Non-Executive Director on 30 September 2022.

Table 2 Key management personnel

Name	Role	Part/full year
Executive KMP[1]		
Joseph Healy	Chief Executive Officer	Full year
Chris Bayliss[2]	Deputy Chief Executive Officer and Chief Relationship Officer	Full year, role change part way through the year
Andrew Leslie[3]	Chief Financial Officer	Part year, commenced as KMP on 14 November 2022
Lisa Frazier	Chief Operating Officer	Full year
Frank Versace	Chief Risk Officer	Full year
Angelo Manos[4]	Chief Relationship Officer	Part year, ceased as KMP on 14 November 2022
Non-Executive KMP		
Peter Hodgson	Chair (independent)	Full year
David Hornery	Non-Executive Director	Full year
Jennifer Douglas	Non-Executive Director (independent)	Full year
John Fraser	Non-Executive Director (independent)	Full year
Malcolm McHutchison[5]	Non-Executive Director	Full year
Manda Trautwein	Non-Executive Director (independent)	Full year
Mette Schepers	Non-Executive Director (independent)	Full year

1. The terms 'Executive KMP' and 'Non-Executive KMP' are used throughout the report.
2. Chris Bayliss commenced in FY23 as Deputy Chief Executive Officer and Chief Financial Officer; however, changed roles on 14 November 2022 to Deputy Chief Executive Officer and Chief Relationship Officer.
3. Andrew Leslie commenced his role as Chief Financial Officer on 14 November 2022.
4. Angelo Manos ceased his role as Chief Relationship Officer and KMP on 14 November 2022 and continued providing services to Judo Bank until 31 December 2022 at which time his employment ceased.
5. Malcolm McHutchison was a full year Director; however, commenced receiving fees on 30 September 2022.

3. Governance

3.1 Role of the Remuneration and Nominations Committee

Board

Reviews and approves recommendations from the Remuneration and Nominations Committee.

Remuneration and Nominations Committee

Advises and assists the Board to fulfill 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.

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Management Board

Other Board Committees

- Board Audit Committee
- Board Risk Committee

Remuneration Advisers

- 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 Risk Management Framework (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 advisers. Management engaged remuneration consultants during FY23 to provide advice, but no remuneration recommendations were made.

You can find the Board RNC charter on our website: **judo.bank/corporate-governance**.

3.2 Adjustments to variable remuneration

Variable remuneration can be adjusted for business and risk outcomes, which may include paying no variable remuneration to 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 occurred.

There were no adjustments made to KMP remuneration in FY23 due to our consequence management framework or any other exercise of discretion by the Board.

4. Executive remuneration strategy

4.1 Background to our strategy

Our executive remuneration strategy, which operated during FY23, is underpinned by the following reward principles:

To inspire talented people to build and grow a sustainable challenger bank

To drive performance and a customer-centric approach

To enable a long-term owner's mindset

To reinforce a commitment to the fundamentals of banking

To ensure a simple and consistent approach

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.

Changes made in FY23

In FY23 the Board resolved to make the following adjustments to the Executive remuneration framework, which supports our strategy, to consider the highly competitive talent market but continue to maintain regulatory deferral requirements under Banking Executive Accountability Regime (BEAR). The changes made during FY23 also ensures that strong alignment is maintained to the shareholder experience over the long term.

Changes made	Rationale for changes
The Judo Grows (STI) target incentive opportunity increased by 10% for all eligible Executive KMP.	The change in STI target opportunity maintains a more competitive market position for executive pay mix, while maintaining requirements under BEAR.
The Judo Grows (STI) mix of cash and equity was changed.	The change to include a cash component to short-term incentive for Executive KMP (from 100% equity to the option of taking 25% in cash) maintains a stronger equity position than our market competitors, which is core to our owner's mindset principle, however, provides a more competitive offer.
The Judo Grows (STI) scorecard evolved.	As noted in section 1.2, a new scorecard component, "Our Strategy" was introduced, taking up 10% of the scorecard, to consider the delivery of our SDP. The Net Promoter Score (NPS) and Employee Culture measures were also refined to provide stronger alignment to our strategy.
The vesting period for Judo Grows+ (LTI) changed to four years from the FY22 vesting period of five years.	The five-year vesting period for awards made in FY22 was designed to align to Judo's five-year business plan at the time of listing. The change to a four-year vesting period for awards in FY23 was in recognition of Judo's strategic and risk time horizon and maintains a more competitive market position for executive talent. A six-year exercise period still applies, creating a 10-year award, driving a long-term focus on strategic and risk outcomes, and providing the Board with instruments to apply adjustments for adverse risk and conduct outcomes. Note, the FY22 Judo Grows+ awards retain their five-year vesting period.
The treatment of unvested equity for Good Leavers was changed.	The change ensures already-earned awards remain on foot until the original vesting date, with the ability of the Board to apply downward adjustments where appropriate.

4.2 Key features

Judo's executive remuneration framework is focused on encouraging long-term sustainable decision-making and supporting our purpose 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 (BEAR, CPS 511). In addition, a majority 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 incentive to encourage behaviour that supports the long-term financial soundness and Judo's RMF.

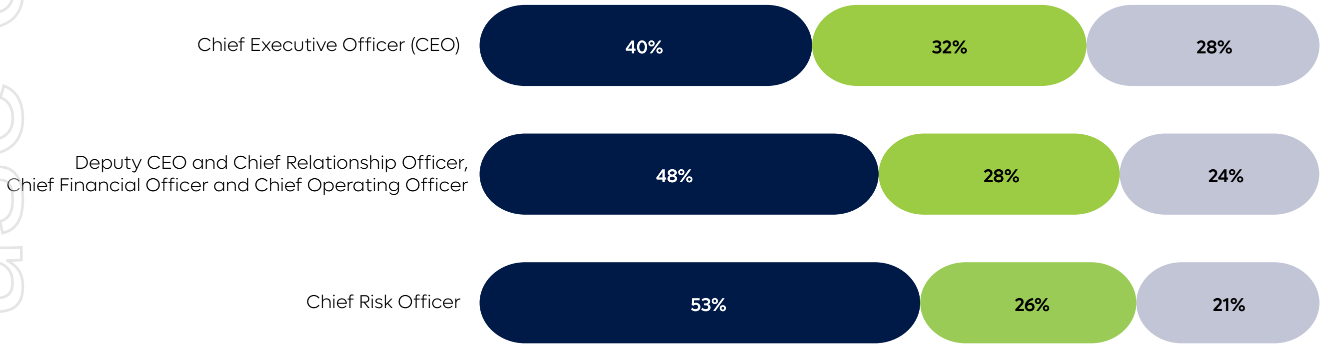
Remuneration element	**What's included and timeframe**	**Strategic purpose**	**Performance focus**
Fixed remuneration We have a high-calibre executive team and therefore must recognise the role complexity and accountability against peer competitors.	• Base salary and superannuation. • Benchmarked to peers. **1 year**	• Attract, retain and motivate key talent.	• Ensures a focus on core accountabilities of the role.
Judo Grows (STI) 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.	• Choice to receive 25% in cash after results announcement and 75% deferred in equity vesting two years later. Where the choice to receive cash is not made, 100% is deferred in equity vesting two years later. • Two-year vesting period. **1-year performance, a further 2 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'. • Reward key talent.	• Risk, conduct and values assessment. • Balanced scorecard of 50% financial and 50% non-financial measures.
Judo Grows+ (LTI) Premium-Priced Options with a four-year service period and six-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. **4-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.	• Board's discretionary performance overlay at vesting, considering financial and non-financial factors, including risk, conduct and values. • 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

The FY23 Executive KMP pay mix is outlined below. 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

Judo's legacy LTI Option Plan (Legacy Plan) ceased operation in FY22, however, remained unvested for two KMP. A further program offered as a once-off arrangement at the time of the IPO, being the IPO Top-Up Award, also remained in operation during FY23. Further information on these arrangements is 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 against relevant comparator group remuneration benchmarks and set at market-competitive levels reflective of the executive's unique skills, experience and responsibilities, and considering the complexity of the role and their performance. In FY23, where applicable, Executive KMP received increases following a review of market competitiveness and also the role complexity and unique profile of Judo's executive team.

5.2 Judo Grows (STI)

Key terms for FY23 Judo Grows, the executive STI, are outlined in the table below.

Table 5.2 FY23 Judo Grows – key terms

Term	Further detail
Performance period	• The outcome is based on a 12-month performance period.
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 as at 31 March in the relevant performance year and have not resigned or given notice at the time deferred share rights are offered or awarded and (if applicable) cash payment is made.
At-target opportunity levels	• CEO: 80% of fixed remuneration. • CRO: 50% of fixed remuneration. • All other Executive KMP: 60% of fixed remuneration. • Up to 120% of the target opportunity can be achieved for maximum performance. • The above opportunity levels are in line with market variable pay practices.
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 propose key measures of success across the core focus areas for Board approval. For FY23, the measures were: **Our customers (20%):** measured equally between NPS (10%) and regrettable lending losses (10%). Both measures were chosen to align to our 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 (20%):** measured by engagement score (10%) and risk culture (10%). Engagement score is measured via an 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. **Our strategy (10%):** measured via value unlocked from strategic programs and programs delivered through our SDP. **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 RNC after the end of the performance period. In determining final outcomes, the Board considers the quality of the results.

Term	Further detail
Board discretion	• The Board retains absolute discretion in respect of the Judo Grows pool and final vesting outcomes. • Final Judo Grows outcomes are 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 RAS, 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.
Type of award	• 100% deferred share rights vesting two years from grant date. OR where the choice is made to receive cash: • 25% cash after results announcement; and • 75% deferred share rights vesting two years from grant date. The move to provide 25% cash more closely aligns to market practices, and extends the equity deferral to two years, to continue to drive our owner's mindset principle and align to the long-term shareholder experience.
Deferred share rights allocation methodology	• Deferred share rights will be allocated based on the 10-day volume weighted average price (VWAP) of Judo shares following the annual results announcement.
Vesting conditions for deferred share rights	Deferred share rights awarded as part of Judo Grows will be subject to vesting conditions as follows: • **Service condition:** continuous employment for a period of 24 months 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.
Downward adjustment of unvested deferred share rights	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 that were not foreseen by the Board; or vii. any other matter reasonably determined by the Board from time to time.
Leavers prior to deferred share rights being offered/awarded or (if applicable) prior to the cash payment date	Where the Board determines that an Executive KMP is a 'Good Leaver', they may retain eligibility to receive a Judo Grows amount with respect to the period worked in the relevant performance year, as determined by the Board. Where applicable, the amount may be prorated by reference to the proportion of the performance period worked, will be subject to the final year scorecard outcome, and subject to malus and clawback as per the Remuneration Policy. The method and timing of delivery is subject to Board determination and approval. If an Executive KMP leaves and is not a Good Leaver (e.g. where the employee terminates employment due to resignation or is terminated by the Company for serious misconduct), all the Participant's eligibility for a Judo Grows outcome will be forfeited.

Term	Further detail
Leavers during the vesting period of deferred share rights[1]	If an Executive KMP becomes a 'Good Leaver' (e.g. where the employee terminates employment due to redundancy, death or permanent incapacity, genuine retirement (factors the Board would consider regarding genuine retirement are age and/or whether the employee intends to continue full-time employment and any other factors it considers relevant) or such other reasons determined by the Board in its absolute discretion to be a 'Good Leaver')), they will retain: • all vested awards; and • the full number of unvested deferred share rights, unless otherwise determined by the Board. If an Executive KMP becomes a Leaver and is not a Good Leaver (e.g. where the employee terminates employment due to resignation or is terminated by the Company for serious misconduct), all the Participant's unvested awards will be forfeited, unless determined otherwise at the discretion of the Board.

5.3 Judo Grows+ (LTI)

Key terms for FY23 Judo Grows+, the Company's LTI program, are outlined in the table below.

Table 5.3 Judo Grows+ FY23 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's 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 FY23 by the allocation value of the options. • The allocation value of Premium-Priced Options was calculated using a Black–Scholes pricing methodology, based on the 10-trading day VWAP following the FY22 results announcement of $1.18, volatility and risk-free rate assumptions, and an option effective life of 4.5 years. 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 4.5 years.
Exercise price	• The exercise price is $1.53, representing a 30% premium above the 10-trading day VWAP following the FY22 results announcement of $1.18. 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 FY23 Premium-Priced Options will expire on 5 October 2032.

1. This clause applies for Judo Grows deferred share rights granted in respect of FY23 onwards. For awards granted prior to FY23, the default treatment was to prorate unvested awards to the date of cessation of employment, unless otherwise determined by the Board.

Term	Further detail
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 four years from date of grant (4 October 2022) for awards made in FY23 and onwards (note, FY22 Judo Grows+ awards retain a service condition of five years of continuous employment); and • **Risk management:** the Board being satisfied that the Participant has at all times satisfied the risk, values and conduct requirements of the Company.
Downward adjustment of unvested awards	• As per Judo Grows (refer section 5.2 of this Remuneration Report).
Leavers during the vesting period of PPOs	If an Executive KMP becomes a 'Good Leaver' (e.g. where the employee terminates employment due to redundancy, death or permanent incapacity, genuine retirement (factors the Board would consider regarding genuine retirement are age and/or whether the employee intends to continue full time employment and any other factors it considers relevant) or such other reasons determined by the Board in its absolute discretion to be a 'Good Leaver'), they will retain: • all vested awards; and • 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 relative to the full service period, or such higher number of unvested awards as determined by the Board. If an Executive KMP becomes a Leaver and is not a Good Leaver (e.g. where the employee terminates employment due to resignation or is terminated by the Company for serious misconduct): • they will retain all vested awards; and • all unvested awards will be forfeited, unless otherwise determined at the discretion of the Board.

5.4 Other terms

Table 5.4 applies to all awards detailed in section 5 of this Remuneration Report.

Table 5.4 Other terms

Term	Further detail
Voting and dividend rights	Judo Grows deferred share rights and Judo Grows+ Premium-Priced Options 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 under Judo Grows, or Premium-Priced Options under Judo Grows+.
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; and/or 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 APRA from being or acting as an Accountable Person. The Board also retains the ability to use its discretion and apply malus and/or clawback for any material matters not explicitly reflected above.
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.

6. Remuneration of executives – FY23 outcomes

6.1 Statutory disclosures

Table 6.1 has been prepared in accordance with AASB Standards and section 300A of the Corporations Act. 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	Termination benefits	Equity-based benefits			
Name	**Financial year**	**Cash salary[1]**	**Annual variable reward cash[2]**	**Non-monetary benefits[3]**	**Super-annuation[4]**	**Other long term benefits[5]**	**Termination benefits**	**Options[6]**	**Deferred share rights[7]**	**Performance rights[8]**	**Total[9]**
Joseph Healy	FY23	1,094,830	265,650	2,950	25,292	40,907	–	331,042	389,338	–	2,150,009
	FY22	984,527	–	2,469	23,568	76,283	–	117,350	135,962	–	1,340,159
Chris Bayliss	FY23	682,560	129,375	4,999	25,292	27,547	–	344,851	682,066	–	1,896,690
	FY22	624,479	–	4,080	23,568	33,241	–	129,542	258,132	–	1,073,042
Andrew Leslie[10]	FY23	371,624	65,431	4,859	15,948	17,007	–	29,743	76,708	–	581,320
Lisa Frazier	FY23	635,730	108,675	5,000	25,292	4,727	–	559,559	908,587	–	2,247,571
	FY22	575,702	–	4,214	23,568	2,109	–	493,377	543,799	53,979	1,696,748
Frank Versace	FY23	611,557	93,438	4,999	25,292	23,808	–	104,678	131,097	–	994,869
	FY22	551,744	–	1,371	23,568	27,141	–	36,577	42,378	31,694	714,473
Angelo Manos[11]	FY23	254,183	–	–	14,754	(826)	505,215	243,440	(23,798)	–	992,968
	FY22	505,762	–	2,854	23,603	830	–	254,767	50,078	–	837,895

1. Includes base salary and short-term compensated absences, such as annual leave entitlements accrued.
2. Includes cash receivable in respect of 2023 under Judo Grows and is scheduled to be paid during FY24.
3. Non-monetary benefits relate to Company-funded benefits. Any related fringe benefits tax is included.
4. Includes Company contributions to superannuation and allocations by employees made by way of salary sacrifice of fixed remuneration.
5. Includes long service leave entitlements accrued based on an actuarial calculation.
6. Includes FY23 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).
7. Includes FY23 equity amortisation for deferred share rights delivered under Judo Grows for all Executive KMP and deferred share rights delivered under the IPO Top-Up Award (for Lisa Frazier and Chris Bayliss). Note, deferred share rights for FY23 Judo Grows will be granted in FY24. Amounts are based on the 115% scorecard outcome.
8. Includes equity amortisation value for Management Incentive Plan (MIP) and the Mirror MIP (MMIP). The MIP had no accounting value at the time of award. The FY22 statutory value is nil for Joseph Healy and Chris Bayliss. There is no value for MMIP in FY23 as all amortisation was fully recognised in FY22.
9. The value of performance-based remuneration as a percentage of total remuneration in the statutory disclosures was 46% for Joseph Healy, 61% for Chris Bayliss, 35% for Andrew Leslie, 70% for Lisa Frazier, 33% for Frank Versace and 37% for Angelo Manos. FY23 total remuneration also includes the full-year expense of the incentive programs introduced in November 2021, with these programs pro-rated for a partial year (50 per cent) in FY22.
10. Andrew Leslie commenced as KMP on 14 November 2022. Short-term benefits, post-employment and other long-term benefits represent a prorated period. Equity-based benefits include amortised value of awards granted before commencement as KMP on 14 November 2022.
11. The Board in its full discretion treated Angelo Manos as a Good Leaver. Amounts paid to Angelo Manos in connection with his cessation of employment were within his statutory entitlements and did not exceed the Termination Benefits Cap under section 200B of the Corporations Act.

6.2 Other awards operating during FY23

6.2.1 IPO Top-Up Award

The IPO Top-Up Award was made at IPO and not during FY23. Awards remain unvested during FY23 and are included for transparency. The Board, upon recommendation by the CEO, recognised the importance of implementing a recognition and retention mechanism upon Judo's listing for two Executive KMP.

Table 6.2.1 IPO Top-Up Award key terms

Term	Further detail
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 Judo share, 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 Judo share.
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 as disclosed in the FY22 Remuneration Report.
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.
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 conditions	IPO Top-up Awards are subject to vesting conditions as follows: • **Service condition:** continuous employment for a period of five years from date of grant (2 November 2021); and • **Risk management:** the Board being satisfied that the Participant has at all times satisfied the risk, values and conduct requirements of the Company.
Downward adjustment of unvested awards	• As per Judo Grows+ (refer section 5.3 of this Remuneration Report).
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 section 5.4 of this Remuneration Report.
Change of control	• As per section 5.4 of this Remuneration Report.
Voting and dividend rights and hedging	• As per section 5.4 of this Remuneration Report.

No IPO retention bonus amounts vested or were exercised in FY23. There will be no further awards made under the IPO Top-Up Award.

6.2.2 Legacy Plan

The LTI Option Plan was established by Judo in 2019 and assisted in incentivising employees through grants of options over shares in the Company, subject to certain vesting conditions. Lisa Frazier and Angelo Manos hold awards under the Legacy Plan, 1,500,000 and 800,000 awarded in FY21 and FY22 respectively.

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

Table 6.2.2 Legacy Plan

Term	Further detail
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	• 10 years from grant date
Vesting conditions	• Performance 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 options to vest. – **Performance-based vesting condition:** one tranche 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): » the 'Actual Net Profit After Tax (NPAT)' for the applicable vesting period is 90% or more of the 'Budgeted NPAT Measure' (NPAT target) for the applicable vesting period; » 'Actual Loan Portfolio Balance' as at the vesting date exceeds the 'Target Loan Portfolio Balance Measure' (Portfolio Target) for the applicable vesting date; or » 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 has full discretion to determine that a Participant forfeits any or all unvested Legacy Plan 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; 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 APRA 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: • notice of, or to vote or attend at, a meeting of the shareholders of the Company; and • 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.

The Board resolved to vest the first tranche of Legacy Plan options in August 2022.

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

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 2023.

Table 6.3 Summary of awards held by executives

Name	Plan	Granted	Type of equity	Held at the start of the period	Number granted during the period
Joseph Healy	FY22 Judo Grows	04-Oct-22	Deferred Share Rights	–	358,898
	FY22 Judo Grows+	02-Nov-21	Premium-Priced Options[5]	2,636,986	–
	FY23 Judo Grows+	04-Oct-22	Premium-Priced Options	–	4,042,500
Chris Bayliss	FY22 Judo Grows	04-Oct-22	Deferred Share Rights	–	163,135
	FY22 Judo Grows+	02-Nov-21	Premium-Priced Options	1,198,630	–
	FY23 Judo Grows+	04-Oct-22	Premium-Priced Options	–	1,875,000
	IPO Top-Up Award	02-Nov-21	Premium-Priced Options	1,712,328	–
	IPO Top-Up Award	02-Nov-21	Deferred Share Rights	714,285	–
Andrew Leslie	FY22 Judo Grows	04-Oct-22	Deferred Share Rights	–	–
	FY22 Judo Grows+	02-Nov-21	Premium-Priced Options	–	–
	FY23 Judo Grows+	04-Oct-22	Premium-Priced Options	–	–
Lisa Frazier	FY22 Judo Grows	04-Oct-22	Deferred Share Rights	–	139,830
	FY22 Judo Grows+	02-Nov-21	Premium-Priced Options	1,027,397	–
	FY23 Judo Grows+	04-Oct-22	Premium-Priced Options	–	1,575,000
	IPO Top-Up Award	02-Nov-21	Premium-Priced Options	4,280,821	–
	IPO Top-Up Award	02-Nov-21	Deferred Share Rights	1,785,714	–
	LTI Option Plan (Legacy Plan)[6]	10-May-21	Options	1,500,000	–
Frank Versace	FY22 Judo Grows	04-Oct-22	Deferred Share Rights	–	111,864
	FY22 Judo Grows+	02-Nov-21	Premium-Priced Options	821,917	–
	FY23 Judo Grows+	04-Oct-22	Premium-Priced Options	–	1,300,000
Angelo Manos	FY22 Judo Grows	04-Oct-22	Deferred Share Rights	–	132,191
	FY22 Judo Grows+	02-Nov-21	Premium-Priced Options	856,164	–
	FY23 Judo Grows+	04-Oct-22	Premium-Priced Options	–	1,500,000
	LTI Option Plan (Legacy Plan)[7]	30-Jul-21	Options	800,000	–

1. For accounting purposes, awards granted were valued using the closing price on 4 October 2022. FY23 Judo Grows+ Premium-Priced Options were valued for accounting purposes (fair value) using a Black–Scholes valuation of $0.16 per option, which considered an effective life of 4.5 years.
2. For Andrew Leslie, instruments were granted before Andrew Leslie commenced as KMP on 14 November 2022.
3. For Angelo Manos, balance at the end of the period shown is at the day Angelo Manos ceased to be KMP on 14 November 2022.
4. Represents the unamortised amount of each award that will be expensed in future years beyond FY23.
5. FY22 Judo Grows+ Premium-Priced Options have an exercise price of $2.73.
6. Lisa Frazier's Legacy LTI options were granted on 10 May 2021 with an expiry date of 30 June 2031 and for accounting purposes were valued using a Black–Scholes option valuation of $0.36 per option. Tranche 1 of time-based and performance-based LTI options vested during FY23, as approved by the Board.
7. Angelo Manos Legacy LTI options were granted on 30 July 2021 with an expiry date of 30 June 2031 and for accounting purposes were valued using a Black-Scholes option valuation of $0.52 per option. Tranche 1 of time-based and performance-based LTI options vested during FY23, as approved by the Board.

Fair value granted during the period ($)[1]	Exercised during the period	Forfeited or lapsed during the period	Other changes[2]	Balance at end of the period[3]	Vested and exercisable	Unvested	Maximum value to be amortised in future years ($)[4]
394,788	–	–	–	358,898	–	358,898	112,852
–	–	–	–	2,636,986	–	2,636,986	599,394
646,800	–	–	–	4,042,500	–	4,042,500	495,589
				7,038,384			1,207,836
179,449	–	–	–	163,135	–	163,135	51,296
–	–	–	–	1,198,630	–	1,198,630	272,452
300,000	–	–	–	1,875,000	–	1,875,000	229,865
–	–	–	–	1,712,328	–	1,712,328	389,217
–	–	–	–	714,285	–	714,285	1,002,806
				5,663,378			1,945,636
–	–	–	30,588	30,588	–	30,588	4,644
–	–	–	359,589	359,589	–	359,589	58,974
–	–	–	600,000	600,000	–	600,000	73,557
				990,177			137,175
153,813	–	–	–	139,830	–	139,830	43,968
–	–	–	–	1,027,397	–	1,027,397	233,530
252,000	–	–	–	1,575,000	–	1,575,000	193,087
–	–	–	–	4,280,821	–	4,280,821	973,043
–	–	–	–	1,785,714	–	1,785,714	2,507,016
–	–	–	–	1,500,000	375,000	1,125,000	108,242
				10,308,762			4,058,886
123,050	–	–	–	111,864	–	111,864	35,175
–	–	–	–	821,917	–	821,917	186,824
208,000	–	–	–	1,300,000	–	1,300,000	159,373
				2,233,781			381,372
145,410	–	(108,300)	–	23,891	–	23,891	–
–	–	(656,893)	–	199,271	–	199,271	–
240,000	–	(1,409,651)	–	90,349	–	90,349	–
–	–	–	–	800,000	200,000	600,000	–

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 shareholdings held by Executive KMP during the financial year

Current as at 30 June 2023	Balance at start of the year	Received upon vesting/ exercise	Other changes during the year	Balance at end of the year
Joseph Healy	34,769,393	–	–	34,769,393
Chris Bayliss	9,520,162	–	–	9,520,162
Andrew Leslie	n/a	–	372,648	372,648
Lisa Frazier	640,350	–	–	640,350
Frank Versace	1,271,699	–	–	1,271,699
Angelo Manos	5,263	–	(5,263)[1]	n/a
Total	**46,206,867**	**–**	**367,385**	**46,574,252**

7. Non-Executive Director remuneration

7.1 Fee pool

The current maximum aggregate fee pool of $1.8 million per annum (inclusive of superannuation) was approved by shareholders at the 7 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 unchanged for FY23. 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 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.

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. For the avoidance of doubt, all entitlements under the MIP and MMIP were realised for Directors during FY22, with no further equity awards to be made under any Company programs.

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.

1. Angelo Manos ceased to be KMP on 14 November 2022.

8. Non-Executive KMP remuneration – outcomes FY23

8.1 Statutory disclosures

Outlined below is the statutory disclosure table for Non-Executive KMP.

Table 8.1 Statutory disclosures for Non-Executive KMP

		Short-term benefits		Post-engagement benefits	Equity-based benefits		
Non-Executive Director	**Year**	**Cash fees $[1]**	**Non-monetary benefits[2]**	**Super-annuation $**	**Options**	**Performance rights[3]**	**Total $**
Current Non-Executive KMP							
Peter Hodgson	FY23	244,708	–	25,292	–	–	270,000
	FY22	209,468	–	60,373[4]	–	–	269,842
David Hornery	FY23	149,321	–	15,679	–	–	165,000
	FY22	109,808	–	10,981	–	–	120,788
Jennifer Douglas	FY23	144,796	–	15,204	–	–	160,000
	FY22	120,105	–	12,010	–	–	132,115
John Fraser	FY23	158,371	–	16,629	–	–	175,000
	FY22	136,894	–	13,689	–	13,714	164,297
Malcolm McHutchison[5]	FY23	102,332	–	10,745	–	–	113,077
Manda Trautwein	FY23	144,796	–	15,204	–	–	160,000
	FY22	127,803	–	12,780	–	99,310	239,893
Mette Schepers	FY23	149,321	–	15,679	–	–	165,000
	FY22	136,288	–	13,629	–	99,310	249,227
Former Non-Executive KMP							
Geoffrey Lord	FY22	–	–	–	32,603[6]	–	32,603

1. Includes base fees.
2. There were no non-monetary benefits provided to Non-Executive KMP during the period.
3. Prior to listing, some Directors participated in the Company's MIP and MMIP. In determining eligibility for the MIP and MMIP, 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. There is no value for MIP or MMIP in FY23 as all amortisation was fully recognised in FY22.
4. In FY22, there was $43,456.63 superannuation guaranteed contribution (SGC) payment for Peter Hodgson with respect to a shortfall in SGC payments for prior periods' service.
5. Malcolm McHutchison commenced receiving fees during FY23 with respect to his role as a Non-Executive KMP.
6. Geoffrey Lord received options in lieu of fees for his role as Non-Executive KMP. The value in the table represents the amortisation value of the options with respect to FY22. Note that Hui (Tony) Diao, Stanislav Kolenc, and David Fite were Directors during FY22 who did not receive any fees with respect to their roles, therefore they are not listed in Table 8.1 with amounts from FY22.

8.2 Non-Executive KMP shareholdings

Table 8.2 includes all NED shareholdings, including any holdings held indirectly by a company, trust or a spouse.

Table 8.2 Movement in shareholdings held by Non-Executive KMP during the financial year[1]

	Balance at start of the year	Received upon vesting/ exercise	Other changes during the year	Balance at end of the year
Peter Hodgson	2,410,260	–	50,000	2,460,260
David Hornery	20,532,975	–	465,089	20,998,064
Jennifer Douglas	73,263	–	–	73,263
John Fraser	4,596,754	–	–	4,596,754
Malcolm McHutchison	–	–	–	–
Manda Trautwein	449,616	–	–	449,616
Mette Schepers	202,859	–	–	202,859
Total	**28,265,727**	**–**	**515,089**	**28,780,816**

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.
Andrew Leslie	6 months	6 months		
Chris Bayliss	12 months	6 months		
Lisa Frazier	12 months	6 months		
Frank Versace	12 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

As at 30 June 2023, there are no outstanding loans to KMP and no KMP loans were in existence during 2023.

Further information can be found in Note 28 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 FY23 other than Term Deposit investments that have been made on terms equivalent to those that prevail in arm's-length transactions.

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

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 2023, 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
24 August 2023

PricewaterhouseCoopers, ABN 52 780 433 757

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023 $M	2022 $M
Effective interest income	3	574.2	221.9
Interest expense	3	(226.6)	(52.1)
Net interest income		**347.6**	**169.8**
Other operating income	4	5.4	3.2
Operating expenses	5	(190.9)	(154.8)
Credit impairment	11	(54.6)	(25.4)
Net profit/(loss) before income tax		**107.5**	**(7.2)**
Income tax expense	6	(34.1)	(0.5)
Net profit/(loss) after income tax		**73.4**	**(7.7)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
(Loss)/Gain on revaluation of cash flow hedge	14	(11.5)	2.1
Other comprehensive income for the period, net of tax		**(11.5)**	**2.1**
Total comprehensive profit/(loss) for the period		**61.9**	**(5.6)**

		Cents	Cents
Earnings per share			
Basic earnings per share		6.6	(0.8)
Diluted earnings per share		6.4	(0.8)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

	Notes	2023 $M	2022 $M
ASSETS			
Cash and cash equivalents	8	714.7	407.1
Investments	9	2,425.7	2,794.0
Loans and advances	10	8,852.4	6,069.8
Derivative assets	14	10.0	19.3
Property, plant and equipment	19	7.8	2.6
Intangible assets	20	38.3	23.8
Deferred tax assets	6	63.9	56.6
Other assets	21	38.9	41.4
Total assets		**12,151.7**	**9,414.6**
LIABILITIES			
Deposits	12	5,954.4	4,090.5
Borrowings	13	4,507.4	3,833.2
Derivative liabilities	14	9.7	7.4
Current tax liabilities	6	18.5	–
Provisions	22	69.3	40.2
Other liabilities	23	115.3	38.7
Total liabilities		**10,674.6**	**8,010.0**
Net assets		**1,477.1**	**1,404.6**
EQUITY			
Share capital	17	1,518.3	1,518.2
Reserves	18	(33.3)	(32.3)
Accumulated losses	18	(7.9)	(81.3)
Total equity		**1,477.1**	**1,404.6**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital $M	Reserves $M	Accumulated losses $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**

	Share capital $M	Reserves $M	Accumulated losses $M	Total equity $M
Balance at 1 July 2022	**1,518.2**	**(32.3)**	**(81.3)**	**1,404.6**
Profit for the period	–	–	73.4	73.4
Other comprehensive income, net of tax	–	(11.5)	–	(11.5)
Total comprehensive income for the period	**–**	**(11.5)**	**73.4**	**61.9**
Transactions with owners in their capacity as owners:				
Tax effect on equity raising costs	0.1	–	–	0.1
Movement in share-based payments reserve, net of tax	–	10.5	–	10.5
	0.1	10.5	–	10.6
Balance at 30 June 2023	**1,518.3**	**(33.3)**	**(7.9)**	**1,477.1**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

	Notes	2023 $M	2022 $M
Cash flows from operating activities			
Interest received		586.9	221.4
Interest paid		(155.6)	(41.1)
Payments to suppliers and employees		(163.3)	(131.2)
Fees and other income received		5.4	3.2
Income taxes paid		(17.5)	–
Cash flows from operating activities before changes in operating assets and liabilities		**255.9**	**52.3**
Changes in operating assets and liabilities			
Net increase in balance of loans and advances		(2,819.0)	(2,581.1)
Net increase in balance of deposits		1,863.9	1,542.8
Net increase in collateral paid on interest rate swaps		(4.8)	(5.8)
Net cash (outflow) from operating activities	24	**(704.0)**	**(991.8)**
Cash flows from investing activities			
Movement in investments			
Purchases of investments		(1,694.8)	(235.9)
Proceeds from investments		2,061.1	704.1
Payments for property, plant and equipment		(6.7)	(1.7)
Payments for intangible assets		(20.7)	(11.4)
Net cash inflow from investing activities		**338.9**	**455.1**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		–	373.6
Proceeds from borrowings		3,253.4	1,582.7
Repayment of borrowings		(2,579.2)	(1,277.9)
Payments for vesting of performance rights		–	(64.0)
Payments for capital raising transaction costs		–	(13.4)
Principal portion of lease payments		(1.5)	(1.2)
Net cash inflow from financing activities		**672.7**	**599.8**
Net increase in cash and cash equivalents		**307.6**	**63.1**
Cash and cash equivalents at the beginning of the financial year		407.1	344.0
Cash and cash equivalents at end of year	8	**714.7**	**407.1**

The accompanying notes form part of these financial statements.

INTRODUCTION

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 and the 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, refinances and contractual maturity;
- determination of income tax expense and recoverability of deferred tax assets; and
- impairment assessment of intangible assets.

Expected credit losses on loans and advances

While 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; and
- macroeconomic scenario weightings.

Further, the Group applies overlays for external factors that cannot be adequately accounted for through expected credit loss models, including additional provisioning for industries deemed to be at a higher risk to adverse economic impacts. Overlays are determined based on a range of techniques, including stress testing, benchmarking, scenario analysis and expert judgement. Overlays are subject to internal governance and applied as an incremental expected credit loss top-up to the impacted portfolio segments.

Further detail on the methodology and assumptions is provided in Note 11.

The Group continues to evolve and develop processes and systems to assess physical risks of climate change and its potential impact on the lending portfolio and collateral held as security. The Group's credit assessment practices and treatment of potential losses incurred as a result of climate change are addressed through the RMF, RAS and ESG Credit Risk Guidance. These accounting estimates require a significant level of judgement on origination as well as over the expected life of the loan.

As a result, the Group has concluded that no adjustments for climate risk are required to be taken to provision for impairment for the year ended 30 June 2023.

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, refinances and the contractual maturity.

Measurement of income taxes

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.

Impairment assessment of intangible assets

The Group completes annual impairment assessments of intangible assets, in order to determine whether the carrying amount of the asset exceeds its recoverable amount for:

- internally generated software that is work in progress; and
- internally generated software in use, where there are indicators of impairment.

In determining the estimated recoverable amount of these assets, several estimates and judgements are made by management, which are disclosed in further detail in Note 20. The Group's accounting policy in relation to the impairment of assets is disclosed in Note 1(p).

(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 2022:

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141].*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(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 intercompany 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

Effective 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 (e.g. 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 and 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 prior 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

Income tax expense comprises current and deferred tax. Income 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.

Current tax is the expected tax payable on the current period's taxable income and any adjustment to the tax payable/receivable in respect of previous years, based on the applicable income tax rate.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax is measured at tax rates that are expected to apply when temporary differences reverse, using tax rates enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available to utilise those deductible temporary differences and unused tax losses.

(i) Tax consolidation

Judo Capital Holdings Limited and its controlled entities have implemented a tax-consolidated group. Each entity in the tax-consolidated group recognises tax expense, deferred tax assets and deferred tax liabilities relating to its own transactions, events and balances only.

The tax-consolidated group has entered into a Tax Funding Agreement (TFA) that sets out the funding obligations of the members of the tax-consolidated group in respect of tax amounts. Consistent with the TFA, current tax liabilities (or assets) 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 also entered into a Tax Sharing Agreement to limit the liability of the controlled entities in the tax-consolidated group, in the event of default by the parent entity to meet its tax payment obligations.

(l) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes 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, and funds held in trust by third-party service providers for the purposes of fulfilling loan settlements.

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 at amortised cost; and
- those to be measured subsequently at fair value through other comprehensive income (OCI).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. With the exception of hedging derivative assets that are measured at fair value through OCI (FVOCI), the Group's business model for financial assets is to hold to maturity; therefore these are measured at amortised cost.

For assets measured at fair value, gains and losses are recorded through OCI.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value less transaction costs that are directly attributable to the acquisition of the financial asset.

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. 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 11 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.

(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 its estimated useful life 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	10% – 58%	Straight line and diminishing value
Furniture, fittings and equipment at cost	10% – 33%	Straight line and diminishing value

The residual value and the useful life of an asset are 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. For internally generated software assets, these are recognised when the Group can:

- demonstrate its intention to complete the development for use;
- use the assets to generate future economic benefits;
- reliably measure the costs of development; and
- establish control of the asset.

Internally generated software costs incurred are categorised as 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 as incurred or expensed over the contracted service period where control of the underlying asset has not been established. Software development costs are capitalised as an intangible asset where control of the underlying asset has been established and is amortised over the estimated useful life.

Amortisation of intangible assets

Internally generated software costs are not amortised throughout the development stage. Once software under development is ready for use, management will determine a suitable amortisation rate, currently between two and five years on a straight-line basis.

(p) Impairment of assets

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.

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 purposes, assets are generally assessed on either an individual asset basis, or grouped at the lowest levels for which there are largely independent cash flows (cash-generating units).

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 have 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 when hedging criteria are no longer met. The portion of the hedge that is deemed ineffective is recognised in the income statement 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 drawdown 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

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) Employee entitlements

Liabilities for annual leave and employee incentives that are expected to be settled wholly within 12 months after the end of the period in which the employee renders the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

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 12 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 by reference to the appropriate corporate bond rates. 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 26 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) 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.

(x) Comparatives

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

FINANCIAL PERFORMANCE

2. Segment information

(a) Overview

For the year ended 30 June 2023, the Group's segment information is presented based on a singular reportable segment, being SME lending, which operates solely within Australia. The Group considers the allocation of revenues and costs to a single reportable segment most aligned with the Group's current organisational structure and information that is presented to the CEO and KMP.

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. Net interest income

	2023 $M	2022 $M
Effective interest income		
Cash and cash equivalents	17.7	0.9
Investments	48.2	7.8
Loans and advances	508.3	213.2
	574.2	**221.9**
Interest expense		
Deposits	(166.8)	(35.2)
Borrowings	(59.4)	(16.8)
Lease liabilities	(0.4)	(0.1)
	(226.6)	**(52.1)**
Net interest income	**347.6**	**169.8**

(a) Average balances and related interest

The tables below are products of profit and 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 2023	Average balance $M	Interest $M	Average interest %
Effective interest income			
Cash and cash equivalents	606.0	17.7	2.92
Investments	2,645.0	48.2	1.82
Loans and advances	7,366.2	508.3	6.90
	10,617.2	**574.2**	**5.41**
Interest expense			
Deposits	5,081.8	166.8	3.28
Borrowings	3,962.8	59.4	1.50
	9,044.6	**226.2**	**2.50**

Year ended 30 June 2022	Average balance $M	Interest $M	Average interest %
Effective 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**

4. Other operating income

	2023 $M	2022 $M
Other operating income		
Fee income	2.9	1.9
Other income	2.5	1.3
	5.4	**3.2**

5. Operating expenses

	2023 $M	2022 $M
Depreciation and rental expenses		
Depreciation of property, plant and equipment	1.5	0.8
Depreciation of right-of-use assets	2.4	1.1
Rental expenses	3.3	2.7
	7.2	**4.6**
Employee benefits		
Salaries, superannuation and related on-costs	93.3	71.4
Performance-based compensation	23.2	18.5
Other employee benefits	2.8	0.7
	119.3	**90.6**
Other operating expenses		
Amortisation of intangible assets	4.7	3.5
Consultants	1.9	11.0
Impairment of intangible assets	1.5	–
Information technology	24.6	18.4
Marketing	8.1	6.4
Professional fees	4.0	4.4
Travel and entertainment	5.8	3.7
Other	13.8	12.2
	64.4	**59.6**
Total operating expenses	**190.9**	**154.8**

6. Income tax

(a) Amounts recognised in profit or loss

	2023 $M	2022 $M
Current tax		
Current year	36.0	–
Income tax under provided in previous years	–	–
Total current tax expense	**36.0**	**–**
Deferred income tax		
Current year	(2.5)	(0.3)
Income tax under provided in previous years	0.6	0.8
Total deferred tax (benefit)/expense	**(1.9)**	**0.5**
Income tax expense	**34.1**	**0.5**

(b) Amounts recognised directly in equity

	2023 $M	2022 $M
Deferred income tax arising in the reporting period related to items charged or (credited) directly in equity:		
Net (loss)/gain on cash flow hedges	(4.9)	0.9
Equity raising costs	(0.1)	(6.7)
Share-based payments	(0.5)	(19.2)
	(5.5)	**(25.0)**

(c) Numerical reconciliation of income tax expense to profit before tax

	2023 $M	2022 $M
The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Profit/(loss) before income tax expense	107.5	(7.2)
Tax at the Australian tax rate of 30% (2022: 30%)	32.3	(2.2)
Add tax effect of:		
Share-based payments	1.0	1.8
Non-deductible expenses	0.2	0.1
Income tax under provided in previous years	0.6	0.8
Income tax expense	**34.1**	**0.5**

(d) Deferred tax assets

	2023 $M	2022 $M
Deferred tax assets		
Tax losses carried forward from prior years	–	13.5
Provision for credit impairment	33.0	16.7
Employee benefits	2.1	1.6
Capital raising costs	5.4	7.3
Share-based payments	14.3	15.8
Intangibles	0.6	2.0
Cash flow hedges	3.1	–
Other	5.4	1.6
Total deferred tax assets	**63.9**	**58.5**
Deferred tax liabilities		
Cash flow hedges	–	(1.9)
Total deferred tax liabilities	**–**	**(1.9)**
Net deferred tax assets	**63.9**	**56.6**

(e) Current tax liabilities

During the year ended 30 June 2023, the Group's statutory profits resulted in the utilisation of tax assets arising from prior year income tax losses, and payment of monthly income tax instalments commenced from February 2023 onwards. The Group has reported an income tax payable position for the first time for the income tax year ended 30 June 2023.

	2023 $M	2022 $M
Current tax liabilities	18.5	–

The balance of the Group's franking credits available for subsequent reporting periods, based on a tax rate of 30%, is $36.0 million (2022: $nil). This amount is calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the expected settlement of liabilities for income tax after the end of the year.

7. Earnings per share

	2023 Cents	2022 Cents
Basic earnings per share	6.6	(0.8)
Diluted earnings per share	6.4	(0.8)

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

	2023 $M	2022 $M
Net profit/(loss) after tax	73.4	(7.7)
Total basic earnings	**73.4**	**(7.7)**
Earnings used in calculating basic earnings per share	73.4	(7.7)
Add: accretion of share-based payments expense	1.5	–
Total diluted earnings	**74.9**	**(7.7)**

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

	2023 Number	2022 Number
WANOS used in calculating basic earnings per share	**1,105,519,872**	**1,006,522,485**
Adjustments for calculation of diluted earnings per share:		
Options	62,016,663	–
WANOS used in calculating diluted earnings per share	**1,167,536,535**	**1,006,522,485**

(c) Potentially dilutive instruments

The following instruments are potentially dilutive during the reporting period:

	Dilutive	
	2023	**2022**
Premium-Priced Options	Dilutive	Antidilutive
Deferred Share Rights	Antidilutive	Antidilutive

FINANCIAL INSTRUMENTS

8. Cash and cash equivalents

	2023 $M	2022 $M
Cash at bank	633.0	361.2
Cash on deposit	–	10.8
Funds held in trust	81.7	35.1
	714.7	**407.1**

The cash and cash equivalents disclosed above and in the statements of cash flows include $61.7 million (2022: $35.1 million), which are held in trust by third-party service providers for the purposes of fulfilling loan settlements. These deposits are not available for general use by Judo Capital Holdings Limited or its controlled entities. An additional $20 million float is held in trust; however, this is accessible for general use by the Group.

9. Investments

	2023 $M	2022 $M
Investments measured at amortised cost		
Government bonds and notes	635.5	627.4
Semi-government bonds and notes	1,494.4	2,069.7
Financial institution notes and securities	298.2	97.3
	2,428.1	**2,794.4**
Provision for credit impairment	(2.4)	(0.4)
	2,425.7	**2,794.0**

The Group's business model for managing its financial assets in order to generate cash flows is to hold investments to maturity and collect the associated contractual cash flows. Investments are initially recognised at fair value, and subsequently measured at amortised cost. The fair value of investments held at balance date are disclosed within Note 16.

The following table expands on the maturity profile of the investments portfolio, while comparing the carrying value per the Group's hold-to-maturity model versus the balance date fair value:

30 June 2023	1 year or less		1 to 5 years		After 5 years		Total	
$M	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Government bonds and notes	578.6	573.5	51.9	49.5	5.0	5.1	635.5	628.1
Semi-government bonds and notes	842.0	838.4	652.4	608.3	–	–	1,494.4	1,446.7
Financial institution notes and securities	189.9	190.8	108.3	109.1	–	–	298.2	299.9
	1,610.5	**1,602.7**	**812.6**	**766.9**	**5.0**	**5.1**	**2,428.1**	**2,374.7**
30 June 2022								
$M								
Government bonds and notes	490.3	493.9	132.1	128.5	5.0	5.0	627.4	627.4
Semi-government bonds and notes	977.7	989.4	1,001.0	955.5	91.0	77.9	2,069.7	2,022.8
Financial institution notes and securities	39.7	39.7	43.1	43.0	14.5	14.5	97.3	97.2
	1,507.7	**1,523.0**	**1,176.2**	**1,127.0**	**110.5**	**97.4**	**2,794.4**	**2,747.4**

Investments pledged as collateral

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

	2023 $M	**2022 $M**
Investments pledged as collateral		
Government bonds and notes	219.4	295.9
Semi-government bonds and notes	353.2	1,003.0
Financial institution notes and securities	40.2	51.0
	612.8	**1,349.9**

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. These repurchase agreements are on three-year terms, valid until maturity, of which all remaining agreements will mature by 1 July 2024. Refer to the table in Note 15(c) for the contractual maturity profile of the TFF.

As a result of increased securitisation activity, investments previously pledged as collateral have been able to be replaced by self-securitisation notes, the proportion of which has increased to $2,251.8 million at 30 June 2023 (30 June 2022: $1,536.0 million).

10. Loans and advances

	2023 $M	2022 $M
Business Loans	6,807.3	4,716.3
Equipment Loans	581.5	379.5
Line of Credit	569.6	374.2
Home Loans	949.4	621.8
Gross loans and advances	**8,907.8**	**6,091.8**
Adjusted for:		
Capitalised net transaction costs	52.1	33.2
Provision for credit impairment	(107.5)	(55.2)
	8,852.4	**6,069.8**

Capitalised net transaction costs include upfront establishment fees, upfront broker commissions and expected future trail commissions (see Note 22), accounted for in line with the effective interest rate method.

	Contractual maturity at 30 June 2023			
	Maturing 1 year or less $M	Maturing between 1 and 5 years $M	Maturing after 5 years $M	Total $M
Business Loans	794.1	4,270.7	1,742.5	6,807.3
Equipment Loans	7.5	569.8	4.2	581.5
Line of Credit	554.7	14.9	–	569.6
Home Loans	4.9	18.7	925.8	949.4
Gross loans and advances	**1,361.2**	**4,874.1**	**2,672.5**	**8,907.8**

	Contractual 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**

Based on behavioural terms and current market conditions, the amounts expected to be repaid within 12 months of the end of the reporting period are $2,654.2 million (2022: $1,803.6 million).

11. Provision for credit impairment

The Group accounts for its credit risk by providing for expected credit losses. In calculating expected credit losses, the Group considers the customer's probability of default (PD), loss given default (LGD), exposure at default (EAD) and the amortisation profile of the exposure. Forward-looking macroeconomic conditions are incorporated into both the PD and LGD.

For the purposes of calculating expected credit losses, the Group categorises loans at and post-origination into 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	Basis for calculation of interest revenue
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.	Gross carrying amount.
Significant increase in credit 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.	Gross carrying amount.
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 carrying amount, net of provisions for impairment.
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.	Gross carrying amount, net of provisions for impairment.

Probability of default and credit risk classifications

The Group considers the probability of default upon origination of an exposure, 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. Internal credit rating grades are assigned at a customer level based on financial and non-financial information, which includes annual reviews, and management credit experience and judgement, and are updated regularly incorporating available reasonable and supportable forward-looking information. Notably, the following indicators are assessed:

- external credit rating (if available);
- a borrower is more than 30 days past due in making a contractual payment;
- a borrower has breached a covenant or is more than 90 days past due of being compliant;
- 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 its obligations;
- actual or expected significant changes in the operating results of the borrower; and
- significant increases in credit risk on other financial instruments of the same borrower.

Loss given default

The Group considers LGD that represents the expected loss, taking into account the value of assets that can be recovered from direct collateral securing a loan in default, indirect collateral provided in support of a guarantee, and the unsecured recovery rate. In determining the LGD, the Group also takes into consideration:

- time in workout – the time between default and receipt of recovery proceeds, and understanding any movement in the value of collateral over that time frame; and
- workout cost – the costs incurred by the Group to possess and sell the collateral, including any legal and agent fees.

If the facilities are part of one of the various SME Government Guarantee Schemes, the Group will consider potential recoveries of an impaired facility when determining expected credit 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.

Definition of default

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 taking into account the customer's collateral as compared to the outstanding principal. The expected credit loss provision for the customer is recognised on lifetime expected credit losses, with interest being calculated on the gross carrying amount net of provisions for impairment.

The Group's policy is for financial assets to be written off when there is no reasonable expectation of recovery. 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 FY23 financial year, one loan was written off for a total of $0.3 million, which was previously provided for in FY22.

Incorporation of forward-looking information and macroeconomic scenarios

In addition to considering historical experience based on a 'Through-the-Cycle' 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 view of expected credit losses. To arrive at a Point-in-Time 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 quarterly basis and is derived using forward-looking information, which requires expert judgement. The following are considered by a panel of subject matter experts at the Expected Credit Loss (ECL) Governance Forum, which comprises senior members, including the Chief Risk Officer and Chief Financial Officer:

- internally agreed forward-looking macroeconomic conditions proposed by the Group's Chief Economic Advisor and discussed and decisioned at the Asset and Liability Committee;
- portfolio trends including shifts in the lending book's risk profile, and historical default (e.g. observed default rates) and loss experiences;
- independent third-party assessment of the Group's Point-in-Time PD using their own proprietary data and modelling tools, including consideration of the Group's internal data and forecasts; and
- other relevant forward-looking information, including peer benchmarking.

The Group does not have its own extensive loss experience and, therefore, requires 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 Through-the-Cycle PD and LGD would be expected to behave in each scenario, at a portfolio, exposure-weighted level. The Group considers the weighting that is applied to each scenario as part of the ECL Governance Forum comprising a group of subject matter experts in customer, credit, modelling and economics. The Point-in-Time PD and LGD and scenario weightings are then applied to the portfolio using a mathematical transformation.

(a) Measurement and calculation of provision for credit impairment

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

	2023 $M	2022 $M
Increase in collective provision for impairment	35.2	24.2
Increase in specific provision for impairment	17.4	1.2
Increase in provision for impairment on investments	2.0	–
Credit impairment for the year	**54.6**	**25.4**

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	Stage 3 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	–
Increase in provision for new loans and advances	18.5	7.2	1.4	2.7	29.8
Net remeasurement of loss allowance	2.0	5.9	9.3	(2.2)	15.0
Write-back of provisions no longer required	(4.5)	(6.9)	(6.9)	(0.6)	(18.9)
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**
Net transfer between stages	1.4	(2.0)	(0.3)	0.9	–
Increase in provision for new loans and advances	23.0	4.1	3.4	1.1	31.6
Net remeasurement of loss allowance	(4.5)	12.8	13.0	15.7	37.0
Write-back of provisions no longer required	(6.4)	(8.7)	(0.6)	(0.3)	(16.0)
Amounts written off, previously provided for	–	–	–	(0.3)	(0.3)
Loss allowance at 30 June 2023	**40.7**	**28.3**	**19.7**	**18.8**	**107.5**

Forward-looking macroeconomic scenarios

In determining the macroeconomic scenarios to be applied to the probability-weighted average, assumptions are made in relation to macroeconomic inputs that include (but are not limited to): GDP growth rates, interest rates, unemployment rates, inflation and property price indices. The base case Australian macroeconomic assumptions used to measure the ECL are as follows:

Base case Australian macroeconomic inputs	June 2024 Forecast	June 2025 Forecast
GDP growth (annual)	1.0%	2.2%
RBA cash rate	4.35%	3.00%
Unemployment rate	4.5%	4.5%
Consumer price index (annual)	4.3%	3.0%
House price change (annual)	-9.0%	6.0%

During the period, the probability weighting for the Group's macroeconomic downside scenario increased by 5% compared to 30 June 2022, with a corresponding reduction in the base case scenario, reflecting an adjustment to the Group's forward-looking macroeconomic assumptions and resulting in an increase to the total collective provision.

Probability weightings	June 2023	June 2022
Base case	50%	55%
Upside	20%	20%
Downside	30%	25%

The key features of each of the macroeconomic scenarios are as follows:

- Base case – Inflation is contained over the next two to three years with interest rates rising to 4.35% by the end of 2023. The economy avoids recession but experiences weak activity for 12-18 months, which includes a period of very little economic growth in late 2023 and early 2024. The household and business sectors experience some distress given higher interest rates, record household debt and low rates of business insolvency over the past five years. Unemployment rises to 4.5%, which is still low by historical standards. Asset prices drop by around 20% from the peaks of 2021/22.
- Upside – This is the optimal path for the economy with a modest slowdown in economic growth sufficient to return inflation to the target by early 2025. The cash rate starts coming down from current levels in early 2024 easing distress placed on households and businesses, with wages remaining contained between 3% – 4% while unemployment drifts up to 4%.
- Downside – The economy proves to be stronger in 2023 than anticipated and inflation pressures remain, particularly wage pressures that threaten inflation stability. Interest rates keep rising right through 2023 and peak at 5.5% – 6%. This induces a recession in 2024 with substantial business and household distress. Unemployment rises to 6% by 2025.

The following table details the difference in ECL coverage on loans and advances, based on modelled outputs reflecting a 100% base case and 100% downside probability weighting, excluding management overlays. The inherent judgement required in the application of macroeconomic scenarios results in uncertainty in measuring expected credit losses.

Collective coverage	Weighted average	100% base case	100% downside
Collective provision ($)	$83.7m	$81.3m	$130.9m
Collective provision/GLA (%)	0.94%	0.91%	1.47%

Management overlays

Management overlays are subject to internal governance and are applied where model risk and other external factors cannot appropriately be captured through ECL models. They are incorporated in overall collective provisions.

An economic overlay was raised during the period, reflective of heightened economic uncertainty, interest rate and inflationary pressures, and expected asset quality deterioration across the 2023 and 2024 calendar years related to specific industries expected to be more adversely impacted from reduced retail discretionary consumer spending, staff shortages and higher input and energy costs. Industries captured by the economic overlay include accommodation and food services, retail trade, manufacturing, construction (including providing services to construction), and arts and recreation services.

The Group has adopted an internal stress test scenario and expert judgement for the identified vulnerable industries in order to inform the measurement of the management overlay taken for the year ended 30 June 2023.

The large exposure overlay previously held at 30 June 2022 has been released in full as a result of increased maturity in the Group's operating model, oversight and relationship framework since initial recognition of the overlay, coupled with no significant default experiences for the large exposure customer cohort to date.

Total overlays incorporated in the collective provision as at 30 June 2023 are $5.0 million (30 June 2022: $3.0 million).

12. Deposits

	2023 $M	2022 $M
Customer Term Deposits	3,930.1	2,345.7
Wholesale Term Deposits	2,024.3	1,744.8
	5,954.4	**4,090.5**

	2023 $M	2022 $M
Deposits by state		
New South Wales	2,429.2	1,722.2
Victoria	1,480.9	995.9
Queensland	926.0	613.2
Western Australia	549.9	368.5
South Australia	321.0	227.9
Tasmania	115.1	80.5
Australian Capital Territory	112.9	70.3
Northern Territory	19.4	12.0
Total Deposits	**5,954.4**	**4,090.5**

13. Borrowings

	2023 $M	2022 $M
Secured		
Debt warehouse	866.5	316.2
Repurchase agreements – RBA TFF	2,831.3	2,859.5
Repurchase agreements – other	169.6	196.1
	3,867.4	**3,371.8**
Unsecured		
NCDs	327.0	331.7
Senior unsecured debt	199.4	80.0
Subordinated Tier 2 Capital notes	113.6	49.7
	640.0	**461.4**
Total borrowings	**4,507.4**	**3,833.2**

(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 RBA TFF.

Warehouse securitisation

The Group's warehouse securitisation program is facilitated through several securitisation trusts. 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 comprises Judo Bank 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.

The Group's total committed capacity of debt warehouse facilities as at 30 June 2023 is $2,500 million (2022: $850 million).

Term Funding Facility

The TFF is a three-year facility established by the RBA, with a fixed interest rate of 0.10% per annum. As at 30 June 2023, the Group's drawdown on the TFF totalled $2.83 billion, with the final repayment due on 1 July 2024. Refer to the table in Note 15(c) for the contractual maturity profile of the TFF.

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 (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 APRA. During the year ended 30 June 2023, the Group settled on a new 10-year $65 million Tier 2 subordinated notes transaction.

The Group also issues two additional unsecured products, being medium-term senior unsecured notes and NCDs. The NCDs are eligible to be traded and used under repurchase agreement with the RBA following the Group's achievement of an investment grade credit rating.

During the year ended 30 June 2023, the Group issued its inaugural public senior unsecured bond, being a three-year fixed rate note priced at 265 bps over the three-year swap rate, which matures on 25 September 2025. Proceeds from the initial bond issuance totalled $175 million. An additional $25 million follow on issuance of floating rate senior unsecured bonds was also issued during the financial year.

14. Derivatives

The Group utilises derivative financial 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 2023 (2022: nil).

(a) Derivative assets and liabilities

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

			2023		2022	
			Fair value $M	Notional value $M	Fair value $M	Notional value $M
Derivative assets	**Hedging instrument**	**Risk**				
Cash flow hedges	Interest rate swaps	Interest rate	10.0	335.1	19.3	584.0
Derivative liabilities	**Hedging instrument**	**Risk**				
Cash flow hedges	Interest rate swaps	Interest rate	(9.7)	5,473.6	(7.4)	2,075.0

The fair values disclosed above are presented net of any collateral pledged on the derivative liabilities, or received on derivative assets. As at 30 June 2023, a total of $15.4 million in collateral had been pledged (2022: $5.8 million), while a total of $4.8 million had been received (2022: $nil).

The weighted average fixed interest rate of interest rate swaps hedging interest rate risk as at 30 June 2023 was 3.46% (2022: 2.34%).

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

	2023				2022			
	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
Notional amount								
Interest rate swaps	5,330.0	478.7	–	5,808.7	1,190.0	1,419.0	50.0	2,659.0
Fair value								
Interest rate swaps	(9.7)	10.0	–	0.3	(1.3)	4.6	8.6	11.9

(b) Risk Management Strategy for hedge accounting

The Group manages interest rate risk exposure across financial instruments including Term Deposits, warehouse notes and the RBA TFF 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 (1m 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 18(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.

	2023		2022	
	Carrying amount $M	Fair value of hedging instruments $M	Carrying amount $M	Fair value of hedging instruments $M
Borrowings				
Debt warehouse – variable rate	165.7	9.7	184.0	17.6
Loans and advances				
Loans and advances – variable rate	5,643.0	(9.4)	2,475.0	(5.7)
	5,808.7	**0.3**	**2,659.0**	**11.9**

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 five-day average reference rate against the derivative instruments which reprice on a one-day reference rate. No hedging ineffectiveness has been recognised in the income statement for the year ended 30 June 2023.

15. 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; and
- liquidity risk.

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

(a) Interest rate risk

The Group is exposed to interest rate risk in relation to its cash and cash equivalents, lending assets, investments in bonds, notes and securities, 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 governments and 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.

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.

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 1.00% would imply a 0.15% 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 prior period 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.

	2023 $M	2022 $M
Increase of 100 bps		
Impact on profit after tax	13.9	25.4
Impact on equity	13.9	25.4
Decrease of 100 bps		
Impact on profit after tax	(14.8)	(21.8)
Impact on equity	(14.8)	(21.8)

(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 customer's business model, including expected climate-related impacts and is continuing to develop more quantitative techniques. The Group also considers credit risk on 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, loss given default 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 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 expecting credit losses. Each grade has been assigned an associated probability of default 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 consolidated statement of financial position and notes to financial statements. Off-balance sheet credit risk exposures include customer funding commitments, comprising 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:

	2023 $M	2022 $M
Financial assets		
Cash and cash equivalents	714.7	407.1
Investments	2,425.7	2,794.0
Loans and advances	8,852.4	6,069.8
Derivative assets	10.0	19.3
Other assets	148.9	124.4
Total balance sheet exposures	**12,151.7**	**9,414.6**
Customer funding commitments	530.8	739.5
Other	89.3	82.0
Total exposures	**12,771.8**	**10,236.1**

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 approach to measuring expected credit losses overseen by a group of subject matter experts in customer, credit, modelling and economics (ECL Governance Forum) is detailed in Note 11.

Exposure to credit risk

The following table outlines the gross carrying amount and associated credit impairment of the Group's loans and advances by internal credit rating grade and ECL stage. These internal credit risk ratings are aligned to Moody's rating scale as follows:

Internal credit rating	Moody's equivalent
Investment	Aaa – Baa
Speculative	Ba – Ca
Default	C

30 June 2023	Stage 1 Carrying amount $M	Stage 1 Impairment provision $M	Stage 2 Carrying amount $M	Stage 2 Impairment provision $M	Stage 3 Carrying amount $M	Stage 3 Impairment provision $M
Internal credit rating						
Investment	544.5	0.3	22.1	0.1	-	-
Speculative	7,139.0	40.4	1,068.2	28.2	18.0	3.9
Default	-	-	-	-	116.0	34.6
	7,683.5	**40.7**	**1,090.3**	**28.3**	**134.0**	**38.5**
30 June 2022						
Internal credit rating						
Investment	388.9	0.2	6.8	-	-	-
Speculative	4,838.7	27.0	840.3	22.1	6.4	1.7
Default	-	-	-	-	10.7	4.2
	5,227.6	**27.2**	**847.1**	**22.1**	**17.1**	**5.9**

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 also includes expected future loan commitments and undrawn credit facilities that are held off-balance sheet.

Climate-related risk encompasses the physical and transitional impact of climate change on the Group. This includes the impact of extreme weather events and the prolonged effects of enduring climate change on our customers, their ability to service their debts and valuations supporting collateral held as security against the loan. The Group has identified and addressed these risks in the RMF, RAS and ESG Credit Risk Guidance at the point of facility origination. As a result, the Group has concluded that no adjustments for climate risk are required to be taken to provisions for impairment for the year ended 30 June 2023.

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:

	2023 $M	2023 %	2022 $M	2022 %
Maximum exposure	9,656	100.0	6,809	100.0
Collateral classification:				
Fully secured	5,479	56.8	3,828	56.2
Partially secured	2,755	28.5	2,039	30.0
Balance sheet security	1,422	14.7	942	13.8

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 at:	Less than 6 months $M	6 – 12 months $M	Between 1 and 5 years $M	Over 5 years $M	Total contractual cash flows $M	Carrying amount assets/ (liabilities) $M
30 June 2023						
Non-derivatives						
Cash and cash equivalents	714.7	–	–	–	714.7	714.7
Investments	522.2	1,088.3	812.6	5.0	2,428.1	2,425.7
Loans and advances	816.2	545.0	4,874.1	2,672.5	8,907.8	8,852.4
Other assets	29.1	1.1	6.4	2.3	38.9	38.9
Deposits	(3,619.6)	(1,449.8)	(885.1)	(0.8)	(5,955.3)	(5,954.4)
Borrowings – TFF	(225.3)	(2,477.4)	(129.0)	–	(2,831.7)	(2,831.3)
Borrowings – Other	(613.8)	(53.5)	(671.3)	(340.3)	(1,678.9)	(1,676.1)
Other liabilities	(106.2)	(1.2)	(7.1)	(2.9)	(117.4)	(115.3)
Total non-derivatives	**(2,482.7)**	**(2,347.5)**	**4,000.6**	**2,335.8**	**1,506.2**	**1,454.6**
Derivatives						
Interest rate swaps	(2.1)	(7.6)	10.0	–	0.3	0.3
Total derivatives	**(2.1)**	**(7.6)**	**10.0**	**–**	**0.3**	**0.3**
30 June 2022						
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	41.4	–	–	–	41.4	41.4
Deposits	(2,379.3)	(1,209.1)	(502.4)	(0.3)	(4,091.1)	(4,090.5)
Borrowings – TFF	–	(28.5)	(2,831.6)	–	(2,860.1)	(2,859.5)
Borrowings – Other	(544.6)	(91.5)	(175.7)	(163.3)	(975.1)	(973.7)
Other liabilities	(37.6)	(0.4)	(0.8)	–	(38.8)	(38.7)
Total non-derivatives	**(572.6)**	**(889.7)**	**961.6**	**1,870.2**	**1,369.5**	**1,349.9**
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**

The Group actively manages the inherent liquidity risk arising from the maturity transformation associated with provision of banking services. This includes:

- daily cash flow analysis and monitoring; and
- maintaining a significant portfolio of high-quality liquid assets such as deposits with major Australian banks, Australian Corporate and Government Securities (ACGS) and Semi-Government securities above regulatory MLH requirements.

To provide short term liquidity, the Group issues NCDs, has access to repurchase facilities with the RBA through open market operations as well as repurchase 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 TFF liability.

As indicated in Note 13, the Group has $2.5 billion of committed warehouse capacity as at 30 June 2023, which provides a significant amount of flexibility and contingency as the Group manages its repayment of the TFF by 30 June 2024.

16. 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:

	30 June 2023		30 June 2022	
	Carrying amount $M	**Fair value $M**	**Carrying amount $M**	**Fair value $M**
Financial assets				
Cash and cash equivalents	714.7	714.7	407.1	407.1
Investments	2,425.7	2,374.7	2,794.0	2,747.4
Loans and advances	8,852.4	8,804.6	6,069.8	6,069.8
	11,992.8	**11,894.0**	**9,270.9**	**9,224.3**
Financial liabilities				
Deposits	(5,954.4)	(5,919.1)	(4,090.5)	(4,074.4)
Borrowings	(4,507.4)	(4,507.4)	(3,833.2)	(3,833.2)
	(10,461.8)	**(10,426.5)**	**(7,923.7)**	**(7,907.6)**

(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.

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:

	Notes	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
At 30 June 2023					
Financial assets					
Derivatives – interest rate swaps	14	–	10.0	–	10.0
Financial liabilities					
Derivatives – interest rate swaps	14	–	(9.7)	–	(9.7)
At 30 June 2022					
Financial assets					
Derivatives – interest rate swaps	14	–	19.3	–	19.3
Financial liabilities					
Derivatives – interest rate swaps	14	–	(7.4)	–	(7.4)

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:

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
At 30 June 2023				
Financial assets				
Cash and cash equivalents	–	714.7	–	714.7
Investments	–	2,374.7	–	2,374.7
Loans and advances	–	–	8,804.6	8,804.6
Total financial assets	**–**	**3,089.4**	**8,804.6**	**11,894.0**
Financial liabilities				
Deposits	–	–	(5,919.1)	(5,919.1)
Borrowings	–	–	(4,507.4)	(4,507.4)
Total financial liabilities	**–**	**–**	**(10,426.5)**	**(10,426.5)**
At 30 June 2022				
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)**

(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 rate, with no contractual repricing tenor, is considered a reasonable approximation of fair value. For loans and advances that are priced based on a fixed rate, the use of a discounted cash flow analysis is adopted;
- for deposits – the carrying value net of capitalised transaction costs for deposits is considered a reasonable approximation of fair value, except where the use of discounted cash flow analysis is adopted; and
- 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 TFF is considered to approximate fair value due to the unique features of the facility, and unavailability of an appropriate comparable discount rate.

CAPITAL MANAGEMENT

17. Share capital

(a) Share capital

	2023 Shares	2023 $M	2022 Shares	2022 $M
Issued capital				
Ordinary Shares paid in full	1,105,519,872	1,534.1	1,105,519,872	1,534.1
Equity-raising costs	–	(15.8)	–	(15.9)
Total share capital	**1,105,519,872**	**1,518.3**	**1,105,519,872**	**1,518.2**

(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
Closing balance at 30 June 2023	1,105.5	1,534.1

There were no movements in Ordinary Shares during the financial year ended 30 June 2023.

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.

During the 2023 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, costs incurred on internally generated software and other prescribed adjustments. Additional Tier 1 Capital is 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 qualify 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 (CET1, Additional Tier 1, Tier 2 and Total Capital) as a percentage of total RWA. RWA represents an allocation of risks associated with the Group's assets and other related exposures. The Group's capital position 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 potential 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 RWA profiles and prudential capital ratio requirements.

Loan capital

As at 30 June 2023, the Group had issued $115 million in Tier 2 Capital securities issued in the form of subordinated notes. These securities qualify as Tier 2 Capital of the Group under the Basel III requirements as implemented by APRA.

18. Accumulated losses and reserves

(a) Accumulated losses

	2023 $M	2022 $M
Accumulated losses at beginning of period	(81.3)	(73.6)
Net profit/(loss)	73.4	(7.7)
	(7.9)	**(81.3)**

(b) Reserves

	2023 $M	2022 $M
Cash flow hedges	(7.2)	4.3
Share-based payments	(26.1)	(36.6)
	(33.3)	**(32.3)**

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.

	2023 $M	2022 $M
Balance at beginning of the year	4.3	2.2
Net hedging (losses)/gains recognised through other comprehensive income	(16.4)	3.0
Tax effect on hedging recognised through other comprehensive income	4.9	(0.9)
Balance at end of the year	**(7.2)**	**4.3**

Share-based payments reserve

The share-based payments reserve comprises the fair value of options and rights provided to employees under the various share-based payment plans.

Further details regarding each of these share-based payment plans are disclosed within Note 26.

OTHER ASSETS AND LIABILITIES

19. Property, plant and equipment

	Furniture, fittings and equipment $M	Leasehold improvements $M	Total $M
At 1 July 2021			
Cost	0.8	2.4	3.2
Accumulated depreciation	(0.2)	(1.3)	(1.5)
Net book amount	0.6	1.1	1.7
Year ended 30 June 2022			
Additions	0.2	1.5	1.7
Depreciation charge	(0.2)	(0.6)	(0.8)
Closing net book value	0.6	2.0	2.6
At 30 June 2022			
Cost	1.0	3.9	4.9
Accumulated depreciation	(0.4)	(1.9)	(2.3)
Net book amount	0.6	2.0	2.6
Year ended 30 June 2023			
Additions	0.1	6.6	6.7
Disposals	–	–	–
Depreciation charge	(0.5)	(1.0)	(1.5)
Closing net book amount	0.2	7.6	7.8
At 30 June 2023			
Cost	0.4	9.1	9.5
Accumulated depreciation	(0.2)	(1.5)	(1.7)
Net book amount	0.2	7.6	7.8

20. Intangible assets

Internally generated software	Work in progress $M	In use $M	Total $M
At 1 July 2021			
Cost	1.7	17.5	19.2
Accumulated amortisation	–	(3.1)	(3.1)
Net book amount	1.7	14.4	16.1
Year ended 30 June 2022			
Additions	11.2	–	11.2
Transfer to In Use	(2.5)	2.5	–
Amortisation charge	–	(3.5)	(3.5)
Closing book amount	10.4	13.4	23.8
At 30 June 2022			
Cost	10.4	19.7	30.1
Accumulated amortisation	–	(6.3)	(6.3)
Net book amount	10.4	13.4	23.8
Year ended 30 June 2023			
Additions	20.7	–	20.7
Transfer to In Use	(16.6)	16.6	–
Impairment	(1.5)	–	(1.5)
Amortisation charge	–	(4.7)	(4.7)
Closing book amount	13.0	25.3	38.3
At 30 June 2023			
Cost	13.0	34.4	47.4
Accumulated amortisation	–	(9.1)	(9.1)
Net book amount	13.0	25.3	38.3

Internally generated software includes costs incurred in the development of software that supports the Group's core banking and treasury operations, customer experience, data and risk management processes. Configuration and customisation costs incurred under a Software as a Service (SaaS) arrangement are capitalised where control of the underlying software is established in accordance with AASB 138 *Intangible Assets*. Where 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.

Impairment assessment of intangible assets

The Group completes annual impairment assessments of intangible assets, in order to determine whether the carrying amount of the asset exceeds its recoverable amount for:

- internally generated software that is work in progress; and
- internally generated software in use, where there are indicators of impairment.

During the period, the Group performed an additional impairment assessment on an asset development that was classified as work in progress. The assessment determined that the implementation of the asset would no longer proceed, and it was not sufficiently probable that any future economic benefits would be derived by the Group as a result of the existing development. On this basis, a $1.5 million impairment charge was recognised directly through the profit or loss.

For the purposes of completing the annual impairment assessment for all other work in progress assets, the recoverable amount has been estimated using a fair value less costs of disposal (FVLCOD) approach, which is applied to all work in progress assets as a single CGU in the absence of separately distinguishable cash flows. The FVLCOD has been calculated by performing a discounted cash flow analysis, with the valuation considered to be level 3 in the fair value hierarchy, due to unobservable inputs used in the valuation.

The five-year forecast of the Group approved by management has been utilised to determine the cash flow projections, which is based on past experience and management's expectations of future conditions. A discount rate of 12.40% reflects the market determined, risk-adjusted, post-tax discount rate derived from publicly available data associated with Australian businesses displaying similar characteristics, and has been used to discount estimated future cash flows to their present value. A terminal growth rate of 3.00%, reflective of long term growth rates including inflation, in Australia, has been applied to extrapolate cash flows beyond the forecasted period. Costs of disposal have been estimated at 2% of the fair value of the CGU, based on historical market experience.

Based on the analysis performed, the CGU maintained a surplus in recoverable amount over carrying amount. There were no indicators of impairment for In Use assets that necessitated an impairment assessment.

The FVLCOD estimates are sensitive to assumptions about post-tax discount rates and long term growth rates, whereby a reasonable possible change in assumptions would result in impairment. The following sensitivities assume the specific assumption moves in isolation while all other assumptions are held constant. A reasonable possible change in post-tax discount rate to 12.75% or terminal growth rate to 2.54% would erode headroom to nil.

21. Other assets

	2023 $M	2022 $M
Accrued interest receivable	16.0	28.7
Prepayments – Software	7.3	5.8
Prepayments – Other	3.4	4.2
Other receivables	1.3	1.2
Right-of-use assets	10.9	1.5
	38.9	**41.4**

22. Provisions

	2023 $M	2022 $M
Employee entitlements	19.5	8.1
Make good provision	1.4	–
Trail commission	47.4	32.1
Other provisions	1.0	–
	69.3	**40.2**
Current	33.3	16.7
Non-current	36.0	23.5

(a) Movements in provisions

	2023 $M	2022 $M
Make good		
Opening balance	–	–
Additional provision recognised	1.8	–
Amounts utilised during the year	(0.4)	–
Closing balance	**1.4**	**–**
Trail commission		
Opening balance	32.1	–
Additional provision recognised	28.4	32.1
Amounts utilised during the year	(13.1)	–
Closing balance	**47.4**	**32.1**

In the prior year ended 30 June 2022, the Group revised its accounting treatment relating to trail commission payable to 3rd party brokers, to recognise a provision reflecting the present value of future payments expected over the behavioural life of the underlying transaction and as such, the opening balance is nil.

(b) Information about individual provisions

Employee entitlements

The provision for employee entitlements covers the Group's liabilities for long service leave and annual leave obligations, as well as short-term cash incentive obligations issued under the Group's incentive plans.

Make good provision

The Group is required to restore the leased premises of its offices to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are depreciated over the shorter of the term of the lease and the useful life of the assets.

Trail commission

The Group recognises a provision for trail commissions payable to brokers arising from the inception of underlying loan contracts. The provision is dependent on assumptions about the behavioural life and amortisation of the outstanding balance of the underlying transaction. The costs associated with trail commissions payable have been capitalised as part of the total balance of loans and advances, and is subsequently amortised through the profit or loss statement as effective interest income under the effective interest method.

Other provisions

Other provisions relate to estimated costs to be incurred following the formal termination of IT licence contracts prior to the contracted end date. As these liabilities are expected to be settled within 12 months following the end of the reporting period, no discounting has been applied to the liability.

23. Other liabilities

	2023 $M	2022 $M
Accrued interest payable	92.7	21.7
Trade creditors and accruals	12.4	15.3
Lease liabilities	10.2	1.7
	115.3	**38.7**

OTHER DISCLOSURES

24. Cash flow information

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

	Notes	2023 $M	2022 $M
Profit/(loss) for the period		**73.4**	**(7.7)**
Adjustments for:			
Depreciation, amortisation and impairment of fixed assets	5	10.1	5.4
Charges for impairment on financial assets held at amortised cost		54.6	25.4
Performance-based compensation		9.9	12.5
Accrued interest income		12.7	(0.3)
Accrued interest expense		71.0	10.9
Changes in operating assets and liabilities:			
Increase in loans and advances		(2,835.2)	(2,613.2)
Increase in prepayments and other receivables		(0.8)	(7.4)
Increase in income taxes payable		18.5	-
(Increase)/decrease in deferred tax assets through profit or loss		(1.8)	0.5
Increase in customer deposits		1,863.9	1,542.8
(Decrease)/increase in trade creditors and accruals		(2.9)	8.7
Decrease in derivatives		(4.8)	(5.8)
Increase in provisions		27.4	36.4
Net cash outflow from operating activities		**(704.0)**	**(991.8)**

25. Leases

(a) The Group's leasing activities and how these are accounted for

The Group leases various offices across Australia, which can range from a fixed period of six months to seven years, and have additional extension options included.

Upon inception of a lease, a lease liability is recognised equal to the present value of lease payments over the life of the lease, discounted using the Group's incremental borrowing rate, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the associated right-of-use asset.

This lease liability is progressively unwound over the life of the lease, as cash payments are made and the associated interest expense is recognised through the statement of profit or loss.

A right-of-use asset is recognised for the future economic benefits the Group is to derive from use of the leased asset, which is measured upon inception of the lease as equal to the discounted lease liability, adjusted for any lease incentives received and estimated make good costs to restore the asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated over the shorter of the asset's useful life and lease term, on a straight-line basis through the statement of profit or loss.

On 1 December 2022, the Group commenced a lease on a new Melbourne office for a seven-year term. Upon inception, a $9.9 million lease liability was recognised as well as a $1.2 million provision for estimated 'make good' costs. A corresponding right-of-use asset was recognised for $11.1 million, to be depreciated over the life of the lease.

(b) Amounts recognised in the statement of financial position

	2023 $M	2022 $M
Right-of-use assets		
Property leases – buildings	14.4	4.6
Accumulated depreciation	(3.5)	(3.1)
	10.9	**1.5**
Lease liabilities		
Property leases – buildings	10.2	1.7
Provisions		
Make good provision	1.4	–

(c) Amounts recognised in the statement of profit or loss

	2023 $M	2022 $M
Depreciation expense on right-of-use assets	2.4	1.1
Interest expense on lease liabilities	0.4	0.1
	2.8	**1.2**
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)	4.1	2.9
Total expenses in relation to leases	**6.9**	**4.1**

(d) Amounts recognised in the statement of cash flows

	2023 $M	2022 $M
Total cash outflow in relation to leases	6.0	4.2

26. Share-based payment plans

The Group provides benefits to employees in the form of share-based payment incentive plans, whereby services are provided by employees in exchange for options or rights over shares.

Each of these share-based payment plans are summarised below. For further details on these plans, refer to the Remuneration Report.

(i) Management Incentive Plan and Legacy Long Term Incentive Plan

The Group's Management Incentive Plan (MIP) and Legacy 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 through the IPO completed on 1 November 2021.

The length of the vesting period was revised to 1 November 2021 for the majority of instruments issued, with the costs associated with the remaining LTIP options on foot amortised through the profit or loss to the value of $0.4 million (2022: $1.2 million for all vested and unvested options), and a corresponding charge to the share-based payments reserve.

(ii) Judo Grows

Judo Grows is an annual incentive program designed specifically for the Group'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 during the 2023 financial year, 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 following the end of the performance period.

During the year ended 30 June 2023, a total of 4,637,077 Deferred Share Rights were granted under the program, with an assessed fair value at grant date of $5.1 million and a weighted average fair value per instrument of $1.10. A total expense of $5.8 million (2022: $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 10-day VWAP following the annual results announcement, subject to service and other risk value and conduct-based vesting conditions. Participants may request to settle the options through a cashless exercise; however, the Group has the discretion to reject the Participant's request, in which case they must complete a cash exercise.

A total of 34,790,193 options were granted during the 2023 financial year under the program across all program participants, with an assessed fair value at grant date of $5.6 million and a weighted average fair value per instrument of $0.16. The options granted during the year will vest on 5 October 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 2023 was $2.1 million (2022: $0.7 million) with a corresponding increase in the Share-based payments reserve.

(iv) IPO Top-Up Award

The IPO Top-Up 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 Participants remain engaged with the Group at that date. Participants may request to settle the options through a cashless exercise; however, the Group has the discretion to reject the Participant's 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 2023 of $1.5 million (2022: $1.0 million) resulting in a corresponding increase to the share-based payments reserve.

(v) Other grants

During the period, additional issues of Premium-Priced Options and Deferred Share Rights were granted to senior leaders, subject to service-based vesting conditions.

A total of 2,250,000 Premium-Priced Options were granted during the year with an assessed fair value at grant date of $0.4 million and a weighted average fair value per instrument of $0.16, with the value of the options amortised through to the vesting date on 5 October 2026. In addition, a total of 390,787 Deferred Share Rights were granted during the year with an assessed fair value at grant date of $0.4 million and a weighted average fair value per instrument of $1.15, vesting over a two-year period.

(vi) Summary of details under the various plans

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

	2023 No.	2023 WAEP($)	2022 No.	2022 WAEP($)
Deferred Share Rights/performance rights				
Outstanding at beginning of the year	2,499,999	–	14,880	0.99
Granted	5,027,864	–	2,500,119	–
Forfeited	(290,040)	–	(73)	0.99
Exercised	–	–	(14,927)	0.99
Outstanding at year end	**7,237,823**	**–**	**2,499,999**	**–**
Exercisable at year end	**–**	**–**	**–**	**–**

	2023 No.	2023 WAEP($)	2022 No.	2022 WAEP($)
Options				
Outstanding at beginning of the year	37,431,777	2.32	11,901,058	1.47
Granted	37,040,193	1.53	27,218,543	2.70
Forfeited	(4,785,263)	2.13	(1,669,564)	2.37
Exercised	–	–	(18,260)	1.45
Outstanding at year end	**69,686,707**	**1.92**	**37,431,777**	**2.32**
Exercisable at year end	**10,079,908**	**1.44**	**10,133,712**	**1.44**

	Other grants	Judo Grows+	IPO Top-Up	LTIP
Summary of key components of options				
Exercise price – range ($)	$1.53	$1.53 – $2.73	$2.73	$1.40 – $1.75
Expiry date	5 October 2032	22 October 2031 – 5 October 2032	22 October 2031	20 December 2029 – 29 July 2031
Weighted average remaining life (years)	9.3	8.9	8.3	7.1

(vii) 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 granted during the period. The following inputs have been used in the models:

	Premium-Priced Options	**Premium-Priced Options**
Fair value inputs	4 April 2023	4 October 2022
Underlying share price at grant date	$1.16	$1.10
Exercise price	$1.53	$1.53
Expected life (years)	4.0	4.5
Expected volatility (%)	25%	25%
Risk-free interest rate (%)	2.98%	3.42%
Dividend yield (%)	Nil	Nil

As a result of the Group's limited share price history, the expected price volatility is based on the historic volatility of listed companies that are considered comparable to the Group (based on the remaining life of the options), and adjusted for the longer-term rolling volatility of the benchmark listed companies.

27. Remuneration of auditor

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group, PricewaterhouseCoopers Australia.

	2023 $'000	**2022 $'000**
Audit, review and assurance services		
Audit and review services		
Audit and review of the financial report	1,236	930
Assurance services		
Other statutory assurance services	144	132
Other assurance services	107	1,187
Total remuneration for audit, review and assurance services	**1,487**	**2,249**
Other non-audit services		
Other services	580	626
Total remuneration for audit, review, assurance and other services	**2,067**	**2,875**

Other statutory assurance services relate to engagements required under prudential standards and other legislative or regulatory requirements. Other assurance services include assurance services relating to APRA's CPS 234 Tripartite audit, as well as investigative accounting work completed in the prior period relating to the IPO Prospectus.

Other non-audit services include review and industry benchmarking of equity incentive plans and, in the prior period, other IPO-related services.

28. Related-party transactions

(a) Subsidiaries

Judo Capital Holdings Limited (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 29.

The table below shows the aggregate amounts receivable from subsidiaries as at year end:

	2023 $'000	2022 $'000
Balance at beginning of the year	3,157	678
Net outflows	24,840	2,479
Balance at end of the year	27,997	3,157

The primary drivers of the current year net movement in amounts receivable from subsidiaries are the transfer of employee share-based payments costs from the Company to Judo Bank Pty Ltd, which is partially offset by the transfer of net tax losses from Judo Bank Pty Ltd to the Company.

(b) Key management personnel

The Group's 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 5 (with the exception of the Management Incentive Plan cash-out, which was recognised through the share-based payments reserve in the prior period). The table below details, on an aggregated basis, total KMP compensation:

	2023 $'000	2022 $'000
Short-term benefits	5,935	4,098
Post-employment benefits	246	241
Other long-term benefits	113	140
Equity-based payments	3,777	2,393
Management Incentive Plan	–	30,434
Total KMP compensation	**10,071**	**37,306**

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 related parties arising from the acceptance of funds on deposit or the granting of loans. Related parties of KMP are considered to comprise close members of their family, and any entities over which the person has significant influence or provides KMP services to. 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 (and their related parties):

	2023 $'000	2022 $'000
Loans and advances at the beginning of the year	–	11,849
Loans and advances at the end of the year	–	–
Interest received or receivable	–	156

The table below details, on an aggregated basis, deposits outstanding at the end of the year between the Group and KMP (and their related parties):

	2023 $'000	2022 $'000
Deposits outstanding at the beginning of the year	4,709	1,118
Deposits outstanding at the end of the year	1,725	4,709
Interest paid or payable	58	15

29. Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2023 are set out below. Unless otherwise stated, the company listed has 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 trusts listed have units consisting solely of units that are held directly by the Group. The country of incorporation or registration is also their principal place of business.

		Parent entity's interest	
Name of entity	**Country of incorporation**	**2023 %**	**2022 %**
Judo Bank Pty Ltd	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
Judo Capital Holdings Limited Employee Share Trust	Australia	100	100
Judo Securitisation Trust 2022 – 1	Australia	100	–
Judo Securitisation Trust 2023 – 1	Australia	100	–
Judo Capital Markets Trust 2023 – 1	Australia	100	–
Judo Securitisation Trust 2023 – 2	Australia	100	–

Judo Capital Securitisation Trust 2018–2 was closed during the current period, and as such there will be no balances recognised for this entity in the consolidated financial statements of subsequent periods.

Judo Securitisation Trust 2022–1, Judo Securitisation Trust 2023–1, Judo Capital Markets Trust 2023–1 and Judo Securitisation Trust 2023–2 were all created during the period, with all units held directly by the Group.

30. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity, Judo Capital Holdings Limited, show the following aggregate amounts:

(i) Statement of financial position

	2023 $M	2022 $M
Net assets		
Total assets	1,510.0	1,473.9
Total liabilities	(32.2)	(5.9)
Net assets	**1,477.8**	**1,468.0**
Shareholders' equity		
Issued capital	1,518.3	1,518.3
Reserves		
Share-based payments	(26.1)	(36.6)
Accumulated losses	(14.3)	(13.7)
Total equity	**1,477.9**	**1,468.0**

(ii) Statement of profit or loss and other comprehensive income

	2023 $M	2022 $M
Loss for the year	(0.6)	(10.6)

31. Commitments

(a) Customer funding commitments

	2023 $M	2022 $M
Undrawn Line of Credit facilities	241.2	189.3
Accepted but not settled loans and advances	289.6	550.2
	530.8	**739.5**

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 15. The credit risks and associated provision for credit impairment are assessed on the same basis as gross loans and advances for both undrawn Line of Credit facilities and accepted but not settled loans and advances.

(b) Lease commitments

During the period, the Group entered into a seven-year property lease, commencing 1 September 2023, to allow for relocation of the Sydney office following the expiration of the current office lease in August 2023.

(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 until finalised. There are no current disputes or claims made against the Group by tax authorities.

32. 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.

33. Entity details

The registered office of the Group is:

Judo Capital Holdings Limited
Level 26, Queen and Collins
376-390 Collins St
Melbourne VIC 3000

Directors' Declaration

In the Directors' opinion:

(a) the consolidated financial statements and notes set out on pages 112 to 161 are in accordance with the *Corporations Act 2001* (Cth), including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* (Cth) 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 2023 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

24 August 2023

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Independent Auditor's Report

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 2023 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 2023
- 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.

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

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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 $7.39 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

- 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 accounting processes and controls of the Group.
- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In designing the scope of our audit, we considered the structure of the Group and the nature of its operations. The Group principally provides financial services to Small and Medium-sized Enterprises ('SMEs'), including loans and advances. The primary source of funding is obtained through a variety of sources, including deposit services.

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), 11, and 15)* AASB 9 Financial Instruments requires the recognition of a Provision for Expected Credit Losses (ECL) against the gross carrying value of the Group's loans and other receivables, the measurement of which is required to incorporate reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group utilises an in-house model to calculate ECL on a collective basis. This model has been developed using external historical default data and incorporates various forward-looking assumptions which consider forecasts of future economic conditions across multiple economic scenarios. Stage 3 specific provisions are also recognised by the Group for loans and other receivables that are known to be impaired at the reporting date. These provisions are measured using probability weighted scenarios which are intended to reflect a range of reasonably possible outcomes, and incorporate assumptions such as estimated future cash repayments and proceeds expected to be recovered from the realisation of the value of collateral held by the Group in relation to the impaired lending assets. We considered the provision for ECL a key audit matter due to the significant audit effort required and the estimation uncertainty inherent in its determination, which is specifically due to the complexity, subjectivity and extent of judgement used by the Group in its recognition and measurement. Specific drivers of this uncertainty include the following: • In the absence of sufficient internal historical default data, judgement is applied in determining the appropriate construct and use of external historical default data to model probability of default (PD) and loss given default (LGD) assumptions used to estimate ECL;	We developed an understanding of the control activities relevant to our audit over the Group's provision for ECL and assessed whether they were appropriately designed and operating effectively throughout the year on a sample basis. This included control activities relevant to the following: • Completeness and accuracy of certain inputs to and outputs from the ECL model; • Review of credit risk grades for updated assessment at least annually in line with policy; and • Review and approval of forward-looking assumptions, overlays, and overall adequacy of the Group's total ECL by the Group's Expected Loss Governance Committee. In addition to controls testing we, along with PwC credit risk modelling experts and PwC economics experts, performed the following substantive procedures, amongst others, to assess the reasonableness of the Group's provision for ECL as at 30 June 2023: • Assessed the ongoing appropriateness of the Group's ECL methodology, and its implementation within ECL models, against the requirements of Australian Accounting Standards; • Assessed the appropriateness of external historical data and assumptions used to model PD and LGD assumptions in the ECL model • 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 weightings applied to the scenarios; • Recalculated ECL and certain model adjustments to assess the accuracy of the

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Key audit matter	How our audit addressed the key audit matter
• Multiple assumptions are made by the Group concerning the future occurrence of events and conditions, as well as their probabilities, for which there is inherently heightened levels of estimation uncertainty given the forward-looking nature of these assumptions; • Judgement is applied in determining the significant increase in credit risk (SICR) criteria. Additional subjectivity and judgement has been introduced into the measurement of ECL for the year ended 30 June 2023 due to the heightened uncertainty associated with the impact of the current economic outlook, in particular the impact of rising interest rates and inflation to the Group's customers. This includes the impact of these factors to internal credit ratings, forward-looking information including macroeconomic scenarios and their associated weightings, and the use of model adjustments and overlays in the calculation of ECL.	modelled outputs for the Group's loan portfolios; • Tested accounts, on a sample basis, for the appropriate staging classification in line with the Group's credit risk classifications; • Assessed the appropriateness of overlays identified by the Group against supporting information; • Tested the completeness and accuracy of a sample of certain critical data elements used as inputs to the ECL models to relevant source documentation; • Tested the accuracy of customer risk gradings used as an input to the ECL models to relevant source documents and reperformed the underlying calculations in line with the Group's credit rating policy; • Tested a sample of stage 3 specific provisions on loans which had been identified as impaired at reporting date, by assessing the appropriateness of assumptions and data used in expected cash flow calculations, including valuation of collateral; • Considered the impact of events occurring subsequent to balance date until the date of signing the auditor's report on the provision for ECL. Where applicable, we also considered the competency, capabilities, objectivity and nature of the work of certain experts used by the Group to assist in the development of significant assumptions used in determining the Provision for ECL. We also assessed the reasonableness of the related disclosures in the financial report against the requirements of Australian Accounting Standards.
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:	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.

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Key audit matter	How our audit addressed the key audit matter
• Overall IT governance, including policies and procedures; • Access controls over programs and data; • Change management controls; and • IT operation controls (e.g. system monitoring and backups). User access management controls are intended to ensure access to IT systems is appropriately provisioned, monitored and revoked to mitigate the potential for fraud or error through user or administrator level system access. Change management controls support that changes to IT systems and data are appropriately initiated, tested, approved and implemented. Due to the Group's reliance on IT systems, and key financial IT dependencies, such as calculations and reports, we consider the operation of IT general controls over relevant IT systems to be a key audit matter.	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 or IT dependent manual controls relevant to our audit. We also considered compensating controls, where necessary, in order to respond to the impact on our overall audit approach.

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 2023, 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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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.

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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 pages 88 to 110 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Judo Capital Holdings Limited for the year ended 30 June 2023 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
24 August 2023

Other Information

Shareholding details

Twenty largest registered fully paid ordinary shareholders of the Company as at 9 August 2023

	Number of shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	247,309,809	22.37%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	138,790,670	12.55%
JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	125,162,479	11.32%
CITICORP NOMINEES PTY LIMITED	73,118,218	6.61%
CAMBOOYA PTY LTD	38,373,600	3.47%
BNP PARIBAS NOMS PTY LTD <DRP>	35,529,881	3.21%
ZHONG YI INVESTMENT PTY LTD	32,602,114	2.95%
COMPUTERSHARE TRUST COMPANY OF CANADA <OPTRUST ASIA HOLDINGS VI>	32,337,983	2.93%
JGT FAMILY HOLDINGS PTY LTD <JOSEPH HEALY FAMILY TRUST>	28,782,891	2.60%
NATIONAL NOMINEES LIMITED	28,706,214	2.60%
MIRACLE RESOURCE CO. LIMITED	20,000,000	1.81%
SGE PTY LTD <THE BGSE TRUST A/C>	18,146,781	1.64%
UBS NOMINEES PTY LTD	14,103,258	1.28%
TIKEHAU CAPITAL UK LIMITED	13,714,286	1.24%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	12,797,791	1.16%
TIKEHAU INVESTMENT MANAGEMENT ASIA PTE LTD <TIKEHAU ASIA OPPORTUNITIES>	10,527,653	0.95%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	10,324,992	0.93%
CHRISTOPHER BAYLISS	9,520,162	0.86%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	8,939,158	0.81%
CHRYSTOBEL PTY LTD <MALCOLM HISCOCK FAMILY TRUST>	7,356,803	0.67%
Total	**906,144,743**	**81.97%**

Substantial shareholders

As at 9 August 2023, 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 (GIC), Sing Glow Investments Pte Ltd (Sing Glow), GIC (Ventures) Private Limited (GIC Ventures) and GIC Special Investments Pte Ltd (GIC SI)	77,728,137	7.03%
ECP Asset Management Pty Ltd	62,982,560	5.70%
FIL Limited	56,140,575	5.08%

Distribution of fully paid ordinary shareholdings as at 9 August 2023

Range (number)	Number of holders	Number of shares	% of shares
1 to 1,000	1,758	1,035,841	0.09
1,001 to 5,000	2,129	5,923,541	0.54
5,001 to 10,000	924	7,123,294	0.64
10,001 to 100,000	1,265	39,014,833	3.53
100,001 and over	272	1,052,422,363	95.2
Total	**6,348**	**1,105,519,872**	**100**

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
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 26, Queen and Collins
376-390 Collins St
Melbourne VIC 3000

www.judo.bank

Investor relations

investor@judo.bank

Key shareholder dates

Financial full year end:
30 June 2023

Full year results:
24 August 2023

Annual General Meeting:
25 October 2023

Appendices

Glossary

Term	Meaning
$	Dollar amounts (in Australian dollars or AUD unless stated otherwise)
AAA pipeline	Loans in application, approved and accepted status, but not yet settled
AASB	Australian Accounting Standards Board
Additional Tier 1 Capital	As defined by APRA
ADI	Authorised deposit-taking institution
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
A Class Shares	A former A Class Share in the Company
B Class Shares	A former B Class Share in the Company
BBSW	Bank Bill Swap Rate
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
Capex	Capital expenditure
CEO	Chief Executive Officer
CET1	Common Equity Tier 1 capital
CET1 ratio	Common Equity Tier 1 capital divided by total RWAs
Company	Judo Capital Holdings Limited (ACN 612 862 727)
Corporations Act or Corporations Act 2001	Corporations Act 2001 (Cth)
Cost-to-income ratio or CTI ratio	Total expenses divided by net banking income
CRO	Chief Risk Officer
CTI	Cost-to-income
CTI ratio	Cost-to-income ratio
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
FY21	Financial year ended 30 June 2021
FY22	Financial year ended 30 June 2022
FY23	Financial year ended 30 June 2023
FY24	Financial year ended 30 June 2024
GHG	Greenhouse gas

Term	Meaning
GLA	Gross loans and advances
HoH	Half on half
IE&D	Inclusion, equity and diversity
IFRS	International Financial Reporting Standards
IPO	Initial public offering
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
Judo Grows	Judo's short-term incentive plan
Judo Grows+	Judo's long-term incentive plan
KMP	Key management personnel
Leverage ratio	Leverage ratio is Tier 1 Capital as a percentage of total exposures. Total exposures are the sum of both balance sheet and off-balance sheet exposures (including treasury investments) and net of any Tier 1 regulatory reductions
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 in this Report
MIP	The 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
MMIP	The "Mirror" Management Incentive Plan
n.m.	Not meaningful
NCDs	Negotiable certificate of deposit
NII	Net interest income
NIM	Net interest margin is net interest income divided by the average of the month-end closing balance of interest-earning assets
Non-Executive Director	A member of the Board who does not form part of the Company's management
NPAT	Net Profit After Tax
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
PBT	Profit before tax
PcP	Prior comparative period
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
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
RAS	Risk Appetite Statement
RBA	Reserve Bank of Australia
RMF	Risk Management Framework
RMS	Risk Management Strategy
ROE	Return on equity

Term	Meaning
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
SMSF	Self-managed super fund
STI	Short-term incentive
Tenor	The length of time that will be taken by the borrower to repay the loan along with the interest
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
Total provision coverage ratio	Total impairment provision balance divided by the end-of-period loan book
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 Facility	A revolving credit facility extended by a financial institution to a loan originator for the funding of loans
YoY	Year on year

Judo Bank

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