

11 May 2022

JUDO 2022 INVESTOR DAY

Judo Capital Holdings Ltd (Judo) (ASX:JDO) is today holding its inaugural investor day in Sydney. The investor presentation follows this announcement.

Key points

- Judo is on-track to achieve or exceed all its prospectus FY22 metrics
- Judo remains confident in achieving the key business metrics at-scale
- Judo has significant positive leverage to rising interest rates
- Current funding markets are highly favourable
- The company's unique model creates sustainable competitive advantages
- Judo's risk management framework will deliver superior outcomes

Judo's CEO and Co-Founder, Joseph Healy, said he welcomed the opportunity to bring Judo's unique customer value proposition to life for the investment community.

"We believe specialists beat generalists every time. Judo is a specialist SME bank which operates with risk management at its core.

"Our relationship-led approach to lending positions us well to outperform in periods of economic uncertainty, as we have proven throughout the pandemic. All we think and talk about are SMEs and we assess each of our customer's circumstances individually, beginning with their character. We believe this sets us apart from our peers and gives us an advantage in assessing the merits of every transaction." Mr Healy said.

After listing on the ASX in November 2021, Judo Bank remains on track to achieve and in some areas, exceed, its prospectus forecast targets for FY22.

"Judo Bank is a young business with strong growth ambitions. Our year-to-date performance shows we have strong momentum. We continue to drive strong lending growth and remain confident of achieving our prospectus forecast for GLA of \$6.0 billion by 30 June 2022. Our relationship-based value proposition is clearly resonating with customers."

"Along with our lending growth, our team at Judo is also growing as we continue to attract talented bankers who want to be part of Judo as we scale towards becoming a world class SME business bank. We now have 110 relationship bankers, well ahead of our prospectus forecast for 98 bankers at 30 June 2022." Mr Healy said.

Judo's Deputy CEO and CFO, Chris Bayliss, said rising interest rates were positive for the company's net interest margins, and the business had a clear funding strategy to support an at-scale net interest margin (NIM) of over 3%.

"The outlook for ongoing cash rate increases provides a significant tailwind for our margins given our lending portfolio is largely floating-rate, while our funding costs are predominantly fixed.

“As well as accessing fixed-rate funding from the RBA's term funding facility, term deposits remain a very attractive source of funding. We are rewarding retail depositors with some of the most competitive term deposit rates in the market. At the same time, by utilising hedges, we are locking in our funding margins well below the levels required to deliver our at-scale NIM of over 3%.” Mr Bayliss said.

Judo's Chief Operating Officer, Lisa Frazier, said that Judo's legacy free, cloud-native technology platform offered a distinct competitive advantage.

“As a specialist SME bank, Judo's purpose-built technology stack has less operational complexity and risk. Being cloud native, it is easier for us to innovate, expand and integrate our systems.

“Our technology expertise and platforms enable our relationship-led model. Technology plays a major role in supporting our growth plans and in driving our CTI down towards our at-scale target of approaching 30%.” Ms. Frazier said.

Joseph Healy concluded that, “We are well positioned to continue delivering strong growth and demonstrating the significant scale benefits of being a fully licensed bank.”

[Ends]

Authorised for release by the Judo Disclosure Committee.

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About Judo Bank: Judo is Australia's first purpose-built challenger bank for small and medium-sized businesses (SMEs) and the first fully licensed Australian bank to IPO in 25 years. Judo was founded by a small group of experienced lending professionals and its purpose is to be the most trusted SME business bank in Australia. The company's relationship-led lending model, which brings back the craft of relationship banking, is enabled by its legacy free, digital, cloud-based technology architecture. Lending products are originated and distributed through direct and third-party channels and are funded by deposits, wholesale debt and regulatory capital.



2022 Investor Day.

11 May 2022

*Our purpose is to be the
most trusted SME
business bank in
Australia.*

THIS IS JUDO

OUR PURPOSE →

TO BE THE MOST TRUSTED
SME BUSINESS BANK IN AUSTRALIA



• Key investor questions.

- ★ Why does Judo exist and what is our competitive advantage?
- ★ How we are different to other fast growing banks?
- ★ How will we deliver key business metrics at scale?
- ★ What role does technology play in delivering our at-scale CTI?
- ★ What do rising interest rates mean for Judo?
- ★ Are higher term deposit rates impacting profitability?

Agenda.

Topic	Presenter
Intro	Joseph Healy
Credit risk framework	Frank Versace
Judo value proposition	Angelo Manos
Banker panel	Joseph Healy
Short break	
Technology	Lisa Frazier
Finance	Chris Bayliss
Conclusion	Joseph Healy
Q&A	All
Lunch	

• Experienced management team.

Diverse and credentialed business banking professionals with deep domain expertise

Today's presenters



Frank Versace
Chief Risk Officer

- 20+ years experience
- Prior roles at ANZ and Macquarie



Angelo Manos
Chief Relationship Officer

- 27+ years experience
- Prior roles at ANZ as GM Commercial Broker Group, State GM Business Banking



Lisa Frazier
Chief Operating Officer

- 25+ years experience
- Prior roles at Wells Fargo, CBA, McKinsey & Company, various San Francisco based FinTech Startups



Chris Bayliss
Deputy CEO & CFO

- 35+ years experience
- Executive positions at Standard Chartered Bank, NAB, BNZ, Clydesdale Bank, Yorkshire Bank

Experienced management team.

Diverse and credentialed business banking professionals with deep domain expertise



Yien Hong

General Counsel & Co-Sec

- 20+ years experience
- Prior roles at Deutsche Bank, NAB, Growthpoint Properties Australia



George Obeid

Chief Third Party Officer

- 20+ years experience
- Prior roles at ANZ
- President of MFAA Equipment & Commercial Forum



Kevin Ramsdale

Chief Marketing Officer

- 25+ years experience
- Prior roles at RACV, JB Hi-Fi, NAB, Bupa, Ford Motor Company



Megan Collins

Chief People & Culture Officer

- 25+ years experience
- Prior roles at Treasury Wine Estates, GE Capital, NAB

Why Judo exists.



Drive by the industry
to industrialise SME
lending



Mortgage lending has
been prioritised over
business lending



Diminished SME
relationship proposition
and service levels due to
deskilling & sales cultures



Increase in unmet demand
for SME funding and thus
good businesses unable to
access credit

- The industry will find it hard to change.



Competitors are rediscovering SME, but their industrialised models will be difficult to unwind



Bankers have been replaced with sales teams with diminished credit assessment capability



Remote credit assessment means customers rarely get to speak with decision makers

- At the outset we had three clear “must haves”.



Clarity on the problem we were seeking to solve and our sustainable competitive advantage



High calibre management with deep equity alignment to the business



Path to profitability within three years, and view of capital needed to reach self-sustainability, assessed at \$1.5 billion

The power of specialisation.

Specialisation and focus yields better return than generalisation from the perspective on individual challenges and tasks, as this Olympic example demonstrates.



Event	The Specialists	The Generalists	Specialist Premium
100m	10.16 s	10.87 s	7%
110m Hurdle	13.64 s	14.34 s	5%
400m	41.16 s	47.82 s	14%
1500m	3 min 42 s	4 min 38 s	20%
Discus	62.76 m	47.17 m	33%
Shotput	19.86 m	15.18 m	31%
Long Jump	8.16 m	7.68 m	6%
High Jump	2.24 m	2.04 m	10%
Pole Vault	5.33 m	4.69 m	14%
Javelin	83.38 m	64.23 m	30%

Average
Outperformance

17 %

THE GENERALIST

Men's Decathlon Gold Medal Winner

THE SPECIALIST

Men's Individual Event Gold Medal Winner

Specialist Premium 17%

Performance update.

Judo's strong financial performance continues

	Prospectus FY22 Forecast	Apr-22 YTD	Outlook vs Prospectus
Lending portfolio (\$bn)	6.00	5.56	✓
Relationship Bankers	98	110	✓
	Prospectus FY22 Forecast	Mar-22 YTD	Outlook vs Prospectus
Net Interest Income (\$m)	160.5	116.7	✓
Pro Forma PBT (\$m)	7.4	9.9	✓
Underlying NIM	2.69%	2.74%	✓
Front Book Lending Margin	4.3%	4.5%	✓
Impairment Expense (\$m)	28.5	15.6	✓
Total Provision Coverage	0.90%	0.85%	✓
Pro Forma Cost-to-income ratio	77.8%	78.3%	✓

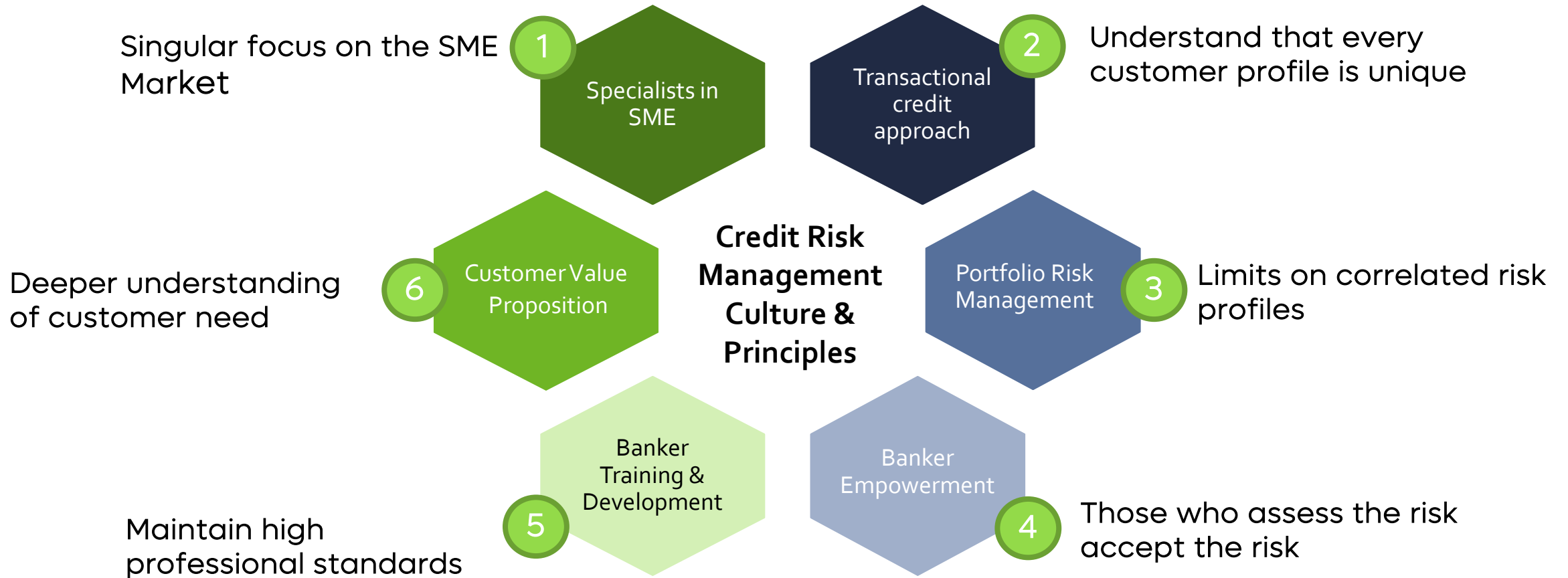
- **Business has strong momentum**
- **GLA** on track to achieve \$6.0 billion
- **Relationship Bankers** above prospectus guidance for Jun'22
- **Underlying NIM** to remain at current levels, moderately above prospectus
- **Pro forma CTI ratio** expected to be in-line with prospectus guidance
- **Impairment expenses** to be slightly favourable to prospectus guidance
- **Provision coverage** expected to be in-line with prospectus guidance

Credit Risk Management.



Frank Versace, Chief Risk Officer

Judo is different to other fast growing banks.

A unique risk management culture and framework that will deliver superior results



Recent & current examples of our risk framework in Practice.

Onset of Covid 19 	Current Environment 
<ul style="list-style-type: none">• Unprecedented business disruption• Divergent approaches from state governments• Uncertain how long the crises would last• Businesses were inconsistent in their responses• Historical financials are not necessarily a reliable guide to future earnings	<ul style="list-style-type: none">• Inflation for the first time in decades• Supply chain issues due to conflict in Europe and residual impacts of the pandemic• Upcoming election creating uncertainty• Impact on short term liquidity and medium-term profitability• Historical financials are not necessarily a reliable guide to future earnings

Lending Growth Strategy.

Angelo Manos, Chief Relationship Officer

Our banker value proposition has been designed to attract, retain and develop the best talent.



- Our customer value proposition has been purposely defined for the SME market.



Relationship led

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

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

Proactive engagement and focus on value-add interactions.



Judgement lending

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

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



Speed to Market

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

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

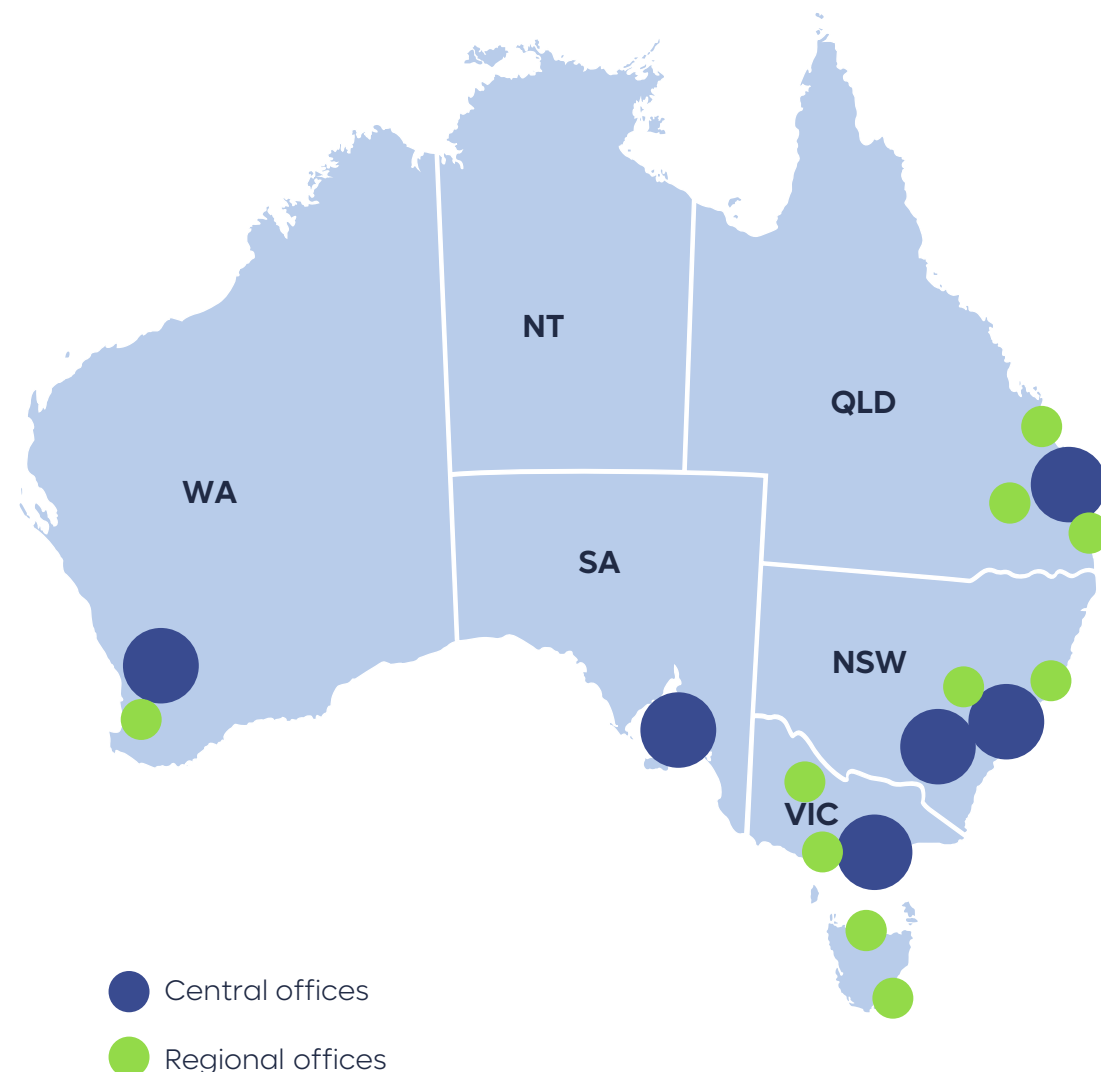
Accredited broker network acts as an extension of our value proposition.

Our growth strategy is focused on industries, geographies and channels.

1 Opening of two new specialisations – Agriculture and Health

2 Continued Geographic expansion into regional Hubs

3 ~1,000 hand-picked specialist commercial brokers



Banker Panel.

Technology.

Lisa Frazier, Chief Operating Officer

- In the digital economy, successful companies are good at all three elements of digital business models but prioritise one to excel in.

Product company

What is consumed?

Products offered including product information, pricing etc.

Experience company

How it is packaged?

Experience includes customer facing processes, expertise provided to customers, and recommendations.

Platform company

How it is delivered?

The underlying technology including customer data, business processes and partners

Judo's focus:
Relationship led
banking experience

• Judo's Technology Enablement Principles.

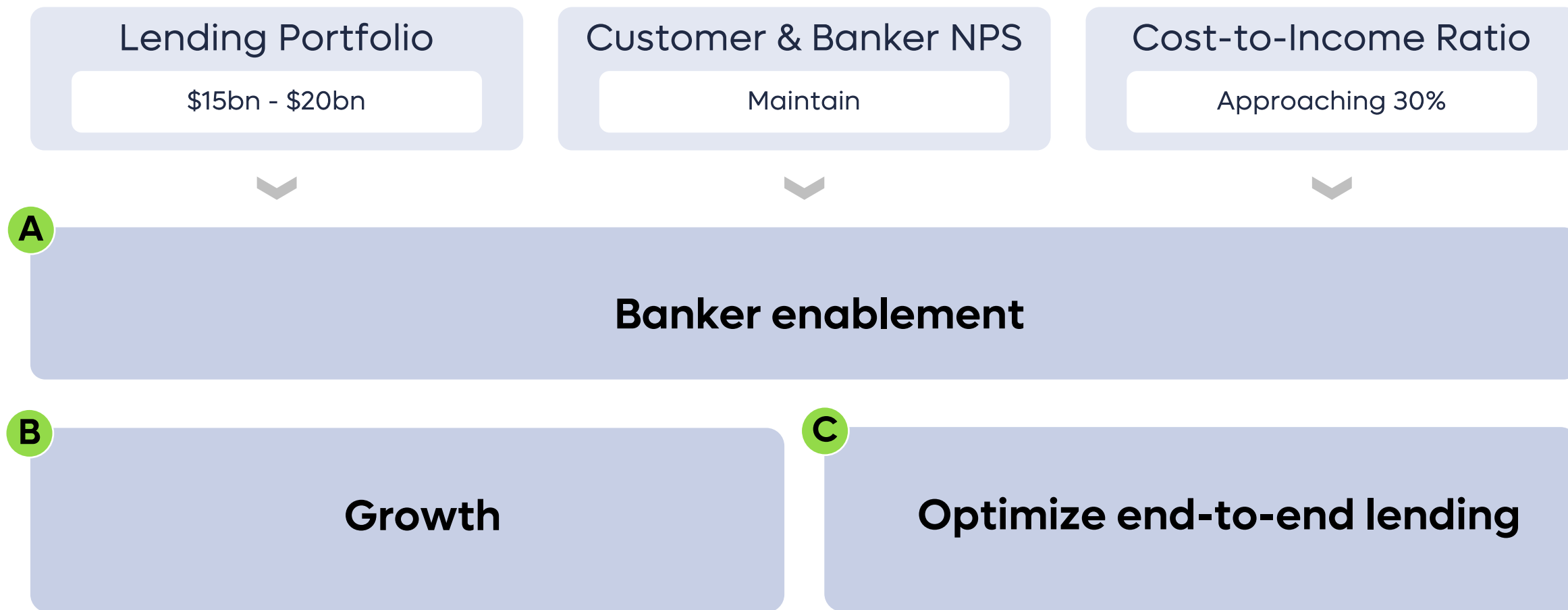


Best-in-class technology, and the application of digital and data, will enable our relationship banking CVP for our people and our customers at scale

Judo is on track in executing strategy and fulfilling its mission of being the most trusted SME bank in Australia.



- Achieving our metrics at scale will position Judo as a **World Class SME Bank.** 



• We will build our technology target state in three phases.



• Our technology driven competitive advantage.

We are....

- **Simpler**, in our tech stack and operations which reduces operational risk and ongoing maintenance costs
- **Native, Cloud based** – integration and expansion is easier
- Utilise **best in class SaaS providers**, streamlined upgrades, easy to adopt innovation, faster ramp up & down, more experimentation to optimise value

We have a...

- **Core team** with requisite capabilities in place, projects are ramping up
- **Single, agile blueprint** in use across our entire technology organisation
- **Capex budget** of ~\$100 million over five years

Finance.

Chris Bayliss, Deputy CEO and CFO

Key business metrics at scale.

Judo is on track to achieving its performance goals for its key business metrics at scale

Lending portfolio

\$15 - \$20 billion

Current lending represents <1% market share. Lending of \$15 - \$20 billion equal to approximately ~3% market share¹.

Net Interest Margin

>3%

NIM of >3% to be supported by lending margins reflective of Judo's pure play SME business lending model and premium service offering; funding costs supported by investment grade credit rating and a diverse range of funding sources.

Cost-to-income ratio

Approaching 30%

Driven by revenue growth and investment in technology to support business operations at scale.

Cost of risk (per annum)

~0.5%

Conservative estimate compared to experience of the business segment over the past 30 years.

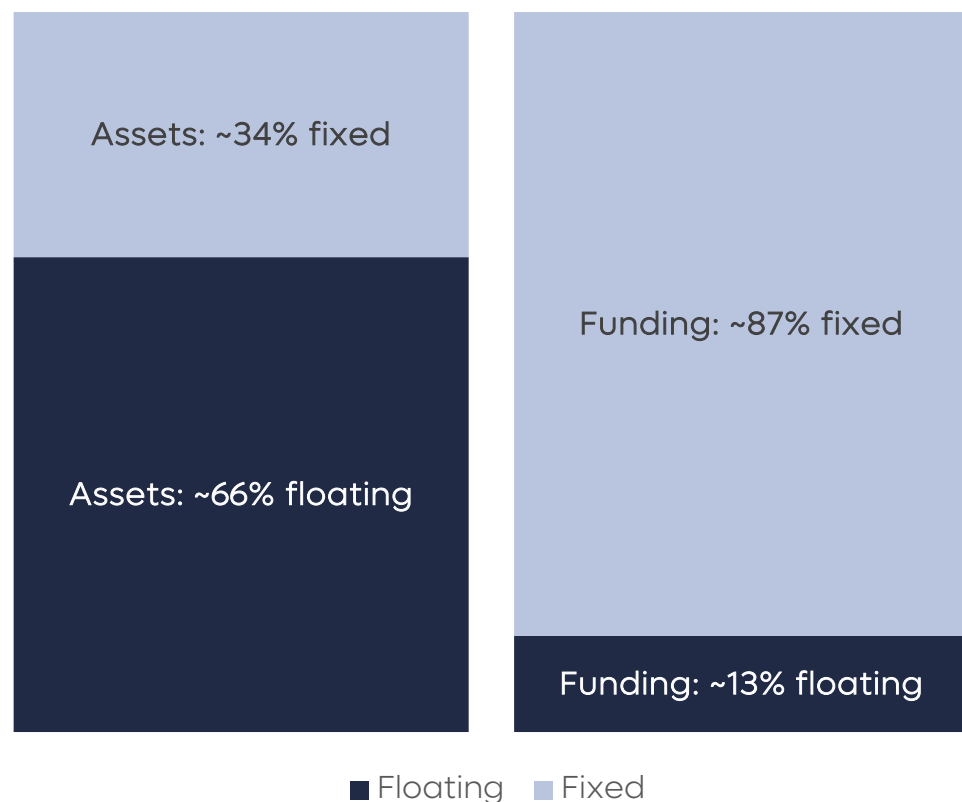
Return on equity

Low to mid-teens

Outcome of the at-scale metrics above. No new CET1 required based on retained earnings.

Notes: (1) SME Total Addressable Market of approximately \$605 billion, DBM Consultants: SME Market Report (July 2021)

• Judo has significant positive leverage to rising rates. judobank

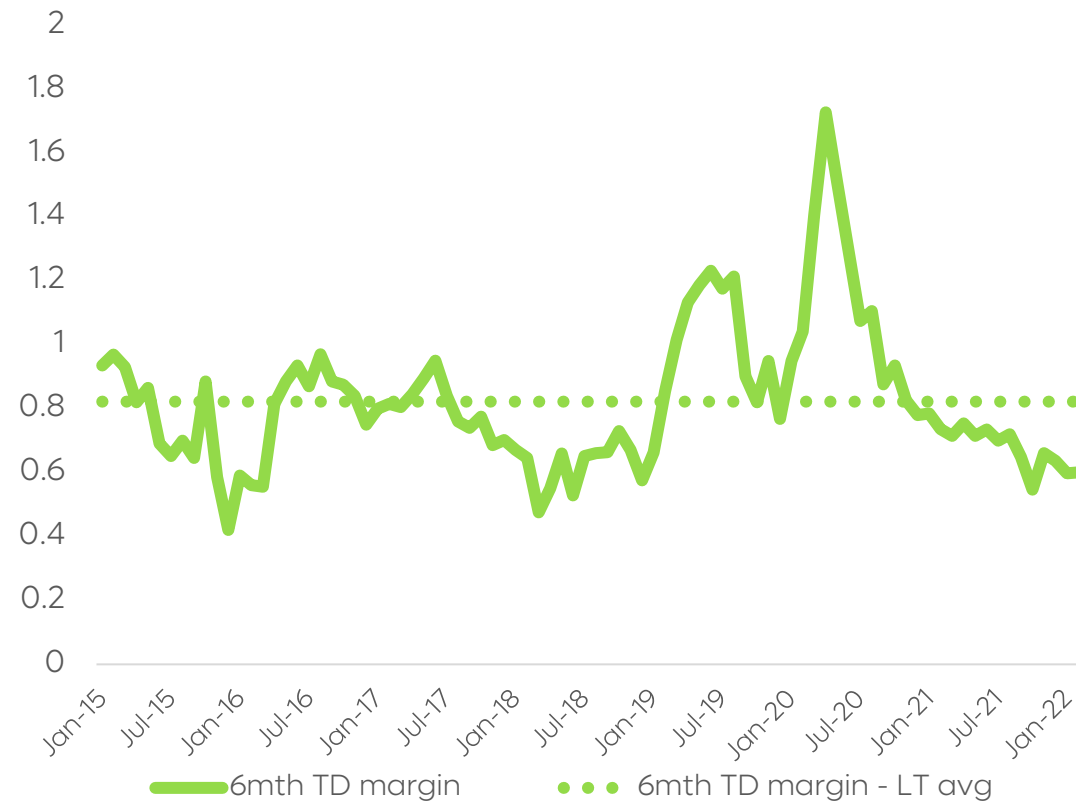


- **For every 50 bps increase in rates, NIM sees an immediate 25 bps benefit**
- 91% of our loan portfolio is floating rate, priced off 1month BBSW (~66% of assets- liquid asset balance temporarily elevated due to TFF preservation strategy)
- 13% of funding re-prices each month to prevailing margins
- Historically, term deposit back book has been unhedged → full benefit of rising rates environment immediately realised in NIM
- The recent pull forward in market expectations of rate rises is favourable for FY23 NIM

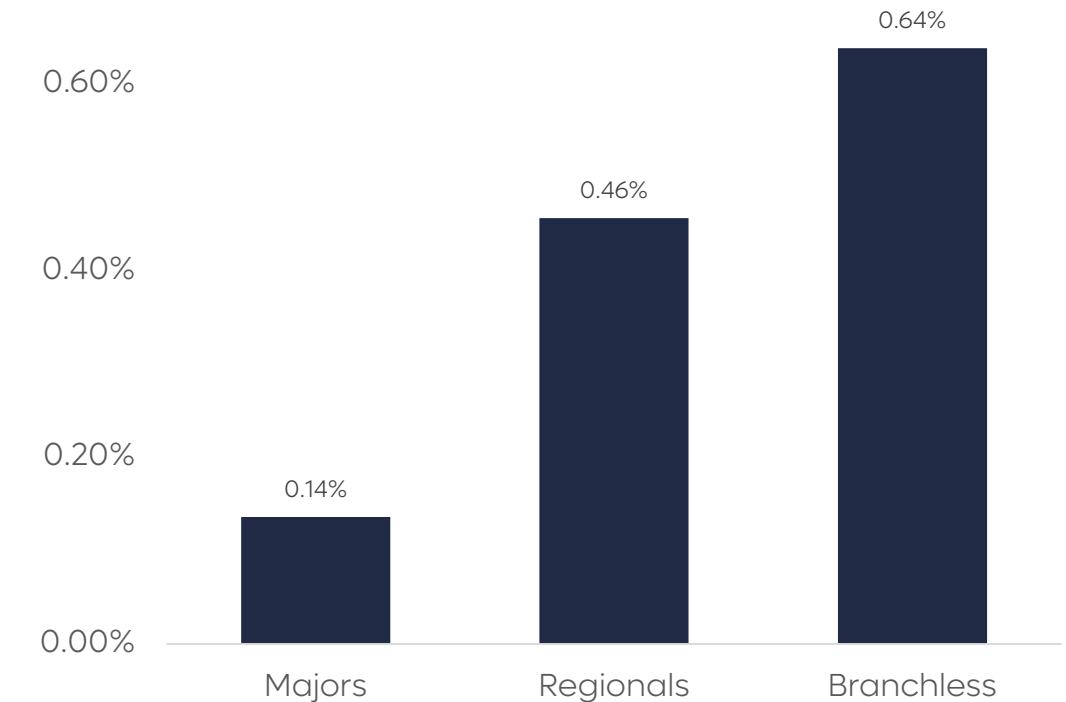
Conservative term deposit pricing assumptions.

Judo operates in a different segment compared to the majors and regionals

Long term margin for top priced branchless banks



Term deposit margin by segment - 2015 - 2022



Source: Mozo, 11 April 2022. 6 Month TD Rate
Majors = ANZ, CBA, NAB, WBC
Regionals = BEN, BOQ, SUN
Branchless = AMP, ING, JDO, ME, Rabo

• Current term deposit pricing is accretive to NIM.

Tenor	6 months	1 year	2 year	All in
Swap rate	1.76%	2.40%	3.03%	
Judo – Direct Retail TD rates	2.10%	2.70%	3.50%	2.51%
Margin over swap	0.34%	0.30%	0.47%	0.35%
Judo – Intermediated TD rates	2.15%	3.00%	3.65%	2.35%
Margin over swap	0.39%	0.60%	0.62%	0.53%

- *Current TD margins over matched swap rates are well below the 90 basis point assumption underpinning our at-scale NIM assumption of >3.0%*
- Judo is actively de-risking net interest margin from the impact of the rising yield curve by hedging front book term deposit originations
- New loans funded by hedged TD originations are generating NIMs of >3.0%

Funding strategy.

Driving existing channels and leveraging investment grade credit rating to enter new markets and develop new products

Customer Deposits

Direct Retail

Intermediated Mid Markets

Intermediated SMSF

Direct SMSF

Direct Business

Platforms

Wholesale Funding

Term Funding Facility

Warehouse Facilities

Senior Unsecured Debt

Tier 2 Subordinated Debt

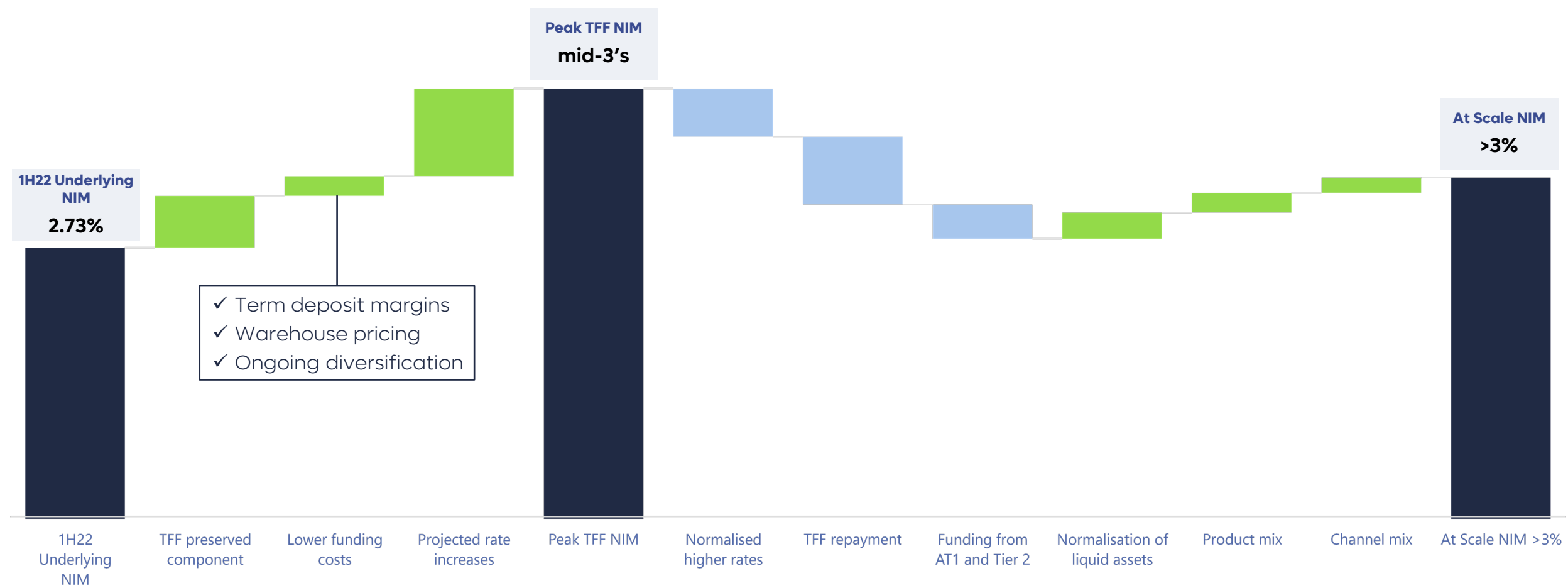
NCDs

Term Securitisation

Expected
in FY23

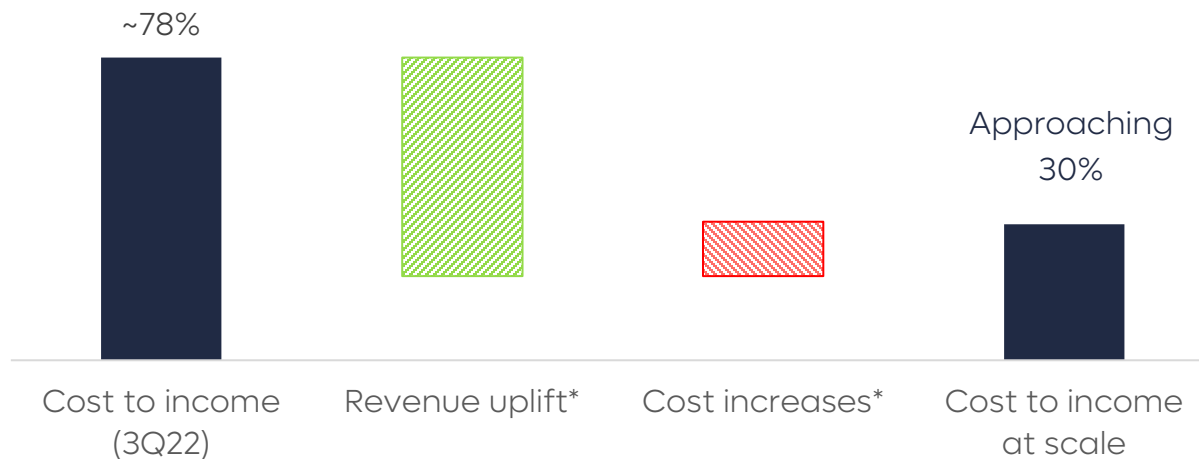
Peak TFF NIM and at-scale NIM.

Evolution of NIM to Peak TFF NIM and at-scale NIM

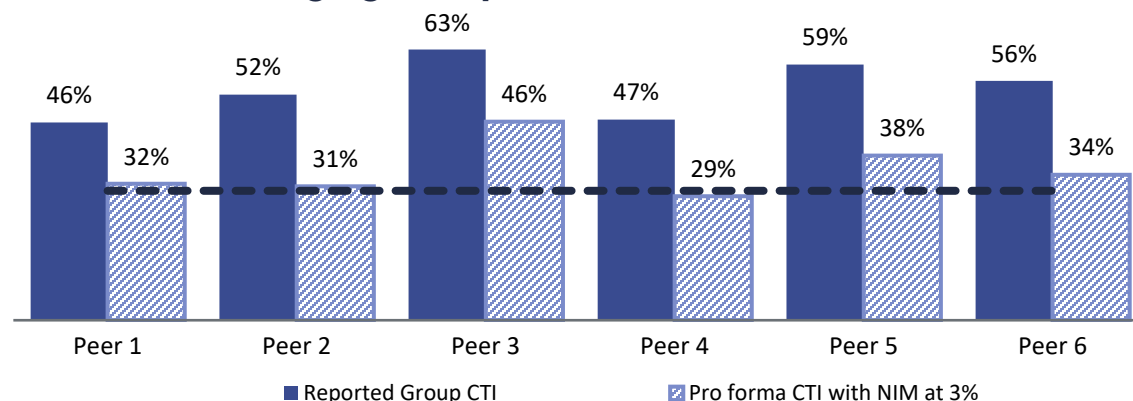


Scale drives CTI.

Judo CTI to be driven towards 30% by revenue growth (scale) and cost discipline



CTI benchmarking against peers



- **Revenue growth** driven by considerable loan book growth and trajectory to at-scale NIM
- **Costs** will necessarily increase as Judo continues to grow
- **CTI** progression will not be linear but expected to improve each reporting period
- **FTE** ramp up primarily in FY22 and FY23
- **Incentive plan** at full run-rate in FY23
- **Inflation** of ~5% budgeted for expenses for FY23

Conclusion.

Joseph Healy, CEO

• Judo's strong financial performance continues.

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Thank You.

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