



Capital Notes Prospectus. 2023

Judo Capital Holdings Limited

Prospectus for the issue of Capital Notes to raise \$75 million
with the ability to raise more or less.

Issuer

Judo Capital Holdings Limited
ACN 612 862 727

Arranger

Barrenjoey Markets Pty Limited

Joint Lead Managers

Barrenjoey Markets Pty Limited
E&P Corporate Advisory Pty Limited
Morgans Financial Limited
Westpac Institutional Bank
(a division of Westpac Banking
Corporation)

Important notices

Prospectus

This Prospectus relates to the offer by Judo Capital Holdings Limited ACN 612 862 727 (**Judo**) of Capital Notes in Australia to raise \$75 million, with the ability to raise more or less (**Offer**). Judo is the parent company of Judo Bank Pty Ltd (**Judo Bank**).

This Prospectus is dated 23 October 2023 and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on this date. This Prospectus will expire 13 months after the date of this Prospectus and no Capital Notes will then be issued on the basis of this Prospectus.

ASIC and ASX Limited (**ASX**) take no responsibility for the contents of this Prospectus or for the merits of investing in Capital Notes.

This Prospectus does not provide information in relation to the credit ratings of Judo or Capital Notes as the companies which provide ratings in relation to Judo may only disclose this information to certain investors under the terms of their Australian Financial Services Licences (**AFSLs**).

Exposure Period

Under the Corporations Act 2001 (Cth) (**Corporations Act**), Judo must not process Applications in the seven day period after this Prospectus was lodged with ASIC (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable market participants to examine the Prospectus prior to the raising of funds.

Documents relevant to the Offer

In addition to this Prospectus, the following documents are relevant to the Offer and can be obtained from the Investor Centre at www.judo.bank/capital-notes/:

- the full terms of Capital Notes (see Appendix A to this Prospectus);
- the Trust Deed (see Section 8.1);
- the Judo Constitution; and
- the Target Market Determination.

In addition to reading this Prospectus in full, it is important that you read these documents in full before deciding to invest in Capital Notes.

Status of Capital Notes

Capital Notes are perpetual, subordinated¹ and unsecured notes, issued by Judo.

Investments in Capital Notes are an investment in Judo and may be affected by the ongoing performance, financial position and solvency of Judo. Investments in Capital Notes are not deposit liabilities or protected accounts of Judo or Judo Bank under the Banking Act and are not guaranteed or insured by any Australian government, government agency or compensation scheme.

Investments in securities such as Capital Notes are subject to risks which could affect their performance, including loss of investment and income. Judo does not in any way, guarantee the future performance of Capital Notes (including the market price of Capital Notes), or any particular rate of return.

Information about the risks of investing in Capital Notes is detailed in Section 5.

No representations other than in this Prospectus

No person is authorised to provide any information or to make any representation in connection with the Offer that is not contained in this Prospectus, and you may not rely on any such information as having been authorised by Judo.

Unless otherwise indicated, all information in this Prospectus, while subject to change from time to time, is current as at the date of this Prospectus.

Past performance information

The financial information provided in this Prospectus is for information purposes only and is not a forecast of future performance. Past performance and trends should not be relied upon as being indicative of future performance and trends.

Financial information and forward-looking statements

Section 4 sets out in detail financial information in relation to Judo and the basis of preparation of that information. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", "target", "intend", "likely", "may", "will", "could" or "should", or, in each case, their negative or other variations or similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You are cautioned not to place undue reliance on such forward-looking statements.

Any forward-looking statements are subject to various risk factors that could cause actual circumstances to differ materially from the circumstances or outcomes expressed, implied or anticipated in these statements. Forward-looking statements should be read in conjunction with the risk factors, as set out in Section 5, and other information in this Prospectus.

¹ Capital Noteholders rank after holders of Senior Ranking Obligations, including creditors preferred by law and secured creditors. See Section 1.3 "Ranking of Capital Notes in a Winding-Up of Judo".

Prospectus does not provide investment advice

The information provided in this Prospectus is not investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation considerations). It is important that you read this Prospectus in full before deciding to invest in Capital Notes and consider the risks that could affect an investment in Capital Notes. See in particular the risks set out in Section 5.

Except for any liability which cannot be excluded by law, each Joint Lead Manager and its respective directors, officers, employees and advisers expressly disclaims and does not accept any liability for the contents of this Prospectus, Capital Notes or the Offer.

Obtaining a Prospectus

This Prospectus can be obtained electronically from www.judo.bank/capital-notes/ or from your Syndicate Broker. If you access an electronic copy of this Prospectus, the following conditions apply:

- the Prospectus is available to residents of Australia accessing and downloading, or printing, the electronic Prospectus in Australia;
- you must access and download the electronic Prospectus in full; and
- by lodging an Application, you declare that you were given access to the electronic Prospectus. All Applications must be submitted through a Syndicate Broker.

However, you should note that Applications under the Offer cannot be made to Judo directly, and must be made through a Syndicate Broker. Refer to Section 6.4.3 for further information.

Restrictions on foreign jurisdictions

The distribution of this Prospectus and the Offer or sale of Capital Notes may be restricted by law in certain jurisdictions. Persons who receive this Prospectus outside Australia must inform themselves about and observe all such restrictions. Nothing in this Prospectus is to be construed as authorising its distribution or the Offer or sale of Capital Notes in any jurisdiction other than Australia and Judo does not accept any liability in that regard.

Furthermore, Capital Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable laws or regulations.

Restrictions applying to U.S. Persons are outlined in Section 8.15. In particular, Capital Notes have not been and will not be registered under the U.S. Securities Act of 1933 (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States or to, or for the benefit of, any "U.S. Person" (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Neither this Prospectus nor any other materials relating to the Offer may be distributed or released in the United States.

Defined words and expressions

Capitalised words have specific meanings and are defined in the Glossary, or if not there, in Appendix A "Capital Notes Terms".

If there is any inconsistency between the description of the terms of Capital Notes in this Prospectus and in the Terms, the Terms prevail.

A reference to A\$ or Australian dollars in this Prospectus is a reference to Australian currency. A reference to time in this Prospectus is a reference to Sydney, New South Wales, Australia time unless otherwise stated.

Collecting your personal information

If you apply for Capital Notes, Judo (or the Registry as Judo's agent), or a Syndicate Broker will collect and hold your personal information. See Section 8.12 for information on how Judo (as well as its subsidiaries and third-party suppliers) collect, use and disclose your personal information.

If you have any questions about Capital Notes or the Offer, you should seek advice from your financial or other professional adviser. Applicants may call their Syndicate Broker. You can also call the Capital Notes Information Line on 1800 754 866 (Monday to Friday 8.30am – 5.30pm, Sydney time).

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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.

Letter from the Chair

23 October 2023

Dear Investors,

On behalf of the Board of Directors, I am pleased to offer you an opportunity to invest in the inaugural Capital Notes issued by Judo Capital Holdings Limited (**Judo**). Listed on ASX in 2021, Judo is the parent company of Judo Bank Pty Ltd (**Judo Bank**).

Judo Bank is Australia's first purpose-built challenger bank exclusively dedicated to servicing small and medium-sized enterprises (**SMEs**). Our purpose is to be the most trusted SME business bank in Australia.

We see our role in supporting Australian SMEs as critical, and we are proud to provide relationship-centric lending to a broad range of businesses nationwide. In the full year ended 30 June 2023, our gross loans and advances (**GLAs**) grew to \$8,908 million, an increase of 46% year on year.

Through our relationship-centric lending model, we bring the focus back to the customer and seek to build deep and trusted relationships with Australian SMEs that the big banks find difficult to replicate.

This is a key driver of Judo Bank's significant growth since our launch in March 2018 and Judo's relationship-led model continues to provide us with a clear competitive advantage. Underpinning our strong growth is a management team with deep sector expertise and an organisational culture of robust risk management that is entrenched in everything we do.

Judo intends to raise \$75 million through the offer of Capital Notes, with the ability to raise more or less (the **Offer**). Judo will use the proceeds of Capital Notes to fund the regulatory capital requirements of Judo Bank. The Australian Prudential Regulation Authority (**APRA**) has advised that Capital Notes are eligible for inclusion as Additional Tier 1 Capital. The Offer is part of Judo's strategic plan to further develop and diversify its funding and capital sources, in line with the ongoing growth in its loan book. The introduction of Additional Tier 1 Capital will improve the efficiency and diversification of Judo Bank's capital base, in a manner consistent with Australian banking peers.

Capital Notes are perpetual, subordinated and unsecured notes to be issued by Judo. Subject to the Terms outlined in this Prospectus, Capital Noteholders will be entitled to receive discretionary, non-cumulative and floating rate distributions which may be unfranked, partially franked or fully franked. Judo will apply for Capital Notes to be quoted on ASX.

Capital Notes may be redeemed or resold for cash or converted into Ordinary Shares on 16 February 2029, 16 May 2029, 16 August 2029 or 16 November 2029 at Judo's option (or on an earlier date in certain circumstances) subject to APRA's prior written approval. Otherwise, Capital Notes will mandatorily convert into Ordinary Shares on 16 November 2031¹ (subject to certain conditions being satisfied). If the conditions to mandatory conversion are not met on 16 November 2031², conversion will be deferred to a later date when the conditions are re-tested. The key features of Capital Notes are set out in Section 2 of this Prospectus.

On behalf of the Directors, I encourage you to read this Prospectus carefully and fully, including the risk factors discussed in Section 5. Capital Notes are complex securities and involve different risks than a simple debt or ordinary equity security. They are not suitable for all investors and contain features which may make the Capital Notes Terms difficult to understand. You should also seek personal advice, which takes into account your particular investment objectives and circumstances, from a licensed adviser before deciding whether to apply for Capital Notes.

The key dates for the Offer are summarised on page 3. The Offer may close early, so you are encouraged to submit your Application as soon as possible after the Opening Date.

On behalf of the Directors, I invite you to consider this investment opportunity.

Yours faithfully



Peter Hodgson
Chair of the Board

¹ Due to the Business Day Convention, the Scheduled Mandatory Conversion Date is deferred from 16 November 2031 to 17 November 2031.

² See footnote 1.

Guidance for retail investors

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- 1. Read this Prospectus in full**
- If you are considering applying for Capital Notes under the Offer, this Prospectus is important and should be read in its entirety.
 - You should have particular regard to the:
 - ‘Important notices’ at the front of this Prospectus;
 - ‘Investment overview’ in Section 1 and ‘About Capital Notes’ in Section 2;
 - ‘Investment risks’ in Section 5; and
 - ‘Capital Notes Terms’ in Appendix A.
 - In considering whether to apply for Capital Notes, it is important that you consider all risks and other information regarding an investment in Capital Notes in light of your particular investment objectives and circumstances.
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- 2. Speak to your licensed adviser**
- Capital Notes are complex securities and involve different risks than a simple debt or ordinary equity security. Capital Notes are not suitable for all investors and contain features which may make the Terms difficult to understand.
 - If you are a Retail Investor and you wish to participate in the Offer, you must speak to your Syndicate Broker and seek personal advice as to whether you are within the Capital Notes Target Market and whether an investment in Capital Notes is appropriate given your particular objectives, financial situation and needs (including financial and taxation issues) from a qualified financial adviser who is licensed by ASIC to give such advice. All Applications must be submitted through a Syndicate Broker.
 - The Capital Notes Target Market is set out in Section 6.2 and a full copy of the Target Market Determination is available at www.judo.bank/capital-notes/.
 - ASIC has published guidance on how to choose a licensed financial adviser on its MoneySmart website. You can read this guidance by searching for the term ‘choosing a financial adviser’ at www.moneysmart.gov.au.
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- 3. Consider ASIC guidance for retail investors**
- ASIC has published guidance on hybrid securities on its MoneySmart website which may be relevant to your consideration of Capital Notes. You can find this guidance by searching ‘hybrid securities’ at www.moneysmart.gov.au.
 - The guidance includes a series of questions you should ask before you invest in hybrid securities.
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- 4. Obtain more information about Judo and Capital Notes**
- Judo is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. Judo must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about Judo that a reasonable person would expect to have a material effect on the price or value of its securities, including Capital Notes.
 - Copies of documents lodged with ASIC, which are publicly available, can be obtained from ASIC’s website www.asic.gov.au (a fee may apply) and Judo’s ASX announcements may be viewed at www.asx.com.au.
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- 5. Use of franking credits**
- Distributions payable on Capital Notes may be unfranked, partially franked or fully franked. The level to which Distributions are franked depends on a number of factors including Judo’s available franking account balance and Judo having sufficient distributable profits. Distributions for some initial Distribution Periods may be unfranked or only partially franked. Following the utilisation of all carry forward tax losses, Judo commenced payment of monthly income tax instalments from February 2023. As at 30 June 2023, Judo’s balance of franking credits available for subsequent reporting periods was \$36 million.
 - If Judo pays a Distribution and the Distribution is not fully franked, the amount of the scheduled cash Distribution will be increased to compensate the Capital Noteholder for the unfranked component. The effect of Distributions being franked is to reduce the cash amount received by Capital Noteholders on each Distribution Payment Date by an amount equal to the franking credit attached to the Distribution.
 - Where Distributions are franked, the value and availability of franking credits to you will depend on your particular circumstances and the tax rules that apply to each Distribution. Capital Noteholders should also be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution.
 - Refer to Section 2.1.5 for further detail.
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- 6. Enquiries**
- If you have any questions in relation to the Offer or an Application, please see Section 6.8 or call your Syndicate Broker. You may also telephone the Judo Capital Notes Offer Information Line on 1800 754 866 (Monday to Friday 8.30am to 5.30pm, Sydney time).
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Key dates

Key dates for the Offer	Date
Lodgement of this Prospectus with ASIC	23 October 2023
Bookbuild to determine the Margin commences	23 October 2023
Announcement of the Margin by	31 October 2023
Lodgement of the replacement Prospectus with ASIC	31 October 2023
Opening Date for the Broker Firm Offer	31 October 2023
Closing Date for the Broker Firm Offer	5.00pm (Sydney time) on 10 November 2023
Settlement Date	15 November 2023
Issue Date	16 November 2023
Capital Notes commence trading on ASX (normal settlement basis)	17 November 2023
Holding Statements despatched by	23 November 2023

Key dates for Capital Notes	Date
First quarterly Distribution Payment Date ¹	16 February 2024
Scheduled Optional Conversion Dates	16 February 2029, 16 May 2029, 16 August 2029 and 16 November 2029
Scheduled Optional Redemption Dates	16 February 2029, 16 May 2029, 16 August 2029 and 16 November 2029
Scheduled Optional Resale Dates	16 February 2029, 16 May 2029, 16 August 2029 and 16 November 2029
Scheduled Mandatory Conversion Date	16 November 2031 ²

Dates may change

The dates above are indicative only and may change without notice.

Judo, the Arranger and the Joint Lead Managers may, at their discretion, agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice or accepting late Applications, whether generally or in particular cases, or withdrawing the Offer at any time before Capital Notes are issued.

¹ Distributions are discretionary and subject to no Payment Condition existing.

² Due to the Business Day Convention, the Scheduled Mandatory Conversion Date is deferred from 16 November 2031 to 17 November 2031.

Section 1

Investment overview.

This Section provides a summary of the key features and risks of investing in Capital Notes. Detailed information about these matters is provided in this Prospectus and it is important that you read this Prospectus in full before deciding whether to apply for Capital Notes.

1.1 Key features of the Offer

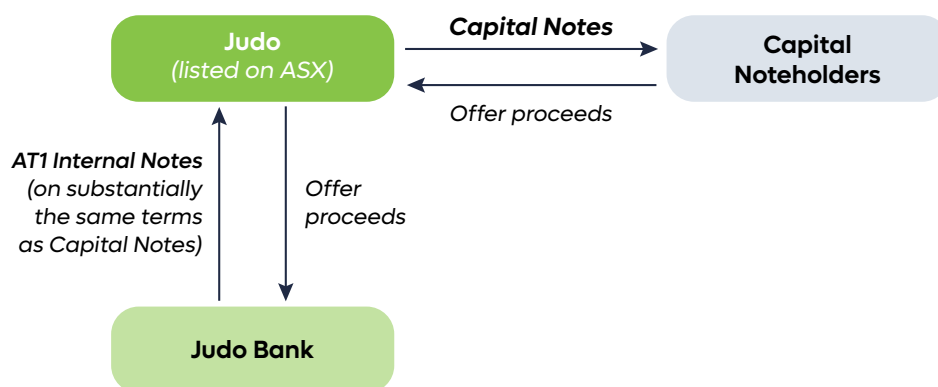
Topic	Summary	For more information
What is the Offer?	<p>The Offer is for the issue of Capital Notes to raise \$75 million, with the ability to raise more or less.</p> <p>Applications can only be made to Syndicate Brokers (not to Judo directly) and Capital Notes are only being offered to investors who satisfy key eligibility requirements.</p>	Section 6.1
Who is the Issuer?	<p>The Issuer is Judo Capital Holdings Limited (Judo), a public company incorporated with limited liability in Australia and the parent company of Judo Bank Pty Ltd (Judo Bank). Judo Bank is the sole operating subsidiary of Judo.</p> <p>Judo Bank is an authorised deposit-taking institution (ADI) regulated by APRA, and Judo is authorised by APRA as the non-operating holding company (NOHC) of Judo Bank. Judo is listed on ASX under the ASX code 'JDO'.</p>	Section 3
What are Capital Notes?	<p>Capital Notes are:</p> <ul style="list-style-type: none"> • fully paid – at \$100 Issue Price per Capital Note; • subordinated – although Capital Notes rank for payment ahead of Ordinary Shares and rank equally with Equal Ranking Securities, they are subordinated to the claims of Senior Ranking Creditors in a Winding-Up of Judo; • perpetual – Capital Notes do not have any fixed maturity date and you may not receive your capital invested back or receive any Ordinary Shares; • non-cumulative – Distributions are discretionary and subject to no Payment Condition existing. Distributions that are not paid do not accrue and will not be subsequently paid; • redeemable and resalable – in certain circumstances, Judo may Redeem Capital Notes by paying an amount equal to their Issue Price or may require Capital Noteholders to Resell their Capital Notes to a third-party in exchange for a cash amount equal to their Issue Price; • convertible – in certain circumstances, Capital Notes will Convert into Ordinary Shares; • unguaranteed and unsecured – Capital Notes are not guaranteed or secured, are not deposit liabilities of Judo or any of its controlled entities (the Judo Group), and are not protected accounts under the Banking Act; • exposed to Loss Absorption Events – if APRA determines that a Non-Viability Trigger Event has occurred, or APRA or Judo determine that a Common Equity Trigger Event has occurred, Capital Notes will be subject to Conversion into Ordinary Shares or Write-Off, which would likely result in Capital Noteholders suffering a material loss; and • quoted – Judo will apply, within seven days after the date of this Prospectus, to ASX for Capital Notes to be quoted on ASX and Capital Notes are expected to trade under ASX code 'JDOPA'. <p>The Terms are complex and include features to comply with the regulatory capital requirements which APRA applies to these types of securities and to qualify for rating agency equity credit. Judo's ability to pay a Distribution or to Convert, Redeem or Resell Capital Notes are, in each case, subject to a number of restrictions, including, in the case of a payment of a Distribution, APRA not objecting to the Distribution payment and, in the case of an Optional Conversion, Redemption or Resale, APRA giving its prior written approval to the Conversion, Redemption or Resale. Capital Noteholders should not assume that APRA's approval will be given, if requested.</p>	Section 2
Will Capital Notes be quoted on ASX?	Yes, Judo will apply for quotation of Capital Notes under ASX code 'JDOPA'.	

Section 1 Investment overview continued

Topic	Summary	For more information
What is the issue price?	\$100 per Capital Note.	
Who is the trustee?	Certane CT Pty Ltd.	
Why are Capital Notes being issued?	Capital Notes are being issued to raise Additional Tier 1 Capital for Judo Bank, as part of Judo's strategic plan to further develop and diversify its funding and capital sources, in line with the ongoing growth in its loan book.	

Judo intends to use the proceeds of Capital Notes to subscribe for Additional Tier 1 Capital notes to be issued by Judo Bank (**AT1 Internal Notes**), via an intra-group arrangement as shown below. The terms of AT1 Internal Notes will be substantially the same as the terms of Capital Notes.

AT1 Internal Notes will assist with funding the regulatory capital requirements of Judo Bank. The introduction of Additional Tier 1 Capital will improve the efficiency and diversification of Judo Bank's capital base.



As at the date of this Prospectus, Judo Bank's board comprises the same members as the Judo Board.

What Distributions are payable?	Capital Notes are scheduled to pay quarterly floating rate cash Distribution payments in arrear, as long as Capital Notes remain on issue (subject to no Payment Condition existing).	Section 2.1
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The Distribution Rate is calculated in accordance with the following formula:

$$\text{Distribution Rate} = (\text{BBSW} + \text{Margin}) \times (1 - \text{Tax Rate})$$

where:

- **BBSW** is the 3-month BBSW (described in Section 2.1.3) on the first Business Day of the relevant Distribution Period;
- **Margin** is expected to be in the range of 6.25% – 6.50%, to be determined under the Bookbuild. The Margin will not change for the term of Capital Notes. This range is indicative only and the Margin may be outside this range depending on the outcome of the Bookbuild; and
- **Tax Rate** is, broadly, the Australian tax rate applicable to Judo at the relevant Distribution Payment Date. As at the date of this Prospectus, the Tax Rate is 30% (but this rate may change).

Topic	Summary	For more information
What Distributions are payable? <i>continued</i>	<p>Distributions are discretionary and subject to no Payment Condition existing. This means a Distribution may not be paid. Distributions that are not paid do not accrue and will not be subsequently paid.</p> <p>If Judo does not pay a Distribution in full (a Relevant Distribution) on a scheduled Distribution Payment Date (a Relevant Distribution Payment Date), there will be a restriction placed on the payment of dividends on Ordinary Shares until the next Distribution Payment Date (unless the Relevant Distribution is paid within 3 Business Days of the Relevant Distribution Payment Date).</p> <p>Investors should however note that, as at the date of this Prospectus, Judo has not paid dividends on its Ordinary Shares and does not expect to pay any dividends in the near term. Over time, as Judo continues to grow and reach scale, the company will have the capacity to consider paying dividends on Ordinary Shares. Any future payment of ordinary dividends will be subject to the discretion of the Board, taking into account the operating performance, market conditions, the company's growth prospects and the optimal use of capital, and having regard to the best interests of shareholders at all times.</p>	Section 2.1
Will Distributions be franked?	<ul style="list-style-type: none"> • Distributions payable on Capital Notes may be unfranked, partially franked or fully franked. The level to which Distributions are franked may vary over time and depends on a number of factors including Judo's available franking account balance and Judo having sufficient distributable profits. • If Distributions are fully franked, the cash amount received by Capital Noteholders on each Distribution Payment Date is based on the Distribution Rate calculated using the formula above. If any Distribution is not franked or only partially franked, the amount of the scheduled cash Distribution will be increased to compensate for the unfranked component. • Distributions for some initial Distribution Periods may be unfranked or only partially franked. Following the utilisation of all carry forward tax losses, Judo commenced payment of monthly income tax instalments from February 2023. As at 30 June 2023, Judo's balance of franking credits available for subsequent reporting periods was \$36 million. The availability of franking credits in any Distribution Period is not guaranteed. • The ability of Capital Noteholders to use franking credits will depend on their individual tax position at the time of each Distribution. Capital Noteholders should also be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution. • Capital Noteholders should refer to the Australian taxation summary in Section 7 and each Capital Noteholder should obtain personal advice in relation to their tax position. 	Section 2.1
Do Capital Notes have a maturity date?	<p>Capital Notes do not have any fixed maturity date. While Capital Notes are scheduled to Convert into Ordinary Shares on 16 November 2031¹, that Conversion is subject to conditions which may never be met. As a result, Capital Notes could remain on issue indefinitely and Capital Noteholders have no right to request or require repayment, Conversion, Redemption or Resale.</p>	Section 5.2.5
Will Capital Notes be Redeemed?	<p>If certain conditions are met (including APRA's prior written approval), Judo will have a right, but not an obligation, to Redeem Capital Notes:</p> <ul style="list-style-type: none"> • on an Optional Redemption Date, being 16 February 2029, 16 May 2029, 16 August 2029 and 16 November 2029; or • on the occurrence of a Tax Event or Regulatory Event. 	Section 2.3

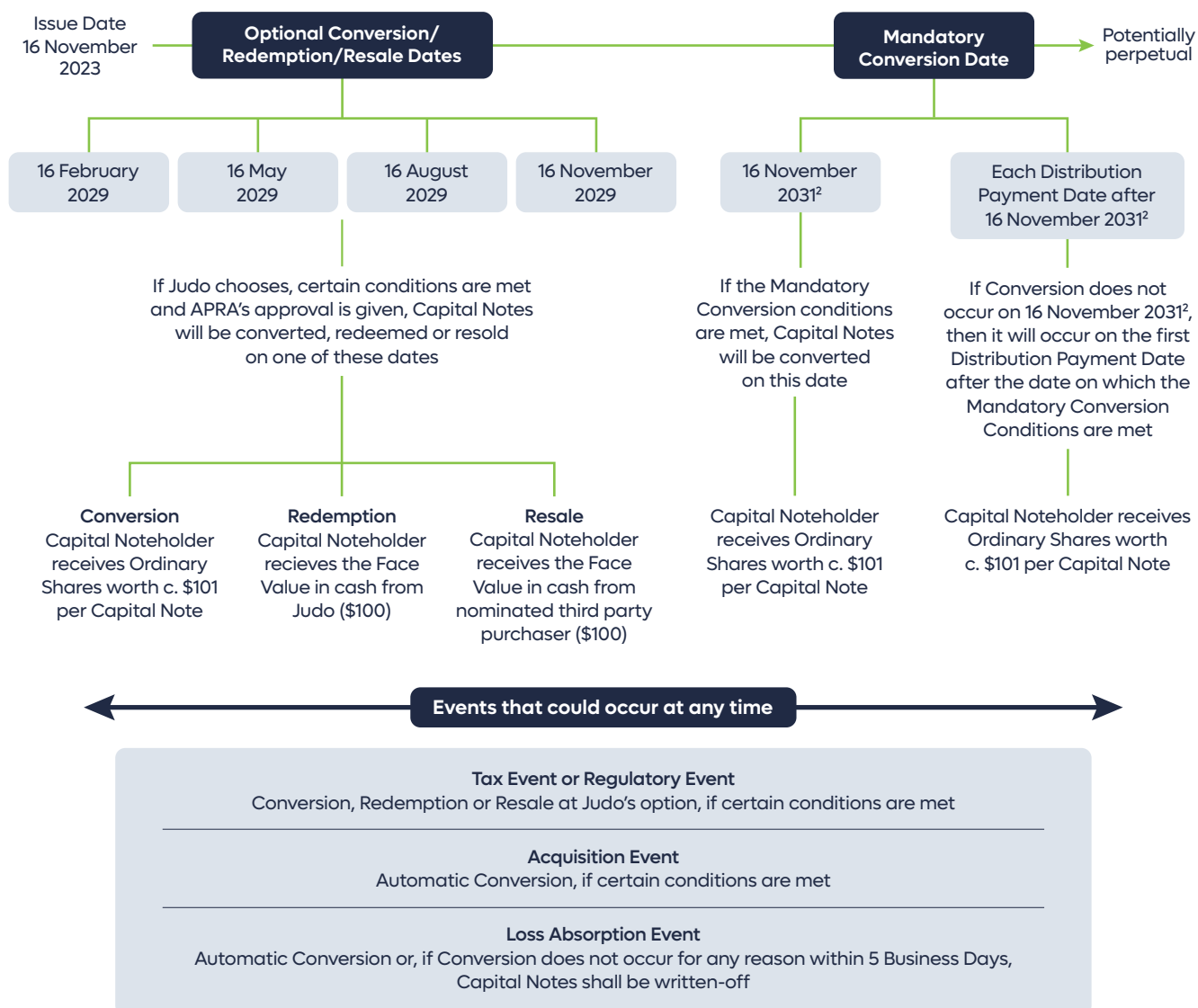
¹ Due to the Business Day Convention, the Scheduled Mandatory Conversion Date is deferred from 16 November 2031 to 17 November 2031.

Section 1 Investment overview continued

Topic	Summary	For more information
Will Capital Notes Convert into Ordinary Shares?	<p>Subject to certain conditions being met, Capital Notes may be Converted into Ordinary Shares in the following circumstances:</p> <ul style="list-style-type: none">• Mandatory Conversion (see Section 2.2);• Optional Conversion on an Optional Conversion Date (being 16 February 2029, 16 May 2029, 16 August 2029, and 16 November 2029);• following a Tax Event or a Regulatory Event (see Section 2.3);• Conversion following a Loss Absorption Event (this Conversion is not subject to any conditions) (see Section 2.4); or• Conversion following an Acquisition Event (see Section 2.5). <p>In each case, each Capital Note will Convert into a number of Ordinary Shares worth approximately \$101 based on the Volume Weighted Average Price (VWAP) at the time of Conversion, except in the case of Conversion following a Loss Absorption Event where Capital Noteholders are likely to receive a number of Ordinary Shares worth significantly less than \$100 per Capital Note.</p>	Sections 2.2 to 2.5
In which circumstances may Capital Notes be Written-Off?	<p>Where Judo is required to Convert some or all Capital Notes to Ordinary Shares following a Loss Absorption Event but Conversion does not occur, for any reason, within 5 Business Days, then those Capital Notes will be Written-Off. If this occurs, all rights in relation to those Capital Notes (including in respect of Distributions and return of capital) will be immediately and irrevocably terminated and Capital Noteholders will lose all of the value of those Capital Notes without compensation.</p>	Section 2.4
What is the regulatory treatment of Capital Notes?	<p>APRA has advised that Capital Notes are eligible for inclusion as Additional Tier 1 Capital.</p>	Section 2.6

1.2 Summary of events that may affect Capital Notes

The diagram below summarises certain events that may occur while Capital Notes are on issue and what Capital Noteholders may receive if those events occur. If none of these events occur, Capital Notes could remain on issue indefinitely and the Issue Price will not be repaid.



² Due to the Business Day Convention, the Scheduled Mandatory Conversion Date is deferred from 16 November 2031 to 17 November 2031.

Section 1 Investment overview continued

The table below provides summary details about events that may affect what Capital Noteholders may receive in relation to Capital Notes under the Terms.

Event	When? ³	Is APRA approval required? ⁴	Do conditions apply?	What value will a Capital Noteholder receive? ⁵	In what form will that value be provided to a Capital Noteholder?	Further information
Optional Redemption or Resale	16 February 2029, 16 May 2029, 16 August 2029, or 16 November 2029 or following a Tax Event or Regulatory Event	Yes	Yes	\$100 per Capital Note	Cash	Section 2.3
Optional Conversion	16 February 2029, 16 May 2029, 16 August 2029, or 16 November 2029 or following a Tax Event or Regulatory Event	Yes	Yes	Approximately \$101 per Capital Note	Variable number of Ordinary Shares	Section 2.3
Mandatory Conversion on specified dates	On 16 November 2031 ⁶ (if the Mandatory Conversion Conditions are satisfied on this date) or the first Distribution Payment Date after this date on which the Mandatory Conversion Conditions are satisfied	No	Yes	Approximately \$101 per Capital Note	Variable number of Ordinary Shares	Section 2.2
Conversion upon an Acquisition Event	On the Acquisition Conversion Date	No	Yes	Approximately \$101 per Capital Note	Variable number of Ordinary Shares	Section 2.5
Conversion or Write-Off following a Loss Absorption Event	Immediately upon the occurrence of a Loss Absorption Event	No (although APRA will determine that a Non-Viability Trigger Event has occurred and may determine if a Common Equity Trigger Event has occurred)	No	Between \$101 (and likely to be significantly less) and \$0 per Capital Note	Variable number (capped at the Maximum Conversion Number) of Ordinary Shares or, if Conversion does not occur Capital Notes will be Written-Off ⁷	Section 2.4

3 In the case of Conversion, except for Conversion on account of a Loss Absorption Event, if the relevant Conversion conditions are not met, Conversion is deferred to the following Distribution Payment Date on which the relevant Conversion conditions are satisfied.

4 Capital Noteholders should not assume that APRA's approval will be given, if requested.

5 In the case of Conversion, the value stated is the value a Capital Noteholder will receive on Conversion based on the share price during a specified period prior to Conversion called the VWAP Period. The VWAP Period is usually a period of 20 Business Days on which trading in Ordinary Shares took place on ASX except in the case of a Non-Viability Trigger Event, where it is 5 Business Days, and in the case of an Acquisition Event, where it may be less than 20 Business Days. The share price on and after the date of Conversion may be higher or lower than this price. Additionally, the number of Ordinary Shares that Capital Noteholders will receive will not be greater than the Maximum Conversion Number. Conversion as a result of a Loss Absorption Event is not subject to any conditions and since the Conversion Number may not exceed the Maximum Conversion Number the value received is likely to be substantially less than \$101 per Capital Note.

6 Due to the Business Day Convention, the Scheduled Mandatory Conversion Date is deferred from 16 November 2031 to 17 November 2031.


7 If a Capital Note is Written-Off, all rights (including to Distributions) in respect of that Capital Note are terminated and the Capital Noteholder will not receive their capital invested back nor any further distributions.

1.3 Ranking of Capital Notes in a Winding-Up of Judo

In a Winding-Up of Judo, Capital Notes will rank for payment ahead of Ordinary Shares, equally with Equal Ranking Securities, but behind all Senior Ranking Creditors of Judo. The table below illustrates this ranking, if Capital Notes have not been Converted or Written-Off.

Any investment in Capital Notes may be adversely affected or reduced to zero if a Loss Absorption Event occurs as determined by APRA or Judo. If APRA determines that a Non-Viability Event has occurred, or APRA or Judo determines that a Common Equity Trigger Event has occurred, some or all Capital Notes will be required to be Converted or, if that does not occur within 5 Business Days for any reason, Written-Off. Where a Conversion occurs, Capital Noteholders will become holders of Ordinary Shares (ranking equally with other Ordinary Shares). Those Ordinary Shares may be worth significantly less than the Issue Price of Capital Notes. If Capital Notes are Written-Off, the Capital Noteholders will have no claim at all on Judo (even though Ordinary Shares will still be on issue).

Judo is an ASX-listed NOHC and holds all of the shares in Judo Bank. Judo's claims against entities in the Judo Group (including Judo Bank) and accordingly, the claims of Capital Noteholders, may rank behind depositors and other creditors of Judo Bank. Capital Notes may also rank behind other creditors of Judo as further shown in the table below.

Ranking		Illustrative examples
<p style="text-align: center;">Higher</p>  <p style="text-align: center;">Lower</p>	Preferred and secured debt	Liabilities preferred by law including employee entitlements and secured creditors.
	Unsubordinated and unsecured debt	Unsubordinated and unsecured bonds and notes, trade and general creditors.
	Subordinated and unsecured debt (akin to Tier 2 Capital)	Subordinated and unsecured debt obligations, such as subordinated notes.
	Perpetual and subordinated instruments (akin to Additional Tier 1 Capital)	Capital Notes. <i>Note: Where Capital Notes are Converted into Ordinary Shares, Capital Noteholders have the claims of holders of Ordinary Shares. If, following a Loss Absorption Event Capital Notes are Written-Off, Capital Noteholders have no claim at all on Judo, and they are likely to be worse off than holders of Ordinary Shares.</i>
	Ordinary equity	Ordinary Shares in Judo.

Section 1 Investment overview continued

1.4 Comparison between Capital Notes and other types of investments

Capital Notes are different from other types of investments such as term deposits and ordinary shares. The table below compares the key features of Capital Notes to some other types of investments.

You should consider these differences and seek personal advice which takes into account your individual investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to apply for Capital Notes.

Feature	Term Deposit	Capital Notes	Ordinary Shares
Issuer	Judo Bank	Judo	Judo
Eligible for protection under the Australian Government Financial Claims Scheme	Yes	No	No
Term	Typically, one month to five years	Perpetual ⁸	Perpetual
Ranking in winding-up	Senior to general unsecured creditors of Judo Bank ⁹	Senior to Ordinary Shares, equally with Equal Ranking Securities and junior to all Senior Ranking Creditors of Judo	Junior to all creditors, including Capital Notes
Distribution rate	Fixed (usually)	Floating, adjusted for franking if available ¹⁰	Variable dividends
Distribution payment dates	End of term or per annum (usually)	Quarterly (at the discretion of Judo's Board)	At the discretion of Judo's Board
Distributions are discretionary	No	Yes ¹¹	Yes ¹²
Distributions are cumulative	Interest payments cannot be waived or deferred	No – non-cumulative	No – non-cumulative
Restriction on Ordinary Share dividends if Distribution not paid	No	Yes, until the next Distribution Payment Date ¹³	Not applicable
Frankable distributions	No	Yes, subject to franking account balance ¹⁴	Yes, subject to franking account balance ¹⁵
Transferable	No	Yes – quoted on ASX	Yes – quoted on ASX
Loss Absorption provisions	No	Yes	Not applicable
Mandatory Conversion to Ordinary Shares	No	Yes, on 16 November 2031 ^{16,17} , or upon an Acquisition Event or Loss Absorption Event ¹⁸	Not applicable
Treated by APRA as regulatory capital	No	Yes, Additional Tier 1 Capital	Yes, Common Equity Tier 1 Capital

⁸ Unless Redeemed, Converted or Written-Off earlier in accordance with the Capital Notes Terms. Subject to the satisfaction of certain conditions, Capital Notes will be mandatorily converted into Ordinary Shares on a Mandatory Conversion Date, as outlined in Section 5.2.5 of this Prospectus.

⁹ As provided in Section 13A of the Banking Act.

¹⁰ The impact of franking is described in Section 5.2.17 of this Prospectus.

¹¹ Refer to Section 5.2.3 of this Prospectus.

¹² As at 30 June 2023, Judo has not paid dividends on its Ordinary Shares.

¹³ Refer to Section 2.1.8 of this Prospectus.

¹⁴ Following the utilisation of all carry forward tax losses, Judo commenced payment of monthly income tax instalments from February 2023. As at 30 June 2023, Judo's balance of franking credits available for subsequent reporting periods was \$36 million.

¹⁵ See footnote 14.

¹⁶ Due to the Business Day Convention, the Scheduled Mandatory Conversion Date is deferred from 16 November 2031 to 17 November 2031.

¹⁷ Subject to satisfaction of the Mandatory Conversion Conditions at this date.

¹⁸ Subject to the satisfaction of certain conditions.

1.5 Key risks associated with the Capital Notes

Topic	Summary	For more information
Capital Notes are not deposit liabilities or protected accounts	Investments in Capital Notes are an investment in Judo and may be affected by the ongoing performance, financial position and solvency of Judo. They are not protected accounts of Judo Bank for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or otherwise protected under the Financial Claims Scheme.	Section 5.2.1
Capital Notes are subordinated and unsecured	Capital Notes are subordinated and unsecured liabilities. In a Winding-Up of Judo, there is a risk that you may lose some or all of the money you invested in Capital Notes.	Section 5.2.2
Distributions may not be paid	<p>Distributions are discretionary and subject to no Payment Condition existing. Distributions that are not paid do not accrue and will not be subsequently paid.</p> <p>If Judo does not pay a Distribution in full on the scheduled Distribution Payment Date, there will be a restriction placed on the payment of dividends on Ordinary Shares until the next Distribution Payment Date.</p>	Section 5.2.3
Capital Notes may be Converted for Ordinary Shares	<p>Investors should however note that, as at the date of this Prospectus, Judo has not paid dividends on its Ordinary Shares and does not expect to pay any dividends in the near term. Over time, as Judo continues to grow and reach scale, the company will have the capacity to consider paying dividends on Ordinary Shares. Any future payment of ordinary dividends will be subject to the discretion of the Board, taking into account the operating performance, market conditions, the company's growth prospects and the optimal use of capital, and having regard to the best interests of shareholders at all times.</p> <p>Capital Notes may be Converted for Ordinary Shares on the Mandatory Conversion Date (subject to the Maximum Conversion Number and Mandatory Conversion Conditions) or on another date if certain events occur. This includes if a Loss Absorption Event or Acquisition Event occurs. There is a risk that on Conversion you may receive a number of Ordinary Shares with a value which is significantly less than the Face Value, including as a result of the application of the Maximum Conversion Number and the market price for Ordinary Shares at the time.</p>	Section 5.2.4
Capital Notes may be Converted for Ordinary Shares	<p>Capital Notes may be Converted for Ordinary Shares on the Mandatory Conversion Date (subject to the Maximum Conversion Number and Mandatory Conversion Conditions) or on another date if certain events occur. This includes if a Loss Absorption Event or Acquisition Event occurs. There is a risk that on Conversion you may receive a number of Ordinary Shares with a value which is significantly less than the Face Value, including as a result of the application of the Maximum Conversion Number and the market price for Ordinary Shares at the time.</p>	Section 5.2.9

Section 1 Investment overview continued

Topic	Summary	For more information
Ordinary Shares are different investments in Judo when compared to Capital Notes	<p>Ordinary shares are an equity security and may trade at a market price which is affected by different factors from those affecting a hybrid security such as Capital Notes.</p> <p>The market price of Ordinary Shares may be more sensitive than that of Capital Notes to changes in Judo's financial, operational or business performance. Additionally, the market price of Ordinary Shares may be affected by the actual or prospective Conversion of Capital Notes. As a result, Capital Noteholders receiving Ordinary Shares upon Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation was based, or at all.</p> <p>Dividends on Ordinary Shares are payable at the absolute discretion of Judo and the amount of each dividend is discretionary (not subject to a formula). Investors should note that, as at the date of this Prospectus, Judo has not paid dividends on its Ordinary Shares and does not expect to pay any dividends in the near term. Over time, as Judo continues to grow and reach scale, the company will have the capacity to consider paying dividends on Ordinary Shares. Any future payment of ordinary dividends will be subject to the discretion of the Board, taking into account the operating performance, market conditions, the company's growth prospects and the optimal use of capital, and having regard to the best interests of shareholders at all times.</p> <p>In a Winding-Up of Judo, claims of holders of Ordinary Shares rank behind claims of holders of all other securities and debts of Judo. In contrast, Distributions on Capital Notes are payable in accordance with the Terms and claims of Capital Noteholders rank ahead of holders of Ordinary Shares.</p>	Section 5.2.10
Judo has early Redemption and Resale rights	Judo may undertake an Optional Redemption or Optional Resale of Capital Notes on a Scheduled Optional Redemption Date or Scheduled Optional Resale Date (as the case may be), or at any time for tax or regulatory reasons or if it is unable to frank Distributions, subject to APRA's prior written approval. APRA's approval may or may not be given.	Section 5.2.7
A failure to Convert following a Loss Absorption Event may cause you to lose your investment	If a Loss Absorption Event occurs and Conversion fails to take effect for any reason and Judo has not otherwise issued the Ordinary Shares required to be issued in respect of such Conversion within 5 Business Days, then Capital Noteholders' rights under the relevant Capital Note will be immediately and irrevocably terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Loss Absorption Event. Your investment in the relevant Capital Note will lose all of its value – the Face Value will not be paid and you will not receive any compensation. This could occur if Judo was prevented from issuing Ordinary Shares by circumstances outside of its control, for example, if Judo was prevented by an applicable law or order of any court, or action of any government authority, from issuing Ordinary Shares.	Section 5.2.11
Capital Notes are perpetual and may not be Converted	Capital Notes may not be Converted on the Mandatory Conversion Date if the Mandatory Conversion Conditions are not met, and you may continue to hold Capital Notes indefinitely.	Section 5.2.6
Capital Noteholders have no right to request Conversion, Redemption or Resale	You do not have a right to request repayment, Conversion, Redemption or Resale of Capital Notes.	Section 5.2.14
The Judo Group may raise more debt and issue additional securities	The Judo Group may raise more debt and issue further securities that rank equally with, or ahead of, Capital Notes, whether or not secured.	Section 5.2.25

Topic	Summary	For more information
The Distribution Rate will fluctuate	The Distribution Rate will fluctuate with changes in the BBSW. There is a risk the Distribution Rate may become less attractive compared to returns on comparable securities or investments. It is possible for the BBSW to become negative. Should this occur, the negative amount will be taken into account in calculating the Distribution Rate. However, there is no obligation on Capital Noteholders to pay Judo if the calculated Distribution Rate becomes negative.	Section 5.2.15
The market price of Capital Notes will fluctuate	The market price of Capital Notes on ASX will fluctuate, including as a result of movements in credit margins, and you may lose some or all of the money you invested in Capital Notes if you sell them.	Section 5.2.20
Liquidity may be low	The liquidity of Capital Notes on ASX may be low and you may not be able to sell your Capital Notes at an acceptable price or at all.	Section 5.2.21
Terms may be amended	In certain circumstances as set out in the Terms, Judo may amend the Terms without the consent of Capital Noteholders and subject to compliance with relevant laws, or with the consent of Capital Noteholders if a Special Resolution is passed. Certain amendments may require written approval from APRA, which may or may not be given.	Section 5.2.32
Judo's financial performance and position	The market price of Capital Notes (and the Ordinary Shares into which they can Convert) may be affected by Judo's financial performance and position. For specific risks associated with an investment in Judo, see Section 5.3.	Section 5.3

1.6 What is the Offer and how do I apply?

Topic	Summary	For more information
Who may apply?	<p>Clients of Syndicate Brokers who are either:</p> <ol style="list-style-type: none"> i. a Wholesale Investor; or ii. a Retail Investor who: <ul style="list-style-type: none"> • has received personal advice that they are within the Capital Notes Target Market and that an investment in Capital Notes is suitable for you in light of your particular investment objectives, financial situation and needs (including financial and taxation issues); and • is within the Capital Notes Target Market and has received personal advice from a qualified financial adviser. <p>You should not apply for Capital Notes if you are a Retail Investor and are not within the Capital Notes Target Market.</p>	Section 6.2
What is the Capital Notes Target Market?	<p>Judo has made a target market determination for Capital Notes in accordance with its obligations under the Design and Distribution Obligations (DDO) Regime (Target Market Determination).</p> <p>The Target Market Determination describes, amongst other things, the class of Retail Investors that comprise the target market for Capital Notes (Capital Notes Target Market).</p> <p>The Capital Notes Target Market is set out in Section 6.2 and a copy of the Target Market Determination is available at www.judo.bank/capital-notes/.</p>	Section 6.2

Section 1 Investment overview continued

Topic	Summary	For more information
How is the Offer structured and who can apply?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> • an Institutional Offer to Institutional Investors; and • a Broker Firm Offer made to certain Australian resident clients of Syndicate Brokers who are either a Wholesale Investor or a Retail Investor within the Capital Notes Target Market and have received personal advice from a qualified financial adviser. 	Section 6.3
Is the offer underwritten?	No.	
Is there a minimum Application size?	Applications must be for a minimum of 50 Capital Notes (\$5,000), and after that, in multiples of 10 Capital Notes (\$1,000).	Section 6.4.1
How can I apply?	If you wish to apply for Capital Notes under the Broker Firm Offer, you can only apply through a Syndicate Broker. See Section 6.4 for further information on how to make an Application. Syndicate Broker means any of the Joint Lead Managers and brokers invited by the Joint Lead Managers to participate in the Broker Firm Offer.	Section 6.4
How will Capital Notes be allocated?	<p>Allocations under the Institutional Offer and Broker Firm Offer to Syndicate Brokers will be determined by Judo in consultation with the Arranger and the Joint Lead Managers following completion of the Bookbuild.</p> <p>Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker. It is possible for Applications from Broker Firm Applicants to be scaled back by a Syndicate Broker. Judo takes no responsibility for any allocation, scale back or rejection that is decided by a Syndicate Broker.</p> <p>The Allocation Policy is described in Section 6.6.2.</p>	Section 6.6.2
Is there brokerage, commission or stamp duty payable?	You do not have to pay brokerage or stamp duty on your Application for Capital Notes. However, you may have to pay brokerage (and applicable GST) on any subsequent purchases or sales of Capital Notes on ASX.	Section 6.5.2
What are the tax implications of investing in Capital Notes?	A general outline of the Australian taxation implications for certain Australian investors participating in the Offer is included in the Australian taxation summary at Section 7.	Section 7

Section 2

About Capital Notes.

This Section is intended to provide information about the key features of Capital Notes. Where indicated, more detailed information is provided in other Sections of this Prospectus.

2.1 Distribution payments

Capital Notes are scheduled to pay quarterly Distributions. Distributions payable on Capital Notes may be unfranked, partially franked or fully franked. The level to which Distributions are franked depends on a number of factors including Judo's available franking account balance and Judo having sufficient distributable profits. As at 30 June 2023, Judo's balance of franking credits available for subsequent reporting periods was \$36 million.

A Distribution will be paid only if Judo determines to pay it and if other conditions are met. The Distribution Rate is floating rate (i.e. it will fluctuate) and is equal to the sum of a market reference rate (the BBSW) plus a fixed Margin (as determined under the Bookbuild and which will not change for the term of Capital Notes), adjusted for Judo's Tax Rate.

If a Distribution is not paid, Capital Noteholders have no right to receive that Distribution at any later time, however (subject to certain exceptions), Judo will not be entitled to declare or pay dividends on Ordinary Shares until and including the next Distribution Payment Date. Investors should however note that, as at the date of this Prospectus, Judo has not paid dividends on its Ordinary Shares and does not expect to pay any dividends in the near term. Over time, as Judo continues to grow and reach scale, the company will have the capacity to consider paying dividends on Ordinary Shares. Any future payment of ordinary dividends will be subject to the discretion of the Board, taking into account the operating performance, market conditions, the company's growth prospects and the optimal use of capital, and having regard to the best interests of shareholders at all times.

Topic	Summary	Further information
2.1.1 What are Distributions?	<p>Distributions are discretionary, non-cumulative, floating rate payments in Australian dollars and as long as Capital Notes remain on issue are scheduled to be paid quarterly in arrears on the Distribution Payment Dates.</p> <p>Payment of Distributions is at Judo's discretion and subject to no Payment Condition existing in respect of the relevant Distribution Payment Date.</p> <p>Distributions are non-cumulative. If a Distribution or part of a Distribution is not paid on a Distribution Payment Date, Capital Noteholders will have no claim or entitlement in respect of non-payment and no right to receive that Distribution at a later time. Failure to pay a Distribution when scheduled will not constitute an event of default.</p>	Condition 5 of the Terms
2.1.2 How will the Distribution Rate be calculated?	<p>Assuming a Distribution is fully franked, the Distribution Rate for each quarterly Distribution will be calculated using the following formula:</p> $\text{Distribution Rate} = (\text{BBSW} + \text{Margin}) \times (1 - \text{Tax Rate})$ <p>where:</p> <ul style="list-style-type: none"> • BBSW is the rate (described in Section 2.1.3) for prime bank eligible securities having a tenor closest to the Distribution Period which ASX (or its successor as administrator of that rate) publishes through information vendors at approximately 10:30am (Sydney time) (or such other time at which such rate customarily appears on that page) on the first Business Day of that Distribution Period; • Margin is expected to be in the range of 6.25% – 6.50%, to be determined under the Bookbuild. The Margin will not change for the term of Capital Notes. This range is indicative only and the Margin may be outside this range depending on the outcome of the Bookbuild; and • Tax Rate is, broadly, the Australian tax rate applicable to Judo at the relevant Distribution Payment Date. As at the date of this Prospectus, the Tax Rate is 30% (but this rate may change). 	Condition 5.4 of the Terms

Topic	Summary	Further information
2.1.2 How will the Distribution Rate be calculated? <i>continued</i>	As an example, assuming the BBSW for a Distribution is 4.2198% per annum, the Margin is 6.25% per annum and the Tax Rate is 30%, then the Distribution Rate for that Distribution Period would be calculated as follows:	Condition 5 of the Terms

BBSW	4.2198%	per annum
plus Margin	6.25%	per annum
Equivalent unfranked Distribution Rate	10.46980%	per annum
Multiplied by (1 – Tax Rate)	x 0.70	
Fully franked Distribution Rate	7.32886%	per annum

Distributions payable on Capital Notes may be unfranked, partially franked or fully franked. The level to which Distributions are franked may vary over time and depends on a number of factors including Judo's available franking account balance and Judo having sufficient distributable profits. Distributions for some initial Distribution Periods may be unfranked or only partially franked. Refer to Section 2.1.5 for further detail on the impact of franking credits.

It is possible for the BBSW to become negative. Should this occur, the negative amount will be taken into account in calculating the Distribution Rate. For example, if the BBSW is -1.00% per annum, the Margin is 6.25% per annum and the Tax Rate is 30%, then the Distribution Rate will be 3.67500% per annum.

If the calculated Distribution Rate becomes negative, there will be no obligation on Capital Noteholders to pay Judo.

2.1.3 What is the BBSW?	The BBSW is currently the primary short-term rate used in the financial markets for the pricing and valuation of Australian dollar securities and as a lending reference rate. The BBSW is the rate designated 'BBSW' in respect of prime bank eligible securities having a tenor closest to the Distribution Period which ASX (or its successor as administrator of that rate) publishes through information vendors at approximately 10:30am on the first Business Day of the Distribution Period.	Conditions 5.4 and 5.5 of the Terms
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The graph below illustrates the movement in the BBSW over the last 15 years. The rate on 20 October 2023 was 4.2198% per annum.



Section 2 About Capital Notes continued

Topic	Summary	Further information
<p>2.1.3 What is the BBSW? <i>continued</i></p>	<p>Past levels are not necessarily indicative of future levels. The actual BBSW for the first and any subsequent Distribution Periods may be higher or lower than the rates in the above graph and there is no guarantee that the BBSW will be greater than zero throughout the life of Capital Notes. If the BBSW is negative, the Distribution Rate will be reduced by taking account of the negative value of that rate in the calculation of the Distribution Rate, as set out in Section 2.1.2 (but there is no obligation on Capital Noteholders to pay Judo if the Distribution Rate were to become negative).</p> <p>If Judo determines that a BBSW Disruption Event has occurred, then, subject to APRA's prior written approval, Judo shall use as the BBSW such Alternative Base Rate as it may determine and shall make such adjustments to the Terms as it determines are reasonably necessary to calculate Distributions in accordance with such Alternative Base Rate. In making these determinations, Judo:</p> <ul style="list-style-type: none"> • must act in good faith and in a commercially reasonable manner; • may consult with such sources of market practice as it considers appropriate; and • may otherwise make such other determination in its discretion. <p>Capital Noteholders should note that APRA's approval may not be given for any Alternative Base Rate it considers to have the effect of increasing the rate of Distributions contrary to applicable Prudential Standards.</p> <p>Broadly, a BBSW Disruption Event occurs when, in Judo's opinion, the BBSW:</p> <ul style="list-style-type: none"> • has been discontinued or otherwise ceased to be calculated or administered; or • is no longer generally accepted as a reference rate appropriate to floating rate debt securities denominated in Australian dollars of a tenor and interest period comparable to that of Capital Notes. <p>Broadly, Alternative Base Rate means a rate that is generally accepted in the Australian market as the successor to the BBSW, or if Judo is not able, after making reasonable efforts, to ascertain such rate, or there is no such rate:</p> <ul style="list-style-type: none"> • a reference rate that is, in Judo's opinion, appropriate to floating rate debt securities denominated in Australian dollars of a tenor and interest period most comparable to that of Capital Notes; or • such other rate as Judo determines having regard to available comparable indices. 	<p>Conditions 5.4 and 5.5 of the Terms</p>
<p>2.1.4 How will the Distribution be calculated for each Distribution Period?</p>	<p>Distributions scheduled to be paid on each Distribution Payment Date will be calculated using the following formula:</p> $\text{Distribution on each Capital Note} = \frac{\text{Distribution Rate} \times \$100 \times \mathbf{N}}{365}$ <p>where:</p> <ul style="list-style-type: none"> • Distribution Rate means the rate (expressed as a percentage per annum) calculated as set out in Section 2.1.2; • N means the number of days in the Distribution Period calculated as set out in the Terms. 	<p>Condition 5.3 of the Terms</p>

Topic	Summary	Further information															
<p>2.1.4 How will the Distribution be calculated for each Distribution Period?</p> <p><i>continued</i></p>	<p>Following the formula above, if the fully franked Distribution Rate was 7.32886% per annum, the cash Distribution on each Capital Note for a Distribution Period of 90 days would be calculated as follows:</p> <table border="1"> <tbody> <tr> <td>Fully franked Distribution Rate</td> <td>7.32886%</td> <td>per annum</td> </tr> <tr> <td>Multiplied by \$100</td> <td>x \$100</td> <td></td> </tr> <tr> <td>Multiplied by the number of days in the Distribution Period</td> <td>x 90</td> <td></td> </tr> <tr> <td>Divided by 365</td> <td>÷ 365</td> <td></td> </tr> <tr> <td>Fully franked Distribution payment on each Capital Note</td> <td>\$1.80712</td> <td></td> </tr> </tbody> </table> <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution payment for the first or any subsequent Distribution Period. Actual Distribution payments may be higher or lower than this example. The Distribution Rate for the first Distribution Period will be set on the Issue Date and will include the Margin to be determined under the Bookbuild (which will not change for the term of Capital Notes).</p>	Fully franked Distribution Rate	7.32886%	per annum	Multiplied by \$100	x \$100		Multiplied by the number of days in the Distribution Period	x 90		Divided by 365	÷ 365		Fully franked Distribution payment on each Capital Note	\$1.80712		Condition 5.3 of the Terms
Fully franked Distribution Rate	7.32886%	per annum															
Multiplied by \$100	x \$100																
Multiplied by the number of days in the Distribution Period	x 90																
Divided by 365	÷ 365																
Fully franked Distribution payment on each Capital Note	\$1.80712																
<p>2.1.5 What is the impact of franking credits?</p>	<p>Distributions payable on Capital Notes may be unfranked, partially franked or fully franked. The level to which Distributions are franked may vary over time and depends on a number of factors including Judo's available franking account balance and Judo having sufficient distributable profits. Distributions for some initial Distribution Periods may be unfranked or only partially franked. Following the utilisation of all carry forward tax losses, Judo commenced payment of monthly income tax instalments from February 2023. As at 30 June 2023, Judo's balance of franking credits available for subsequent reporting periods was \$36 million.</p> <p>If Distributions are franked, Capital Noteholders are expected to receive franking credits in respect of that Distribution.</p> <p>If any Distribution is not franked or only partially franked, the amount of the scheduled cash Distribution will be increased to compensate for the unfranked component according to the following formula:</p> $\frac{D}{1 - [\text{Tax Rate} \times (1 - F)]}$ <p>where:</p> <ul style="list-style-type: none"> • D is the Distribution (as defined above in Section 2.1.4); and • F is the applicable Franking Rate. 	Condition 5.6 of the Terms															

Section 2 About Capital Notes continued

Topic	Summary	Further information
2.1.5 What is the impact of franking credits? <i>continued</i>	For example, if the Franking Rate applicable to the Distribution was only 90% and the Tax Rate was 30%, then the cash Distribution on each Capital Note for the Distribution Period (if the Distribution Period was 90 days) would be calculated as follows:	Condition 5.6 of the Terms
	Fully franked Distribution Rate	7.32886% per annum
	Multiplied by \$100	x \$100
	Multiplied by the number of days in the Distribution Period	x 90
	Divided by 365	÷ 365
	Sub-total	\$1.80712
	Divided by 1 – [0.3 x (1 – 0.9)]	÷ 0.9700
	Partially franked Distribution payment on each Capital Note	\$1.86301

The following table sets out examples of how the Distribution payment on each Capital Note varies according to the Franking Rate (based on the Distribution as defined above in Section 2.1.4):

Franking Rate	Distribution payment on each Capital Note	Value of franking credits for each Capital Note	Distribution payment including value of franking credits
0%	\$2.58	\$0.00	\$2.58
25%	\$2.33	\$0.25	\$2.58
50%	\$2.13	\$0.46	\$2.58
75%	\$1.95	\$0.63	\$2.58
100%	\$1.81	\$0.77	\$2.58

Capital Noteholders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution. Capital Noteholders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Capital Noteholder.

If the Tax Rate were to change, the cash amount of Distributions and the amount of any franking credits will change. For example, if the Tax Rate decreases, the cash amount of any Distribution Judo may pay would increase and the franking credits attached to that Distribution would decrease.

Capital Noteholders should refer to the Australian taxation summary in Section 7 and seek personal advice in relation to their tax position.

Topic	Summary	Further information
2.1.6 When are the Distribution Payment Dates?	<p>The first Distribution Payment Date is 16 February 2024. The number of days in the first Distribution Period is expected to be 92 days.</p> <p>Distribution Payment Dates occur on 16 February, 16 May, 16 August and 16 November each year.</p> <p>In addition, if a Conversion occurs on a day that is not a scheduled Distribution Payment Date (other than a Conversion as a result of a Loss Absorption Event, in which case all rights to payment of Distributions are terminated), Capital Noteholders whose Capital Notes are being Converted will also receive a Distribution in respect of those Capital Notes for the period from the immediately preceding Distribution Payment Date to (but excluding) the date on which the Conversion occurs, subject to Judo's absolute discretion and no Payment Condition existing.</p> <p>If any of these dates is not a Business Day, then the Distribution Payment Date will be the next Business Day.</p>	Condition 1.1 of the Terms
2.1.7 What are the conditions to payment of Distributions?	<p>Distributions may not always be paid. The payment of each Distribution is subject to the following:</p> <ul style="list-style-type: none"> • Judo's absolute discretion; and • no Payment Condition existing in respect of the relevant Distribution Payment Date. <p>A Payment Condition will exist with respect to the payment of a Distribution on a Distribution Payment Date if:</p> <ul style="list-style-type: none"> • paying the Distribution would result in Judo or the Judo Group not complying with APRA's then current Prudential Capital Requirements as they are applied to the Judo Group; • unless APRA otherwise approves in writing, making the Distribution Payment would result in Judo or the Judo Group exceeding any limit on distributions of earnings applicable under (and calculated in accordance with) APRA's then current capital conservation requirements as they are applied to Judo or the Judo Group (as the case may be) at the time; • APRA otherwise objects to the payment of the Distribution; or • paying the Distribution would result in Judo becoming, or being likely to become, insolvent for the purposes of the Corporations Act. 	Condition 5.7 of the Terms
2.1.8 What is the Distribution Restriction and when will it apply?	<p>If for any reason a Distribution has not been paid in full on a Distribution Payment Date (the Relevant Distribution Payment Date), Judo must not, subject to certain exclusions, without approval by Special Resolution, until and including the next Distribution Payment Date:</p> <ul style="list-style-type: none"> • declare or determine to pay or pay an Ordinary Share Dividend;¹ or • undertake any Buy-Back or Capital Reduction, <p>unless the Distribution is paid in full within 3 Business Days of the Relevant Distribution Payment Date.</p> <p>Failure to pay a Distribution when scheduled will not constitute an event of default.</p>	Condition 5.9 of the Terms

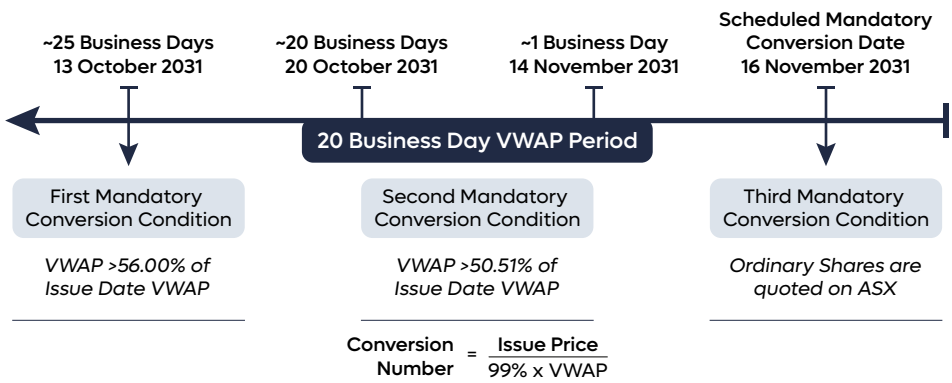
¹ Investors should note that, as at the date of this Prospectus, Judo has not paid dividends on its Ordinary Shares and does not expect to pay any dividends in the near term. Over time, as Judo continues to grow and reach scale, the company will have the capacity to consider paying dividends on Ordinary Shares. Any future payment of ordinary dividends will be subject to the discretion of the Board, taking into account the operating performance, market conditions, the company's growth prospects and the optimal use of capital, and having regard to the best interests of shareholders at all times.

Section 2 About Capital Notes continued

Topic	Summary	Further information
2.1.9 How will Distributions be paid?	<p>Distributions will be made to Capital Noteholders whose details are recorded in the Register at 5.00pm (Sydney time) on the relevant record date.</p> <p>Distributions and any other amount payable in respect of a Capital Note may be paid in Australian dollars in any manner Judo decides from time to time, including by any method of direct credit determined by Judo to an Australian dollar bank account maintained by the Capital Noteholder in Australia as shown on the Register (or to such person or place directed by that Capital Noteholder) with a financial institution specified by the Capital Noteholder to the Registry.</p>	Conditions 16.2, 16.3 and 16.4 of the Terms
2.1.10 Are any deductions made on the Distributions?	<p>Judo may deduct from any Distribution or other amount payable in accordance with the Terms the amount of any withholding or other tax, duty or levy required by any applicable law to be deducted in respect of such amount, or on account of the FATCA.</p> <p>Judo is not required to pay an additional amount where it has made a deduction as described above.</p>	Condition 17.2 of the Terms

2.2 Mandatory Conversion

Topic	Summary	Further information
2.2.1 What happens on Mandatory Conversion?	<p>Capital Noteholders will receive Ordinary Shares on Conversion of Capital Notes on the Mandatory Conversion Date unless the Mandatory Conversion Conditions are not met, or Capital Notes have been Redeemed, Resold, Converted or Written-Off on an earlier date.</p> <p>Upon Conversion on a Mandatory Conversion Date, Capital Noteholders will receive Ordinary Shares worth approximately \$101 per Capital Note based on the VWAP during a period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date.</p> <p>The number of Ordinary Shares received will not be greater than the Maximum Conversion Number.</p> <p>The VWAP that is used to calculate the number of Ordinary Shares that Capital Noteholders receive will most likely differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be worth more or less than \$101 per Capital Note when they are issued or at any time after that.</p>	Condition 6 of the Terms
2.2.2 What are the consequences of Mandatory Conversion?	<p>As a result of any Mandatory Conversion of Capital Notes to Ordinary Shares, Capital Noteholders will become holders of Ordinary Shares, which will rank equally with existing Ordinary Shares from the date of issue.</p> <p>For Judo more broadly, the composition of the capital base will alter as a consequence of any Mandatory Conversion and result in CET1 Capital increasing and Additional Tier 1 Capital decreasing.</p>	Condition 6 of the Terms

Topic	Summary	Further information
2.2.3 When is the Mandatory Conversion Date?	<p>The Mandatory Conversion Date is scheduled to be 16 November 2031² provided the Mandatory Conversion Conditions are met on that date.</p> <p>If any of the Mandatory Conversion Conditions are not met on that date, then the Mandatory Conversion Date will be the next Distribution Payment Date on which the conditions are met.</p> <p>These conditions may never be met and, therefore, Capital Notes may never Convert into Ordinary Shares.</p>	Condition 6.2 of the Terms
2.2.4 What are the Mandatory Conversion Conditions?	<p>The Mandatory Conversion Conditions are as follows:</p> <ul style="list-style-type: none"> • First Mandatory Conversion Condition: the VWAP of Ordinary Shares on the 25th Business Day immediately preceding (but not including) a possible Mandatory Conversion Date is greater than 56% of the Issue Date VWAP; • Second Mandatory Conversion Condition: the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) a possible Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP; and • Third Mandatory Conversion Condition: no Delisting Event applies to Ordinary Shares in respect of a possible Mandatory Conversion Date (broadly, a Delisting Event occurs when Judo is delisted from ASX, its Ordinary Shares have been suspended from trading for a certain period or it is prevented by applicable law or order of any court or action of any government authority or any other reason from Converting Capital Notes). <p>The following diagram illustrates the operation of the conditions.³</p>  <p style="text-align: center;"> $\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}$ </p>	Conditions 1.1 and 6.3 of the Terms
2.2.5 What is the purpose of the Mandatory Conversion Conditions?	<p>The purpose of the Mandatory Conversion Conditions is to ensure that the Conversion will not occur unless the number of Ordinary Shares that Capital Noteholders will receive will be worth approximately \$101 per Capital Note (calculated as described below) and the Ordinary Shares are capable of being sold on ASX.</p> <p>The number of Ordinary Shares to be issued on Mandatory Conversion is to be determined by applying a formula reflecting the VWAP of Ordinary Shares described in Section 2.2.7.</p>	Conditions 6 and 10 of the Terms

² Due to the Business Day Convention, the Scheduled Mandatory Conversion Date is deferred from 16 November 2031 to 17 November 2031.

³ In the diagram, dates are set on the assumption that during the VWAP Period, trading takes place on each of the Business Days, which may not be the case if trading in Ordinary Shares is suspended during the period leading up to the possible Mandatory Conversion Date.

Section 2 About Capital Notes continued

Topic	Summary	Further information
<p>2.2.5 What is the purpose of the Mandatory Conversion Conditions? <i>continued</i></p>	<p>There is a cap on the maximum number of Ordinary Shares that a Capital Noteholder can be issued upon Conversion. The cap is the Maximum Conversion Number. The cap arises from the Prudential Standards issued by APRA, which govern the characteristics of instruments which may qualify as regulatory capital, and from the equivalent criteria of rating agencies for such instruments. Where the number of Ordinary Shares issued is less than the Maximum Conversion Number, the effect of the formula is that the value of these Ordinary Shares (calculated on a VWAP basis) will be approximately \$101 per Capital Note. If the Ordinary Share price at the time for Conversion has fallen below certain levels, the number of Ordinary Shares received would be limited to the Maximum Conversion Number and would be worth less than \$101 per Capital Note.</p> <p>The Maximum Conversion Number is calculated in accordance with the following formula:</p> $\text{Maximum Conversion Number} = \frac{\text{Issue Price}}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}$ <p>where:</p> <ul style="list-style-type: none"> • Relevant Fraction is 0.5 if Conversion is occurring on a Mandatory Conversion Date, or 0.2 if Conversion is occurring for any other reason. <p>The First Mandatory Conversion Condition and the Second Mandatory Conversion Condition are intended to help protect Capital Noteholders against receiving a number of Ordinary Shares limited to the Maximum Conversion Number and, accordingly worth less than approximately \$101 per Capital Note (based on the VWAP during the 20 Business Days before the Mandatory Conversion Date).</p> <p>The Third Mandatory Conversion Condition is intended to protect Capital Noteholders from the risk of receiving Ordinary Shares that are not capable of being sold on ASX, by making Conversion conditional on Ordinary Shares being quoted on ASX.</p>	<p>Conditions 6 and 10 of the Terms</p>
<p>2.2.6 What can happen if the Mandatory Conversion Conditions are not met?</p>	<p>If any of the Mandatory Conversion Conditions are not met, Capital Notes continue to be on issue and Conversion is deferred until the next Distribution Payment Date on which all of the Mandatory Conversion Conditions are met.</p>	<p>Condition 6 of the Terms</p>

Topic	Summary	Further information						
2.2.7 How many Ordinary Shares will a Capital Noteholder receive on the Mandatory Conversion Date?	<p>Where the Mandatory Conversion Conditions are met, a Capital Noteholder will receive, on a Mandatory Conversion Date, a number of Ordinary Shares per Capital Note (Conversion Number) calculated in accordance with the following formula:</p> $\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}$ <p>where:</p> <ul style="list-style-type: none"> • VWAP is the volume weighted average price of Ordinary Shares during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date. <p><i>Illustrative example of Conversion</i></p> <p>Assuming the VWAP is \$0.85, the number of Ordinary Shares a Capital Noteholder would receive following Conversion on a Mandatory Conversion Date would be calculated as follows:</p> <table border="1" data-bbox="379 925 999 1111"> <tr> <td>Face Value</td> <td>\$100</td> </tr> <tr> <td>Divided by VWAP x 99%</td> <td>÷ (0.85 x 99%)</td> </tr> <tr> <td>Ordinary Shares per Capital Note</td> <td>118.83541</td> </tr> </table> <p>Assuming the price of those Ordinary Shares on the Mandatory Conversion Date is also \$0.85, the aggregate value of those Ordinary Shares (calculated by multiplying 118.83541 Ordinary Shares by the Ordinary Share price of \$0.85) on the Mandatory Conversion Date would be approximately \$101.</p> <p>Assuming a Capital Noteholder has 100 Capital Notes, the total number of Ordinary Shares to which they would be entitled would be 11,883 (i.e. 100 x 118.83541, which number is rounded down to disregard the fraction of the Ordinary Share).</p> <p>The above example is for illustrative purposes only. The actual VWAP and the number of Ordinary Shares that Capital Noteholder might receive on Conversion on the Mandatory Conversion Date may be higher or lower than in this example.</p> <p>Where the Ordinary Share Price has fallen such that the VWAP during the VWAP Period described in Section 2.2.5 is less than or equal to 50.51% of the Issue Date VWAP, the Second Mandatory Conversion Condition will not be met and, therefore, Conversion will not occur on that date. The Mandatory Conversion Date will be the next Distribution Payment Date on which the Mandatory Conversion Conditions are met.</p>	Face Value	\$100	Divided by VWAP x 99%	÷ (0.85 x 99%)	Ordinary Shares per Capital Note	118.83541	Condition 10 of the Terms
Face Value	\$100							
Divided by VWAP x 99%	÷ (0.85 x 99%)							
Ordinary Shares per Capital Note	118.83541							
2.2.8 What adjustments to the Issue Date VWAP are made to account for changes to Judo's capital?	<p>The Issue Date VWAP, and consequently the Maximum Conversion Number and the price at which the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition would be met, may be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues as set out in the Terms (but not other transactions, including rights issues, which may affect the capital of Judo).</p> <p>However, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than 1% of the Issue Date VWAP then in effect.</p>							

2.3 Optional Conversion, Redemption or Resale by Judo

Judo may, with APRA's prior written approval, elect to Convert, Redeem or Resell Capital Notes on a Scheduled Optional Conversion Date, Scheduled Optional Redemption Date or Scheduled Optional Resale Date (as applicable) and/or on the occurrence of certain events.

There are conditions to a Conversion, Redemption or Resale – which are designed to ensure that Capital Noteholders receive a number of Ordinary Shares worth approximately \$101 for each Capital Note they hold and that those Ordinary Shares are capable of being sold on ASX. For any such Conversion, Redemption or Resale to occur, certain conditions (summarised below) need to be met and APRA's prior written approval is required.

Capital Noteholders should not assume that those requirements will be met or that APRA will give its approval to a Conversion, Redemption or Resale. Capital Noteholders do not have a right to request a Conversion, Redemption or Resale. In addition, Judo (or any Related Entity of Judo) may at any time purchase Capital Notes in the open market or otherwise, at any price (subject to the prior written approval of APRA).

Topic	Summary	Further information
2.3.1 When may Judo choose to undertake a conversion, Redemption or Resale?	<p>Judo may choose to undertake a Conversion, Redemption or Resale for:</p> <ul style="list-style-type: none"> • all or some Capital Notes on a Scheduled Optional Conversion Date, Scheduled Optional Redemption Date or a Scheduled Optional Resale Date being 16 February 2029, 16 May 2029, 16 August 2029, or 16 November 2029; or • all or some Capital Notes after a Tax Event or a Regulatory Event. <p>Conversion, Redemption and Resale in this context respectively mean:</p> <ul style="list-style-type: none"> • Judo Converts Capital Notes into a variable number of Ordinary Shares with a value (based on the VWAP during a period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Optional Conversion Date) of approximately \$101 per Capital Note; • Judo Redeems Capital Notes for \$100 per Capital Note; • Judo Resells Capital Notes for \$100 per Capital Note. <p>Judo may undertake a combination of Conversion, Redemption and Resale.</p> <p>Judo may not elect to Redeem or Resell Capital Notes in connection with an Acquisition Event.</p>	<p>Conditions 9, 10, 11, 12, 13 of the Terms</p>
2.3.2 When is an Optional Conversion, Optional Redemption and Optional Resale scheduled to occur?	<p>The Scheduled Optional Conversion Dates, Scheduled Optional Redemption Dates and Scheduled Optional Resale Dates are 16 February 2029, 16 May 2029, 16 August 2029 or 16 November 2029.</p>	
2.3.3 What is a Tax Event or Regulatory Event?	<p>A summary of these events, which give Judo the right to undertake an Optional Conversion of Capital Notes is as follows:</p> <p>Tax Event means, broadly, that the Directors receive advice that, as a result of a change in tax law or regulation in Australia on or after the Issue Date (which Judo did not expect on the Issue Date) there is more than insubstantial risk, which the Directors determine to be unacceptable that:</p> <ol style="list-style-type: none"> a) a Distribution would not be a frankable distribution (within the meaning of division 202 of the Tax Act); or b) the Issuer would be exposed to a more than de minimus adverse tax consequence or increase in its costs. 	<p>Condition 11 of the Terms</p>

Topic	Summary	Further information
2.3.3 What is a Tax Event or Regulatory Event? <i>continued</i>	<p>A Regulatory Event will occur if, broadly:</p> <ul style="list-style-type: none"> • Judo receives legal advice that, as a result of a change of law or regulation on or after the Issue Date (not expected by Judo on the Issue Date), there is more than an insubstantial risk that additional requirements (which are more than insignificant) would be imposed on Judo in connection with Capital Notes, which the Directors determine to be unacceptable; or • the Directors determine that, as a result of such change, Judo is not or will not be entitled to treat some or all Capital Notes as Additional Tier 1 Capital, except where this is because of a limit or other restriction on that treatment which is in effect on the Issue Date or which on the Issue Date is expected by Judo may come into effect. 	Condition 1.1 of the Terms
2.3.4 What are the requirements for Optional Conversion?	<p>If Judo wishes to undertake an Optional Conversion of Capital Notes, there are two types of restrictions that apply:</p> <ul style="list-style-type: none"> • Restrictions on electing to Convert – Judo may not elect to Convert Capital Notes, if, on the second Business Day before the date on which an Optional Conversion Notice is to be sent: <ul style="list-style-type: none"> – the VWAP is less than or equal to 22.50% of the Issue Date VWAP; or – a Delisting Event applies. • Restrictions on completing the Conversion – if Judo has given notice that it has elected to Convert Capital Notes, Judo may not proceed to Convert Capital Notes if, on the Conversion Date specified in the notice: <ul style="list-style-type: none"> – the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) that date is less than or equal to 20.20% of the Issue Date VWAP; or – a Delisting Event applies. <p>Without these conditions, Conversion could occur in situations where Capital Noteholders would receive a number of Ordinary Shares limited to the Maximum Conversion Number (which in these circumstances is set by dividing the Issue Price by 20% of the Issue Date VWAP⁴) and, accordingly those Ordinary Shares could be worth less than \$101 per Capital Note.</p>	Condition 9.4 of the Terms
2.3.5 What happens if the above restrictions apply on the Conversion Date?	<p>If the above Optional Conversion Restrictions apply on the Conversion Date, Judo will notify the Trustee and Capital Noteholders and the Conversion will be deferred until the next Distribution Payment Date on which the Mandatory Conversion Conditions (applied as if the percentage of the Issue Date VWAP were 22.00% for the First Mandatory Conversion Condition and 20.20% for the Second Mandatory Conversion Condition) would be satisfied if that Distribution Payment Date were a Relevant Mandatory Conversion Date (unless Capital Notes are otherwise Converted, Redeemed, Resold, or Written-Off, before that date in accordance with the Terms).</p>	Condition 9.5 of the Terms
2.3.6 What are the requirements for Redemption to be elected?	<p>Judo may not elect to Redeem unless:</p> <ul style="list-style-type: none"> • Capital Notes are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of Capital Notes is done under conditions that are sustainable for Judo's income capacity; or • APRA is satisfied that Judo does not have to replace Capital Notes the subject of the Redemption. Capital Noteholders should not assume that APRA will be satisfied that this is the case. 	Condition 11 of the Terms

⁴ The Issue Date VWAP may be adjusted as described in Section 2.2.8.

Section 2 About Capital Notes continued

Topic	Summary	Further information
2.3.6 What are the requirements for Redemption to be elected? <i>continued</i>	<p>Judo cautions investors against expecting that Capital Notes will be redeemed on any Optional Redemption Date. A decision to Redeem depends on a number of factors including the economic and prudential rationale for the Redemption, which are matters APRA will also consider in allowing Judo to undertake a Redemption. Any decision by Judo to Redeem Capital Notes should also not be taken as an indication that other forms of convertible notes or securities issued on similar terms (if any) will also be redeemed or called by Judo (and any decision by Judo to redeem other forms of convertible notes or securities issued on similar terms to Capital Notes (if any) should not be taken as an indication that Capital Notes will also be Redeemed).</p> <p>Judo may not elect to Redeem in connection with an Acquisition Event.</p>	Condition 11 of the Terms
2.3.7 What happens upon Resale?	<p>Each Capital Noteholder on the Resale Date is taken irrevocably to offer to sell Capital Notes the subject of an Optional Resale Notice to the Nominated Purchaser on the Resale Date, subject to payment by the Nominated Purchaser of \$100 per Capital Note (the Resale Price).</p>	Condition 13.4 of the Terms
2.3.8 When can a Resale occur?	<p>A Resale can occur on a Scheduled Optional Resale Date or following a Tax Event or a Regulatory Event.</p> <p>Judo may only elect to Resell Capital Notes with APRA's prior written approval. Capital Noteholders should not assume that APRA's approval will be given, if requested.</p>	Condition 12 of the Terms
2.3.9 Are there any restrictions on the identity of Nominated Purchaser(s) that Judo can appoint?	<p>Judo may not appoint itself or any Related Entity of it as a Nominated Purchaser.</p>	Condition 13.2 and 13.3 of the Terms
2.3.10 What if a Nominated Purchaser does not pay the Resale Price?	<p>If the Nominated Purchaser does not pay the Resale Price of any Capital Notes on the Resale Date, those Capital Notes will not be transferred and the Capital Noteholders will continue to hold Capital Notes in accordance with the Terms until those Capital Notes are otherwise Converted, Redeemed or Resold.</p>	Condition 13.4 and 13.5 of the Terms
2.3.11 Can Capital Noteholders request an Optional Conversion, Redemption or Resale?	<p>No.</p>	
2.3.12 Purchases	<p>Judo (or any Related Entity of Judo) may at any time purchase Capital Notes in the open market or otherwise, at any price (in each case subject to the prior written approval of APRA). Capital Noteholders should not expect that APRA's approval will be given for any purchases of Capital Notes by Judo.</p>	Condition 14 of the Terms

2.4 Conversion upon a Loss Absorption Event

Capital Notes have certain loss absorption features, which may be triggered if Judo encounters severe financial difficulty. These features are required to be included in the Terms for regulatory purposes.

If a Non-Viability Trigger Event or a Common Equity Trigger Event occurs, all or some Capital Notes and other Relevant Tier 1 Capital Instruments will need to be immediately Converted into Ordinary Shares. However, if such Conversion does not occur for any reason within 5 Business Days of a determination by APRA that a Non-Viability Trigger Event or a Common Equity Trigger Event has occurred, those Capital Notes which should have been Converted will be Written-Off. If this occurs, all rights in relation to those Capital Notes (including in respect of Distributions and return of capital) will be immediately and irrevocably terminated and Capital Noteholders will lose all of the value of those Capital Notes, without compensation.

As a Loss Absorption Event is likely to occur during a time of severe financial difficulty for Judo, depending on the market price of Ordinary Shares at the relevant time, Capital Noteholders are likely to receive a number of Ordinary Shares worth less, or significantly less, than approximately \$101 per Capital Note and a Capital Noteholder would suffer a loss as a consequence. The calculations set out below are illustrative only and designed to demonstrate the potential number and value of Ordinary Shares that a Capital Noteholder would receive on Conversion following a Loss Absorption Event.

Topic	Summary	Further information
2.4.1 What is a Loss Absorption Event?	<p>A Loss Absorption Event is a Non-Viability Trigger Event or a Common Equity Trigger Event.</p> <p>A Non-Viability Trigger Event means APRA has provided a written determination to Judo that:</p> <ul style="list-style-type: none"> the conversion to Ordinary Shares or write-off of Relevant Tier 1 Capital Instruments (including Capital Notes) in accordance with their terms or by operation of law is necessary because without the conversion to Ordinary Shares or write-off, APRA considers that Judo would become non-viable; or without a public sector injection of capital into, or equivalent support with respect to, Judo, APRA considers that Judo would become non-viable. <p>A Common Equity Trigger Event means either or both of the Common Equity Tier 1 Ratio in respect of the Judo Level 1 Group or the Judo Level 2 Group, as determined by Judo or APRA at any time, is equal to or less than 5.125%.</p> <p>Immediately on the occurrence of a Non-Viability Trigger Event or a Common Equity Trigger, Judo must immediately Convert Capital Notes, as required by the determination, into the Conversion Number of Ordinary Shares (subject to the Maximum Conversion Number).</p> <p>The date a Loss Absorption Event occurs is the Loss Absorption Event Conversion Date.</p>	Conditions 7.1 – 7.3 of the Terms
2.4.2 Why do Capital Notes include a Loss Absorption Event?	<p>A Loss Absorption Event is an APRA regulatory requirement for Capital Notes to be characterised as Additional Tier 1 Capital.</p>	
2.4.3 What does non-viable mean?	<p>APRA has not provided guidance as to how it would determine non-viability.</p> <p>Non-viability would be expected to include serious impairment of Judo's financial position and insolvency. However, it is possible that APRA's definition of non-viability may not necessarily be constrained to solvency measures or capital ratios.</p> <p>In the context of ADIs, APRA has indicated that it may regard non-viability as occurring well before an ADI is at risk of becoming insolvent.</p> <p>APRA may publish guidance on the parameters used to determine non-viability, however, it is possible that it will not provide any further guidance and Judo has no control over whether it will do so (see Section 5.2.8).</p>	

Section 2 About Capital Notes continued

Topic	Summary	Further information
2.4.4 When does Conversion on account of a Loss Absorption Event occur?	<p>If a Loss Absorption Event occurs, Judo must, on that date (whether or not that day is a Business Day), immediately and irrevocably Convert some or all Capital Notes into Ordinary Shares. The amount of Capital Notes Converted or otherwise Written-Off will depend on the nature of the Loss Absorption Event, meaning that where:</p> <ul style="list-style-type: none">• APRA's determination of a Non-Viability Trigger Event is made on the grounds that, without a public sector injection of capital or equivalent support, Judo will become non-viable, Judo must convert all Relevant Tier 1 Capital Instruments;• APRA's determination of a Non-Viability Trigger Event is not made on those grounds and does not require all Relevant Tier 1 Capital Instruments to be converted or written-off, Judo must Convert such number of Capital Notes as is sufficient to satisfy APRA that Judo will be viable without further Conversion or Write-Off; and• APRA or Judo's determination is that a Common Equity Trigger Event has occurred, all Relevant Tier 1 Capital Instruments; or such proportion of the Relevant Tier 1 Capital Instruments sufficient to return each of the Common Equity Tier 1 Ratio of the Judo Level 1 Group and the Common Equity Tier 1 Ratio of the Judo Level 2 Group to a percentage above 5.125%, as determined by Judo. <p>Conversion is immediate and, from the Loss Absorption Event Conversion Date, Judo will treat Capital Noteholders as having been issued the Conversion Number of Ordinary Shares. Judo may make any decisions with respect to the identity of the Capital Noteholders at that time as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of Capital Notes that have not been settled or registered at that time.</p> <p>In determining the number of Capital Notes to be Converted, Judo will Convert Capital Notes and convert into Ordinary Shares or write-off other Relevant Tier 1 Capital Instruments on an approximately pro rata basis or in a manner that is otherwise, in the opinion of Judo, fair and reasonable (subject to such adjustment as Judo may determine to take into account the effect on marketable parcels and the need to round to whole numbers the number of Ordinary Shares and any Capital Notes or Relevant Tier 1 Capital Instruments). In addition, where the specified currency of the outstanding principal amount of any Relevant Tier 1 Capital Instruments is not Australian dollars⁵, Judo may, for the purposes of determining the outstanding principal amount that is to be converted or written-off, convert the outstanding principal amount into Australian dollars at such rate of exchange determined in accordance with the terms of such Relevant Tier 1 Capital Instruments or, if those terms do not specify a basis for determining such rate of exchange, at such rate of exchange as Judo in good faith considers reasonable. However, this determination must not impede the immediate Conversion of the relevant number of Capital Notes.</p> <p>Judo may make any decisions with respect to the identity of the Capital Noteholders where Capital Notes are to be Converted as may be necessary or desirable to ensure Conversion occurs immediately in an orderly manner, including disregarding any transfers of Capital Notes that have not been settled or registered at that time.</p> <p>Capital Noteholders should be aware that:</p> <ul style="list-style-type: none">• if APRA does not require all Relevant Tier 1 Capital Instruments to be converted or written-off, Relevant Tier 1 Capital Instruments such as Capital Notes will be converted or written-off before any Tier 2 Capital instruments are converted or written-off; and• Judo currently has no Relevant Tier 1 Capital Instruments on issue, other than Ordinary Shares. Judo has no obligation to issue or keep on issue any Relevant Tier 1 Capital Instruments; and• Judo must notify the Trustee and Capital Noteholders of the Loss Absorption Event as soon as practicable (which may be after Conversion has occurred) but failure to give such notice will not prevent, impede or delay the Conversion.	

⁵ As of the date of this Prospectus, Judo does not have any non-Australian dollar-denominated Relevant Tier 1 Capital Instruments outstanding.

Topic	Summary	Further information
2.4.5 Are there any conditions which apply to Conversion if a Loss Absorption Event occurs?	Conversion on account of a Loss Absorption Event is not subject to the Mandatory Conversion Conditions or any other conditions being satisfied.	
2.4.6 How many Ordinary Shares will Capital Noteholders receive on the Loss Absorption Event Conversion Date?	<p>If Conversion occurs, the number of Ordinary Shares a Capital Noteholder will receive per Capital Note on account of a Loss Absorption Event is the Conversion Number (calculated as described below), unless that number is greater than the Maximum Conversion Number (in which case a Capital Noteholder will receive the Maximum Conversion Number of Ordinary Shares per Capital Note). Since there are no conditions to a Loss Absorption Event Conversion, the number of Ordinary Shares a Capital Noteholder may receive on account of a Loss Absorption Event Conversion may be worth significantly less than \$101 per Capital Note and a Capital Noteholder may suffer a significant loss as a consequence.</p> <p>The Conversion Number in the event of a Loss Absorption Event Conversion is calculated in accordance with the following formula, subject to the Conversion Number being no greater than the Maximum Conversion Number:</p> $\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}$ <p>where:</p> <ul style="list-style-type: none"> • VWAP is the volume weighted average price of Ordinary Shares during the period of 5 Business Days on which trading in Ordinary Shares occurred immediately preceding (but not including) the Loss Absorption Event Conversion Date. See Section 5.2.8.⁶ • The Maximum Conversion Number is described in Section 2.4.7 (this number may be adjusted as described in Section 2.4.8). • Following a Non-Viability Trigger Event, if Conversion does not occur within 5 Business Days for any reason, those Capital Notes that are required to be Converted will be Written-Off and Capital Noteholders will not receive any Ordinary Shares with respect to those Capital Notes – see Section 2.4.9. 	
2.4.7 What is the Maximum Conversion Number?	<p>The Maximum Conversion Number is calculated in accordance with the following formula:</p> $\text{Maximum Conversion Number} = \frac{\text{Issue Price}}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}$ <p>where:</p> <p>Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, which may be adjusted in limited circumstances as set out in Section 2.4.8.</p> <p>Relevant Fraction is 0.2 in the case of Conversion following a Loss Absorption Event.</p> <p>This means that, depending on the market price of Ordinary Shares at the relevant time, a Capital Noteholder is likely to receive Ordinary Shares worth significantly less than \$101 per Capital Note and is likely to suffer a significant loss as a consequence.</p>	

⁶ The VWAP during the 5 Business Days before the Loss Absorption Event Conversion Date may differ from the Ordinary Share price on or after that date. The Ordinary Shares may not be listed or may not be able to be sold at prices representing their value based on the VWAP calculation or at all.

Section 2 About Capital Notes continued

Topic	Summary	Further information																
2.4.7 What is the Maximum Conversion Number? <i>continued</i>	<p><i>Illustrative example of Conversion</i></p> <p>This example illustrates how many Ordinary Shares a Capital Noteholder will receive per Capital Note following Conversion on account of a Loss Absorption Event.</p> <p>Assumptions used in this example:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Issue Date VWAP</td> <td style="text-align: right;">\$0.85</td> </tr> <tr> <td>VWAP</td> <td style="text-align: right;">\$0.15</td> </tr> </table> <p>This example is for illustrative purposes only. The actual VWAP, Issue Date VWAP and Maximum Conversion Number may be higher or lower than in this example and the Issue Date VWAP may be adjusted after the Issue Date in limited circumstances (see Section 2.4.8).</p> <p>Step 1 – Calculate the number of Ordinary Shares using the Conversion mechanics</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Issue Price</td> <td style="text-align: right;">\$100</td> </tr> <tr> <td>Divided by VWAP x 99%</td> <td style="text-align: right;">÷ 0.14850</td> </tr> <tr> <td>Ordinary Shares per Capital Note</td> <td style="text-align: right;">673.40067</td> </tr> </table> <p>Step 2 – Calculate the Maximum Conversion Number</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Issue Price</td> <td style="text-align: right;">\$100</td> </tr> <tr> <td>Divided by Issue Date VWAP x 0.20</td> <td style="text-align: right;">÷ \$0.17000</td> </tr> <tr> <td>Maximum Conversion Number of Ordinary Shares per Capital Note</td> <td style="text-align: right;">588.23529</td> </tr> </table> <p>Step 3 – Assess the effect of the Maximum Conversion Number</p> <p>In this example, the Maximum Conversion Number is lower than the number of Ordinary Shares a Capital Noteholder would receive per Capital Note calculated using the Conversion formula. As a result, the Maximum Conversion Number would cap the number of Ordinary Shares a Capital Noteholder would receive per Capital Note at 588.23529 Ordinary Shares. If the Capital Noteholders holds 100 Capital Notes (having an aggregate Issue Price of \$10,000) they would receive (after disregarding any fraction of an Ordinary Share) 58,823 Ordinary Shares. If those Ordinary Shares were sold on ASX at the same price as the VWAP (being \$0.15), the Capital Noteholders in this example would receive approximately \$8,823 which is significantly less than \$10,000.</p>	Issue Date VWAP	\$0.85	VWAP	\$0.15	Issue Price	\$100	Divided by VWAP x 99%	÷ 0.14850	Ordinary Shares per Capital Note	673.40067	Issue Price	\$100	Divided by Issue Date VWAP x 0.20	÷ \$0.17000	Maximum Conversion Number of Ordinary Shares per Capital Note	588.23529	
Issue Date VWAP	\$0.85																	
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Issue Price	\$100																	
Divided by Issue Date VWAP x 0.20	÷ \$0.17000																	
Maximum Conversion Number of Ordinary Shares per Capital Note	588.23529																	
2.4.8 What adjustments to the Issue Date VWAP are made to account for changes to Judo’s capital?	<ul style="list-style-type: none"> • The Issue Date VWAP, and consequently the Maximum Conversion Number, will be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues as set out in the Terms (but not other transactions, including rights issues, which may affect the capital of Judo). • However, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than 1% of the Issue Date VWAP then in effect. 																	

Topic	Summary	Further information
2.4.9 What happens if Capital Notes are not Converted on the Loss Absorption Event Conversion Date?	<ul style="list-style-type: none"> • If Capital Notes are required to be Converted on a Loss Absorption Event Conversion Date and Conversion has not been effected within 5 Business Days after the relevant Loss Absorption Event Conversion Date for any reason (including because Judo is prevented by applicable law or order of any court or action of any government authority or External Administrator (including regarding the insolvency, Winding-Up or other external administration of Judo) (Inability Event)), Capital Notes which would otherwise be Converted will not be Converted on that date and will not be Converted, Redeemed or Resold on any subsequent date and will be Written-Off. If this occurs, all rights in relation to those Capital Notes (including in respect of Distributions and return of capital) will be immediately and irrevocably terminated with effect on and from the Loss Absorption Event Conversion Date, and Capital Noteholders will lose all of the value of their investment in those Capital Notes without compensation. • The laws under which an Inability Event may arise, and the grounds on which a court or government authority may make orders preventing the Conversion of Capital Notes (or other reasons which prevent Conversion), may change. 	

2.5 Conversion upon an Acquisition Event

Judo is required to Convert Capital Notes into Ordinary Shares where Judo is taken over by way of takeover bid or scheme of arrangement which meet certain requirements described below.

As with Mandatory Conversion and Optional Conversion, there are conditions to Conversion in these circumstances which are designed to ensure that Capital Noteholders receive a number of Ordinary Shares worth approximately \$101 for each Capital Note they hold and that those Ordinary Shares are capable of being sold on ASX.

These conditions may never be met and accordingly, Capital Notes may never Convert into Ordinary Shares.

Topic	Summary	Further information
2.5.1 What is an Acquisition Event?	<p>An Acquisition Event means:</p> <ul style="list-style-type: none"> • a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and: <ul style="list-style-type: none"> – the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or – the Directors issue a statement that at least a majority of those Directors who are eligible to do so recommend acceptance of the offer (in the absence of a higher offer); or • a court approves a scheme of arrangement which, if implemented will result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue, and: <ul style="list-style-type: none"> – all classes of members of Judo pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; or – all conditions to implementation of the scheme, including all regulatory approvals necessary for the acquisition to occur (but not including approval of the scheme by the court), have been satisfied or waived, <p>However, an event will not constitute an Acquisition Event if:</p> <ul style="list-style-type: none"> • it is a NOHC Event; • the ordinary shares of the Approved NOHC are listed on an internationally recognised stock exchange; and • the Approved NOHC makes the agreements for the benefit of Capital Noteholders contemplated by Condition 25 of the Terms. <p>There may be ways in which control of Judo or its business operations change, including as a result of regulatory intervention, which do not amount to an Acquisition Event. See Section 5.2.12 for more information.</p>	Condition 1.1 of the Terms

Section 2 About Capital Notes continued

Topic	Summary	Further information
2.5.2 What must Judo do on the occurrence of an Acquisition Event?	<p>If an Acquisition Event occurs, Judo must (by giving an Acquisition Conversion Notice to the Trustee and the Capital Noteholders) Convert all Capital Notes on issue into a number of Ordinary Shares with a value of approximately \$101 per Capital Note (based on the VWAP during a period before the Acquisition Conversion Date, being usually 20 Business Days but a lesser period if trading in Ordinary Shares in the period after the Acquisition Event and before the Acquisition Conversion Date is less than 20 Business Days). The number of Ordinary Shares received will not be greater than the Maximum Conversion Number.</p> <p>In certain circumstances (described in Section 2.5.3 below), Judo will not be required to give an Acquisition Conversion Notice to the Trustee and Capital Noteholders, and will not be required to Convert Capital Notes at that time. However, Judo must Convert Capital Notes on the next Distribution Payment Date in respect of which the conditions to Conversion are met.</p>	Condition 8 of the Terms
2.5.3 What are the restrictions on Conversion occurring following an Acquisition Event?	<p>There are two types of restrictions that apply in relation to Conversion in connection with an Acquisition Event:</p> <ul style="list-style-type: none"> • Judo is not required to give an Acquisition Conversion Notice if, on the second Business Day before the date on which an Acquisition Conversion Notice is to be sent: <ul style="list-style-type: none"> – the VWAP is less than or equal to 22.50% of the Issue Date VWAP; or – a Delisting Event applies; and • if Judo has given an Acquisition Conversion Notice, Judo may not proceed to Convert Capital Notes if, the Acquisition Conversion Date were a Relevant Mandatory Conversion Date,⁷ and as at this date: <ul style="list-style-type: none"> – the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) that date is less than or equal to 20.20% of the Issue Date VWAP; or – a Delisting Event applies. <p>Without these conditions, Conversion could occur in situations where Capital Noteholders would receive a number of Ordinary Shares limited to the Maximum Conversion Number and, accordingly, those Ordinary Shares could be worth less than \$101 per Capital Note.</p> <p>The Maximum Conversion Number in the case of Conversion in these circumstances is set by dividing the Issue Price of Capital Notes by 20% of the Issue Date VWAP (as such number may be adjusted as described in Section 2.2.8).</p>	Conditions 8.3, 9.4 and 9.5 of the Terms
2.5.4 What happens if Conversion does not occur?	<p>If Judo is not required to give an Acquisition Event Notice or the further Conversion restrictions prevent Conversion, Judo must:</p> <ul style="list-style-type: none"> • notify the Trustee and Capital Noteholders as soon as practicable that Conversion will not occur; and • unless the restrictions on Conversion apply, give an Acquisition Conversion Notice on or before the 25th Business Day prior to the following Distribution Payment Date and the conditions described above will be tested again in respect of that date. This process will be repeated until a Conversion occurs as long as Capital Notes remain on issue. 	Condition 8.4 of the Terms

⁷ The Relevant Mandatory Conversion Date is the Scheduled Mandatory Conversion Date or the first Distribution Payment Date after the Scheduled Mandatory Conversion Date and each subsequent Distribution Payment Date thereafter.

2.6 Regulatory treatment

APRA has advised that Capital Notes are eligible for inclusion as Additional Tier 1 Capital.

Topic	Summary	Further information
2.6.1 Who is APRA?	<p>APRA is the prudential regulator of the Australian financial services industry. It oversees life insurance companies, banks, credit unions, building societies, general insurance and reinsurance companies, friendly societies, private health insurance companies and most members of the superannuation industry.</p> <p>APRA's website at www.apra.gov.au includes details of its functions and Prudential Standards.</p>	
2.6.2 What is regulatory capital?	<p>Any business requires capital to support its income-generating activities in its chosen industry.</p> <p>APRA's regulatory capital Prudential Standards aim to ensure that regulated groups, including life insurers, banks, general insurers and regulated registrable superannuation entities, maintain adequate capital to support the risks associated with their activities and can withstand unexpected losses. APRA has detailed guidelines and restrictions on the types of capital instruments that are permitted to form the capital base. The types of capital deemed eligible for inclusion in the capital base are referred to as regulatory capital.</p> <p>APRA currently classifies regulatory capital of APRA regulated entities into two tiers for its supervisory purposes, being Tier 1 Capital and Tier 2 Capital.</p> <p>Tier 1 Capital is generally considered from the perspective of a financial institution to be higher quality capital and comprises:</p> <ul style="list-style-type: none">• CET1 Capital (including ordinary shares and retained earnings); and• Additional Tier 1 Capital (such as perpetual subordinated instruments issued by APRA-regulated entities). <p>Tier 2 Capital includes other components which fall short of some of the qualities of Tier 1 Capital but nonetheless contribute to the overall strength of the entity.</p> <p>Judo and Judo Bank are regulated by APRA and Judo is the authorised NOHC of Judo Bank. Additional Tier 1 Capital contributes to meeting the prudential capital requirements applicable to Judo and Judo Bank.</p> <p>The Terms include terms necessary to meet APRA's requirements for Additional Tier 1 Capital (including Conversion (or Write-Off) following a Loss Absorption Event, subordination provisions and certain limitations on the rights of Capital Noteholders).</p>	
2.6.3 What is the regulatory treatment of Capital Notes?	<p>APRA has advised that Capital Notes are eligible for inclusion as Additional Tier 1 Capital.</p> <p>If APRA's treatment of Capital Notes changes, a Regulatory Event may occur in which case Judo would have an option to Convert, Redeem or Resell Capital Notes as described in Section 2.3.</p>	
2.6.4 Are Capital Notes guaranteed by any government?	<p>No. Capital Notes are not:</p> <ul style="list-style-type: none">• deposits liabilities for the purposes of the Banking Act, of Judo or Judo Bank;• protected accounts under the Banking Act; or• guaranteed or insured by any government, government agency or compensation scheme.	Condition 3.5 of the Terms

Section 2 About Capital Notes continued

2.7 Other

Topic	Summary	Further information
2.7.1 Can Judo issue further Capital Notes or other instruments?	<p>Judo reserves the right to:</p> <ul style="list-style-type: none"> • issue any securities which rank equally with Capital Notes (on the same terms or otherwise) or rank in priority or junior to Capital Notes; • redeem, buy back, return capital on or convert any securities other than Capital Notes at any time, except where expressly prevented from doing so as described in Section 2.1.8; • subject to APRA's prior written consent, purchase or procure the purchase of Capital Notes from Capital Noteholders at any time and at any price; or • incur or guarantee any indebtedness upon such terms as it may think fit in its sole discretion. <p>Capital Notes do not confer on Capital Noteholders any right to subscribe for new securities in Judo or to participate in any bonus issues of shares in Judo's capital.</p>	Condition 22 of the Terms
2.7.2 What voting rights do Capital Notes carry?	<ul style="list-style-type: none"> • Capital Noteholders are not entitled to attend, and have no voting rights at, any meeting of the members of Judo. • The Trustee or Judo may call a meeting of Capital Noteholders to vote on matters set out in the Trust Deed, such as the provision of directions to or ratification of actions taken by the Trustee. 	Condition 22.2 of the Terms and Trust Deed
2.7.3 Can Judo amend the Terms and the Trust Deed?	<p>As described in Section 5.2.32, subject to complying with all applicable laws and to receiving the approval of the Trustee and, where required, APRA, Judo may amend the Terms and Trust Deed without the approval of Capital Noteholders, in certain circumstances.</p> <p>These may include amendments that may affect the rights of Capital Noteholders, including:</p> <ul style="list-style-type: none"> • amendments of a formal, technical or minor nature, or made to cure any ambiguity or correct any manifest error; • changes to dates or time periods necessary or desirable to facilitate a Conversion, Redemption or Resale; • changes that enable Capital Notes to be quoted on ASX or sold or to comply with applicable laws or the ASX Listing Rules; • amendments made to align Terms with any subsequently issued Additional Tier 1 Capital instrument; • amendments made in accordance with Judo's adjustment rights in relation to VWAP and Issue Date VWAP in the Terms; and • any other change that, in Judo's opinion, will not be materially prejudicial to the interests of Capital Noteholders as a whole. <p>Judo may, with the Trustee's approval (and APRA's prior written approval where required), amend the Terms and Trust Deed if the amendment has been approved by Special Resolution.</p> <p>APRA's prior written approval to amend the Terms and Trust Deed is required only where the amendment may affect the eligibility of Capital Notes as Additional Tier 1 Capital. Capital Noteholders should not assume that APRA's approval will be given, if requested.</p>	Trust Deed

Topic	Summary	Further information
2.7.4 What is the time limit for a Capital Noteholder to make a claim against Judo?	Capital Noteholders should be aware that a claim against Judo for payment in respect of a Capital Note is void, to the fullest extent permitted by law, unless made within five years of the date for payment.	Condition 18 of the Terms
2.7.5 Are determinations by Judo binding?	Except where there is a manifest error, calculations, elections and determinations made by Judo under the Terms are binding on Capital Noteholders.	Condition 5.12 of the Terms
2.7.6 Is set-off applicable?	<p>A Capital Noteholder may not exercise any right of set-off against Judo in respect of any claim by Judo against that Capital Noteholder and will have no offsetting rights or claims on Judo if Judo does not pay a Distribution when scheduled under the Terms.</p> <p>Judo may not exercise any right of set-off against a Capital Noteholder in respect of any claim by that Capital Noteholder against Judo.</p>	Condition 17.1 of the Terms
2.7.7 What is the power of attorney?	Each Capital Noteholder appoints each of Judo, its officers and any External Administrator of Judo (each an Attorney) severally to be the attorney of the Capital Noteholder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Capital Noteholder to observe or perform the Capital Noteholder's obligations under the Terms including, but not limited to, effecting any Conversion, Redemption or Resale, making any entry in the Register or the register of any Ordinary Shares or exercising any voting power in relation to any consent or approval required for Conversion, Redemption or Resale.	Condition 10.13 of the Terms
2.7.8 Trustee and Trust Deed	<p>Judo has appointed Certane CT Pty Ltd as Trustee for Capital Noteholders, as required by Chapter 2L of the Corporations Act. The Trustee holds certain rights in relation to Capital Notes on trust for Capital Noteholders under the Trust Deed. In certain circumstances, the Trustee will act on behalf of Capital Noteholders.</p> <p>The Trustee holds on trust for Capital Noteholders the right to enforce any obligations of Judo under the Terms and the Trust Deed. The Trustee will be entitled to take any action against Judo to enforce any obligations of Judo, subject to the Terms and the Trust Deed.</p> <p>The Trustee must take action to enforce the Terms and the Trust Deed if it has been directed to do so by a Special Resolution of Capital Noteholders or so requested in writing by the Capital Noteholders holding Capital Notes representing at least 25% of the total Face Value of the Capital Notes then Outstanding, its liability has been limited consistent with the Trust Deed, it is indemnified to its satisfaction and the action is permitted by the Trust Deed or the Terms and by law.</p> <p>Capital Noteholders will not be entitled to proceed directly against Judo to enforce any right or remedy under or in respect of any Capital Note unless the Trustee is bound to proceed with that action and has not taken that action within 14 days and the failure is continuing. In this case, any Capital Noteholder may itself institute proceedings against Judo for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. Any such proceedings must be brought in the name of the Capital Noteholder and not the Trustee.</p>	Trust Deed

Section 2 About Capital Notes continued

Topic	Summary	Further information
2.7.8 Trustee and Trust Deed <i>continued</i>	<p>Under the Trust Deed, Judo must establish and maintain, or procure the establishment and maintenance, of the Register. The Trust Deed includes provisions for meetings of Capital Noteholders. Capital Noteholders will be bound by the terms of the Trust Deed and the Terms when Capital Notes are issued or transferred to them or they purchase Capital Notes.</p> <p>Section 8.1 contains a summary of the principal provisions of the Trust Deed. A copy of the Trust Deed can be obtained from www.judo.bank/capital-notes/.</p>	Trust Deed
2.7.9 What if a Capital Noteholder is not resident in Australia or does not wish to receive Ordinary Shares on Conversion?	<p>If the Register indicates that a Capital Noteholder's address is outside Australia (or Judo believes that a Capital Noteholder may not be a resident of Australia) (such a Capital Noteholder being a Foreign Capital Noteholder) and that Foreign Capital Noteholder's Capital Notes are to be Converted, Judo is entitled, in certain circumstances, to issue the relevant Ordinary Shares to the Trustee or other nominee appointed by Judo (which must not be a Related Entity of Judo).</p> <p>A Capital Noteholder may elect not to receive Ordinary Shares on Conversion, in which case those shares will be issued to the Trustee or other nominee appointed by Judo (which must not be a Related Entity of Judo).</p> <p>The Trustee, or other nominee (as the case may be), will sell those Ordinary Shares and pay a cash amount equal to the net proceeds to the relevant Capital Noteholder.</p> <p>The issue of Ordinary Shares to the Trustee, or other nominee (as the case may be), satisfies Judo's obligations in connection with the Conversion and Judo and the Trustee, or other nominee (as the case may be), do not owe any duty in relation to the price or terms on which the Ordinary Shares are sold and have no liability for any loss suffered as a result of such sale.</p>	Condition 10.11 of the Terms
2.7.10 What are the consequences of a FATCA Withholding in respect of Ordinary Shares issued on Conversion?	<p>Where a FATCA Withholding is required to be made in respect of Ordinary Shares issued on Conversion of Capital Notes, or where Judo has reasonable grounds to suspect such a FATCA Withholding would be required to be made, the Ordinary Shares, which the relevant Capital Noteholder is obliged to accept, will be issued to the Capital Noteholder only to the extent (if at all) that the issue is net of FATCA Withholding. Judo will issue the balance of the Ordinary Shares, if any, to the Trustee or other nominee appointed by Judo (which must not be a Related Entity of Judo), who will sell those Ordinary Shares and pay a cash amount equal to the proceeds net of any FATCA Withholding to the relevant Capital Noteholder.</p>	Condition 10.11 of the Terms
2.7.11 What are the taxation implications of investing in Capital Notes?	<p>The taxation implications of investing in Capital Notes will depend on an investor's individual circumstances. Prospective investors should obtain their own taxation advice. A general outline of the Australian taxation implications is included in the Australian taxation summary in Section 7.</p>	Section 7
2.7.12 Will Capital Notes be rated?	<p>Judo has not sought a credit rating for Capital Notes.</p>	

Section 3

About Judo

This Section sets out information
about Judo.

Section 3 About Judo continued

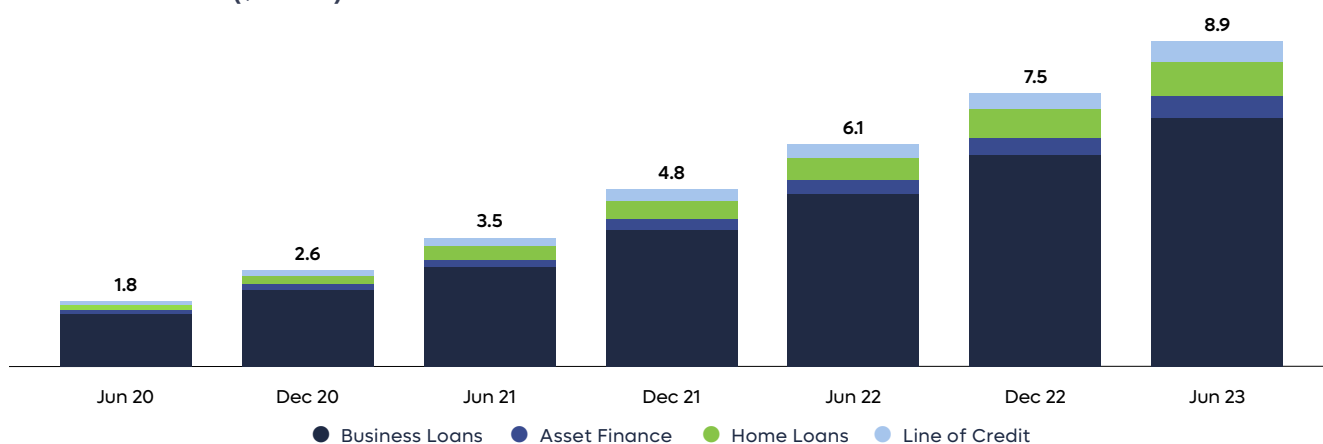
3.1 Overview of Judo

Listed on ASX in 2021, Judo is the NOHC of Judo Bank, Australia's first purpose-built challenger bank for SMEs. Judo Bank is the sole operating subsidiary of Judo.

Judo Bank was founded by a small group of experienced banking 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 cloud-native technology architecture. Lending products are originated and distributed through direct and third-party channels and are supported by a range of funding sources including deposits, wholesale debt and regulatory capital.

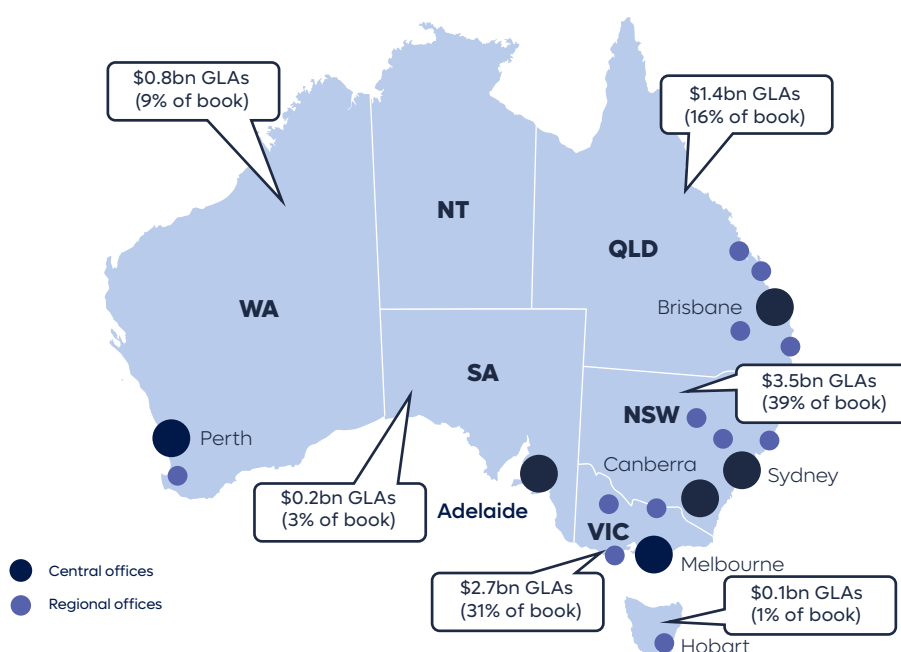
Since officially launching in March 2018, Judo Bank has developed a national footprint with a presence of 18 locations across Australia and, as at 30 June 2023, had 543 full-time equivalent employees, including 123 relationship bankers and 50 relationship analysts. After achieving the first \$100 million of loan book growth in early 2019, Judo Bank's book grew substantially to reach \$1 billion by January 2020. As at 30 June 2023, Judo Bank's GLAs were \$8.9 billion. In addition, Judo Bank had a pipeline of loans in application, approved and accepted status but not yet settled representing \$1.5 billion as at 30 June 2023.

Judo Bank's GLAs (\$ billion)¹



Judo Bank's geographical presence²

18 Locations
throughout Australia



¹ As at 30 June 2023.

² As at 30 June 2023.

Judo Bank holds a full ADI banking licence, Australian Financial Services Licence (**AFSL**) and Australian Credit Licence (**ACL**), and is subject to ongoing oversight by a number of regulatory authorities in Australia including APRA, ASIC, the Australian Transaction Reports and Analytics Centre (**AUSTRAC**), the Reserve Bank of Australia (**RBA**), the Department of the Treasury (**Treasury**) and the Australian Competition and Consumer Commission (**ACCC**).

Judo holds an authority issued by APRA under the Banking Act to act as the NOHC for Judo Bank.

3.2 SME lending industry

The SME business lending market is large and has several attractive characteristics, including higher lending rates, lower risk-adjusted historical loss rates and higher levels of secured lending compared to other segments of business lending (such as lending to large corporates and institutions). SME businesses account for 45% of all domestic business lending and approximately 50-60% of all domestic business lending revenue,³ indicating a large market opportunity within the SME segment. Additionally, over 90% of SME loans in Australia are secured, with the majority secured against real estate assets (including residential and commercial property).

The SME business lending market has a number of unique characteristics:

- There is large variability between SMEs operating in different industries, with different business models, cash flow profiles and financing needs (such as working capital, capital expenditure and retirement of existing debt).⁴
- Unlike retail or large corporate lending, where credit and other information is generally available through credit agencies or public sources, lending to SMEs is subject to more information asymmetry, given the more limited information available on the borrower and the different structure and organisation of each SME.
- SME business lending tends to require specific industry, credit underwriting and servicing expertise. As a result, automated credit underwriting and 'low-touch' servicing models may be less effective.
- SMEs rank factors such as service, speed and trust above price considerations as reasons for choosing an alternative lender over an established financial institution.⁵
- SME business lending generally attracts a higher net interest margin (**NIM**) than residential mortgage, corporate or institutional lending.
- Over the last decade, industrialisation of banking business models has included increased digitisation, automation and centralisation of many core customer activities. In some cases, this has led to a decline in traditional, in-person relationship banking provided to SMEs, which highly value direct access to a relationship banker with a strong understanding of their business and industry. The automation of the credit decisioning process and focus on collateral as a key lending criterion have also made it more challenging for SMEs to access finance.

Based on analysis undertaken by RFI Global, the SME total addressable market (**SME TAM**) is estimated to be more than \$600 billion.⁶ This is comprised of:

- Traditional business lending products;
- Incremental lending opportunities to SMEs that are not addressed by traditional lenders; and
- Home loans to support the residential property finance needs of SME customers and Judo Bank employees.

³ Source: RFI Global analysis based on DBM Atlas data (lending and deposit balances) and bank annual reports (margin and revenue estimates).

⁴ According to market research conducted by East & Partners in 2020, 69% of SMEs state that working capital is the primary purpose for sourcing new funds, followed by capital expenditure for plant and equipment (38%) and retirement of existing debt (32%). Respondents can nominate multiple purposes for borrowings.

⁵ Source: RFI Global, SME Banking Insights Report (2021). Data as at March 2021.

⁶ Source: RFI Global, Australian SME Lending Opportunities (July 2021).

3.3 Business operating strategy

Judo Bank's relationship-centric lending model is based on acquiring deep insight into the financial requirements of each SME customer, as well as a thorough understanding of the unique story behind each business and its people, leading to efficient and timely decision-making. Judo Bank's business model has been crafted from the ground up, free from the burden of legacy culture, products, origination channels, treasury, technology, branch network and risk frameworks. Executing its strategy is based on several key factors:

1. **Customer value proposition:** a clear lending proposition, Judo Bank's SME customers have direct access to its relationship bankers and credit executives, ensuring all decision-makers are 'in-market'. This customer experience is underscored by an industry-leading SME customer net promoter score (**NPS**) of +65⁷, which places customer service and SME borrowing objectives at its heart.
2. **Simple product solutions:** Judo Bank's simple and effective lending products are tailored by the relationship banking team to suit SME customer needs. Judo Bank also has a competitive term deposit offering, giving it access to both retail and wholesale deposit customers.
3. **Talented and dedicated relationship bankers:** Judo Bank's relationship bankers have the skills and experience to truly understand an SME customer's business. Judo Bank offers a high level of service, deep and direct customer engagement and suitable financing solutions, as well as transparency in the process and timing of decision-making. Relationship bankers and credit executives are empowered to be 'in-market' lenders who can collectively exercise decision-making judgement to drive speed to market and productivity.
4. **Multi-channel origination:** SME customers engage with Judo Bank's relationship bankers directly or via established relationships with intermediaries and specialist brokers. Deposit customers engage with Judo Bank through direct channels (via its website or comparison websites) or through intermediaries.
5. **Diversified and stable funding sources:** Judo Bank's funding approach is deposit-led (with the long-term goal of sourcing approximately 70% to 75% of its funding this way), supported by its access to warehouse facilities provided by a range of large domestic and global commercial banks and the Australian Government. Judo Bank's deposit funding strategy includes pricing competitively to manage flow as appropriate to meet its funding needs. Judo Bank offers attractive rates to deposit customers while seeking to maintain an ability to generate a strong NIM. Additionally, Judo Bank has established a range of wholesale funding sources including warehouses, term securitisation, senior unsecured bonds, hybrid capital instruments and Negotiable Certificates of Deposits (**NCDs**).
6. **Cloud-native technology platform:** Judo Bank's modern, flexible, cloud-based technology stack enables Software as a Service platform providers to be seamlessly integrated, and Judo Bank's data platform is built to deliver reporting, insights and advanced analytics that enables relationship bankers to develop and grow their customer relationships. Judo Bank's technology strategy involves continual review and upgrades of its systems and providers, and Judo Bank expects to make significant investment in its core platforms to deliver operational leverage to scale the bank.
7. **Commitment to strong risk culture:** management is focused on ensuring risk management is culturally embedded into its business operating model, with a clearly defined risk appetite.

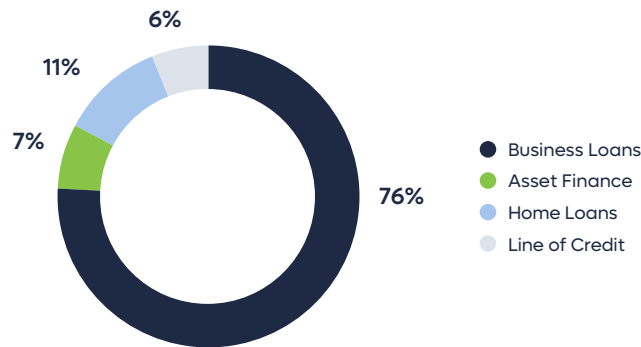
Part of Judo Bank's strategy includes growing its lending portfolio to a scale where the performance goals of its key business metrics can be achieved. For more information on these key business metrics at scale, refer to Section 3.12 of Judo's IPO Prospectus dated 14 October 2021 and Judo's FY23 Results Presentation released to ASX on 24 August 2023.

⁷ Across FY23, measuring Judo Bank's overall NPS including onboarding, relationship and exit scores.

3.4 Lending products

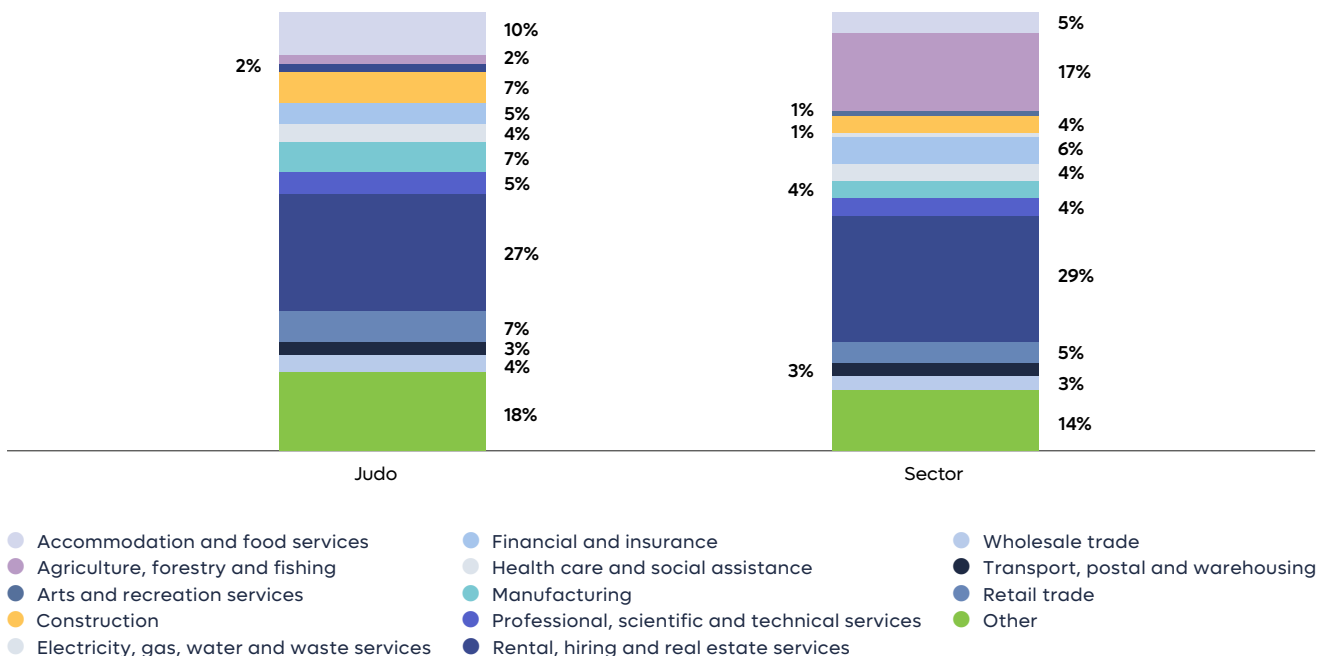
Judo Bank’s lending product suite is tailored to address the needs of its target SME market. Judo Bank’s offering is straightforward to meet the core borrowing needs of SMEs, including cash flow and working capital management, capital expenditure, business development and expansion, and retirement of existing debt. The current Judo Bank lending product set includes business loans, equipment loans, lines of credit, bank guarantees and home loans (for SME customers and Judo Bank employees).

Loan book composition (%)⁸



Judo Bank’s loan portfolio is diversified across industries and geographies, and broadly mirrors the overall lending in the SME sector, with the exception of pure construction and natural resources which are sectors Judo has negligible exposure to, and agriculture, which is a relatively new segment where Judo currently remains underweight relative to the overall SME sector. Judo Bank’s portfolio concentration of commercial real estate lending remains relatively conservative and Judo Bank has negligible exposure to early-stage technology focused SMEs.

Loan book by industry (%)⁹



⁸ As at 30 June 2023.

⁹ Judo Bank’s industry breakdown is based on ANZSIC code and as at 30 June 2023. SME lending system data sourced from RBA.

Section 3 About Judo continued

Judo Bank maintains a multi-channel origination strategy, diversified across direct and third-party origination channels. Judo Bank continues to focus its origination efforts through a panel of accredited third-party brokers, and directly to SMEs via its workforce of experienced relationship bankers. Irrespective of the origination channel, Judo Bank's relationship bankers foster and maintain relationships directly with its SME customers. Alignment of relationship bankers with third-party origination channels ensures optimal levels of service and delivery are achieved for SME customers. The objective is that the SME customer experience is the same, whether originated through the direct or third-party channel.

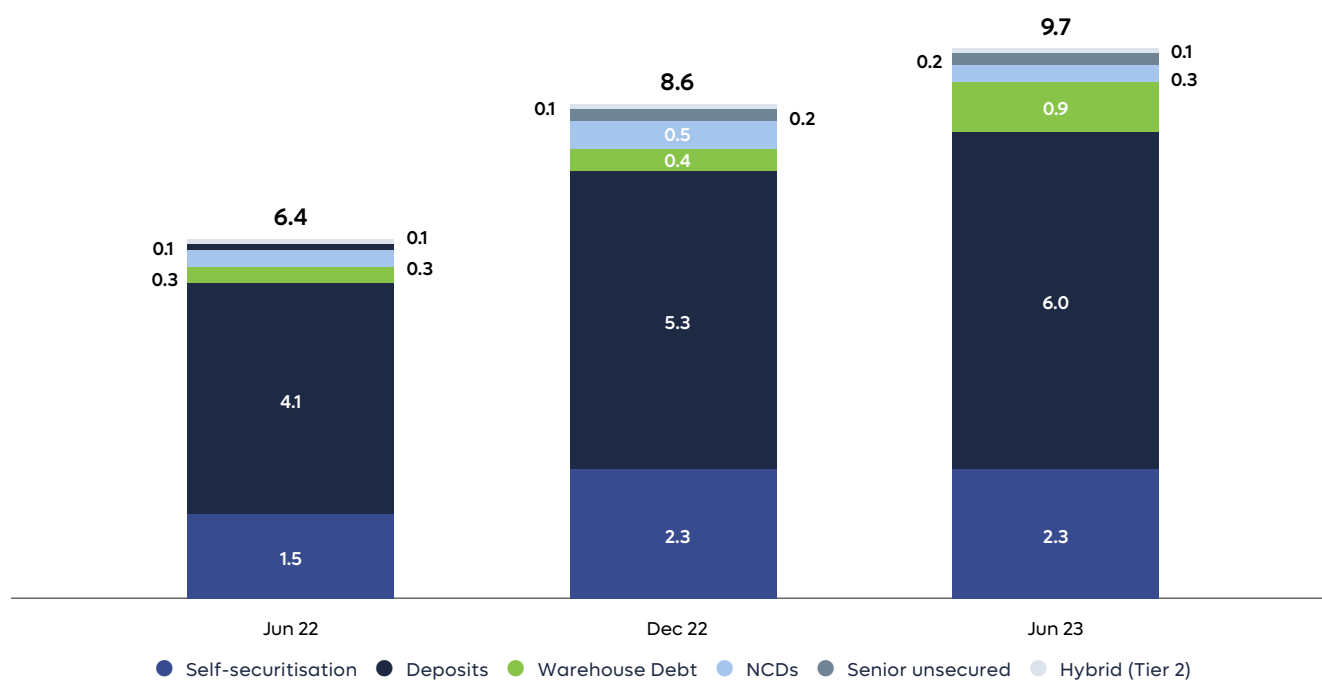
As at 30 June 2023, Judo Bank had 1,220 accredited third-party brokers, and loans originated via the third-party channel represented approximately 76% of the total loan book. Over time, Judo Bank aims to increase the portion of direct originations as brand awareness of Judo Bank increases, and as its SME customer value proposition is further established in the market.

Of Judo Bank's total loan book as at 30 June 2023, 90% was on floating rate terms with the remaining 10% on fixed rate terms. 55% of the total loan book was on interest only repayments with the remaining 45% on principal and interest repayments.

3.5 Funding and capital

Judo Bank has established diversified sources of funding in the form of deposits and wholesale funding sources to support growth in the loan book. Wholesale funding sources include warehouse securitisation facilities, Tier 2 Capital instruments, NCDs and senior unsecured debt securities. In addition, Judo Bank participates in the RBA's Term Funding Facility (TFF) program, which was a temporary policy response to the effects of COVID-19 and offers ADI participants fixed, low-cost, three-year funding at an interest expense of 0.10% per annum.

Movement in funding sources (\$ billion)¹⁰



Over time, Judo Bank intends for term deposits to comprise approximately 70% to 75% of its total asset funding. Approximately 15% to 20% of total asset funding will be sourced from diversified forms of debt, including hybrid instruments, and approximately 10% from core equity which is supported by organic capital generation.

Between 30 June 2021 and 30 June 2023, Judo Bank's term deposits increased from 36% to 50% of total asset funding and wholesale and hybrid funding (excluding the proportion of funding sourced from the TFF) increased from 9% to 14% of total asset funding.

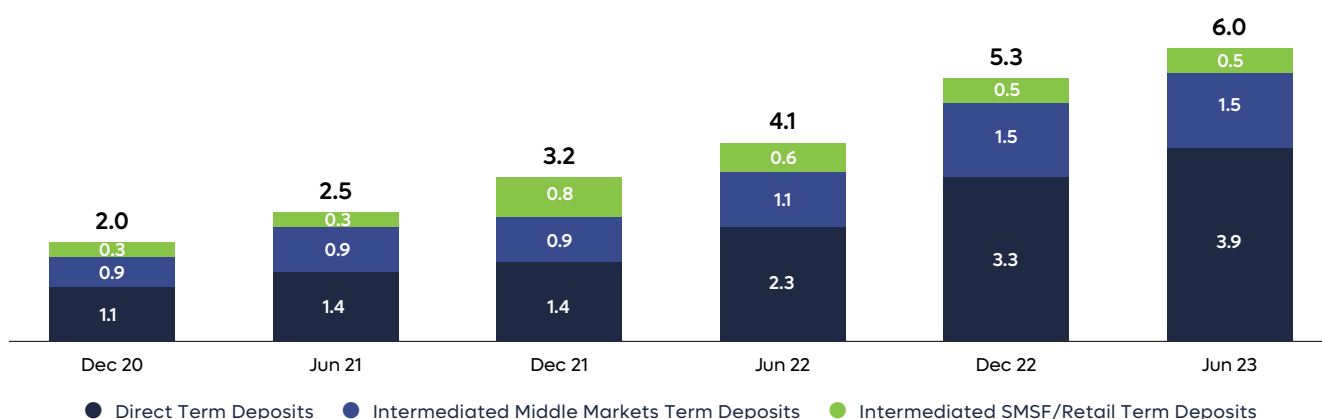
¹⁰ As at 30 June 2023.

3.5.1 Deposits

Term deposits continue to be the cornerstone of Judo Bank's funding strategy, with a long-term goal of approximately 70% to 75% of total asset funding to be sourced through this channel. Judo Bank currently offers term deposits directly and via intermediaries to a wide range of deposit customers including individuals, charities, universities, government bodies, self-managed super funds (**SMSFs**) and corporates. All deposits are term deposits, with limited overlap between the SME lending customer and deposit customer base.

Judo Bank's retail term deposit offering has rapidly gained recognition in the market, winning several independent deposit industry awards. Customer deposits were \$5,955 million at 30 June 2023, up 46% from 30 June 2022.

Total customer deposits (\$ billion)¹¹



As at 30 June 2023, 66% of Judo Bank's total deposits were Direct Term Deposits with an average balance of \$109,000, 25% were Intermediated SMSF/Retail Term Deposits with an average balance of \$239,000 and 9% were Intermediated Middle Market Term Deposits with an average balance of \$2.0 million.

At origination, the average tenor of Judo Bank's term deposits is approximately 14 months. As at 30 June 2023, the average tenor remaining across the portfolio is approximately 9 months.

As an ADI, Judo Bank benefits from the Financial Claims Scheme, under which the Australian Government effectively guarantees deposits up to a limit of \$250,000 per account holder. As at 30 June 2023, 69% of Judo Bank's deposit account holders had a balance under \$250,000.

Judo Bank's deposit market expansion strategy focuses on continuing to develop additional deposit gathering capabilities that will allow it to further penetrate the SMSF, business and intermediated deposit segments. Judo Bank is undertaking technology and user experience initiatives to enable growth in the deposit book, improve product efficiency and service levels, and enable access to new parts of the market.

Pricing for Judo Bank's new term deposits throughout FY23 was at 60 basis points above the 1m BBSW, which is below Judo Bank's through-the-cycle assumption being an average of 80 to 90 basis points over the 1m BBSW.

3.5.2 Wholesale funding

Judo Bank's treasury activities continue to scale and evolve to support the growth in the loan book whilst maintaining strong liquidity levels. The composition of wholesale funding is expected to shift over time as the TFF is repaid by 30 June 2024. Over the longer term, wholesale and hybrid funding is expected to represent about 15% to 20% of total asset funding, across diversified forms of debt including warehouse and term securitisation funding, senior unsecured bonds, hybrid capital instruments and NCDs.

Total wholesale funding was \$3,762 million as at 30 June 2023, up 63% from 30 June 2022.

¹¹ As at 30 June 2023.

Judo Bank is participating in the TFF, which was established as part of the RBA's policy response to the COVID-19 pandemic. 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 Bank did not have sufficient lending assets to collateralise its full TFF limit with self-securitisation notes. Judo Bank subsequently 'preserved' an amount of TFF funding using treasury securities as collateral. These treasury securities have been being progressively replaced with self-securitisation assets as Judo Bank's lending book has grown.

Judo Bank's TFF utilisation increased from \$1,536 million as at 30 June 2022 to \$2,252 million as at 30 June 2023 as new loans were originated, with a corresponding reduction in the treasury assets held as collateral per the TFF preservation strategy. Judo Bank's self-securitisation notes are Aaa rated. Judo Bank 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. Funding for TFF repayment will be progressively raised ahead of contractual maturities, to ensure an orderly and efficient transition. Funding to repay the TFF will be sourced from a range of channels including term deposits, committed warehouses and other wholesale funding. Replacement funding for the TFF will be sourced at a higher cost than the 0.10% fixed annual interest rate of the TFF and Judo Bank has hedged 35% of the TFF funding utilising financial derivatives. Therefore, as the TFF unwinds (all else equal), Judo Bank's funding costs will increase.

As at 30 June 2023, Judo Bank had \$2.5 billion in committed warehouse funding capacity, and subsequently secured an additional \$500 million facility signed in July 2023 with a large international financial institution. Other providers are well diversified and include a number of domestic and international banks and the Australian Office of Financial Management (AOFM). The drawn component was \$868 million at 30 June 2023, which provides a significant amount of flexibility and contingency as Judo Bank manages through its TFF repayment period.

In September 2021, Judo Bank obtained a public investment grade credit rating which reflects an independent opinion of Judo Bank's credit worthiness. This rating has helped to attract additional funding through Judo Bank's wholesale deposit channels, NCD program and senior unsecured bond issuance. The launch of Judo Bank's NCD program in November 2021 has provided access to a new and attractive source of wholesale funding. Judo Bank's NCDs were \$327 million as at 30 June 2023.

Judo Bank issued its inaugural public senior unsecured benchmark bond in September 2022, raising \$175 million via a three-year note, further enhancing its presence and capability in debt capital markets. A further \$25 million private placement was executed with investors who were not able to participate in the benchmark bond transaction.

In September 2023, Judo Bank issued its inaugural public term securitisation transaction, raising \$500 million of funding. This transaction featured seven classes of notes and provides a valuable source of long-term funding for Judo Bank. Judo Bank elected to sell all of the notes in this structure, achieving regulatory capital relief.

3.5.3 Regulatory capital

As the Judo Group includes an ADI, Judo is required to hold regulatory capital against its risk-weighted assets (RWAs). This can be in the form of CET1 Capital, Additional Tier 1 Capital or Tier 2 Capital, as determined by APRA Prudential Standards.

Judo's regulatory capital is currently made up of CET1 Capital (raised through previous fundraising activities, net of ongoing profits/losses of the business) and Tier 2 Capital (with \$50 million raised through its inaugural Tier 2 subordinated debt issuance in June 2021 and a further \$65 million raised through its second Tier 2 subordinated debt issuance in June 2023).

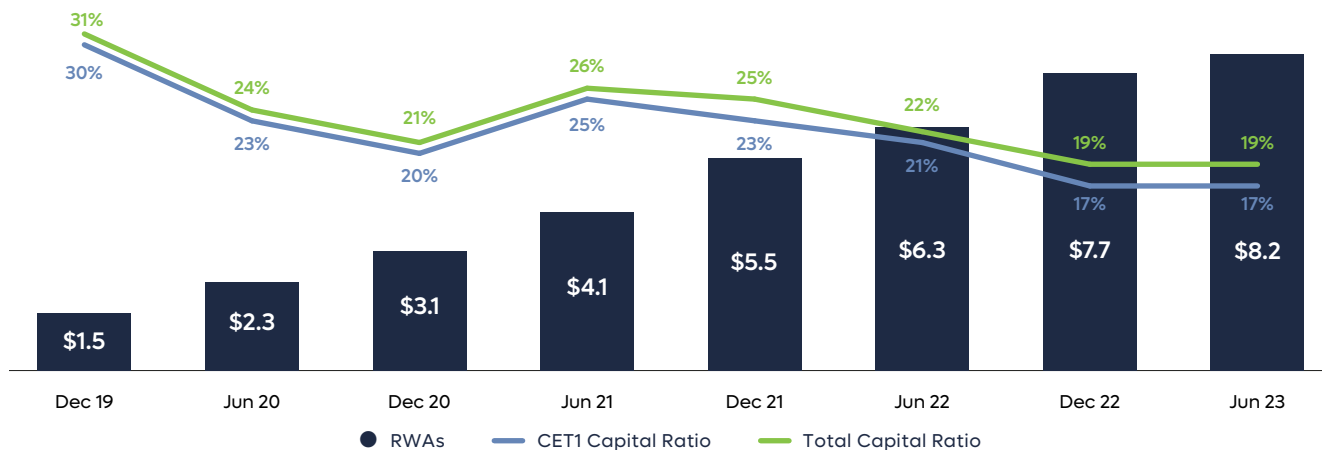
Judo has historically maintained conservative capital ratios, with a meaningful buffer above regulatory capital limits, to pre-emptively fund the growth of Judo Bank's asset book. As at 30 June 2023, Judo's Total Capital Ratio and CET1 Capital Ratios were 18.9% and 16.7% respectively. Over time, Judo expects these to trend down towards capital levels that are more in line with the broader listed Australian banking sector.

The Capital Notes issuance, further issuances of Tier 2 Capital and other capital transactions or initiatives can provide Judo with additional sources of regulatory capital to optimise its capital stack more broadly and support Judo Bank in meeting its regulatory capital requirements.

Over the long term, the potential development and approval of an Internal Ratings Based (IRB) model for determining credit risk weights on its lending assets would be expected to further enhance capital efficiency.

Refer to Section 4.3 for more detail on Judo's capital adequacy position.

RWAs (\$ billion) and regulatory capital ratios (%)¹²



3.5.4 Liquidity

Judo Bank is required to comply with the Minimum Liquidity Holdings (**MLH**) regime, an APRA requirement that Judo Bank holds a minimum buffer in cash and eligible securities to manage liquidity requirements.¹³

Judo Bank manages liquidity risk through the day-to-day monitoring of projected cash flows and liquidity gaps and maintaining an appropriately sized pool of cash and liquid assets to address timing mismatches. Judo Bank intends to maintain a conservative and prudent position with respect to managing liquidity, ensuring it maintains a buffer, in cash and eligible securities, above its APRA-required MLH.

Judo Bank's MLH position was 19.1% as at 30 June 2023, an increase of 2.3% from 16.8% as at 30 June 2022. The total adjusted MLH balance was \$2,163 million as at 30 June 2023, up from \$1,469 million as at 30 June 2022.

Judo Bank's total liquid assets balance was \$3,143 million as at 30 June 2023, which includes liquid assets ineligible for MLH.¹⁴

3.5.5 Hedging

Judo Bank has limited appetite for interest rate risk and manages to Board-approved limits on economic value of equity and net interest income sensitivity levels.

Judo Bank has a prudent approach to interest rate risk – it seeks to match off asset and liability repricing characteristics through natural hedges, and the use of financial derivatives (interest rate swaps) to manage risk. The swaps effectively match the cash flow of the Judo Bank's lending and funding payments, so that both are floating over the one-month BBSW (**1m BBSW**). This reduces volatility in Judo Bank'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 Judo Bank's loans to a fixed rate receipt. For treasury management purposes, this can also be considered as effectively swapping the interest paid on Judo Bank's funding liabilities from fixed to variable. In this way, interest payments on funding are matched with interest received on loans, with both floating over the 1m BBSW.

¹² As at 30 June 2023.

¹³ For the purpose of the MLH requirement, liquid assets must be free from encumbrances, except where approved for a prudential purpose by APRA, and include: (i) notes and coin and settlement funds; (ii) Commonwealth Government and semi-government securities; (iii) debt securities guaranteed by the Australian Government, or foreign sovereign governments; (iv) debt securities issued by supnationals and foreign governments; (v) bank bills, certificates of deposits and debt securities issued by ADIs; (vi) deposits (at call and any other deposits readily convertible into cash within 2 Business Days) held with other ADIs net of placements by other ADIs; and (vii) any other securities approved by APRA.

¹⁴ Liquid assets ineligible for MLH are predominantly collateral security for the preserved component of the TFF, with the majority of the residual balance cash amounts held in collections accounts for Judo Bank's wholesale debt facilities.

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

- 6 to 12-month term deposit tenors representing the core components of the hedging program and reflect the majority of term deposit origination volumes;
- 0 to 5-month funding tenors present lower interest rate risk and are largely left unhedged; and
- Over 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 at 30 June 2023, 74% of Judo Bank's deposit book, 35% of the TFF and 100% of senior unsecured funding had been hedged back to the 1m BBSW utilising financial derivatives. This translates to 65% of the total funding stack being on floating rates, compared to 76% of assets on floating rates.

Post 30 June 2023, Judo Bank commenced an Investment Term of Capital hedging program to reduce income sensitivity to changes in interest rates. As at the date of this Prospectus, Judo Bank has hedged \$1 billion utilising interest rate swaps under this program.

3.6 Risk management

Judo Bank has a dynamic and disciplined approach to risk management, which aims to provide the appropriate framework and level of support for its operations and customer base.

Judo Bank's approach to managing risk is executed in accordance with its Risk Management Framework (**RMF**). Having a positive and healthy risk culture is a core component of Judo Bank's framework and is the most important aspect of its operational model. 'Everyone is a risk manager' is the foundation of Judo Bank's risk culture, supported by an environment of 'review and challenge'.

Judo Bank's overall Risk Management Strategy (**RMS**) is implemented by an experienced risk management team with extensive experience in financial services. This background lays the foundation for a set of values and behaviours that are clearly aligned to Judo Bank's value proposition, which holds business units fully accountable for risk performance.

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

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

3.6.1 Credit risk management

Judo Bank's approach to credit risk is founded on the basis that SMEs are all different. Judo Bank's approach to assessing loan applications anticipates the possibility of risks emerging in multiple areas in an SME's business and operating environment. Judo Bank assesses loans using the '4 Cs of Credit' approach, consisting of character, capacity, capital and collateral, in that order:

- **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** focuses on stability of earnings. Judo Bank does not assume that historical financials are the best starting point for understanding the outlook for an SME. Judo Bank adjusts for one-off factors, new contracts and revenue streams, and accounts for other potential variables that may affect the outlook;
- **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; and
- **Collateral** is often assessed first by other lenders with industrialised processes, which rely on external security instead of analysis and understanding of an SME borrower. Judo Bank's relationship bankers assess a broader set of business attributes, and it believes, can therefore provide more appropriate loan structures.

In applying this '4 Cs of Credit' approach, every loan that Judo Bank has written is either fully, partially or balance sheet secured. As at 30 June 2023, 56.8% of Judo Bank's total credit exposure was fully secured, 28.5% partially secured, and 14.7% balance sheet secured.

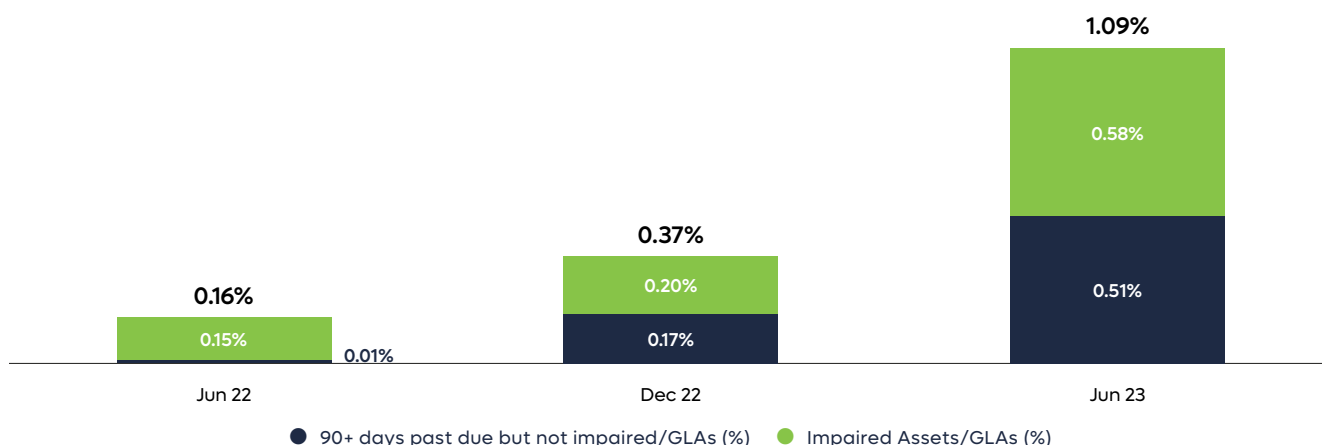
Judo's approach to assessing transactional credit risk allows for specialised judgement. Complementing this approach, Judo Bank also adopts a rigid framework for managing portfolio concentration risks and maintains specific limits for industries, certain asset types and customer segmentation. Judo Bank's bankers maintain close relationships with all customers, which is supported by the average 30 customers per banker ratio.

As at 30 June 2023, Judo Bank's 90+ days past due loans (but not impaired) was \$45.0 million or 0.51% of GLAs, up 50 basis points from 30 June 2022. As at 30 June 2023, there were 17 unique customer groups with loans equal or greater than 90 days past due.

Judo Bank's gross impaired assets to GLA was up 43 basis points to 0.58% during FY23, a net increase of \$42.8 million due to new impaired customers. As at 30 June 2023, there were 17 unique customer groups in impaired status from a range of different industries.

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 construction¹⁵. Judo Bank holds an additional economic overlay for vulnerable sectors.

Days past due and impaired assets¹⁶



Total lending book provisions were \$107.5 million as at 30 June 2023. Judo Bank's collective provision was \$88.7 million, up 66% from 30 June 2022. 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 Judo Bank's expectations for the economic outlook, which have resulted in an increase in the weighting towards its downside economic scenario, up 5% to 30%, and a corresponding reduction in the base case weighting of 5% to 50%;
- The addition of a \$5.0 million economic overlay, which has been raised for specific sectors considered more vulnerable to higher interest rates, higher energy costs and inflation; and
- The release of other management overlays.

Judo Bank's specific provision was \$18.8 million, an increase of \$17.1 million from 30 June 2022, due to an increase in new impaired customers in FY23.

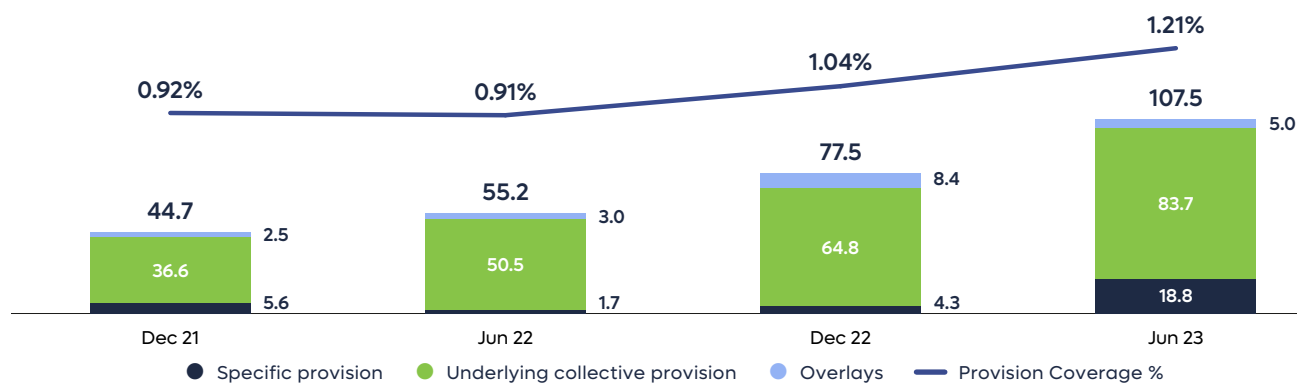
Total provision coverage was 1.21% of GLAs as at 30 June 2023, an increase of 30 basis points from 0.91% as at 30 June 2022.

¹⁵ Excluding the Asset Finance segment of the construction exposure not deemed as vulnerable.

¹⁶ As at 30 June 2023.

Section 3 About Judo continued

Provisions (\$ million) and coverage (% of GLAs)¹⁷



3.6.2 Other risks

Judo additionally manages the following key risks:

- **Balance sheet and liquidity risk:** managing the capital risk, liquidity and funding risk, and interest rate risk in the banking book.
- **Operational risk:** managing the 'risk of running the business' is underpinned by a number of key components, including risk profile assessments, controls, breach and incident reporting, the Risk Appetite Statement (RAS) and key risk indicators, scenario planning and horizon scanning, and maintaining operational risk capital.
- **Technology risk:** Judo's technology and information security risk management ensures the operations, controls, compliance and audit processes are robust against the evolving landscape of these risks.
- **Outsourcing risk:** Judo tightly manages all providers through clear outsourcing guidelines and policies approved by the Board and implemented by senior managers.
- **Compliance risk:** Judo has no tolerance for non-compliance with laws and regulations and has an appropriate reporting process in place to provide insights into compliance risk.

Judo also monitors several other risk sources, some of which are part of 'business as usual' activities, that have the potential to result in harm to Judo. These risks are monitored against the backdrop of the external, social, or political context it operates in. These include reputation risk and other externally driven risk sources.

3.7 Regulatory environment

The primary regulators and government bodies that oversee ADIs include:

- APRA, which is responsible for prudential regulation and supervision of ADIs;
- ASIC, which is the corporate, markets and financial services regulator responsible for market conduct and investor protection;
- AUSTRAC, Australia's financial intelligence agency, which is responsible for detecting, deterring and disrupting criminal abuse of the financial system to protect the community from serious and organised crime;
- the RBA, which is responsible for maintaining the stability of the currency, full employment and Australia's economic prosperity;
- Treasury, which is a central policy agency that provides economic analysis and authoritative policy advice on issues such as the economy, the budget, taxation, the financial sector, foreign investment, structural policies, superannuation, small business, housing affordability and international economic policy; and
- ACCC, which is an independent statutory authority whose role is to enforce the Competition and Consumer Act 2010 (Cth) and a range of additional legislation, promoting competition and fair trading. The ACCC is the lead regulator of the Consumer Data Right (CDR), which is active in the banking sector (referred to as Open Banking).

Australian financial institutions also have obligations to the Office of the Australian Information Commissioner and the Australian Financial Complaints Authority.

The regulatory landscape continues to evolve as regulators react to market occurrences and adjust their level of supervision and enforcement of the markets in which Judo Bank operates. More information on regulatory risks that may affect the Judo Group is set out in Section 5.3.7.

¹⁷ As at 30 June 2023.

Section 4

Financial information.

Section 4 provides summary financial information (including pro forma financial information) for Judo.

Section 4 Financial information continued

4.1 Introduction

The Statutory Historical Financial Information presented in this section is extracted from Judo's audited general-purpose financial statements for the financial full year ended 30 June 2023 (**FY23**) as well as the audited prior financial full year ended 30 June 2022 (**FY22**) (**Audited Financial Statements**).

The Pro Forma Consolidated Statement of Financial Position and the Pro Forma Capital Adequacy Information assume:

- \$500 million of incremental funding from Judo Bank's inaugural term securitisation transaction net of estimated transaction costs of \$2.7 million was raised on 30 June 2023 and the corresponding assets securitised are eligible to be excluded from the calculation of RWAs. As outlined in Section 3.5.2, Judo Bank completed this securitisation transaction in September 2023; and
- \$75 million is raised through the Offer on 30 June 2023, net of estimated issue costs of \$3.2 million.

The information in this section is historical information and not a forecast of results to be expected in future periods. Past results are not a guarantee of future performance. The financial information presented in this section has been presented in abbreviated form. It does not contain all of the disclosures usually provided in an annual report or full year financial report prepared in accordance with the Corporations Act.

As a result, this Prospectus should be read in conjunction with Judo's FY23 Annual Report and any public announcements made in the period by Judo in accordance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. Judo's FY23 Annual Report, half-yearly reports, presentations and other documents lodged with ASX are available at www.judo.bank/asx-announcements.

The presentation currency of the summary financial and capital information is in Australian dollars.

4.2 Selected financial information for Judo

4.2.1 Condensed consolidated statements of profit or loss

The table below sets out Judo's condensed consolidated statements of profit or loss for FY22 and FY23.

The FY22 period includes \$23.0 million of pre-tax expenses relating to transaction and other related costs of Judo's IPO, which occurred in November 2021. For further details of these non-recurring expenses, refer to Judo's FY22 Annual Report.

\$ million	Year to	
	30 Jun 22	30 Jun 23
Effective interest income	221.9	574.2
Interest expense	(52.1)	(226.6)
Net interest income	169.8	347.6
Other operating income	3.2	5.4
Operating expenses	(154.8)	(190.9)
Credit impairment	(25.4)	(54.6)
Net profit/(loss) before income tax	(7.2)	107.5
Income tax expense	(0.5)	(34.1)
Profit/(loss) after income tax	(7.7)	73.4

4.2.2 Reported and pro forma consolidated statements of financial position

The following table sets out the consolidated statements of financial position of Judo as at 30 June 2023 and 30 June 2022 and the pro forma consolidated statement of financial position as at 30 June 2023 (**Pro Forma Consolidated Statement of Financial Position**). The Pro Forma Consolidated Statement of Financial Position is unaudited and has been prepared using the relevant accounting policies as disclosed in the audited financial statements for FY23 and based on the following assumptions:

- \$500 million of incremental funding from Judo Bank's inaugural term securitisation transaction net of estimated transaction costs of \$2.7 million was raised on 30 June 2023 and the corresponding assets securitised are eligible to be excluded from the calculation of RWAs. As outlined in Section 3.5.2, Judo Bank completed this securitisation transaction in September 2023; and
- \$75 million was raised through the Offer on 30 June 2023, net of estimated issue costs of \$3.2 million.

\$ million	As at 30 Jun 22	As at 30 Jun 23	Pro forma adjustments for the term securitisation transaction ¹	Pro forma adjustments for the Offer ²	Pro forma as at 30 Jun 23
Assets					
Cash and cash equivalents	4071	714.7	497.3	71.8	1,283.9
Investments	2,794.0	2,425.7	–	–	2,425.7
Loans and advances	6,069.8	8,852.4	–	–	8,852.4
Derivative assets	19.3	10.0	–	–	10.0
Property, plant and equipment	2.6	7.8	–	–	7.8
Intangible assets	23.8	38.3	–	–	38.3
Deferred tax assets	56.6	63.9	–	–	63.9
Other assets	41.4	38.9	–	–	38.9
Total assets	9,414.6	12,151.7	497.3	71.8	12,720.9
Liabilities					
Deposits	4,090.5	5,954.4	–	–	5,954.4
Borrowings	3,833.2	4,507.4	497.3	71.8	5,076.6
Derivative liabilities	7.4	9.7	–	–	9.7
Current tax liabilities	–	18.5	–	–	18.5
Provisions	40.2	69.3	–	–	69.3
Other liabilities	38.7	115.3	–	–	115.3
Total liabilities	8,010.0	10,674.6	497.3	71.8	11,243.8
Net assets	1,404.6	1,477.1	–	–	1,477.1
Equity					
Share capital	1,518.2	1,518.3	–	–	1,518.3
Reserves	(32.3)	(33.3)	–	–	(33.3)
Accumulated losses	(81.3)	(7.9)	–	–	(7.9)
Total equity	1,404.6	1,477.1	–	–	1,477.1

1 These adjustments assume the term securitisation transaction was completed on 30 June 2023, net of estimated issue transaction costs of approximately \$2.7 million excluding GST. The liability associated with this transaction, and the associated impact on capital adequacy, will decrease over time as paydown occurs in the underlying pool of loans.

2 These adjustments assume \$75 million of Capital Notes were issued on 30 June 2023, net of estimated issue transaction costs of approximately \$3.2 million excluding GST. Capital Notes will be initially recognised at fair value less any directly attributable transaction costs incurred and subsequently measured at amortised cost.

4.3 Capital management

4.3.1 Capital adequacy framework

APRA is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, life insurance, general insurance and reinsurance companies, friendly societies, private health insurance companies and most members of the superannuation industry. Judo and Judo Bank are regulated by APRA and Judo is the authorised NOHC of Judo Bank.

APRA's website at www.apra.gov.au includes details of its functions and Prudential Standards.

APRA has established Prudential Standards designed to ensure that ADIs maintain adequate capital levels commensurate with the risks associated with their activities, with appropriate buffers to absorb unexpected losses. APRA's capital adequacy framework generally follows the principles for banking supervision developed by the Basel Committee on Banking Supervision (**BCBS**).

Prudential capital classification

APRA currently classifies regulatory capital of APRA-regulated entities into two tiers for its supervisory purposes, being Tier 1 Capital and Tier 2 Capital.

Tier 1 Capital is generally considered from the perspective of a financial institution to be higher quality capital and comprises:

- CET1 Capital (including ordinary shares and retained earnings); and
- Additional Tier 1 Capital (such as perpetual subordinated instruments issued by APRA-regulated entities).

Tier 2 Capital includes other components which fall short of some of the qualities of Tier 1 Capital but nonetheless contribute to the overall strength of the entity.

The aggregate of Tier 1 Capital and Tier 2 Capital is classified as Total Capital.

Minimum capital requirements

Under APRA's current capital framework, an ADI is required to have a minimum CET1 Capital Ratio of 4.5%, a Tier 1 Capital Ratio of 6.0% and a Total Capital Ratio of 8.0%. The total of these minimum requirements, including any additional amount prescribed by APRA, is called the prudential capital requirement (**PCR**).

APRA also requires ADIs to hold an additional capital buffer, in the form of CET1 Capital, above the ADI's PCR (**Capital Buffer**). From 1 January 2023, this consists of:

- A capital conservation buffer of 2.5% unless APRA determines otherwise; and
- A countercyclical capital buffer. APRA has determined a default rate for the countercyclical capital buffer of 1.0% for Australian exposures from 1 January 2023, and may adjust this over time in the range of 0 to 3.5%.

APRA may determine higher minimum capital requirements for an ADI and may change their requirements at any time. References to the minimum capital requirements applicable under APRA's Prudential Standards in this section are to the general minimums applying under APRA's ADI capital framework, rather than specific minimums applying to Judo. APRA's minimum prudential capital requirement for each bank is confidential and not disclosed.

Restrictions on the payment of Distributions

Restrictions on the proportion of profits that can be used to pay Ordinary Share dividends, Tier 1 Capital distributions and discretionary staff bonuses will apply if an ADI's CET1 Capital Ratio falls into the ADI's Capital Buffer. The percentage of earnings able to be used for discretionary payments depends on whether the ADI's CET1 Capital Ratio is above the Capital Buffer or has fallen into the Capital Buffer as outlined in the table below.

CET1 Capital Ratio	% of earnings able to be used for discretionary payments
Above the top of the Capital Buffer > (PCR + Capital Buffer)	100%
Within the fourth quartile of the Capital Buffer > (PCR +75% of the Capital Buffer) to ≤ (PCR + Capital Buffer)	60%
Within the third quartile of the Capital Buffer > (PCR +50% of the Capital Buffer) to ≤ (PCR +75% of the Capital Buffer)	40%
Within the second quartile of the Capital Buffer > (PCR +25% of the Capital Buffer) to ≤ (PCR +50% of the Capital Buffer)	20%
Within the first quartile of the Capital Buffer > PCR to ≤ (PCR +25% of the Capital Buffer)	0%
Less than PCR	0%

As outlined above, discretionary payments (such as Distributions on Capital Notes) may not be paid if an ADI's CET1 Capital Ratio falls into the Capital Buffer. Distributions that are not paid do not accrue and will not be subsequently paid.

4.3.2 Judo's capital management strategy

Judo'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 Judo is able to adapt the capital structure to the environment Judo is operating in, including in response to changing RWA profiles and prudential capital ratio requirements.

Section 4 Financial information continued

4.3.3 Reported and pro forma capital adequacy position

The following table sets out Judo's actual capital adequacy position as at 30 June 2023 and 30 June 2022 and Judo's pro forma capital adequacy position as at 30 June 2023 (**Pro Forma Capital Adequacy Position**). The Pro Forma Capital Adequacy Position is based on Judo's financial position as at that date, after adjusting for the following assumptions:

- a \$405 million reduction to RWAs reflecting the derecognition of securitised assets for regulatory purposes as part of the September 2023 term securitisation, and a \$6.4 million reduction in CET1 Capital comprising a \$3.7 million increase in loss reserve and \$2.7 million of transaction costs excluding GST, were effective on 30 June 2023; and
- \$75 million was raised through the Offer on 30 June 2023, net of estimated issue costs of \$3.2 million, and Capital Notes are eligible for recognition as Additional Tier 1 Capital.

\$ million	As at 30 Jun 22	As at 30 Jun 23	Pro forma adjustments for the term securitisation transaction ¹	Pro forma adjustments for the Offer ²	Pro forma as at 30 Jun 23
CET1 Capital	1,292.0	1,365.8	(6.4)	–	1,359.3
Additional Tier 1 Capital	–	–	–	71.8	71.8
Tier 1 Capital	1,292.0	1,365.8	(6.4)	71.8	1,431.2
Tier 2 Capital ³	90.0	182.7	–	–	182.7
Total Capital	1,382.0	1,548.5	(6.4)	71.8	1,613.9
Total RWA	6,311.0	8,179.4	(405.1)	–	7,774.3
CET1 Capital Ratio (%)	20.5%	16.7%	0.8%	–	17.5%
Tier 1 Capital Ratio (%)	20.5%	16.7%	0.8%	0.9%	18.4%
Total Capital Ratio (%)	21.9%	18.9%	0.9%	0.9%	20.7%

1. These adjustments assume the term securitisation transaction was completed on 30 June 2023, net of estimated issue transaction costs of approximately \$2.7 million excluding GST. Adjustments include a \$405.1 million reduction to RWAs as these are derecognised for regulatory purposes and a \$6.4 million reduction of CET1 Capital comprising a \$3.7 million increase in a loss reserve and \$2.7 million of transaction costs excluding GST. The liability associated with this transaction, and the associated impact on capital adequacy, will decrease over time as paydown occurs in the underlying pool of loans.

2. These adjustments assume \$75 million of Capital Notes were issued on 30 June 2023, net of estimated issue transaction costs of approximately \$3.2 million excluding GST.

3. Includes general reserve for credit losses.

4.3.4 Regulatory capital developments

Revisions to the capital framework

On 1 January 2023, APRA implemented its revisions to the ADI capital framework. The objective of these revisions is to increase the risk sensitivity within the capital framework, to enhance the ability of ADIs to respond flexibly to future stress events, and to improve the comparability of the Australian framework with international standards.

APRA's revisions to the framework include:

- Improving flexibility via increasing regulatory capital buffers;
- Implementing more sensitive risk-weights;
- Introducing a capital floor for IRB ADIs; and
- Improving transparency and comparability through the disclosure of RWA under the standardised approach.

Consultation on Additional Tier 1 Capital

APRA issued a discussion paper on 21 September 2023 to explore options for, and seek feedback from stakeholders on, improving the effectiveness of Additional Tier 1 Capital in Australia. APRA has requested feedback on the questions outlined in the discussion paper by November 2023, and intends to undertake a formal consultation in 2024 on any proposed amendments to Prudential Standards. At this stage, it is not possible to confirm what impact (if any) the potential proposed amendments by APRA may have on Capital Notes or Additional Tier 1 issuances by Judo. See Section 5.2.28 for further information.

Market risk and interest rate risk in the banking book

APRA has announced its intention to finalise APS 117 Capital Adequacy: Interest Rate Risk in the Banking Book (**APS 117**) in late 2023. APS 117 was scheduled to take effect from 1 January 2025, but APRA has announced that the effective date will be moved back to allow sufficient implementation time for ADIs. Following the APS 117 finalisation, APRA plans to consult on revisions to the market risk capital standards over 2024. This process will implement the BCBS' fundamental review of the trading book, effective from 2026.

Recovery and exit planning

On 1 December 2022, APRA released final Prudential Standard CPS 190 Recovery and Exit Planning (**CPS 190**). The standard is aimed at reinforcing the resilience of the financial system and will ensure that APRA-regulated entities are better prepared to manage periods of severe financial stress. CPS 190 will come into effect from 1 January 2024 for banks.

Resolution planning

On 18 May 2023, APRA released final Prudential Standard CPS 900 Resolution Planning (**CPS 900**). Under CPS 900, large or complex APRA-regulated entities must support APRA in bespoke planning and pre-positioning to ensure that, in the event of failure, they can be resolved in an orderly manner. CPS 900 will come into effect from 1 January 2024, and will be implemented on an entity-by-entity basis, as applicable. Individual entities will only be subject to the requirements of CPS 900 when notified by APRA that it is commencing bespoke resolution planning for that entity.

For more information regarding the risks associated with regulatory change, see Section 5.3.10.

Section 5

Investment risks.

5.1 Introduction

There are risks which could affect an investment in Capital Notes, including:

- risks associated with Capital Notes specifically, many of which are outside the control of Judo; and
- risks associated with the Judo Group's businesses, which may affect Capital Notes.

All principal or material risks and uncertainties that have been identified by Judo as at the date of this Prospectus are included in this section. Additional risks and uncertainties that Judo is unaware of, or that it currently deems to be immaterial, may also become important risk factors that affect the Judo Group and therefore Capital Notes. This list of risks is not exhaustive.

If any of the listed or unlisted risks actually occur, the Judo Group's business operations, financial condition or reputation could be materially adversely affected and, consequently, Capital Noteholders could lose all or part of their investment.

If you have any questions about these risks, you should seek advice from your financial or other professional adviser before deciding to invest in Capital Notes.

5.2 Risks associated with Capital Notes specifically

5.2.1 Investments in Capital Notes are an investment in Judo and not deposit liabilities or protected accounts under the Banking Act or Financial Claims Scheme

Investments in Capital Notes are an investment in Judo and may be affected by the ongoing performance, financial position and solvency of Judo. The investment performance of Capital Notes is not guaranteed by Judo or any other member of the Judo Group.

Capital Notes are not:

- deposit liabilities of Judo Bank or any other member of the Judo Group; or
- protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or otherwise protected under the Financial Claims Scheme (established under Division 2AA of Part II of the Banking Act).

Therefore, Capital Notes are not guaranteed or insured by any Australian government, government agency or compensation scheme of Australia or any other jurisdiction.

5.2.2 Capital Noteholders are subordinated and unsecured creditors

Capital Notes are unsecured and subordinated obligations issued by Judo. They are perpetual instruments, meaning they have no maturity date, so Capital Noteholders may never be repaid the principal they have invested and Capital Notes may never be Converted to Ordinary Shares.

In a Winding-Up of Judo, if Capital Notes have not been Converted or Written-Off on account of a Loss Absorption Event, Capital Noteholders' claims will rank after the claims of holders of Senior Ranking Obligations, creditors preferred by law and secured creditors.

Capital Noteholders' claims will rank equally with claims of holders of Equal Ranking Securities. This means your Capital Notes rank equivalently to a preference share (if any are issued by Judo in the future).¹ Capital Noteholders' claims will only rank ahead of claims of holders of junior ranking securities (being holders of Ordinary Shares).

If, after the claims of holders of Senior Ranking Obligations, creditors preferred by law and secured creditors are satisfied there are insufficient assets to pay all amounts owing on Capital Notes and any Equal Ranking Securities, there is a risk that you may lose some or all of the money you invested in Capital Notes.

For further information see Section 1.3 "Ranking of Capital Notes in a Winding-Up of Judo".

In addition, on Conversion, Capital Noteholders will become holders of Ordinary Shares and rank equally with other holders of Ordinary Shares.

¹ As at the date of this Prospectus, Judo has no preference shares on issue.

5.2.3 Distributions may not be paid

Payment of a Distribution is subject to:

- Judo, in its absolute discretion, making the Distribution to Capital Noteholders;
- payment not resulting in a breach of the Judo Group's capital requirements under APRA's Prudential Standards applicable to it;
- payment not resulting in Judo becoming, or being likely to become, insolvent; and
- APRA not otherwise objecting to the payment.

There is a risk that a Distribution may not be paid in full or at all for reasons that one or more of these conditions cannot be met, or Judo exercising its discretion not to pay Distributions at any time and for any (or no) reason.

No Distribution will be paid on Conversion where Conversion occurs due to a Loss Absorption Event.

Distributions may not be paid if the Judo Group's CET1 Capital Ratio falls into the Capital Buffer. For further information, see Section 4.3 "Capital management".

The Terms contain no events of default and, accordingly, failure to pay a Distribution when scheduled will not constitute an event of default. In the event that Judo does not pay a Distribution when scheduled, a Capital Noteholder:

- has no right to apply for Judo to be wound-up or placed in administration or to cause a receiver, or a receiver and manager, to be appointed in respect of Judo merely on the grounds that Judo does not, or may become unable to, pay a Distribution when scheduled; and
- has no right of set-off and no offsetting rights or claims on Judo under the Terms.

Distributions that are not paid do not accrue and will not be subsequently paid. If a Distribution is not paid for any reason, Capital Noteholders will have no recourse whatsoever to Judo for the unpaid amount and will not receive payment of those Distributions or any interest on unpaid Distributions.

However, from that Distribution Payment Date and until a Distribution is paid in full on a subsequent Distribution Payment Date, Judo cannot (subject to certain exceptions):

- declare or determine a dividend on Ordinary Shares (see discussion in Section 5.2.3); or
- return any capital or undertake any buy-backs or repurchases in relation to Ordinary Shares.

To prevent these restrictions from occurring, Judo must pay all Distributions when scheduled, or, if all or any part of a Distribution is not paid when scheduled, pay the Relevant Distribution in full within 3 Business Days of the Relevant Distribution Payment Date. Therefore, Judo would expect to give priority to payments of Distributions and other similar Tier 1 Capital distributions to enable Judo to continue paying Ordinary Share dividends.

Investors should however note that, as at the date of this Prospectus, Judo has not paid dividends on its Ordinary Shares and does not expect to pay any dividends in the near term. Over time, as Judo continues to grow and reach scale, the company will have the capacity to consider paying dividends on Ordinary Shares. Any future payment of ordinary dividends will be subject to the discretion of the Board, taking into account the operating performance, market conditions, the company's growth prospects and the optimal use of capital, and having regard to the best interests of shareholders at all times. Refer to Section 5.2.4 for further detail.

Further, under the terms of some other securities issued by Judo, Judo may not be able to pay Distributions if it does not pay distributions on those other securities. If this occurs, the dividend and capital restrictions outlined above will apply. Refer to Section 5.2.18 for further detail.

5.2.4 Judo has not paid a dividend on its Ordinary Shares

If Judo determines not to pay a Distribution in full on the scheduled Distribution Payment Date, this will result in a restriction placed on the payment of dividends on Ordinary Shares until the next Distribution Payment Date as described above. Investors should however note that, as at the date of this Prospectus, Judo has not paid dividends on its ordinary shares and does not expect to pay any dividends in the near term.

As a high-growth business, Judo's current dividend policy is to reinvest all cash flows, and any excess capital, into the business to support and maximise future growth.

Any future payment of dividends by Judo will be subject to the discretion of the Directors and will be a function of many factors, including general business and economic conditions; the Judo Group's financial results, including available profits; the Judo Group's capital and future funding requirements; the Judo Group's future business prospects; taxation considerations, including the level of franking credits available for distribution; any legal, contractual or regulatory restrictions on the payment of dividends by Judo; and any other factors the Directors may consider relevant.

Judo also requires APRA's written consent prior to paying any dividend that exceeds its after-tax earnings (after including any payments on more senior capital instruments in the financial year to which they relate). APRA may, from time to time, issue guidance on Judo's payment of dividends.

5.2.5 Capital Notes may be Converted for Ordinary Shares on the Mandatory Conversion Date or if certain events occur

Capital Notes do not have a fixed maturity date but may be Converted into Ordinary Shares.

This may be disadvantageous in light of market conditions or not suit individual Capital Noteholder's circumstances and preferences. The only conditions to Conversion are, in the case of Mandatory Conversion, the Mandatory Conversion Conditions and, in the case of a Conversion following an Acquisition Event or at Judo's option, the conditions expressly applicable to such Conversion under Condition 8 and Condition 9 of the Terms respectively. No other conditions will affect the Conversion, except as expressly provided by the Terms.

Although one condition to Conversion is that a Delisting Event does not apply (other than in connection with a Conversion on account of a Loss Absorption Event, which is not subject to conditions), other events and conditions may affect the ability of Capital Noteholders to trade or dispose of the Ordinary Shares issued on Conversion including, for example, the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for quotation or any practical issues which affect that quotation, whether ASX has suspended trading in Ordinary Shares, any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time. Additionally, as outlined in Section 2.4, Conversion following a Loss Absorption Event is not subject to any conditions.

5.2.6 Capital Notes are perpetual and Mandatory Conversion is subject to certain conditions and may not occur when expected or at all

Unless Redeemed or Converted earlier, Capital Notes must be Converted on the Mandatory Conversion Date which will be 16 November 2031² (subject to satisfaction of the Mandatory Conversion Conditions).

Normally, you will receive a variable number of Ordinary Shares with a value equal to approximately \$101 (based on the Initial Face Value of \$100 and the VWAP of Ordinary Shares with the benefit of a 1% discount, see Section 2.2 "Mandatory Conversion"). For example, if the VWAP of Ordinary Shares immediately prior to the Conversion Date is \$0.85, you would receive 118,83541 Ordinary Shares per Capital Note³. If the Ordinary Share price on the Conversion Date remained \$0.85, this would have a market value of \$101.

However, Judo will only be required to Convert Capital Notes if all the Mandatory Conversion Conditions are satisfied (see Section 2.2 "Mandatory Conversion"). The Mandatory Conversion Conditions that must be satisfied in relation to any Mandatory Conversion Date are:

- the VWAP on the 25th Business Day immediately preceding the relevant Mandatory Conversion Date is greater than 56% of the Issue Date VWAP (e.g. if the Issue Date VWAP is \$0.85, then the VWAP of Ordinary Shares on the 25th Business Day before the Mandatory Conversion Date must be greater than \$0.47600);
- the VWAP for the 20 Business Days preceding the relevant Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP (e.g. if the Issue Date VWAP is \$0.85, the VWAP of Ordinary Shares during the period of 20 Business Days before the Mandatory Conversion Date must be greater than \$0.42934); and
- no Delisting Event applies (i.e. the Ordinary Shares are listed or admitted to trading on a securities exchange as at the date of the Mandatory Conversion Date).

There is a risk that Conversion will not occur on the Mandatory Conversion Date because the Mandatory Conversion Conditions are not satisfied due to a significant reduction in the Ordinary Share price relative to the Issue Date VWAP or a Delisting Event Applies. The Ordinary Share price may be significantly reduced by transactions impacting Judo's share capital, such as rights issues, placements, returns of capital, certain buy-backs, share-based incentives and other corporate actions. However, the Issue Date VWAP is adjusted only for pro-rata bonus issues of Ordinary Shares and certain types of capital reconstructions as described in Conditions 10.5 and 10.6 of the Terms and not for other types of corporate transactions such as those mentioned above. The Terms do not limit the transactions that Judo may undertake with respect to its share capital and any such action may affect whether Conversion will occur and the Conversion Number of Ordinary Shares; this may adversely affect the position of Capital Noteholders.

² Due to the Business Day Convention, the Scheduled Mandatory Conversion Date is deferred from 16 November 2031 to 17 November 2031.

³ The actual VWAP and number of Ordinary Shares that a Capital Noteholder may receive on Conversion on the Conversion Date may be higher or lower than in this example. In addition, if the total number of Ordinary Shares to be issued in respect of a Capital Noteholder's aggregate holding of Capital Notes includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded.

Section 5 Investment risks continued

If any of these Mandatory Conversion Conditions are not satisfied, it means that Conversion will not occur. If Conversion does not occur, you will continue to hold your Capital Notes until the first Distribution Payment Date after that date on which all the Mandatory Conversion Conditions are satisfied at which time Conversion will occur (unless Capital Notes are otherwise Converted or Written-Off on or before that date).

Capital Notes are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers, it is possible that the Mandatory Conversion Conditions will never be satisfied, and if this occurs, unless Capital Notes are otherwise Converted, Capital Notes will never Convert.

To realise your investment, you can sell your Capital Notes on ASX at the prevailing market price. However, depending on the market conditions at the time, Capital Notes may be trading at a market price below the Face Value and/or the market for Capital Notes may not be liquid.

5.2.7 Conversion, Redemption and Resale is at Judo's option

Optional Conversion, Redemption and Resale is at Judo's option and Capital Noteholders have no right to require it.

Judo may (subject to APRA's prior written approval) elect to Convert, Redeem or Resell some or all Capital Notes on a Scheduled Optional Conversion Date, a Scheduled Optional Redemption Date, or a Scheduled Optional Resale Date (as applicable) or on the occurrence of a Tax Event or a Regulatory Event. Capital Noteholders should not assume that APRA's approval will be given, if requested. In addition, Judo must (subject to certain conditions) Convert all Capital Notes on the occurrence of an Acquisition Event.

Any Conversion, Redemption or Resale at Judo's option may occur on dates not previously contemplated by Capital Noteholders or may not occur at all. This may be disadvantageous to Capital Noteholders in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Capital Noteholders will be entitled to the benefit of the rights attaching to Capital Notes (such as Distributions) is unknown.

Subject to certain conditions, Judo has discretion to undertake a Conversion, Redemption or Resale (see Section 5.2.13 for further detail). The method chosen by Judo may be disadvantageous to Capital Noteholders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant Conversion Date, Redemption Date or Resale Date (as applicable).

For example, if APRA approves an election by Judo to Redeem or Resell Capital Notes, Capital Noteholders will receive cash equal to \$100 per Capital Note rather than Ordinary Shares and, accordingly, they will not benefit from any subsequent increases in the Ordinary Share price that may occur following the Conversion of Capital Notes.

In addition, where Capital Noteholders receive cash on Redemption or Resale, the rate of return at which they could reinvest their funds may be lower than the Distribution Rate at the time. Where Capital Noteholders receive Ordinary Shares on Conversion, they will have the same rights as other holders of Ordinary Shares, which are different to the rights attaching to Capital Notes.

5.2.8 A Loss Absorption Event may occur

Definition of Common Equity Trigger Event

A Common Equity Trigger Event occurs when Judo determines, or APRA notifies Judo in writing that it believes, that either or both the Judo Level 1 CET1 Capital Ratio or Judo Level 2 CET1 Capital Ratio is equal to or less than 5.125%.

The CET1 Capital Ratio is the ratio of Judo's CET1 Capital to its Risk Weighted Asset (**RWA**), where CET1 Capital is the strongest form of capital held by the Judo Group.

If a Common Equity Trigger Event occurs, Judo must immediately Convert such number of Capital Notes (or a percentage of the Face Value of each Capital Note) to return either or both the Judo Level 1 CET1 Capital Ratio or Judo Level 2 CET1 Capital Ratio, as the case may be, to above 5.125%.

Definition of a Non-Viability Trigger Event

A Non-Viability Trigger Event occurs when APRA notifies Judo in writing that it believes:

- Conversion of all or some Capital Notes (or the taking of any action in relation to other capital instruments of the Judo Group) is necessary because, without it, Judo would become non-viable; or
- a public sector injection of capital, or equivalent support, is necessary because, without it, Judo would become non-viable.

If a Non-Viability Trigger Event occurs, Judo must immediately Convert such number of Capital Notes (or a percentage of the Face Value of each Capital Note) as specified by APRA or necessary to satisfy APRA that Judo will no longer be non-viable. In the case of a public sector injection of capital, or equivalent support, all Capital Notes must be Converted.

APRA has not provided guidance as to how it would determine non-viability. Non-viability could be expected to include serious impairment of Judo's financial position and insolvency; however, it is possible that APRA's definition of non-viability may not necessarily be constrained to solvency measures or capital ratios and APRA's position on these matters may change over time. In the context of ADIs (such as Judo Bank), APRA has indicated that it may regard non-viability as occurring well before an ADI is at risk of becoming insolvent. As the occurrence of a Non-Viability Trigger Event is at the discretion of APRA, there can be no assurance given as to the factors and circumstances that might give rise to this event.

Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of Judo. For instance, systemic and non-systemic macro-economic, environmental and operational factors, globally and in Australia, may affect the viability of Judo.

Examples of situations in which a Non-Viability Trigger Event may occur

Whether a Non-Viability Trigger Event will occur is at the discretion of APRA. While there are currently no Australian precedents, there are a number of international examples where a regulator and/or government authority has invoked trigger event features in bank hybrid instruments, leading to a conversion and/or write-off of such securities. For example, in March 2023, increasing investor and customer concerns around Credit Suisse's financial resilience led to a significant deposit outflow, which ultimately required the Swiss authorities to grant extraordinary liquidity support and a default guarantee. FINMA, the Swiss banking regulator, deemed this assistance to constitute "extraordinary government support" and hence a "viability event" under the contractual terms of Credit Suisse's Additional Tier 1 instruments and required that those Additional Tier 1 instruments be written-off.

APRA has not provided specific guidance as to how it would determine non-viability. However, APRA has indicated that non-viability is likely to arise prior to the insolvency of an ADI. Non-viability could be expected to include serious impairment of Judo's financial position and insolvency; however, it is possible that APRA's definition of non-viability may not necessarily be limited to when it has a concern about a bank's capital levels but may also include consideration of a bank's funding and liquidity levels, and APRA's position on these matters may change over time. Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of Judo. For instance, systemic and non-systemic macroeconomic, environmental and operational factors, domestically or globally, may affect the viability of Judo.

In Section 5.3 "Risks associated with Judo", a number of general risks associated with Judo's businesses are outlined. If one, or a combination, of these risks leads to a significant capital loss, or prolonged difficulties in raising funding or maintaining sufficient liquidity, this may be the type of situation in which APRA may become concerned and notify Judo that it has become non-viable. The risks outlined in Section 5.3 "Risks associated with Judo" are examples only and not exhaustive, and there may be other risks which affect the performance of Judo.

Consequences of the occurrence of a Loss Absorption Event

The inclusion of the Common Equity Trigger Event and Non-Viability Trigger Event in the terms of capital securities has been a requirement under APRA's Prudential Standards since 1 January 2013.

The inclusion of the Common Equity Trigger Event and Non-Viability Trigger Event is intended to provide a framework for the treatment of Capital Noteholders if Judo experiences significant financial difficulty. Upon the occurrence of a Loss Absorption Event, Judo must immediately Convert all or some Capital Notes on issue (or a percentage of the Face Value of each Capital Note) into the Conversion Number of Ordinary Shares.

If a Non-Viability Trigger Event occurs because there has been a public sector injection of capital, or equivalent support, all Capital Notes must be Converted.

Where APRA makes a determination that only some Capital Notes are required to be Converted, Judo must determine which Capital Notes will Convert and in doing so, must endeavour to treat Capital Noteholders on an approximately proportionate basis but may discriminate to take account of the effect on marketable parcels, other logistical considerations and the need to effect conversions immediately. Accordingly, should a Non-Viability Trigger Event occur and some (but not all) Capital Notes must be Converted, not all Capital Noteholders may have their Capital Notes converted into Ordinary Shares.

Capital Noteholders should be aware that:

- if APRA does not require all Relevant Tier 1 Capital Instruments and Tier 2 Capital instruments to be converted or written-off, Relevant Tier 1 Capital Instruments such as Capital Notes will be converted or written-off before any Tier 2 Capital instruments are converted or written-off;
- on the occurrence of a Non-Viability Trigger Event, APRA may determine that Capital Notes must be Converted into Ordinary Shares; however, other equally-ranking Judo securities may not be required to be converted. This may result in the Capital Notes investment effectively ranking lower in Judo's capital structure than other previously equally-ranking securities;
- if Capital Notes are Written-Off, all rights in relation to those Capital Notes will be terminated and Capital Noteholders will lose the entire amount of their investment, without compensation;
- Judo currently has no Relevant Tier 1 Capital Instruments on issue other than Ordinary Shares; and
- Judo has no obligation to maintain on issue any Relevant Tier 1 Capital Instruments and does not, and may never, have on issue Relevant Tier 1 Capital Instruments which require them to be converted or written-off before Capital Notes.

Conversion on the occurrence of a Common Equity Trigger Event or a Non-Viability Trigger Event is not subject to the Mandatory Conversion Conditions and the Terms provide that Conversion occurs automatically without the need for any further act or step by Judo and that Judo will recognise Capital Noteholders as having been issued Ordinary Shares.

However, the number of Ordinary Shares you will receive is limited to the Maximum Conversion Number. Accordingly, this may result in Capital Noteholders receiving a number of Ordinary Shares worth significantly less \$101 per Capital Note and suffering loss as a result. See Section 5.2.9 "Capital Noteholders may receive Ordinary Shares upon the occurrence of a Loss Absorption Event" for further information.

Any ASX trades in Capital Notes that have not settled on the date a Loss Absorption Event occurs will continue to settle in accordance with the normal ASX T+2 settlement, although the seller will be treated as having delivered, and the buyer will be treated as having acquired, the number of Ordinary Shares into which Judo have been Converted as a result of the occurrence of the Loss Absorption Event. Judo may make any decisions with respect to the identity of the Capital Noteholders on a Loss Absorption Event Conversion Date as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of Capital Notes that have not been settled or registered at that time.

5.2.9 Capital Noteholders may receive Ordinary Shares upon the occurrence of a Loss Absorption Event

Unless Redeemed or Converted earlier, Capital Notes must be Converted upon the occurrence of a Loss Absorption Event. As to what constitutes a Loss Absorption Event, see Section 2.4.1.

The Mandatory Conversion Conditions do not apply under a Loss Absorption Event. Therefore, Judo will be required to Convert Capital Notes in all circumstances, regardless of the level at which the Ordinary Share price is trading, and the Maximum Conversion Number may limit the number of Ordinary Shares you receive.

If this occurs, a Capital Noteholder may suffer significant loss as they may receive a number of Ordinary Shares worth less than approximately \$101 per Capital Note in some circumstances, including where:

- if the Face Value has previously been reduced (following a previous Loss Absorption Event);
- the maximum number of Ordinary Shares that you can receive is limited to a number calculated based on 20% of the Issue Date VWAP. For example, if the Issue Date VWAP is \$0.85, then the Maximum Conversion Number would be 588.23529 Ordinary Shares per Capital Note⁴; or
- to realise the value of the Ordinary Shares, you sell them on ASX at the prevailing market price. However, depending on the time you decide to sell and the market price at that time, it is possible that your sale proceeds may be less than the Face Value.

If you wish to sell your Ordinary Shares, there is also a risk that Ordinary Shares may no longer be listed on ASX at the time of Conversion upon the occurrence of a Loss Absorption Event and you may not be able to sell your Ordinary Shares at all.

⁴ Please refer to the illustrative example in Section 2.4 "Conversion on a Loss Absorption Event".

5.2.10 Consequences of holding Ordinary Shares as a result of Conversion

Ordinary Shares are an equity security and may trade at a market price which is affected by different factors from those affecting a hybrid security such as Capital Notes. The market price of Ordinary Shares may be more sensitive than that of Capital Notes to changes in Judo's financial, operational or business performance. Additionally, the market price of Ordinary Shares may be affected by the actual or prospective Conversion of Capital Notes. As a result, Capital Noteholders receiving Ordinary Shares upon Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation was based, or at all.

Ordinary Shares are a different type of investment to Capital Notes. Dividends on Ordinary Shares are payable at the absolute discretion of Judo and the amount of each dividend is discretionary (not subject to a formula). In contrast, Distributions on Capital Notes are payable in accordance with the formulae in Conditions 5.3 and 5.4 of the Terms and subject to the Distribution payment conditions in Condition 5.7 of the Terms. In a Winding-Up of Judo, claims of holders of Ordinary Shares rank behind claims of holders of all other securities and debts of Judo. In contrast, claims of Capital Noteholders rank ahead of holders of Ordinary Shares.

5.2.11 Write-Off/termination if Conversion does not occur

If, following a Loss Absorption Event, the Conversion fails to take effect for any reason (including because Judo is prevented by applicable law or order of any court or action of any government authority or External Administrator) and Judo has not otherwise issued the Ordinary Shares required to be issued in respect of such Conversion within 5 Business Days (**Inability Event**), then Capital Noteholders' rights under the relevant Capital Notes will be immediately and irrevocably terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Loss Absorption Event. Your investment in the relevant Capital Notes will lose all of its value – the Face Value will not be repaid and you will not receive any compensation. An Inability Event could occur if, for example, Judo was prevented from issuing Ordinary Shares by circumstances outside its control, for example, if Judo was prevented by a specified law or order of any court, or action of any government authority, from issuing Ordinary Shares.

The laws under which an Inability Event may arise include laws relating to the insolvency, Winding-Up, or other external administration of Judo. Those laws, and the grounds on which a court or government authority may make orders preventing the Conversion of Capital Notes may change and may be adverse to the interests of Capital Noteholders and the change may increase the risk of Capital Notes being Written-Off/terminated.

5.2.12 Conversion as a result of an Acquisition Event

There is a risk that Capital Notes may be affected by merger and acquisition activity affecting Judo. Capital Notes are issued by Judo, which, as an ASX-listed company, may be acquired by or merged with another company or group of companies, potentially resulting in a change of control. The outcome for Capital Noteholders of such activity may be uncertain; they may suffer loss or face increased risks in holding Capital Notes.

Where this corporate activity constitutes an Acquisition Event, Judo is required, subject to satisfaction of certain conditions, to Convert all Capital Notes in accordance with Condition 8 of the Terms. Conversion may occur on dates not previously contemplated by Capital Noteholders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Capital Noteholders will be entitled to the benefit of the rights attaching to Capital Notes (such as Distributions) is unknown. Where Capital Noteholders receive Ordinary Shares on Conversion, they will have the same rights as other holders of Ordinary Shares, which are different to the rights attaching to Capital Notes.

There is a risk that Conversion may not occur on the Acquisition Conversion Date (or at all) because one of the restrictions on when Conversion is required or restrictions on completing a Conversion in connection with an Acquisition Event apply. This may be due, for example, to a large fall in the Ordinary Share price relative to the Issue Date VWAP or where a Delisting Event applies. The Ordinary Share price may be affected by many factors, including transactions affecting the share capital of Judo.

If Conversion does not occur on the Acquisition Conversion Date, then Conversion will occur on the following Distribution Payment Date for which the restrictions do not apply, unless Capital Notes are otherwise Converted or Written-Off on or before that date. If Conversion does not occur on a possible Acquisition Conversion Date and Capital Notes are not otherwise Converted or Written-Off, Distributions may continue to be paid on Capital Notes, subject to Judo's discretion and to no Payment Condition existing in connection with the relevant Distribution Payment Date.

Capital Notes are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers or a Delisting Event continues to subsist, it is possible that the restrictions on Conversion will continue to apply and, if this occurs, unless Capital Notes are otherwise Converted, Capital Notes will never Convert.

Not all corporate activities that have the effect of a change of control of Judo or its business operations will be an Acquisition Event. Where the corporate activity is not an Acquisition Event, Judo is not obliged to Convert Capital Notes. Therefore, the outcomes for Capital Noteholders arising from that corporate activity will be uncertain and Capital Noteholders may suffer loss or face increased or different risks in holding Capital Notes.

5.2.13 Conversion, Redemption and Resale at Judo's option is subject to certain conditions

There is a risk that Judo will not Convert, Redeem or Resell Capital Notes. Conversion, Redemption and Resale is at Judo's option and Capital Noteholders have no right to require it.

If Judo elects to undertake Conversion, Redemption or Resale of Capital Notes, APRA's prior written approval is required. Capital Noteholders should not assume that APRA will give its approval to any of these methods.

If Judo wishes to Convert Capital Notes, there are two types of restrictions which apply:

- Restrictions on electing Conversion – Judo may not elect to Convert Capital Notes if, on the second Business Day before the date on which an Optional Conversion Notice is to be sent:
 - the VWAP is less than or equal to 22.50% of the Issue Date VWAP; or
 - a Delisting Event applies.

If any of the above conditions apply, Judo is not permitted to undertake Conversion.

- Restrictions on completing the Conversion – if Judo has given notice that it will Convert Capital Notes but, if the Optional Conversion Date were a Relevant Mandatory Conversion Date, Judo may not proceed to Convert Capital Notes if, on the Conversion Date specified in the notice:
 - the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) that date is less than or equal to 20.20% of the Issue Date VWAP; or
 - a Delisting Event applies.

If the requirements for Conversion on the Optional Conversion Date are not satisfied, Judo will notify Capital Noteholders and the Conversion will be deferred until the next Distribution Payment Date on which the requirements for Conversion would be satisfied if that Distribution Payment Date were a possible Mandatory Conversion Date.

Judo may only choose to Redeem or Resell Capital Notes if APRA is satisfied that:

- Capital Notes which are the subject of the Redemption or Resale are replaced concurrently or beforehand with a capital instrument of the same or better quality and the replacement of Capital Notes is done under conditions that are sustainable for Judo's income capacity; or
- the capital position of the Judo Level 1 Group and the Judo Level 2 Group remains adequate and that the Issuer does not have to replace Capital Notes which are the subject of the Redemption.

In addition, APRA has recently stated that, consistent with its Prudential Standards, where it considers any replacement capital to be more expensive (including because of higher credit margins), APRA may not approve a Redemption unless Judo satisfies it as to the economic and prudential rationale for the Redemption and that the Redemption will not create an expectation that Judo's other regulatory capital instruments will be redeemed in similar circumstances.

The matters to which APRA may have in regard to considering whether to give its approval are not limited and may change.

5.2.14 Capital Noteholders do not have a right to request that their Capital Notes be Converted or Redeemed early

Capital Noteholders do not have a right to request that their Capital Notes be Converted or Redeemed early for any reason.

To realise your investment, you can sell your Capital Notes on ASX at the prevailing market price. However, depending on market conditions at the time, Capital Notes may be trading at a market price below the Face Value and/or the market for Capital Notes may not be liquid. For further information about liquidity risks associated with Capital Notes, see Section 5.2.21 "The liquidity of Capital Notes may be low".

5.2.15 The Distribution Rate will fluctuate

The Distribution Rate is a floating rate, based on the BBSW (which is a floating rate) plus the Margin (which is fixed). The BBSW will fluctuate and therefore the Distribution Rate will fluctuate.

Over the term of Capital Notes, the Distribution Rate may be higher or lower than the initial Distribution Rate on the Issue Date. It is possible for the BBSW to become negative. Should this occur, the negative amount will be taken into account in calculating the Distribution Rate. However, even if the Distribution Rate becomes negative, there will be no obligation on Capital Noteholders to pay Judo.

If the Distribution Rate decreases, there is a risk that the return on Capital Notes may become less attractive compared to returns on comparable securities or investments.

Judo does not guarantee any particular rate of return on Capital Notes.

5.2.16 Changes in Distribution Rate

There is a risk that the rate of return in respect of Capital Notes may become less attractive when compared to rates of return available on comparable securities issued by Judo or other entities.

The Distribution Rate is calculated for each Distribution Period by reference to the BBSW, which is influenced by a number of factors, varies over time and the methodology used to calculate the BBSW may change. The Distribution Rate will fluctuate over time (potentially increasing or decreasing) as a result of movements in the BBSW.

The Distribution Rate will be affected (potentially increasing or decreasing) by a change to the Australian corporate tax rate applicable to Judo (see Section 7). If the corporate tax rate were to change, the cash amount of Distributions and the amount of any franking credits will change.

If Judo determines that a Rate Disruption Event has occurred, then, subject to APRA's prior written approval, Judo shall use as the BBSW such Alternative Base Rate as it may determine and shall make such adjustments to the Terms as it determines are reasonably necessary to calculate Distributions in accordance with such Alternative Base Rate (see Section 2.1).

Capital Noteholders should note that APRA's approval may not be given for any Alternative Base Rate it considers to have the effect of increasing the rate of Distributions contrary to applicable Prudential Standards.

5.2.17 Distributions may not be fully franked or franked at all

If Distributions are paid, there is no guarantee that Judo will have sufficient franking credits to fully frank Distributions or to frank them at all. The franking of Distributions depends on a number of factors including Judo's available franking account balance. Investors should note that, given the growth stage of the business, Judo has been utilising carry forward tax losses. Following the utilisation of all carry forward tax losses, Judo commenced payment of monthly income tax instalments from February 2023. As at 30 June 2023, Judo's balance of franking credits available for subsequent reporting periods was \$36 million.

The Franking Rate for a Distribution Period may fluctuate (potentially increasing or decreasing), depending on Judo's level of available franking credits and Judo's distributable profits. Judo's available franking credits may be affected by a wide range of factors, including its business performance, the applicable Australian corporate tax rate, the assessment of relevant tax authorities and the amount of other frankable distributions. Judo's distributable profits may also be affected by a wide range of factors including its level of earnings and other distributions it makes.

Where applicable, Distributions will be franked at the same rate as dividends with respect to Ordinary Shares. If any Distribution payment is not fully franked, then the cash amount of the Distribution will increase to compensate for the reduction in franking credits. This payment is subject to the conditions governing the payment of Distributions.

Where the Distributions are partially or fully franked, the value and availability of franking credits to a Capital Noteholder will differ depending on that Capital Noteholder's particular tax circumstances. Capital Noteholders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution and that the ability to use any franking credits, either by offsetting a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Capital Noteholder. Each Capital Noteholder should refer to the taxation summary in Section 7 and the Class Ruling (when published), seek personal advice in relation to their tax position and continually monitor changes in government policy in respect of franking credits.

5.2.18 Distributions on Capital Notes may be restricted by the terms of other similar securities

There is a risk that the terms of Judo's other outstanding and future securities could limit Judo's ability to make payments on Capital Notes. If Judo does not make payments on other securities, payments may not be permitted to be made in respect of Capital Notes.

The dividend or distribution payment dates on Judo's other securities are likely to differ from the Distribution Payment Dates for Capital Notes. In addition, the payment tests applying to other securities (whether currently outstanding or issued in the future) may be different to the conditions governing the payment of Distributions for Capital Notes. Accordingly, Judo may not be permitted to make a payment on another security in circumstances where it would otherwise be permitted to make a payment on Capital Notes. In these circumstances, the distribution restrictions on the other securities may then apply, preventing Judo from making a payment on Capital Notes. Similarly, Judo may not be permitted to make a payment on Capital Notes in circumstances where the payment tests on other securities have been passed.

If distribution restrictions for another security apply to payments on Capital Notes, Judo may not be able to pay Distributions when scheduled to do so under the Terms and may not be able to Redeem Capital Notes. Judo is not restricted from issuing other securities of this kind or agreeing in the terms of issue of other securities to additional or different payment tests or distribution restrictions (see Section 5.2.25).

5.2.19 A Distribution Restriction applies but only in limited circumstances

If Judo does not pay a Distribution in full on a Distribution Payment Date then, unless the Distribution is paid in full within 3 Business Days of that date, and subject to certain exceptions set out in Condition 5.10 of the Terms, Judo must not declare, determine to pay or pay a dividend on any Ordinary Shares, or buy back or reduce capital on any Ordinary Shares, without the approval of a Special Resolution. This restriction applies only to payments on, or buy-backs or capital reductions in respect of, Ordinary Shares and not to payments on, or buy-backs or capital reductions in respect of, securities ranking equally with Capital Notes or any other class of security (if on issue). These restrictions will apply only until and including the next Distribution Payment Date. See Sections 5.2.3 and 5.2.4 for further relevant detail.

The dates for the declaration, determination or payment of dividends on Ordinary Shares of Judo, or on which Judo may undertake a capital reduction or buy-back, are determined by Judo in its discretion and are not related to the Distribution Payment Dates for Capital Notes. Accordingly, as soon as the next scheduled Distribution on Capital Notes is paid, the restriction ceases to apply and Judo will not be restricted from declaring, determining to pay or paying a dividend or undertaking any buy-back or capital reduction.

5.2.20 The market price of Capital Notes will fluctuate

Judo has applied for quotation of Capital Notes on ASX. The market price of Capital Notes on ASX will fluctuate due to various factors, including:

- changes in Australian and international economic conditions, interest rates, credit margins, inflation rates and foreign exchange rates;
- regulatory changes (including product intervention by ASIC or APRA in the market for Capital Notes or similar securities);
- if Judo's financial performance or position declines, or if market participants anticipate that it may decline, an investment in Capital Notes could decline in value even if Capital Notes have not been Converted;
- the occurrence or potential occurrence of a Loss Absorption Event or factors resulting in Judo deciding or not being permitted to make payments on Capital Notes;
- the effect of any Conversion or Write-Off on the amount outstanding (if any) of Capital Notes on issue;
- the risk of early Conversion following a Tax Event or Regulatory Event and other factors that may affect Judo's financial performance or position;
- changes to Judo's credit rating;
- movements in the market price of equity and/or other debt issued by Judo;
- changes in investor perceptions and sentiment in relation to Judo or the financial services industry; and
- other major Australian and international events, such as a pandemic, hostilities and tensions, and acts of terrorism.

Capital Notes may trade at a market price below the Face Value during this time and the market price may be more sensitive than that of equity to changes in interest rates, credit margins and other market prices.

In recent years, markets have sometimes been volatile. Volatility risk is the potential for fluctuations in the price of securities, sometimes markedly and over a short period. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market. Capital Noteholders should carefully consider the impact of volatility risk on the potential market price of Capital Notes before deciding whether to invest in Capital Notes.

If Capital Notes trade at a market price below the amount at which you acquired them, there is a risk that, if you sell them, you may lose some of the money you invested.

Judo does not guarantee the market price of Capital Notes.

5.2.21 The liquidity of Capital Notes may be low

There is a risk that the market on ASX for Capital Notes may not be liquid and may be less liquid than that of Ordinary Shares.

If liquidity is low, there is a risk that, if you wish to sell your Capital Notes, you may not be able to do so at a price acceptable to you or at all.

Judo does not guarantee the liquidity of Capital Notes.

Capital Notes are expected to Convert into Ordinary Shares as described in Section 5.2.5 of this Prospectus. Where Capital Notes are Converted, there may be no liquid market for Ordinary Shares at the time of Conversion or the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion. As a consequence, Capital Noteholders who wish to sell the Ordinary Shares they may receive may be unable to do so at an acceptable price, or at all, if the market for Ordinary Shares is illiquid. In addition, there is no guarantee that Ordinary Shares will remain continuously quoted on ASX. Trading of ASX listed securities may be suspended in certain circumstances.

The liquidity of the market for Capital Notes may be negatively impacted if ASIC exercises its product intervention powers (as outlined in Section 5.2.35) in relation to comparable securities issued by Judo or other entities.

5.2.22 Market price and liquidity of Ordinary Shares

There is a risk that the market price of the number of Ordinary Shares received per Capital Note on Conversion will be less than the Issue Price of the Capital Note and the market price of Ordinary Shares may fluctuate after Conversion.

Where Capital Notes are Converted, other than on account of a Loss Absorption Event (see Section 2.4), the number of Ordinary Shares issued is calculated to have a value of approximately \$101 per Capital Note (calculated on the VWAP basis provided in the Terms). However, the market price of the Ordinary Shares issued upon Conversion will likely be different from the VWAP used in the Conversion calculations and will fluctuate due to various factors, including Australian and worldwide economic conditions, investor perceptions, Judo's financial performance and position (see Section 5.2.20), and the market price of the number of Ordinary Shares received per Capital Note on Conversion could be less than the Issue Price of the Capital Note. Where Capital Notes are Converted on account of a Non-Viability Trigger Event, the number of Ordinary Shares issued per Capital Note could be worth less than \$101 per Capital Note and, in addition, the Non-Viability Trigger Event is likely to be accompanied by deterioration in the market price of the Ordinary Shares.

Particular events and conditions may affect the ability of Capital Noteholders to trade or dispose of the Ordinary Shares issued on Conversion; for example, the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for quotation, or any practical issues which affect that quotation, whether ASX has suspended trading in Ordinary Shares, any disruption to the market for Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time, or laws of general application, including securities law and laws relating to the holding of shares and other interests in financial institutions, which limit a person's ability to acquire or dispose of Ordinary Shares. ASX has broad powers to suspend trading in Ordinary Shares, including because Judo has not complied with the ASX Listing Rules.

5.2.23 Capital Noteholders may be subject to FATCA Withholding and information reporting

The objective of FATCA is to target tax non-compliance by US taxpayers with foreign financial assets, and requires reporting of such financial assets by third parties.

In order to comply with FATCA, it is possible that Judo (or, if Capital Notes are held through another non-US financial institution, that other financial institution) may be required (pursuant to an agreement with the U.S. Internal Revenue Service (**IRS**) or otherwise under applicable law including a non-US law implementing an intergovernmental approach to FATCA) to request certain information from Capital Noteholders or beneficial owners of Capital Notes, which information may in turn be provided to the IRS or other relevant tax authority and to withhold, at the rate of 30%, on all or a portion of payments made with respect to Capital Notes if (i) such information is not provided; or (ii) if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the IRS or are otherwise exempt from FATCA Withholding.

If Judo or any other person is required to withhold amounts as a result of Capital Noteholders and beneficial owners of Capital Notes not providing the required information or documentation, then those Capital Noteholders and beneficial owners will not be entitled to receive any gross up or additional amounts to compensate them for such withholding.

This information is based on guidance issued by the IRS or other relevant tax authority as at the date of this Prospectus. Future guidance may affect the application of FATCA to Judo, Capital Noteholders or beneficial owners of Capital Notes.

In addition, the OECD Common Reporting Standard for the Automatic Exchange of Financial Account Information (**CRS**) requires certain financial institutions to report financial information regarding certain accounts to their local tax authority. The CRS applies to Australian financial institutions from 1 July 2017. Capital Noteholders may be requested to provide certain information to ensure compliance with CRS. This information may be provided to the Australian Taxation Office which, in turn, may provide this information to other countries that have signed the CRS Competent Authority Agreement.

FATCA is particularly complex legislation. Capital Noteholders should obtain their own advice about how the requirements of FATCA may apply to them under Capital Notes.

Section 5 Investment risks continued

5.2.24 Powers of APRA

Under the Banking Act, APRA has power to issue directions to Judo. These powers of APRA are broad and may be exercised to intervene in the performance of obligations and the exercise of rights under Capital Notes (see further Section 5.3.11).

The Banking Act gives APRA extensive powers to facilitate the resolution of the entities that it regulates (and their subsidiaries) in times of distress. Powers given to APRA include oversight, management and directions, powers in relation to Judo and other Judo Group members, and powers with respect to statutory management. The Banking Act also gives statutory recognition to provisions for the conversion or write-off of an instrument such as Capital Notes.

In addition, APRA has powers to require the compulsory transfer of all or part of the business of Judo pursuant to the *Financial Sector (Transfer and Restructure) Act 1999* (Cth) (**FSTR Act**). This power arises in circumstances where APRA has decided to make a compulsory transfer of the business of, or shares in, Judo. A transfer under the FSTR Act overrides anything in any contract or agreement to which Judo is a party, including the Capital Note Terms. These powers of APRA may be exercised in a way which adversely affects the ability of Judo to comply with its obligations in respect of Capital Notes (including in connection with the Conversion of Capital Notes), and this may adversely affect the position of Capital Noteholders.

5.2.25 Future issues or redemptions of securities by Judo

There is a risk that Judo may issue other securities that may affect the return that a Capital Noteholder receives on their investment. Capital Notes do not in any way restrict Judo from issuing further securities or from incurring further indebtedness. The Terms also do not contain any covenants, requiring Judo to refrain from certain business changes, or requiring Judo to operate within certain ratio limits. Judo's obligations under Capital Notes rank subordinate and junior in a Winding-Up to Judo's obligations to holders of senior ranking securities and instruments and all Senior Ranking Creditors, including subordinated creditors (other than creditors whose claims are subordinated to rank equally with or behind Capital Notes). Accordingly, Judo's obligations under Capital Notes will not be satisfied unless it can fully satisfy all of its obligations ranking senior to Capital Notes.

The Terms do not restrict Judo from issuing additional Senior Ranking Obligations, Equal Ranking Securities or junior ranking securities of any kind. Judo may in the future issue securities that:

- rank for dividends, distributions or return of capital (including on the Winding-Up of Judo) equally with, behind or ahead of Capital Notes;
- have the same or different dividend, interest or distribution rates as those for Capital Notes;
- have payment tests and distribution restrictions or other covenants which affect Capital Notes (including by restricting circumstances in which Distributions can be paid or Capital Notes can be Redeemed); or
- have the same or different terms and conditions as Capital Notes.

Judo may incur further indebtedness and may issue further securities including Tier 1 Capital securities before, during or after the issue of Capital Notes.

An investment in Capital Notes carries no right to participate in any future issue of securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise) by Judo.

No prediction can be made as to the effect, if any, which the future issue of securities by Judo may have on the market price or liquidity of Capital Notes, on Judo's financial position or performance or on the likelihood of Judo making payments on Capital Notes.

Similarly, Capital Notes do not restrict Judo from redeeming or otherwise repaying its other securities it may have on issue from time to time, including other securities which rank equally with or junior to Capital Notes (other than to the extent the Distribution Restriction applies).

An investment in Capital Notes carries no right to be redeemed or otherwise repaid at the same time as Judo redeems or otherwise repays other securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise).

No prediction can be made as to the effect, if any, which the future redemption or repayment by Judo of existing securities may have on the market price or liquidity of Capital Notes or on Judo's financial position or performance.

5.2.26 Exposure to Judo's financial performance and position

There is a risk that if Judo's financial performance or position declines, or if market participants anticipate that it may decline, an investment in Capital Notes could decline in value even if Capital Notes have not been Converted. Accordingly, when you evaluate whether to invest in Capital Notes, you should carefully evaluate the investment risks associated with an investment in Judo (see Section 5.3).

5.2.27 Changes to credit ratings

Judo's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected by its credit ratings (including any long-term credit ratings or the ratings assigned to any class of its securities). Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated. Even though Capital Notes will not be rated, such changes could adversely affect the market price, liquidity and performance of Capital Notes or Ordinary Shares received on Conversion. A rating of Judo is not a rating of Capital Notes.

5.2.28 Regulatory classification and prudential supervision

There is a risk that the position of Capital Noteholders may be adversely affected due to Capital Notes being eligible as regulatory capital. Capital Notes are eligible for inclusion as Additional Tier 1 Capital which qualifies as regulatory capital of Judo for APRA purposes.

As a result of Capital Notes being eligible as regulatory capital, the Terms contain features that may have adverse consequences for Capital Noteholders. For example, Judo is required to Convert Capital Notes on the occurrence of a Non-Viability Trigger Event, the ability of Judo to pay Distributions is subject to APRA not objecting to the payment and the Conversion of Capital Notes at Judo's option is subject to APRA approval. If APRA subsequently determines that some or all Capital Notes do not qualify as Additional Tier 1 Capital, Judo may decide that a Regulatory Event has occurred. For example, a Regulatory Event could include Capital Notes ceasing to be Additional Tier 1 Capital due to the implementation by APRA of capital-related Prudential Standards applicable to conglomerate groups. APRA has advised that the implementation of the capital related Prudential Standards previously proposed has been deferred. Following a Regulatory Event, Judo may elect, at its option, to Convert all or some Capital Notes on issue (subject to APRA's prior written approval and Capital Noteholders should not assume that APRA's approval will be given, if requested). A Regulatory Event will not have occurred if the change in regulatory treatment was expected by Judo at the Issue Date or if the reason Judo is not entitled to treat some or all Capital Notes as Additional Tier 1 Capital is because of a prudential limit or other restriction which is in effect on the Issue Date, or which, on the Issue Date, is expected by Judo may come into effect.

Any such Conversion, at Judo's option, may occur on dates not previously contemplated by Capital Noteholders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Capital Noteholders will be entitled to the benefit of the rights attaching to Capital Notes (such as Distributions) is unknown.

The Conversion Method chosen by Judo may be disadvantageous to Capital Noteholders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

APRA's powers with respect to Judo include the ability for APRA to direct Judo not to pay Distributions.

In addition, on 21 September 2023, APRA released its Discussion Paper "Enhancing bank resilience: Additional Tier 1 Capital in Australia" (**Discussion Paper**) seeking feedback on potential options to improving the effectiveness of Additional Tier 1 Capital instruments in Australia with a proposal to discuss, among other things, considerations for improving the prudential regulatory approach to Additional Tier 1 Capital. The regulatory initiative is currently at a discussion stage and APRA has indicated that formal consultation on any proposed amendments to prudential standards will be undertaken in 2024.

Depending on the outcome of APRA's consultation process in 2024, future issues of Additional Tier 1 Capital instruments such as Capital Notes and more broadly Judo's regulatory capital management strategy may be impacted. Until formal consultation on proposed amendments to the prudential standards (if any) commences – which is anticipated to be in 2024, it is not possible to confirm what impact (if any) any amendments may have on Judo Capital Notes.

For more information on the investment risks arising from Judo being subject to prudential supervision, see Section 5.3.7.

5.2.29 Australian tax consequences

A general outline of the tax consequences of investing in Capital Notes for certain potential investors is set out in the Australian taxation summary in Section 7. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor.

Accordingly, potential investors should seek independent advice concerning their own individual tax position.

Broadly, if, as a result of a change in, or amendment to, the laws of a Relevant Tax Jurisdiction (which includes Australia), or any change in their application or official or judicial interpretation or administration, which change or amendment becomes effective on or after the Issue Date of Capital Notes, there is more than insubstantial risk that there would be a more than insignificant adverse tax consequence or increase in Judo's costs in relation to Capital Notes being on issue or that any Distribution would not be frankable, a Tax Event may occur. Judo may then elect, at its option, to Convert all or some Capital Notes (subject to APRA's prior written approval). A Tax Event will not have occurred if the change in tax treatment was expected by Judo at the Issue Date.

If the Tax Rate were to change, the cash amount of Distributions and the amount of any franking credits will change.

5.2.30 Accounting standards

New accounting standards or amendments to existing accounting standards issued by either the International Accounting Standards Board or Australian Accounting Standards Board may affect the reported earnings and financial position of Judo in future financial periods. This may adversely affect the ability of Judo to pay Distributions.

5.2.31 Shareholding limits

As Capital Notes may Convert to Ordinary Shares, there is a risk that a Capital Noteholder may, by acquiring any Capital Notes, breach applicable restrictions on ownership if Capital Notes Convert.

Laws, including the *Financial Sector (Shareholdings) Act 1998* (Cth), restrict ownership by people (together with their associates) of ADI holding companies, such as Judo, to a 20% stake. A shareholder may apply to the Australian Treasurer to extend their ownership beyond 20% but approval will not be granted unless the Treasurer is satisfied that a holding by that person of greater than 20% is in the national interest.

Mergers, acquisitions and divestments of Australian public companies listed on ASX (such as Judo) are regulated by detailed and comprehensive legislation and the rules and regulations of ASX. These provisions include restrictions on the acquisition and sale of relevant interests in certain shares in an Australian listed company under the Corporations Act and a requirement that acquisitions of certain interests in Australian listed companies by foreign interests are subject to review and approval by the Treasurer. In addition, Australian competition law regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market.

Capital Noteholders should take care to ensure that, by acquiring any Capital Notes (taking into account any Ordinary Shares into which they may Convert), Capital Noteholders do not breach any applicable restrictions on ownership and Capital Noteholders should seek professional guidance from their solicitor, accountant or other independent qualified professional adviser in relation to their obligations.

5.2.32 Amendment of the Terms and Trust Deed by Judo

There is a risk that either or both the Terms and the Trust Deed may be amended in a way that the Capital Noteholder does not agree with.

Judo may, with the approval of the Trustee and, where required, with APRA's prior written approval, make certain amendments to the Terms or Trust Deed without the approval of Capital Noteholders.

These may include amendments that may affect the rights of Capital Noteholders, including:

- amendments of a formal, technical or minor nature, or made to cure any ambiguity or correct any manifest error;
- changes to dates or time periods necessary or desirable to facilitate a Mandatory Conversion, Non-Viability Conversion or Conversion;
- changes that enable Capital Notes to be quoted on ASX or sold or to comply with applicable laws or listing rules;
- amendments made to align the Terms with any subsequently issued Additional Tier 1 Capital instrument;
- amendments made in accordance with Judo's adjustment rights in relation to VWAP and Issue Date VWAP in Condition 10 of the Terms; and
- any other change that, in Judo's opinion, will not be materially prejudicial to the interests of Capital Noteholders as a whole.

Judo may also amend the Terms in circumstances where BBSW ceases to be available (i.e. a BBSW Disruption Event occurs) and replace BBSW with a rate other than BBSW, that is generally accepted in the Australian market for floating rate securities denominated in Australian dollars of a tenor and interest period comparable to that of Capital Notes, or if there is no such rate, a reference rate that Judo considers appropriate, acting in good faith and in a commercially reasonable manner, and make certain other consequential amendments to the Terms. Such amendments could adversely affect the interests of Capital Noteholders.

Judo may, with the approval of the Trustee and, where required, with APRA's prior written approval, amend the Terms or Trust Deed if the amendment has been approved by a Special Resolution. Amendments under these powers are binding on all Capital Noteholders even if a Capital Noteholder does not agree with or did not attend or vote at any meeting in relation to the amendment.

APRA's prior written approval to amend the Terms is required only where the amendment may affect the eligibility of Capital Notes as Additional Tier 1 Capital.

5.2.33 No rights to vote

There is a risk that Capital Noteholders may be affected by corporate decisions made by Judo. Capital Noteholders have no voting or other rights in relation to Ordinary Shares until Ordinary Shares are issued to them. In addition, Capital Notes do not confer on Capital Noteholders any right to subscribe for new securities in Judo or to participate in any bonus issue of securities. The rights attaching to Ordinary Shares, if Ordinary Shares are issued, will be the rights attaching to Ordinary Shares at that time. Capital Noteholders have no right to vote on or otherwise to approve any changes to the Judo Constitution in relation to the Ordinary Shares that may be issued to them upon Conversion. Therefore, Capital Noteholders will not be able to influence decisions that may have adverse consequences for them.

5.2.34 Common Reporting Standard

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information in Tax Matters (**CRS**) may require financial institutions involved in the Capital Notes payment processes, such as custodians or nominees, to report information regarding Capital Notes to their local tax authority and follow related due diligence procedures. Capital Notes Capital Noteholders may be requested to provide certain information and certifications to ensure compliance with the CRS. The Australian Government has enacted legislation amending, among other things, the *Taxation Administration Act 1953* (Cth) to give effect to the CRS. The CRS applies to Australian financial institutions with effect from 1 July 2017.

5.2.35 Design and distribution obligations and ASIC product intervention power

On 5 April 2019, the DDO Legislation was enacted. The DDO Legislation comprises the DDO Regime and Product Intervention Order Regime. The DDO Regime imposes additional obligations on Judo regarding the design and distribution of certain financial products offered to Retail Investors (including Capital Notes), and the Product Intervention Order Regime grants product intervention powers to ASIC if it believes significant consumer detriment may occur.

The obligations under the DDO Regime took effect from 5 October 2021. These obligations apply to the issue of Capital Notes but do not apply to secondary market trading of Capital Notes. The Product Intervention Order Regime gives ASIC a significant, proactive power to issue a product intervention order if it believes that a financial product has resulted in or will, or is likely to, result in significant detriment to Retail Investors. It is uncertain whether ASIC would perceive there to be any significant consumer detriment in relation to Capital Notes or similar securities. The Product Intervention Order Regime requires ASIC to undertake a consultation process before it makes a product intervention order.

The full impact of these obligations and powers remains untested, however, the DDO Regime has been a focus of ASIC's recent regulatory and enforcement activities and there is a risk that such activities may adversely impact the issue, distribution and reinvestment of financial products in the future, including instruments like Capital Notes. These changes may also affect the liquidity of funding instruments (including instruments like Capital Notes), if they lead to a material reduction in future issuance volumes or secondary trading activity by investors.

5.3 Risks associated with Judo

Set out below are business risks associated with Judo. These are relevant to an investment in Capital Notes, as the value of your investment will depend on the financial performance and position of the Judo Group.

The Judo Group has mechanisms in place whereby it can avoid or reduce some of these risks, but the risks (and their impact) may change, or new risks may emerge, over the life of Capital Notes that are not adequately mitigated by the Judo Group.

5.3.1 Failure to achieve growth objectives

Judo Bank plans to continue to grow its loan book and increase its share of the Australian SME lending market. There is no guarantee that any or all of Judo Bank's growth strategies will be successfully implemented, deliver the expected returns or do so profitably. There is also a risk that the growth strategies may be subjected to unexpected delays and additional implementation costs. For example, continued investment in human capital and/or continued investment of resources in innovation and product development opportunities may fail to realise benefits, value or revenue in a timely manner. There is no guarantee that these initiatives will be successful.

The Judo Group may also pursue mergers, acquisitions, joint ventures, partnerships and other inorganic growth opportunities in the future, which may or may not be successful in delivering targeted financial outcomes or other expected benefits.

Judo Bank may also fail to adopt and execute growth strategies that will enable it to successfully maintain or improve its product offering and match any change in customer preferences. Failure to do so could result in customers choosing Judo Bank's competitors for their requirements, which could have a materially adverse impact on Judo Bank's business, operating and financial performance, and/or growth.

Section 5 Investment risks continued

As a fast-growing company, any change to Judo Bank's ability to achieve any or all of its growth strategies, or the market's perception of Judo Bank's ability to deliver growth to Capital Noteholders, is likely to have a significant impact on Judo's share price.

5.3.2 Judo Bank's reliance on distribution networks

Aside from Judo Bank's own relationship bankers, who originate loans directly for Judo Bank, Judo Bank's lending business materially depends on loan origination through its accredited business lending broker network, which includes brokers, aggregators and finance professionals.

Additionally, while the vast majority of Judo Bank's term deposit customers are gained through Judo Bank's direct, online, electronic application platform, accessible via Judo Bank's own website, a proportion of Judo Bank's term deposit customers are originated via its accredited wholesale term deposits broker network.

The success of Judo Bank's business, and its ability to profitably maintain, or grow, its existing loan or deposit volumes and portfolios are heavily reliant on Judo Bank's ability to:

- retain its existing key distribution networks and maintain or increase the number of loans or deposits referred by them, noting that Judo Bank's distributors are likely to also maintain relationships with one or more of Judo Bank's competitors;
- increase the number of accredited distribution partners referring new customers to Judo Bank and maintaining or increasing the number of loans or deposits referred by them;
- maintain the attractiveness of Judo Bank's product offerings to those distribution networks; and
- distribute its products through those networks at acceptable commission rates.

Additionally, the top twenty brokers account for approximately 20% of Judo Bank's loan originations and the top five aggregators account for 31% of deposit volumes. There can be no guarantee that Judo Bank will be able to retain its relationships with these brokers and aggregators, or that Judo Bank will be able to enter into direct relationships with the brokers in an aggregator's network in the absence of a relationship with the aggregator. The loss of any one or more of these relationships may have a material adverse effect on Judo Bank's business, financial condition, operating and financial performance, and growth.

To the extent that Judo Bank's business relies on these networks in an increasingly competitive market for lending and deposit products, Judo Bank may also be adversely impacted by:

- any significant changes in the business practices of the brokers within those networks or any aggregator upon whom the broker relies for the broker's authorisation, such as Judo Bank being downgraded as a preferred lender or deposit taker, or the broker and/or aggregator seeking an increase in any current upfront or trail commission terms;
- Judo Bank's current or prospective distributors entering into exclusive arrangements with Judo Bank's competitors; or
- Judo Bank's competitors realising a higher share of the referred volume from Judo Bank's current or prospective distributors, any of which would have a material adverse impact on Judo Bank.

There can be no guarantee or assurance that Judo Bank will continue to be able to maintain its preferred status with the distributors on which it relies, the loss of which, or reduction in which, may adversely impact Judo Bank's business, competitive advantage, reputation, operating and financial position, and future growth prospects.

Other risks in relation to its broker networks include:

- **Incomplete oversight:** while Judo Bank maintains documented agreements with its broker networks, it does not have day-to-day or complete oversight of its brokers' interactions with prospective or existing customers and, consequently, faces potential risks related to the conduct of its brokers.
- **Ongoing relationships with brokers:** Judo Bank may fail to maintain or develop attractive products or services, or to maintain relationships with its current brokers or develop relationships with new brokers.

5.3.3 Judo Bank's provisioning levels might be insufficient to cover actual losses

Judo Bank's lending activities cover a range of sectors, customers and products, including business lending to SMEs, asset finance, residential mortgages to business owners and employees of the Judo Group and other finance products. As part of the normal course of business, a percentage of Judo Bank's lending customers will fail to meet their financial obligations under the borrowing terms agreed with Judo Bank at some point. As a result, Judo Bank expects to incur some degree of financial losses across its lending portfolio and sets aside provisions in anticipation of such losses.

There is a risk that the level of provisions set aside by Judo Bank may be insufficient to cover actual losses realised on Judo's Bank lending portfolio. This risk may arise from failures within Judo Bank's internal processes involved in estimating such provisions, or due to events or developments that would be unreasonable for Judo Bank's internal provisioning processes to

anticipate. Such events or developments could include less favourable than expected economic or business conditions and a greater than expected deterioration in commercial and residential property markets, whether generally or in a specific industry sector or geographic region, or unexpected external events such as natural disasters and natural hazards (including climatic, biological, meteorological or geological events). Such events could expose Judo Bank to an increased risk that a percentage of customers across Judo Bank's lending portfolio fail to meet their financial obligations, giving rise to actual losses realised by Judo Bank in excess of Judo Bank's levels of provisioning.

Specifically:

- Judo Bank's customers may experience temporary, sudden or permanent vulnerability or challenges arising from their specific circumstances, giving rise to significant deterioration in that customer's business financial performance or the customer prioritising other financial payments ahead of their payments to Judo Bank;
- Judo Bank's customers may experience adverse macroeconomic conditions resulting in a deterioration of the financial performance of the customer and an inability to pay (see Sections 5.3.13 to 5.3.15); and
- Judo Bank may fail to appropriately assess which customers are able to repay their obligations and, as a consequence, loans have been entered into with customers with insufficient capacity to repay their obligations to Judo Bank.

An increase in the failure of customers to meet their obligations above the levels for which Judo Bank has provisioned could result in a decrease in revenue, an increase in expenses (including an increase in cost of risk and in funding costs), and/or decrease in operating cash flows received, which may have a material adverse impact on Judo Bank's business, financial condition, operating and financial performance, reputation, and availability and cost of funding, as it may not be economically viable to pursue full or partial repayment or enforcement action in all cases. Credit losses can, and have, resulted in financial services organisations realising significant losses and, in some cases, failing altogether, particularly if capital levels are insufficient to withstand losses in excess of provisions.

The Judo Group's funding arrangements, described further below in the Section 5.3.4, include securitisation warehouse facilities that also contain trigger events (akin to covenants) on arrears and losses. That is, if customers within Judo Bank's portfolio fail to meet their financial obligations to Judo Bank, giving rise to losses in excess of Judo Bank's provisions, or if customers within Judo Bank's portfolio show signs of increased risk of financial distress, this may trigger accelerated repayment of the debt.

The risk of credit-related losses may further increase as a result of a number of factors, including deterioration in the financial condition of the economies in which Judo Bank, its customers or its counterparties operate; elevated inflationary pressures; elevated labour costs and wages; a sustained high level of unemployment in the markets in which Judo Bank, its customers or its counterparties operate; more expensive imports into Australia due to the reduced strength of the Australian dollar relative to other currencies; a deterioration of the financial condition of Judo Bank's customers or counterparties; a reduction in the value of assets Judo Bank holds as collateral; and a reduction in the market value of the counterparty instruments and obligations it holds.

Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, as well as the occurrence of events such as natural disasters or pandemics, could cause customers or counterparties to fail to meet their obligations in accordance with agreed terms. Some of Judo Bank's customers and counterparties in, or with exposures to, the below-mentioned sectors are likely to face, or are already experiencing, increasing vulnerability, including:

- **real estate industry:** the property sector (including construction and contractors), which is exposed to a number of factors impacting the valuation of real estate, including demand for residential apartments and commercial buildings, net migration and reduced business activity;
- **geopolitically exposed industries:** industries at risk of sanctions, geopolitical tensions or trade disputes (for example, technology, agriculture and communications) and/or declining global growth, volatility in foreign exchange rates and disruption to global supply chains (including food and beverage, manufacturing and construction); and
- **climate-exposed industries:** customers and industries exposed to disruption from physical climate risk (for example, bushfires, floods, storms and drought), and transition risk (for example, industries exposed to carbon reduction requirements and resulting changes in demand for goods and services or liquidity, or increased energy costs associated with transition).

In assessing whether to extend credit or enter into other transactions with customers and/or counterparties, Judo Bank relies on information provided by or on behalf of customers and/or counterparties, including financial statements and other financial information. Judo Bank may also rely on the representations of customers and independent consultants as to the accuracy and completeness of that information. Judo Bank's financial performance could be negatively impacted to the extent that it relies on information that is incomplete, inaccurate or materially misleading.

For further details on how Judo Bank manages credit risk, see Section 3.6.1.

5.3.4 The Judo Group may be unable to access funding or funding may only be available on less favourable terms

The Judo Group's funding sources comprise a combination of securitisation facilities, a debt issuance program for Australian dollar medium-term notes, RBA repurchase agreement (**repo**) facilities, NCDs, term securitisation and customer deposits. Judo Bank relies on these sources to fund loan originations and, accordingly, has potential exposure to funding risks, as described below. An adverse impact on, or loss of, one or more of the Judo Group's funding sources, without access to comparable or acceptable alternatives, may adversely impact Judo Bank's ability to originate new business (including on favourable terms) or to refinance expiring warehouse facilities, which may have a materially adverse impact on Judo Bank's business, financial condition, operating and financial performance, reputation and availability and cost of funding.

Judo Bank is a participant in the RBA's TFF, which provides access to 3-year funding (fixed at 0.10% per annum) to ADIs so that, among other things, loans can be made to business customers at lower interest rates. The TFF offers Judo Bank a significant cost of funding benefit relative to other wholesale debt available to it. While the lower interest rate of the TFF compared to other funding sources represents a benefit to Judo Bank's financial outcomes, the TFF program has a finite term, and the benefits will fully unwind by the end of the program (30 June 2024).

As the TFF unwinds, there is a risk that Judo Bank may be unable to secure funding from the alternative funding sources described in Sections 3.5 and 5.3.4 on equivalent or commercially acceptable terms, which may have a materially adverse impact on Judo Bank's cost of funding and, consequently, its financial condition and performance.

Further, the terms of the funding of the TFF are subject to, among other things, the RBA's TFF Operational Notes. These notes are published by the RBA from time to time and contain further details in respect of the TFF, including how certain allowances are calculated and may be utilised. The TFF Operational Notes can be unilaterally amended by the RBA at any time without notice to Judo Bank, by publishing such amendments or a revised version of the TFF Operational Notes on the RBA website. Should these terms be amended by the RBA in such a way as to make the terms of the TFF less favourable to Judo Bank, this may reduce the cost of funding benefit currently available to Judo Bank, thereby reducing Judo Bank's financial condition and performance.

Replacement funding for the TFF will be sourced at a higher cost than the 0.10% fixed annual interest rate of the TFF and Judo Bank has hedged 35% of the TFF funding utilising financial derivatives. Therefore, as the TFF unwinds (all else equal), Judo Bank's funding costs will increase.

5.3.4.1 Judo Bank may not originate and/or retain a sufficient volume of deposits to fund balance sheet growth and the repayment of the TFF

Term deposits are a substantial source of funding for Judo Bank's balance sheet. As such, there is a risk that any change in the Australian Government's Financial Claims Scheme, general macroeconomic or market conditions (including any broad or specific scenarios that cause a dislocation in global markets) or any reputational damage to Judo Bank, may cause depositors to seek to withdraw their funds or require Judo Bank to substantially increase its deposit rate to retain existing or attract new customers.

If these risks eventuate, Judo Bank may experience a funding gap that may need to be met from other sources such as warehouse funding and/or other wholesale funding sources, or require a greater proportion of these other funding sources to contribute to repayment of the TFF. These alternative funding sources may not be available at short notice or may require a significant pricing premium to access.

If Judo Bank is unable to originate and/or retain sufficient volumes of deposits, or the deposit rates rise significantly above Judo Bank's expectations, this may materially adversely impact Judo Bank's business, financial condition, operating and financial performance, and growth trajectory.

5.3.4.2 Warehouse facilities and term securitisations

Judo Bank maintains warehouse facilities that are revolving facilities under which Judo Bank periodically assigns loan receivables (**Receivables**) to an SPV warehouse funding trust (in each case, an **SPV Trust**). The trustee of the relevant SPV Trust has issued, and may issue, multiple classes of notes backed by the portfolio of Receivables acquired from Judo Bank, with Judo Bank subscribing for the most subordinated class of notes in respect of each SPV Trust and third-party investors subscribing for senior notes.

Judo Bank has also entered into a rated self-securitisation transaction for the purposes of accessing the RBA's liquidity repurchase agreement facility.

If borrowers default, or are in arrears, on the repayment of Receivables that have been assigned to an SPV Trust, this may cause the relevant warehouse facility to amortise and there will be no further funding provided by the relevant financiers. While there is no recourse to Judo Bank if such a scenario were to occur, Judo Bank's capital position may be materially adversely impacted as it may have reduced access to funding for the origination of new loans, as well as reduced access to working capital, which would have a material adverse impact on Judo Bank's business, financial condition, operating and financial performance and/or growth. There is also a risk that the financiers may not extend funding availability periods under the warehouse facilities and, if Judo Bank is unable to find alternative sources of funding, this could impact Judo Bank's business, including in the context of origination of new loans.

Under each of Judo Bank's warehouse facilities, Judo Bank as 'Seller' and 'Servicer' provides certain representations and undertakings to the trustee of the SPV Trust and the relevant financiers. Judo Bank will, subject to compliance with APRA Prudential Standard APS 120, be liable for non-compliance with such representations and undertakings (and may be required to repurchase ineligible Receivables as permitted under APRA Prudential Standard APS 120). If a material breach occurs, Judo Bank will be replaced as Servicer of the Receivables assigned to the relevant SPV Trust.

Additionally, as Judo Bank holds the subordinated notes in respect of each of its warehouse facilities, it will suffer portfolio losses first, ahead of the senior financiers, and Judo Bank may not receive repayment of the subordinated notes held by it.

In September 2023, Judo Bank raised \$500 million of funding via the issuance of its inaugural term securitisation transaction. If market conditions were to deteriorate materially, Judo Bank may not be able to access further funding through this channel until conditions improved. Elevated arrears or losses on receivables within this transaction may also impact investor perceptions of these securities, and limit capacity for further issuance.

5.3.4.3 Debt issuance program

In June 2021, Judo Bank established a debt issuance program, under which it can issue notes in Australia and other countries, where it is permitted to do so. The program enables Judo Bank to issue senior notes and subordinated notes.

As at the date of the Prospectus, Judo Bank has \$200 million of outstanding senior unsecured bonds. These are structured as direct, unconditional, unsecured and unsubordinated instruments of the issuer. These are not capital instruments. The size and maturity of these bonds is detailed below:

- \$175 million, fixed rate bond, maturing on the 26th of September 2025; and
- \$25 million, floating rate bond, maturing on the 4th of April 2025.

Whilst these are bullet maturities, the risk of refinance is limited due to their longer tenor and relatively small percentage relative to Judo Bank's overall funding mix.

As at the date of the Prospectus, Judo Bank has issued a total of \$115 million floating rate subordinated notes. The principal amount and maturity of these are set out below:

- \$65 million, floating rate bond, maturing in June 2033; and
- \$50 million, floating rate bond, maturing in July 2031 (together, the **Subordinated Notes**).

The Subordinated Notes constitute direct and subordinated obligations of Judo Bank and constitute Tier 2 Capital (as defined by the Prudential Standards) of Judo Bank. Any claims in respect of the Subordinated Notes would rank in a winding-up of Judo ahead of claims in respect of junior ranking securities of Judo Bank, including claims in respect of any instrument issued by Judo Bank that constitutes Tier 1 Capital (as defined by the Prudential Standards) of Judo Bank (such as AT1 Internal Notes), and ordinary shares of Judo Bank and any claims referred to in Sections 563AA and 563A of the Corporations Act.

5.3.4.4 Judo Bank may be adversely impacted by a change in cost of funding margins

Judo Bank earns interest income and associated revenue from gross loan receivables which are offset by funding costs relating to the funding of those receivables through the sources noted in this Section 5.3.4.

If wholesale funding market margins rise, Judo Bank may be exposed to increased funding costs on renegotiation of existing warehouse facilities as part of the renewal process, future warehouse or term securitisation transactions, or future issues of debt securities. While the funding margins for existing warehouse facilities are generally fixed, in certain circumstances the cost of funding of the senior notes may also increase.

Judo Bank may be exposed to increasing funding costs if the notional margin over market reference rates for term deposits increases. Volatility in term deposit pricing, when compared to market reference rates, can occur due to market sentiment, supply and demand dynamics, and idiosyncratic events. Changes to the marginal cost of deposits may impact new deposit originations and rollovers of existing deposits.

If Judo Bank is unable to pass on higher marginal funding costs to its SME customers, there is a risk that Judo Bank's net interest income will be reduced.

Section 5 Investment risks continued

5.3.4.5 Interest rate risk in the banking book (IRRBB) arising from ordinary business activities

Judo Bank's exposure to interest rate risk arises from mismatches in repricing, or differences in the repricing characteristics, of its assets and liabilities, as part of the ordinary course of the business of providing banking services.

This gives rise to current, or potential future, risk to Judo Bank's earnings and capital from movements in the market reference rates and how changes flow through over time; repricing income generating assets (for example, variable rate loans repricing monthly) and expense-incurring liabilities (for example, term deposits that have a fixed rate for the term). This risk has the potential to increase or reduce net interest income or the market value of assets and liabilities, from structural mismatches.

The level of volatility in interest rate markets has increased in the post-pandemic period after a broadening of inflationary pressures saw major central banks unwind stimulus and rapidly tighten monetary policy. Market volatility has increased in response to increased geopolitical risk, rising inflation, central banks lifting interest rates and potential risks in the banking sector following recent global bank failures and pressure in global banking systems.

Judo Bank manages interest rate risk on a whole-of-balance-sheet basis and has operating limits around the level of reduction in net interest income at risk and the market value of the banking book, from movements in rates. Interest rate risk positions are managed through a combination of natural hedges between assets and liabilities and/or hedging via interest rate derivatives (for example, receive fixed rate/pay floating rate swaps). The hedging via interest rate derivatives is executed to reduce interest rate risk, reducing variability in net interest income and better align the repricing profile between assets and liabilities.

Judo Bank's interest rate risk is managed within Board-approved limits and its balance sheet is structurally positioned to increase net interest income from rising interest rates.

5.3.5 Balance sheet and capital risks

As the Judo Group includes an ADI, it is required to maintain adequate capital resources and liquidity prescribed by APRA.

Depending on factors such as general macroeconomic conditions, current or future capital and/or liquidity requirements (including APRA's prescribed capital requirement level imposed on the Judo Group) and/or changes in the methodology for calculating risk exposure, qualifying regulatory capital or liquidity requirements, Judo may be required to raise additional regulatory capital or hold additional liquidity buffers.

If Judo Bank is unable to adequately manage its liquidity position, it may not meet its short-term financial obligations. APRA may also require the Judo Group to hold more liquid assets as a proportion of liabilities, or impose additional liquidity and/or more stable funding requirements, which may result in higher funding costs and/or lower revenue.

Any of these matters may have a material adverse impact on Judo Bank's business, financial condition, operating and financial performance, growth, liquidity or regulatory capital position. Any perceived or actual shortage of capital held by Judo Bank could also result in regulatory action.

In addition, Judo Bank is subject to periodic stress testing by APRA in respect of its resilience to adverse market developments. The outcome of stress tests, and any other regulatory inquiries, could adversely affect financing costs and trigger an increase in capital and liquidity requirements, which could have an adverse effect on Judo Bank's business, financial performance and operations.

Judo Bank is also subject to ongoing regulatory change, including APRA's new framework for capital adequacy.

5.3.6 Liquidity risk

Judo Bank is exposed to the risk that it may become unable to meet its financial commitments when they fall due, which could arise due to mismatches in cash flows. Liquidity is essential to the operation of Judo Bank's business. Refer to Section 3.5.4 for an overview of Judo Bank's liquidity position.

Liquidity may be impaired by an inability to access debt and capital markets, or to sell assets, or if Judo Bank experiences unforeseen outflows of cash or collateral. Liquidity may also be impaired due to circumstances that Judo Bank may be unable to control, such as general market disruptions or widespread market dislocation, which may occur suddenly and dramatically, an operational problem that affects Judo Bank or its trading clients, or changes in credit spreads, which are market-driven, and subject at times to unpredictable and highly volatile movements. If economic conditions deteriorate or remain uncertain for a prolonged period, Judo Bank's funding costs may increase and this may limit its ability to replace maturing liabilities, which could adversely affect Judo Bank's ability to fund and grow its business. In the event that Judo Bank's current sources of funding prove to be insufficient, Judo Bank may be forced to seek alternative financing, which could include selling assets, including illiquid assets. The availability of alternative financing will depend on a variety of factors, including prevailing market conditions, the availability of credit, Judo Bank's credit ratings and credit capacity. The cost of these alternatives may be higher than current sources of funding, or include other unfavourable terms, or Judo Bank may be unable to raise as much funding as it needs to support its business activities. This could slow the growth rate of Judo Bank's business, cause it to reduce its term assets or increase its cost of funding, any of which could adversely affect Judo Bank.

If Judo Bank is unable to adequately manage its liquidity position, it may not meet its short-term financial obligations. APRA may also require Judo Bank to hold more liquid assets as a proportion of liabilities, or impose additional liquidity and/or more stable funding requirements, which may result in higher funding costs and/or lower revenue.

5.3.7 Compliance and regulatory risks

The Judo Group operates in a highly regulated industry sector and Judo Bank, as a holder of an ADI licence, an AFSL and an ACL, is subject to specific laws, regulations and Prudential Standards. These legal and regulatory obligations are overseen by regulators including APRA, ASIC and AUSTRAC. As a lender, Judo Bank is also subject to a number of additional applicable laws or policies administered by ASIC, ACCC, the Office of the Australian Information Commissioner (**OAIC**), AFCA, the RBA and the Australian Taxation Office (**ATO**). Judo Bank must comply with strict legislative and prudential requirements, which include obligations in relation to licensing, registration and disclosure, capital and liquidity, responsible lending, unfair contract terms, the Consumer Data Right/'Open Banking', design and distribution of its products, the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML/CTF Act**) and the *Privacy Act 1988* (Cth) (**Privacy Act**). Recent reforms have led to increased supervision and regulatory oversight, including by APRA, AUSTRAC, the OAIC and ASIC, and more serious repercussions for contravention, including larger penalties. Further, recent reforms in the regulation of the financial services and banking sector have resulted in the regulatory framework that Judo Bank is subject to becoming more complex, and some areas of regulatory change involve multiple jurisdictions seeking to adopt a co-ordinated approach or certain jurisdictions seeking to expand the territorial reach of their regulation. This trend towards increased regulation, and increasingly severe penalties for failing to meet compliance obligations, could continue in the future and be expanded into other areas of regulation that Judo Bank is subject to.

The Judo Group's regulators have broad administrative and enforcement powers including, for example, APRA's broad investigative and enforcement powers under the *Banking Act 1959* (Cth) (**Banking Act**). APRA has stated that it will use enforcement, where appropriate, to prevent and address serious prudential risks and hold entities and individuals to account. The current environment may see a shift in the nature of enforcement proceedings commenced by regulators.

Judo Bank's business activities are subject to laws and regulations including the AML/CTF Act. AUSTRAC oversees the compliance of Australian businesses that offer 'designated services' as defined in the AML/CTF Act. As Judo Bank provides designated services in the form of loan and term deposit products, Judo Bank is a reporting entity for the purposes of the AML/CTF Act and is subject to a number of obligations. In recent years, there has been increased focus on compliance with financial crime obligations, with regulators around the globe commencing large-scale investigations and taking enforcement action where they have identified non-compliance, often seeking significant monetary penalties.

Judo Bank is also subject to the Privacy Act, which regulates how Judo Bank must comply with a number of obligations in respect of its handling of individuals' personal information. This includes the obligation to take reasonable steps to protect personal information the Judo Group holds from misuse, interference and loss, and from unauthorised access, modification or disclosure. As a credit provider, additional obligations are imposed on Judo Bank under the Privacy Act (including the Privacy (Credit Reporting) Code 2014 and the Privacy Regulation) in respect of Judo Bank's handling of credit information, credit eligibility information and credit reporting body-derived information. A breach by Judo Bank in any of these areas could result in fines or penalties, and the payment of compensation to affected parties, which could have a material adverse effect on Judo Bank's business, financial conditions, and operating and financial performance.

Section 5 Investment risks continued

In 2019, the Australian Government legislated for a CDR to give consumers access to, and control over, their data. The banking sector was designated by the Australian Government as the first sector of the economy to which the CDR would apply (referred to as Open Banking). The various obligations under the Open Banking legislation (including Part IVD of the *Competition and Consumer Act 2010* (Cth), the *Competition and Consumer (Consumer Data Right) Rules 2020* (Cth) and data standards) were implemented progressively by the Australian Government from February 2020 onwards. Participants in Open Banking are subject to highly detailed and prescriptive requirements and there are potentially significant penalties for failing to meet them.

If the Judo Group does not comply with its compliance and regulatory obligations, there is a risk that it may, among other matters: (1) cease to be authorised or licensed to carry on its business or that conditions may be imposed on its authorisations or licences; (2) be subject to penalties or other enforcement or class actions; (3) be subject to higher operational and compliance costs; (4) be subject to additional regulatory capital obligations; (5) be unable to recover fees, charges or interest; and (6) be required to refund amounts paid to it by customers under loan contracts, or undertake other remediation activities.

Regulatory investigations, inquiries, litigation, fines, penalties, revocations, suspensions or variations of conditions of relevant regulatory licences or other enforcement or administrative actions or agreements (such as enforceable undertakings) could, either individually or in aggregate with other regulatory action, adversely affect Judo Bank's business, prospects, reputation, financial performance or financial condition. Furthermore, regulatory action may result in the Judo Group being exposed to the risk of litigation brought by third parties (including through class action proceedings). The outcome of such litigation may be payment of compensation to third parties, further remediation activities and higher insurance premiums.

This risk is exacerbated by the increasing complexity and volume of regulation. Compliance risk can also arise where the Judo Group interprets its regulatory obligations, compliance requirements and rights differently to regulators, or a court. The potential for this to occur may be heightened in the period that follows the introduction of significant changes to regulation, particularly where that new regulation is untested and/or not subject to extensive regulatory guidance.

The Judo Group's ability to comply with its compliance and regulatory obligations is also dependent on the quality of its reporting capabilities. Errors in reporting could result in potential breaches of the Judo Group's compliance and regulatory obligations.

The Judo Group employs a compliance management system, which is designed to identify, assess and manage compliance risk. This system includes (among other things) frameworks, policies, procedures, controls and assurance oversight. While this system is currently in place, it may not always have been, or continue to be, effective at all times. Breakdowns may occur in this compliance management system due, for example, to flaws in the design of controls or poor execution of underlying processes. This could result in potential breaches of Judo Group's compliance obligations, as well as poor customer outcomes.

5.3.8 The Judo Group is subject to highly prescriptive regulatory capital requirements

As the Judo Group includes an ADI, it is required by APRA to maintain adequate regulatory capital. The regulatory capital requirements are set out in Prudential Standards that are monitored on an ongoing basis by APRA. These Prudential Standards include obligations as to the Judo Group's governance, outsourcing obligations, risk management function, minimum liquidity holdings and ongoing capital requirements. Regulatory capital requirements influence how Judo as the parent company of Judo Bank uses its capital, and can restrict its ability to pay dividends and Additional Tier 1 distributions, or to make share buy-backs.

Under current regulatory requirements, as a counterparty's risk grade worsens, Judo Bank's loan provisions increase, which can impact Judo Bank's capital position. Judo Bank's risk-weighted assets can increase if a borrower defaults or if their risk grades are downgraded. Additional regulatory capital requirements, arising as a consequence of increased loan provisioning, may be exacerbated during times of financial stress, particularly if there are lower profit levels. As a result, greater volatility in capital ratios may arise and may require Judo Bank to raise additional capital. There can be no certainty that any additional capital required would be available or could be raised on reasonable terms. Judo Bank's regulatory capital ratios may also be impacted by a number of factors including lower profitability, higher asset growth and changes in business strategy.

Australian banks (including Judo Bank) have been subject to APRA's 'unquestionably strong' target benchmark capital ratios since January 2020. Revised Prudential Standards in relation to the risk-weighting framework and other capital requirements came into effect from 1 January 2023. Judo Bank seeks to maintain a prudent capital base that adequately supports the risks being taken through the normal operation of the business. This includes providing for effective and efficient capital buffers to protect depositors and investors, and allowing the business to grow.

Judo Bank operates an Internal Capital Adequacy Assessment Process (ICAAP) to manage its capital levels and to maintain them above the minimum levels approved by the Board (which are currently set to exceed regulatory requirements). The ICAAP includes forecasting and stress testing of capital levels, which guide Judo Bank in selecting any capital management initiatives it may undertake. Should the ICAAP forecasts or stress tests prove to be ineffective, Judo Bank may not be holding sufficient capital and may need to raise capital to manage balance sheet growth and/or stress.

A breach by the Judo Group of its regulatory capital requirements or the associated Prudential Standards or its licence conditions could result in APRA imposing higher regulatory capital requirements on Judo Bank, which could have a material impact on the Judo Group's financial performance.

5.3.9 Structural subordination

Judo is a NOHC whose sole operating subsidiary is Judo Bank. There is a risk that Judo Bank may from time to time be unable to make payments on Capital Notes and if Judo or Judo Bank are wound-up, Capital Noteholders may lose some or all of their investment in Capital Notes.

If Judo Bank is wound-up, Judo's claims in respect of Judo Bank would likely be limited to the net assets of Judo Bank (if any) after all liabilities, including to deposit holders, and regulatory capital securityholders in relation to Judo Bank, have been discharged. There may be insufficient net assets available after satisfaction of such senior claims to enable Judo to pay any amount to Capital Noteholders in respect of Capital Notes.

In addition, Judo is reliant on the continued receipt of dividends, distributions or other forms of funding from Judo Bank to make payments on its securities, including Capital Notes.

The Terms do not in any way restrict Judo or Judo Bank from issuing further securities, or from incurring further indebtedness, in the future which may rank senior to Capital Notes, or which may contain terms restricting the payment of dividends, distributions, or other payments in certain circumstances. In particular, the terms of securities issued by Judo Bank may restrict it from paying dividends, distributions, or other payments to Judo in certain circumstances, or such payments to Judo may be subject to other regulatory, contractual or legal restrictions.

5.3.10 The Judo Group may be impacted by existing, new or proposed regulations

As a diversified financial institution, the Judo Group is subject to specific regulations, including financial services and other industry-specific regulations. Regulatory agencies and governments frequently review and revise banking and financial services laws, security, privacy and competition laws, fiscal laws and other laws, regulations and policies that may impact the financial sector in which the Judo Group operates. Changes to laws, regulations or policies, including changes in interpretation or implementation of laws, regulations or policies, could substantially affect the Judo Group, the products and services it offers, or the value of its assets, or have unintended consequences or impacts across its business.

These may include changing required levels of liquidity and capital adequacy, increasing tax burdens generally or on financial institutions or transactions, limiting the types of financial services and products that can be offered or how they are offered and/or increasing the ability of other providers to offer competing financial services and products.

The regulatory framework in which the Judo Group operates is subject to constant change, which may cause adverse impacts on the Judo Group or its financial performance. The Judo Group may also be adversely affected if the pace or extent of regulatory change exceeds its ability to adapt to such changes and embed appropriate compliance processes adequately. The pace of regulatory change means that the regulatory context in which Judo operates is often uncertain, shifting and complex. The nature and impact of future changes are unpredictable and beyond the Judo Group's control, and may result in potentially conflicting requirements, resulting in additional legal and compliance expenses and changes to business practices that could adversely affect the Judo Group.

APRA may introduce new prudential regulations or modify existing regulations, including those that apply to Judo Bank as an ADI. Any such event could result in changes to the organisational structure of the Judo Group and adversely affect Judo.

As at the date of this Prospectus, a number of recent or prospective legislative or regulatory changes or reviews may impact the Judo Group's business or operations, where the consequences of these changes may not yet be fully known or realised. These include:

- **Open Banking:** the Open Banking regulatory regime has been subject to regular change, and this appears likely to continue for a period, increasing compliance costs and risk. Judo would expect there to be an increase in competition in the banking markets in which Judo Bank operates as a result of it being required to share its consumer data with competitors upon consumer request.
- **Banking included as critical infrastructure:** the Security of Critical Infrastructure Act 2018 (**SOCI Act**) was amended in 2021 to include financial services as part of Australia's critical infrastructure. Under the SOCI Act, a critical infrastructure asset is required to implement and maintain a critical infrastructure risk management program and notify the Australian Government of any cyber security incidents, and the Australian Government will provide support for critical infrastructure assets in response to significant cyber attacks. At this stage the Judo Group is not subject to the SOCI Act, but if it becomes subject to the SOCI Act it will also be subject to additional security obligations and will be required to develop a risk management plan to manage cyber threats and mandatory cyber incident reporting.

Section 5 Investment risks continued

- **Responsible lending:** potentially wide-ranging changes to the responsible lending regime in Australia were before the Senate of the Australian Parliament before the election in 2022. While these have since lapsed, they may be revived, at any stage, partly, wholly or in a new form by the new Government.
- **Financial Accountability Regime (FAR):** while Judo Bank is already subject to the Banking Executive Accountability Regime (BEAR), the proposed FAR (awaiting assent in September 2023) will eventually replace BEAR and, will extend similar obligations to other APRA-regulated entities and, in future, potentially to other ASIC-regulated entities. There remains some uncertainty about its impact on the Judo Group. The regime will apply to the banking industry six months after commencement.
- **Design and distribution obligations:** the Corporations Act was amended to introduce design and distribution obligations for issuers and distributors of financial products. These apply to Judo Bank's regulated home loans and to its deposit products, and Capital Notes, for 'retail clients' within the meaning of the Corporations Act. These requirements commenced on 5 October 2021, and the full impact on the Judo Group cannot yet be determined as they are relatively recent and are likely to require a high level of continuous review. At the date of this Prospectus, one of ASIC's top enforcement priorities is compliance with the DDO Regime and ASIC intends to pursue risk-based surveillances and take enforcement action focusing on sectors and products that pose the greatest risks of consumer harm, which may or may not impact the Judo Group.
- **Product intervention power:** ASIC now has a product intervention power, enabling it to make an individual product intervention order applicable to specific person(s) in relation to an in-scope financial or credit product or a market-wide order that is applicable to a person in relation to a class of products. Again, as this power is relatively new, the impact on Judo cannot yet be determined.
- **Breach reporting:** the *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* (Cth) has, among other matters, introduced breach reporting and remediation obligations in relation to consumer credit. The Judo Group has implemented new breach reporting processes in relation to its in-scope credit products and, as these are recent, the efficacy or effect of them cannot yet be determined.
- **Privacy:** in response to the ACCC's Digital Platforms Inquiry, the Australian Attorney-General undertook a review of the Privacy Act. Following recent high-profile data breaches, the *Privacy Legislation Amendment (Enforcement and Other Measures) Bill 2022* (Cth) received Royal Assent in December 2022 and significantly increases penalties for serious or repeated breaches of the privacy law and gives enhanced regulatory powers to the OAIC. As a holder of a significant amount of 'personal information', the new laws introduce the following risks for the Judo Group:
 - **Penalty Regime:** the Australian Government has announced that the penalties for privacy breaches will be increased to the greater of: (1) \$50 million; (2) three times (3x) the benefit of the contravention; or, if the benefit cannot be determined (3) 30% of a company's domestic turnover in 12 months during the period of the contravention, whichever is longer.
 - **Enhanced Regulatory Powers for the OAIC** including:
 - New infringement notices for failure to give information when required, with associated civil and criminal penalties.
 - New information-gathering powers in relation to actual or suspected data breaches.
 - Respondents being required to prepare and/or publish statements about contraventions.
- **AML/CTF:** the AML/CTF laws were amended with the aim of strengthening Australia's AML/CTF framework and changes to customer identification procedures, correspondent banking relationships, tipping-off offences and access to information came into effect on 17 June 2021, with changes to cross-border movements of money commencing on 17 June 2022. The Judo Group has already implemented additional processes and systems to meet many of these new requirements.
- **Continued implementation/impact of recommendations arising out of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission):** while some of the key outcomes of the Royal Commission relevant to the Judo Group are noted above, the potential implementation or impact of other recommendations, or the potential for heightened enforcement action by Australian regulators arising out of the Royal Commission, may have an impact on Judo that cannot yet be fully determined. For example, the Australian Law Reform Commission released the *Financial Services Legislation: Interim Report B* on 30 September 2022, which contains recommendations, proposals, and questions in relation to the reform of corporations and financial services legislation and provides recommendations for technical simplification, simpler law design and enhanced navigability. The impact of any future amendments to law arising out of this activity is not yet known.
- **Unfair contract terms legislation:** In October 2022 the Federal Government passed the Treasury Laws Amendment (More Competition, Better Prices) Bill 2022 (**UCT Reform Bill**). The UCT Reform Bill, which received Royal Assent on 9 November 2022, amends unfair contract terms laws and expands coverage to more small business contracts, irrespective of value. The UCT Reform Bill introduces the risk of significant financial penalties if Judo Bank was found to be reliant upon unfair contract terms. Judo Bank regularly reviews its contracts to ensure they are compliant with applicable laws, but any laws consequent on the passing of the UCT Reform Bill have not been judicially tested and so their application is uncertain.

5.3.11 The Judo Group is subject to APRA's broad powers under the Banking Act

Under the Banking Act, APRA has wide powers to supervise and, where necessary, intervene in the affairs of an ADI. The nature and extent of APRA's supervisory relationship with the Judo Group depends on how much of a risk APRA considers that the Judo Group could pose to its statutory objectives. APRA's supervisory interventions will focus on reducing the likelihood of Judo Bank failing and on ensuring that it is prepared so that if it does fail, it does so in an orderly manner.

APRA will undertake a range of supervisory activities and have a range of statutory powers it can exercise in its work to promote the safety and soundness of ADIs (such as Judo Bank). For instance, APRA can require the Judo Group to provide particular information or documents to it, or formally investigate the Judo Group. APRA has broad power of direction over qualifying unregulated undertakings of the Judo Group and its subsidiaries.

Under the Banking Act, APRA also has power to issue specific directions to the Judo Group. These powers of APRA are broad and may be exercised to interfere with the performance of obligations by the Judo Group, including the power to appoint a Banking Act statutory manager. The Banking Act gives APRA extensive powers to facilitate the resolution of the entities that it regulates (and their subsidiaries) in times of distress, which include oversight, management and directions powers in relation to Judo and other Judo Group members, and powers with respect to statutory management.

In certain circumstances, APRA may appoint a statutory manager to take control of the business of an ADI, such as Judo Bank. Those circumstances are defined in the Banking Act to include:

- where the ADI informs APRA that it is likely to become unable to meet its obligations, or is about to suspend payment;
- where APRA considers that, in the absence of external support:
 - the ADI may become unable to meet its obligations;
 - the ADI may suspend payment;
 - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the interests of its depositors; or
 - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the stability of the financial system in Australia;
- the ADI becomes unable to meet its obligations or suspends payment; or
- where, in certain circumstances, the ADI is in default of compliance with a direction by the Federal Court to comply with the Banking Act or regulations made under it, and the Federal Court authorises APRA to assume control of the ADI's business.

The powers of an ADI statutory manager include the power to alter an ADI's constitution, to issue, cancel or sell shares (or rights to acquire shares) in the ADI and to vary or cancel rights or restrictions attached to shares in a class of shares in the ADI. The ADI statutory manager is authorised to do so despite the Corporations Act, the ADI's constitution, any contract or arrangement to which the ADI is party or the ASX Listing Rules. In the event that a statutory manager is appointed to Judo Bank in the future, these broad powers of an ADI statutory manager may be exercised in a way that adversely affects the rights and interests of Capital Noteholders.

In addition, APRA may (in certain circumstances) require the Judo Group to transfer all or part of its business to another entity under the *Financial Sector (Transfer and Restructure) Act 1999* (Cth). A transfer under this legislation overrides anything in any contract or agreement to which the Judo Group is a party, and thus may have an adverse effect on the rights and interests of Capital Noteholders.

APRA may also place the Judo Group under confidentiality obligations in relation to action taken by APRA. This means that the Judo Group may not be able to disclose information about action taken by APRA (including in exercise of its powers under the Banking Act).

5.3.12 Impact of competitors on Judo Bank's position

Judo Bank operates in a market that faces the risk of increasing levels of competition, including from new business or marketing models (such as less-regulated, non-bank entrants) and/or technology platforms. Judo Bank also faces competition from the incumbent larger financial institutions, many of which have greater scale and financial resources, stronger brand recognition, broader product offerings or more extensive distribution networks or aggressive pricing models. This competition could result in reduced revenue, reduced lending and operating margins or loss of market share, which could have a material adverse impact on Judo Bank's business, reputation, future loan originations, operating and financial performance, financial condition and future prospects.

Section 5 Investment risks continued

The regulatory compliance or performance of Judo Bank's competitors may also impact the regulatory regime governing the sector and therefore Judo Bank's own regulatory obligations. There is a risk that where one or more of Judo Bank's competitors suffer material instance(s) of regulatory non-compliance, leading to changes in the regulatory framework for the industry, Judo Bank's own regulatory obligations, systems and processes may be impacted.

Judo Bank's compliance with its own regulatory obligations, especially under the Open Banking requirements may also lead to increased competition due to the facilitation of write access to competitors and broad sharing of consumer data across the banking markets in which Judo Bank operates.

5.3.13 Risks arising from changes in economic, political and business conditions

As Judo Bank's business is located wholly in Australia, its performance depends on the prevailing economic, political and business conditions in Australia. These conditions are affected by, among other matters, global factors such as market volatility (including capital or financial market volatility), and local factors such as unemployment, interest rates, lack of income or wages growth, consumer sentiment, business investment, government spending or policy, exchange rates and inflation. Any one or more of these could affect the business and economic environment and, ultimately, the origination volume, future prospects and profitability of Judo Bank's business.

Economic conditions may also be negatively impacted by climate change and major shock events, such as natural disasters, epidemics and pandemics, war and terrorism, political and social unrest, banking instability and sovereign debt restructuring and defaults.

Deterioration in any one of these factors may lead to the following negative impacts on Judo Bank:

- Decreased origination volumes and demand for Judo Bank's products;
- Decreased lending margins or asset yields;
- Increased customer defaults and credit losses;
- Higher provisions for credit impairment;
- Increased cost of funding and limited availability of funding and capital;
- Deterioration in the value and liquidity of assets (including collateral), which impacts Judo Bank's ability to recover in the event of defaults;
- Increased operating costs impacting Judo Bank's profitability;
- A lack of available or suitable derivative instruments for hedging purposes; and
- Increased cost of insurance, lack of available or suitable insurance, or failure of the insurance underwriter.

The following macroeconomic and financial market conditions are, as of the date of this Prospectus, of most relevance to the credit risk facing Judo Bank, demand for Judo Bank's products and its overall financial performance:

- The risk of persistent inflation despite rapid increases in interest rates globally, which may exacerbate market volatility, further slow economic growth and increase unemployment, which in combination may cause further declines in business and investor confidence, as well as increasing the risk of unemployment and customer defaults and Judo Bank's funding costs;
- The risk of contagion due to financial system instability, which remains an ongoing concern for Judo Bank due to the interdependency of financial market participants. Where concerns over the viability of financial institutions arise, it can trigger contagion fears, potentially destabilising global markets and, in turn, negatively affecting economic activity and Judo Bank's results;
- Any potential further escalations in trade restrictions and disruptions in global supply chains and consequential global inflationary impacts associated with the Russian invasion of Ukraine, any impacts associated with further escalation in conflict between Israel and Hamas and any consequential involvement of other nations, or any other potential geopolitical conflict;
- Any geopolitical tension or other event that adversely affects China's economic growth or Australia's economic relationship with China, including the implementation of tariffs or other protectionist trade policy; and
- The risk of further weakening of the Chinese economy, including by reason of a property development slow down and weak real estate market, extreme weather conditions that have impacted a number of China's industries, a reduction in investment in the technology industry by foreign investors and ongoing trade tensions between China and major economies such as the US.

Events of the kind referred to above could cause a reduction in demand for Judo Bank's products and services and/or an increase in credit defaults, bad debts and impairments and/or an increase in the cost of Judo Bank's operations. Should these occur, it is likely that they will result in a material adverse effect on Judo Bank's business, results of operations, financial condition and prospects. The Judo Group can give no assurances as to the likely future conditions of the Australian economy, which can be influenced by many factors which are outside of its control.

5.3.14 Environmental and social risks

As Judo Bank expands, it could be exposed to financial losses or brand damage from the adverse impacts of environmental and social risks (including climate change-related risks impacting Judo Bank, its customers, suppliers or the broader economy, such as increases in temperature, sea levels or the frequency or severity of adverse events, including fires, storms, floods, droughts or pandemics) or from failing to meet community or regulatory expectations in relation to environmental and social issues, such as operating or lending more sustainably, or developing and offering more sustainable products and services.

These risks, whether acute or chronic, may directly impact Judo Bank and its customers through reputational damage, environmental factors, insurance risks and business disruption, and may have an adverse impact on financial performance (including through an increase in defaults in credit exposures, or an increased risk that Judo Bank's assets, including those held as collateral or as investments, could become impaired or higher risk over time). While Judo Bank's product design and life-cycle management processes reflect its drive to improve customer financial wellbeing, inclusion and resilience – and its employment and supply chain policies have a focus on diversity and inclusion and the avoidance of human rights harm – there is a risk that Judo Bank may fail to keep pace with employee, customer, community or regulatory expectations, or fail to develop attractive products and services with an appropriate sustainability focus. Disruption is also likely to occur to Judo Bank's business or assets from any adjustment to a low-carbon economy, including through the nature and volume of regulatory policy or market, technological or community-led transition requirements. Any increased regulatory focus on Judo Bank may also increase the risk of compliance breaches or litigation (including enforcement or class actions).

Any initiatives to mitigate or respond to the adverse impacts of climate change by Judo Bank or its suppliers, competitors or customers, may in turn impact market and asset prices, economic activity and behaviours, particularly in geographic locations and industry sectors adversely affected by climate change. Failure to effectively manage these risks could adversely impact Judo Bank's business, prospects, reputation, and financial performance or condition, including Judo Bank's ability to recover amounts owing to it.

Judo Bank recognises that climate change-related risk is just one of a range of potential environmental and social risks that could adversely impact Judo Bank, and that it is systemic in nature, and a significant long-term driver of financial, non-financial and strategic risk to Judo Bank. A failure to respond adequately to the potential and expected impacts of, or opportunities presented by, climate change is likely to affect Judo Bank's long-term performance.

5.3.15 Risks arising from the COVID-19 pandemic and future communicable disease outbreaks

The COVID-19 pandemic has had, and may continue to have, negative effects on the domestic and global economy, including disruption and volatility of financial markets, supply chain disruptions, fluctuations in unemployment and other negative outcomes, including inflation. If new COVID-19 variants or other diseases emerge, the Australian economy (as well as many other global economies), may experience greater stress and an increased risk of recession.

Such an outcome has the potential to increase customer defaults and materially adversely impact Judo Bank's financial performance, position and profitability.

5.3.16 Risk related to Australian real estate markets

Residential and commercial property lending constitutes an important segment within the Australian banking market. Since the global financial crisis (**GFC**) and until early 2022, the central banks of many sovereign nations undertook unprecedented monetary policy stimulus. Interest rates have increased steadily during 2023 in Australia and many other sovereign nations due to a shift in monetary policy stance, primarily in response to inflationary pressures. Additionally, a highly competitive construction sector with declining profit margins could present an indirect risk to Judo Bank's commercial property financing activities.

Given a prolonged period of asset price inflation and historically low interest rates until early 2022, Judo Bank's credit quality for commercial property loans may be impacted by increasing interest rates, which could present debt servicing pressures and cause a decline in asset values, potentially increasing refinancing and default risk.

5.3.17 Credit rating

At the date of this Prospectus, Judo Bank has obtained a public external credit rating, which reflects an independent opinion of Judo Bank's credit worthiness. A credit rating can affect the cost and availability of Judo Bank's funding and may be important to certain customers or counterparties when evaluating its products and services.

Future credit ratings assigned to Judo Bank by rating agencies will be based on an evaluation of a number of factors, including Judo Bank's financial strength, track record, the quality of Judo Bank's governance, structural consideration regarding the Australian financial system and economy, and Australia's sovereign credit rating. A future rating downgrade could be driven by a downgrade of Australia's sovereign credit rating, or one or more of the risks identified in this section or other events, including changes to the methodologies rating agencies use to determine ratings.

Section 5 Investment risks continued

A future downgrade, or withdrawal of any credit rating obtained by Judo Bank, could have an adverse effect on Judo Bank's funding costs, collateral requirements, liquidity, competitive position and access to capital markets. The extent and nature of these impacts would depend on various factors including the extent of any potential rating change, differences across agencies (split ratings) and whether competitors or the sector are also impacted.

5.3.18 Information technology risks

Judo Bank's ability to service its customers is reliant on the efficient and uninterrupted operation of its technology platform. While Judo Bank's disaster recovery and business continuity capabilities are continually tested for efficacy, Judo Bank's technology platform may, in whole or part, at any time, be subject to system failures, interoperability issues, service outages, programming or human errors, natural disasters, fire, power outages or other events outside Judo Bank's control. Measures implemented by Judo Bank to protect against such events may also be ineffective. Any failure could cause significant damage to Judo Bank's reputation, its ability to make informed credit decisions or to effectively service its customer base, any of which may have a materially adverse impact on Judo Bank's operating and financial performance and/or growth.

Judo Bank is still in the process of developing and evolving its information technology (**IT**) systems as it grows to scale and expands its business offering. Additionally, as it continues to develop and evolve its IT systems this may involve upgrading, changing, and replacing certain platforms and/or service providers. Any failure by Judo Bank to appropriately design, develop, implement, maintain or upgrade its IT systems, or any investment in new technology that does not meet Judo Bank's expectations or keep pace with rapid technological change, consumer expectations or the regulatory environment, may also negatively affect Judo Bank's business, reputation, operating and financial performance, and/or growth, and expose Judo Bank to regulatory sanctions (including for privacy breaches or breaches of APRA's Prudential Standards). These failures may also contribute to an increase in manual processes and interventions, which may carry additional operational risks.

Further, elements of Judo Bank's technology platform are reliant on services provided by outsourced providers (see Section 5.3.20). These providers may choose to cease to do business, or change the terms on which they do business, with Judo Bank. Additionally, many of the contracts that Judo holds with these providers are based on the provider's standard terms and conditions, which:

- can be terminated on short notice; and/or
- may contain termination for convenience provisions, allowing the provider to terminate the contract and stop providing Judo Bank with the relevant service.

These third-party service providers may maintain the right to amend their standard terms and conditions from time to time, without consultation with Judo Bank.

In light of this, there can be no guarantee that Judo Bank will be able to renew any contract on similar or not-less-favourable terms. As a result, any change to the relationships with these providers may have an adverse impact on Judo Bank's operations, financial performance and/or growth. While some of these services could be replaced quickly, other services may take a longer period of time.

5.3.19 Cybersecurity and data risks

As part of offering and promoting its products and services, Judo Bank collects, processes, handles and retains personal, sensitive, credit and confidential information regarding its customers, and other personal information relating to its service providers, business partners and investors. Judo Bank also maintains data-sharing arrangements with its service providers, broker networks and other parties (such as government or regulatory bodies) through which it shares, discloses and/or receives information about persons who are, or may become, Judo Bank's customers.

As Judo Bank relies on cloud-based technology providers to host a number of its core platforms, including customer and other data, there is a material risk that Judo Bank may be exposed to a security breach or service interruptions. That is, all or part of its technology platform or applications may experience downtime, delays, interruption, or corruption because of cyberattacks including from computer viruses, bugs, worms, data theft, technical failures, natural disasters, fraud or other events outside Judo Bank's influence or control including problems with the cloud-based technology providers' infrastructure and natural disasters. In such cases, the measures taken by Judo Bank may not be sufficient to detect or prevent unauthorised access to, or disclosure of, personal or confidential information, whether malicious or inadvertent.

Cyberattack techniques are constantly evolving and an attack may not be identified until launched or in some cases well after a breach has occurred. In addition, security breaches affecting service providers may not be disclosed to Judo Bank in a timely manner. As such, Judo Bank may not be able to identify the cause or causes of these performance problems within a period of time acceptable to its customers. It is possible that Judo Bank's customers and potential customers would hold it accountable for any breach of security affecting a cloud provider's infrastructure and Judo Bank may incur liability from those customers and from third parties with respect to any breach affecting these systems. Judo Bank may not be able to recover liabilities to its customers and third parties from a certain cloud provider. It may also become increasingly difficult to maintain and improve Judo Bank's performance, especially during peak usage times, as its platform becomes more complex and the usage of the network increases.

As Judo Bank is an ADI, Judo Bank is also subject to Prudential Standards that apply to the security of its IT systems (including APRA Prudential Standard CPS 234 Information Security and APRA Prudential Standard CPS 220 Risk Management). CPS 234 requires Judo Bank to have measures in place, so it is resilient against information security incidents (including cyberattacks) by maintaining an information security capability commensurate with information security vulnerabilities and threats. Consistent with many other Australian banks, Judo Bank's program of work to ensure compliance with CPS 234 on information security is a work in progress as it continues to work on enhancing its risk framework to appropriately manage information security and cyber threats. APRA has instituted industry-wide tripartite reviews of regulated entities' compliance with CPS 234. Judo Bank's review was delivered in July 2023 and reflective of their status, the opinion was adverse. In addition to the tripartite, CPS 220 requires Judo Bank to make an annual risk management declaration to APRA regarding its risk management systems (including IT systems) and requires Judo Bank to inform APRA if there has been any significant breach of, or material deviation from, the risk management framework or the requirements set out in CPS 220. In 2021, 2022 and 2023, the declaration given to APRA under CPS220 included qualification regarding its compliance with CPS 234. Further, in 2023, a qualification was raised under APS 310 (Part C) regarding data quality controls impacting form reporting.

Any cybersecurity or data breach or breach of the Prudential Standards regarding information security may cause significant damage to Judo Bank's reputation, its ability to provide its products and services, its ability to service customers in a timely manner and its ability to retain existing customers and attract new customers, any of which could have a materially adverse impact on Judo Bank's business, reputation, brand, operating and financial performance and/or growth, market share, share price, speed and agility in the delivery of change and innovation, or expose Judo Bank to regulatory or class actions (including being subject to higher operational and compliance costs, penalties or enforcement actions, having conditions imposed on its banking licence, or ceasing to be authorised as an ADI deposit-taking institution).

The data risks for Judo Bank have increased in recent years, in part because of: (i) the pervasiveness of technology to conduct financial transactions; (ii) the evolution and development of new technologies; (iii) customer's increased use of personal devices that are beyond Judo Bank's control systems; (iv) increased remote working by Judo Bank's employees; (v) the increased sophistication and broadened activities of cyber criminals, who may be in regions involved in heightened geopolitical tensions that may further elevate this risk; (vi) the reliance on third-party providers and their providers; and (vii) Judo's own growth particularly over recent years. To manage these data risks, Judo Bank has policies (as required by APRA) to maintain registers of third-party service providers, undertake response planning and testing procedures in relation to possible cybersecurity and data breaches, and conduct assurance reviews in relation to these matters. These procedures include a requirement to seek similar assurance from third party service providers (including brokers). Practices and capabilities in these areas vary by provider. Judo Bank will further develop its own capabilities in this area as well as work with providers to do the same. There is a risk that these processes will prove inadequate and expose Judo Bank to system failures and the risk of regulatory action.

Despite the protective measures taken, Judo Bank may still be a target for cyberattacks both directly and through its third-party providers, which may ultimately cause damage to Judo's business including but not limited to the ways described above.

5.3.20 Judo Bank's reliance on outsourced service providers

Judo Bank's business is highly dependent on arrangements with key outsourced providers, including legal service, credit reporting, data, operational and business process support service and payment systems providers, communications and IT suppliers, and other software and infrastructure providers and could face significant additional costs or business disruption if, among other matters:

- its providers fail to provide Judo Bank with the agreed services in a timely, secure, professional, effective or reliable manner;
- its relationships are terminated, altered or affected by circumstances outside Judo Bank's influence or control, including any change, default interruption, reduced availability or accuracy, or an insolvency event in relation to a key provider;
- its suppliers become subject to any information or data breach incident or other reputational issue that makes a key third-party vendor ineligible to be a supplier of material services to an ADI;
- a supplier fails to undertake response planning and testing procedures as required by Judo Bank's cybersecurity and data risk policies, which increases the likelihood or severity of a cybersecurity incident;
- Judo Bank is unable to execute or renew any required service contracts on commercially acceptable or favourable terms; or
- Judo Bank is unable to comply with its contractual obligations, or is unable to adequately fund or minimise its exposure to potential liability, under the relevant agreement.

Judo Bank's key outsourced providers include:

- cloud-based infrastructure solutions (e.g. cloud services providers);
- participants that provide Judo Bank with access to the payments system;
- legal and settlement service providers Judo Bank utilises in relation to its lending products; and
- credit agencies and/or data analytics providers whose data Judo Bank relies on to assist in its credit assessment processes or to meet its AML/CTF obligations.

Section 5 Investment risks continued

A number of the contracts with these suppliers may be terminated on short notice, service levels may be varied or suspended without Judo Bank's consent, or the supplier may vary the terms of the agreement governing the service levels. Further, some contracts contain change-of-control provisions, which give the relevant supplier the right to terminate the contract. While these provisions are not triggered by the Offer, in the event there is a change in control at a later date and consent is not obtained from the relevant supplier, there remains a risk that the relevant supplier could terminate its agreement with Judo Bank. Should this occur, Judo Bank may not be able to obtain the same supplies or may have to accept materially worse terms to obtain these supplies.

While some of these services could be replaced quickly, other services may take a longer period of time. Accordingly, any change to the services or relationships that Judo Bank relies on may have an adverse impact on its business, financial and operational performance, and future prospects.

5.3.21 Retention of key management or employees

The Judo Group's success relies on its ability to attract and retain qualified and skilled Board members and a senior management team with significant depth and breadth of experience and specialist skills in SME lending, and retail and wholesale term deposit products, among other matters. Further, as a relationship-focused bank, Judo Bank's business and success are also reliant on the hiring and retention of employees with specialist skills, including high-quality relationship bankers and IT, procurement, compliance, legal and risk professionals. The ongoing search for talent remains a key focus for the Judo Group, and Judo Bank's ability to attract top talent continues to strengthen as its employer brand grows in the market. For an ADI, Judo Bank maintains a relatively small central team that provides support services across the business, and Judo Bank is reliant on certain key personnel with the critical skills necessary for its effective operation and successful functional performance.

The Chief Executive Officer, senior management team and Board have skills that are critical to setting the strategic direction, driving an appropriate organisational culture, successful management and growth of Judo Bank, and any failure to retain key executives and members of the Board, or to engage suitable replacements, or any failure to retain employees with the necessary specialist skills without engaging suitable replacements, may materially adversely impact Judo Bank's business, its ability to drive and maintain an appropriate organisational culture, its distributor relationships, its financial and operational performance and prospects, and may also lead to the loss of, or a change in, the conditions attached to one or more of Judo Bank's licences or authorisations.

5.3.22 Risk governance framework failures

There is a risk that this governance framework is not properly implemented within the organisation or not properly supervised, exposing Judo to levels of risk that are not contemplated by Judo's Risk Appetite Statement (**RAS**).

Judo Bank has achieved rapid growth in its lending operations and expects to continue to do so to achieve scale in its activities. As Judo Bank continues to grow it will need to undertake ongoing development of the risk management framework and the assurance processes required to monitor the framework so that Judo Bank's systems and processes remain appropriate for that increasing scale of activities. There is a risk that the governance framework will not keep pace with that growth or not remain appropriate to manage the risks associated with the size of Judo Bank's business activities, with the result that Judo Bank assumes risk that is not contemplated by the RAS.

Judo Bank is also seeking to grow the number of relationship bankers employed in the business. In doing so, it needs to instill in its relationship bankers the culture that 'everyone is a risk manager', which is core to Judo Bank's approach to risk management. There is a risk that this objective is not properly embedded in the culture of the organisation or that Judo Bank's risk management framework and RAS are not sufficiently understood by its relationship bankers, with the result that Judo Bank assumes risk that is not contemplated by the RAS.

If Judo Bank were to operate outside its RAS it may confront the risk of unforeseen lending losses and scrutiny and sanctions imposed by APRA.

5.3.23 Operational, conduct and business continuity risks

Judo Bank is exposed to significant operational, conduct and business risks including risks arising from process, communications or systems errors, outsourced service provider or broker conduct, system failure, failure of security and/or physical infrastructure, human error, and product development and review, or monitoring failures. Risks of this nature, and any failure of Judo Bank's internal controls, policies and processes to combat such risks, have the potential to materially adversely impact Judo Bank's reputation, its ability to provide its products and services, its ability to service customers in a timely manner and its ability to retain existing customers and attract new customers, any of which could have a materially adverse impact on Judo Bank's business, operating and financial performance, and/or growth, and expose Judo Bank to regulatory sanctions or litigation.

Operational risk is the risk of loss and/or non-compliance with laws resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, cyber risk, conduct and culture risk, and the risk of loss or damage arising from inadequate or failed internal processes, people and/or systems, but excludes strategic risk and reputational risk.

Operational risk categories include, but are not limited to:

- internal fraud (for example, involving employees, suppliers or contractors);
- external fraud (for example, fraudulent customers, broker networks or referrers);
- regulatory reporting obligations (such as failure to provide timely and accurate regulatory reporting due to technology or human error);
- employment practices, loss of key staff, inadequate workplace safety, and failure to effectively implement employment policies;
- impacts on clients, products and business practices (for example, misuse of customer data or anti-competitive behaviour);
- business disruption (including systems failures);
- cyber risk;
- culture risks;
- conduct-related risk, including the possibility of mis-selling of financial products, in a manner that is not aligned with the customer's risk appetite, objectives, financial situation or needs, or to the issuer's target market determinations or other disclosure documents;
- damage to physical assets; and
- execution, delivery and process management (for example, processing errors or data management failures).

Loss from operational risk events may adversely affect Judo's financial position. Such losses can include fines, penalties, loss or theft of funds or assets, legal costs, customer compensation, loss of Shareholder value, reputational loss, loss of life or injury to people, and loss of property and/or information.

Pursuant to APRA requirements, the Judo Group must also maintain 'operational risk capital' reserves in the event that future operational events occur.

There can be no guarantee or assurance that the Judo Group's internal controls, policies or processes will reduce or prevent the incidence of operational risks, and any failure of them to detect, reduce or prevent such risks may materially adversely impact Judo's business, reputation, operating and financial performance, and/or growth, and expose the Judo Group to regulatory sanctions or litigation.

5.3.24 Reputation risk

Judo Bank's business and growth prospects are heavily reliant on its relationships, networks and its reputation to attract and retain customers and other business partners, sources of funding, talent, key stakeholders or suppliers.

Any factors that damage the Judo Group's reputation (including a number of the risks described in this section) may give rise to reputational damage and potentially result in failure to win or retain relationships with customers, maintain its funding program, and attract and retain employees, which could materially adversely affect the Judo Group's business, and operating and financial performance. These factors include breaches of legal and regulatory requirements (such as money laundering, counter terrorism financing, trade sanctions and privacy laws), technology and information security failures, unsuccessful strategies or strategies that are not in line with community expectations, and non-compliance with internal policies and procedures. The Judo Group's reputation may also be adversely affected by community perception of the broader financial services industry, or from the actions of its competitors, customers or suppliers.

5.3.25 Underpayment of wages and failure to comply with industry awards

Despite a number of controls in place that seek to ensure compliance with all employment laws, there is a risk that an issue with underpayment of employees could occur within the Judo Group's business. These issues could arise where employees work hours in addition to a standard work week, and these hours are not recorded or accounted for when determining whether an industry award has been complied with. Underpayment of employees could have significant consequences for the Judo Group, which may involve significant financial liability related to correcting accumulated past underpayments, a loss in trust in the Judo Group resulting in reduced ability to attract and retain employees, negative media, which impacts the reputation of the Judo Group and its brand, and regulatory scrutiny, such as from the Fair Work Commission.

5.3.26 Potential litigation against the Judo Group

The Judo Group relies on an extensive array of contractual arrangements including with its broker networks, customers and outsourced service providers.

A dispute may arise under those contracts, and the Judo Group may commence, or be subject to, investigation, litigation or other proceedings to resolve such a dispute. Such actions have the potential to disrupt Judo Bank's business, adversely affect its financial or operational performance and affect its reputation and ability to maintain or source its funding requirements.

5.3.27 Insufficient insurance coverage

The Judo Group seeks to maintain comprehensive insurance for building and contents, directors and officers liability, employee practices, professional indemnity, cyber liability and travel insurance. However, the Judo Group's insurance policies do not cover all types of potential losses and liabilities, and are subject to certain exclusions, limits and excesses. As a result, the Judo Group's insurance coverage may not be sufficient to cover the full extent of any losses or liabilities for which it is ultimately responsible, and it may be held liable for material claims beyond its insurance coverage limits that could materially and adversely impact its financial performance and reputation. In addition, if the Judo Group made any significant claims against its insurance policies, this could lead to increased premiums on renewal and/or additional exclusions to the terms of future policies, which could have an adverse impact on the Judo Group's financial performance.

Section 6

About the Offer.

This Section provides information about the Offer, including how to apply. The key dates in relation to the Offer are outlined on page 3 of this Prospectus.

6.1 The Offer

The Offer is for the issue of Capital Notes with an Issue Price of \$100 per Capital Note to raise approximately \$75 million with the ability to raise more or less.

The final size of the Offer will depend on the outcome of the Bookbuild and the volume of the Applications received and accepted under the Broker Firm Offer. Judo reserves the right to scale back Applications or increase the final size of the Offer if there is excess demand.

All Capital Notes issued will be allotted under and subject to the disclosure in this Prospectus.

6.2 Capital Notes Target Market

Judo has made the Target Market Determination for Capital Notes in accordance with its obligations under the DDO Regime. The Target Market Determination is available at www.judo.bank/capital-notes/.

The Target Market Determination describes, among other things, the class of Retail Investors that comprise the target market for Capital Notes (**Capital Notes Target Market**), being Retail Investors who:

- are seeking to acquire an investment product with the ability to generate income;
- are not seeking capital growth;
- are able to bear the risks associated with an investment in Capital Notes (which are summarised in Section 1.5 and detailed in Section 5), in particular, (i) the lack of certainty as to the payment of distributions and (ii) the potential loss of some or all of the capital invested in Capital Notes;
- do not require certainty as to repayment of capital invested within a specific investment timeframe; and
- seek the ability to dispose of Capital Notes by sale on a licensed securities exchange, at the price available on the exchange.

If you are a Retail Investor and wish to apply for Capital Notes, you:

- must seek personal advice as to whether you are within the Capital Notes Target Market and whether an investment in Capital Notes is suitable for you in light of your particular investment objectives, financial situation and needs (including financial and taxation issues); and
- can only apply for Capital Notes if you are within the Capital Notes Target Market and have received personal advice from a qualified financial adviser.

If you have any questions about the Offer, Capital Notes, or the Capital Notes Target Market, you should contact your Syndicate Broker or a qualified financial adviser.

6.3 Structure of the Offer

The Offer comprises:

- an Institutional Offer made to certain Institutional Investors; and
- a Broker Firm Offer made to certain Australian resident clients of Syndicate Brokers who are either a Wholesale Investor or a Retail Investor within the Capital Notes Target Market and have received personal advice from a qualified financial adviser.

6.4 Applying for Capital Notes

6.4.1 Minimum application

The amount an Applicant must pay for each Capital Note is \$100. Applications must be made for a minimum of 50 Capital Notes (\$5,000) and, in multiples of 10 Capital Notes (\$1,000) thereafter.

6.4.2 Applying under the Institutional Offer

The Institutional Offer is available to Institutional Investors who are invited by the Arranger to bid for Capital Notes in the Bookbuild.

Application and settlement procedures for Institutional Investors will be advised by the Arranger.

6.4.3 Applying under the Broker Firm Offer

The Broker Firm Offer is available to certain Australian resident clients of Syndicate Brokers who are either a Wholesale Investor or a Retail Investor within the Capital Notes Target Market and have received personal advice from a qualified financial adviser.

To participate in the Broker Firm Offer, you must contact the Syndicate Broker who has offered you an allocation in the offer for information about how and when to lodge your Application and accompanying Application Payment.

You must contact your Syndicate Broker for instructions on how to pay the Application Payment necessary for your Application. Applications under the Broker Firm Offer must be received by your Syndicate Broker in sufficient time for your Syndicate Broker to process your Application on your behalf by the Closing Date which is expected to be 5.00pm (Sydney time) on 10 November 2023. However, Judo, the Arranger and the JLMs may, in their absolute discretion, close the Offer early without notice, so if you wish to apply you are encouraged to do so as soon as possible.

No cooling-off rights apply to an Application for Capital Notes. You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

6.5 Completing and lodging your Application

6.5.1 Submitting an Application

To participate in the Broker Firm Offer, you must contact the Syndicate Broker who has offered you an allocation for information about how and when to lodge your Application.

6.5.2 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable on your Application. However, you may have to pay brokerage (and applicable GST), on any subsequent purchases or sales of Capital Notes on ASX.

6.5.3 Refunds

In the event that the Offer does not proceed for any reason, all Applicants will have their Application Payments refunded (without interest) as soon as practicable. Refund amounts, if any, will be paid in Australian dollars.

If you wish to advise or change your banking instructions with Judo's share registry, you may do so by going to www.linkmarketservices.com.au and following the instructions.

6.6 Bookbuild and Allocation Policy

6.6.1 Bookbuild

The Bookbuild is a process that will be conducted by the Joint Lead Managers before the Opening Date to determine the Margin and firm allocations of Capital Notes to Bookbuild participants (being Syndicate Brokers and certain Institutional Investors), by agreement with Judo. In this process, the Bookbuild participants are invited to lodge bids for a number of Capital Notes. On the basis of those bids, the Arranger, Joint Lead Managers and Judo, by mutual agreement, determine the Margin and the firm allocations to Syndicate Brokers and to certain Institutional Investors. The Margin will not change for the term of Capital Notes.

The Bookbuild will be conducted in the manner contemplated in this Prospectus and, otherwise, on the terms and conditions agreed to by Judo, the Arranger and the Joint Lead Managers in the Offer Management Agreement.

Judo reserves the right to change the size of the Offer following the close of the Bookbuild.

Section 6 About the Offer continued

6.6.2 What is the Allocation Policy?

Institutional Offer • Allocations to Institutional Investors will be determined by Judo in consultation with the Arranger and the Joint Lead Managers following completion of the Bookbuild.

Broker Firm Offer • Allocations to Syndicate Brokers will be determined by Judo in consultation with the Arranger and the Joint Lead Managers following completion of the Bookbuild.

- Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker. There is a risk that you do not receive a full allocation, or any allocation of Capital Notes, either because your Application is scaled or because you are unable to secure an allocation through a Syndicate Broker.
- Judo takes no responsibility for any allocation, scale back or rejection that is decided by a Syndicate Broker.

6.6.3 How will the final Allocation Policy be announced?

Institutional Offer • Allocations to Institutional Investors will be advised to those investors following completion of the Bookbuild.

Broker Firm Offer • Allocations to Syndicate Brokers will be advised to those brokers following completion of the Bookbuild.

- Applicants under the Broker Firm Offer will be able to confirm their firm allocation through the Syndicate Broker from whom they received their allocation.
- However, if you sell Capital Notes before receiving a Holding Statement, you do so at your own risk, even if you confirmed your firm allocation through a Syndicate Broker.

6.7 Other information

6.7.1 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, Capital Notes, the Offer or otherwise to permit a public offering of Capital Notes in any jurisdiction outside Australia.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus outside Australia, then you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws. This Prospectus and the Offer do not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This Prospectus (including an electronic copy) may not be distributed or released, in whole or in part, in the United States. Neither Capital Notes nor the Ordinary Shares have been, or will be, registered under the U.S. Securities Act or the securities laws of any state of the United States and they may not be offered or sold in the United States. Capital Notes are being offered and sold in the Offer solely outside the United States pursuant to Regulation S under the U.S. Securities Act.

Any offer, sale or Resale of Capital Notes in the United States by a dealer may violate the registration requirements of the U.S. Securities Act.

Subject to Judo's approval, Capital Notes may be offered in certain permitted jurisdictions outside Australia under the Institutional Offer where such offer is made, and accepted, in accordance with the laws of such jurisdictions.

Each person submitting an Application will be deemed to have acknowledged that they are aware of the restrictions referred to in this Section 6.7.1 and to have represented and warranted that they are able to apply for and acquire Capital Notes in compliance with those restrictions.

6.7.2 Application to ASX for quotation of Capital Notes

Judo will apply, within seven days after the date of this Prospectus, to ASX for Capital Notes to be quoted on ASX. If ASX does not grant permission for Capital Notes to be quoted within three months after the date of this Prospectus, Capital Notes will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

6.7.3 CHESS and issuer sponsored holdings

Judo will apply for Capital Notes to participate in CHESS. If accepted, no certificates will be issued for Capital Notes. Instead, a Holding Statement will be mailed to holders. Judo expects Holding Statements for issuer sponsored holders and confirmations for CHESS holders to be despatched to successful Applicants by 23 November 2023.

6.7.4 Trading and selling on market

It is expected that Capital Notes will begin trading on ASX on a normal settlement basis on 17 November 2023 under the ASX code 'JDOPA'. Deferred settlement will not occur.

You are responsible for confirming your holding before trading in Capital Notes to avoid the risk of selling Capital Notes that the Capital Noteholder does not own. If you are a successful Applicant and sell your Capital Notes before receiving your Holding Statement, you do so at your own risk.

You may telephone the Judo Capital Notes Offer Information Line on 1800 754 866 (Monday to Friday 8.30am to 5.30pm, Sydney time), or your Syndicate Broker, after the Issue Date to enquire about your allocation.

6.7.5 Provision of bank account details for Distributions and other payments

To receive payments, Capital Noteholders must notify the Registrar of an Australian dollar bank account maintained in Australia.

Judo's current policy is that Capital Noteholders with a registered address in Australia will be paid Distributions by direct credit into nominated Australian financial institution accounts (excluding credit card accounts).

6.7.6 Provision of TFN or ABN

If you are an Applicant who has not already quoted your Tax File Number (**TFN**) or Australian Business Number (**ABN**) to Judo and are issued any Capital Notes, then you may be contacted in relation to quoting your TFN, ABN or both.

The collection and quotation of TFNs and ABNs is authorised and their use and disclosure is strictly regulated by tax laws and the Privacy Act. It is not an offence to not quote your TFN or ABN however, not doing so may result in tax being withheld from Distributions. Please refer to 'Provision of TFN and/or ABN' in Section 7.5 for additional information.

Successful Applicants who do not have an address in Australia registered with the Registry, or who direct the payment of any Distributions to an address outside Australia, may have a withholding tax amount deducted from Distributions.

Judo may be required to request information from successful Applicants to comply with its obligations under FATCA or CRS. See Section 5.2.23 for more information.

6.7.7 Discretion regarding the Offer

Judo reserves the right not to proceed with, and may withdraw, the Offer at any time before the issue of Capital Notes to successful Applicants.

If the Offer, or any part of it, does not proceed, all relevant Application Payments will be refunded (without interest) as soon as practicable.

Judo and the Joint Lead Managers reserve the right to close the Offer (or any part of it) early, extend the offer (or any part of it), accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Capital Notes than applied or bid for. This is at Judo's discretion and Judo is under no obligation to exercise that discretion in any particular way.

Investors should note that no cooling-off rights (whether by law or otherwise) apply to an Application for Capital Notes. This means that, in most circumstances, Applicants may not withdraw their Applications once submitted.

6.8 Enquiries

6.8.1 Broker Firm Applicants

If you have questions about the Offer or your Broker Firm Application, contact your Syndicate Broker.

Section 7

Australian taxation summary.

This section contains a summary of the Australian tax consequences for:

- certain Capital Noteholders who are tax residents of Australia (**Australian Resident Capital Noteholders**); and
- certain Capital Noteholders who are not tax residents of Australia (**Non-Resident Capital Noteholders**),

and who subscribe for the Capital Notes under the Offer and hold them on capital account for tax purposes.

7.1 Introduction

This section contains a summary of the Australian tax consequences for:

- certain Capital Noteholders who are tax residents of Australia (**Australian Resident Capital Noteholders**); and
- certain Capital Noteholders who are not tax residents of Australia (**Non-Resident Capital Noteholders**),

and who subscribe for Capital Notes under the Offer and hold them on capital account for tax purposes.

This summary is based on Australian tax law and administrative practice as at the date of this Prospectus. This summary is necessarily general in nature, is not exhaustive of all taxation issues and is not intended to be, nor should it be construed as being investment, legal or tax advice to potential Capital Noteholders. Accordingly, each potential Capital Noteholder should seek their own tax advice, which is specific to their particular circumstances, as to the tax consequences of investing in, holding and disposing of Capital Notes.

This summary does not consider the consequences for Capital Noteholders who:

- acquire Capital Notes otherwise than under the Offer;
- hold Capital Notes in their business of trading, dealing in securities or otherwise hold their Capital Notes on revenue account or as trading stock;
- are subject to the “taxation of financial arrangements” (**TOFA**) provisions in Division 230 of the Tax Act in relation to their holdings of Capital Notes;
- in relation to an Australian Resident Capital Noteholder, hold their Capital Notes through a permanent establishment outside of Australia; or
- in relation to a Non-Resident Capital Noteholder, hold their Capital Notes through a permanent establishment in Australia.

7.2 Class Ruling on Capital Notes

Judo has applied to the ATO for a class ruling to confirm principal tax consequences for Australian Resident Capital Noteholders (**Class Ruling**).

It is expected that the Class Ruling will be issued shortly after Capital Notes are issued. When issued, the Class Ruling will be available on the ATO and Judo websites.

When issued, it is expected that the Class Ruling will:

- only apply to Capital Noteholders who fall within the class of entities described in the Class Ruling. In particular, it is expected that the Class Ruling will only apply to Australian Resident Capital Noteholders who subscribe for and acquire Capital Notes by initial application under this Prospectus, who hold their Capital Notes on capital account and who are not subject to the TOFA provisions in relation to the gains and losses on Capital Notes. Therefore, the Class Ruling will not apply to all Capital Noteholders including Non-Resident Capital Noteholders;
- not consider the Australian tax implications of Non-Resident Capital Noteholders who hold their Capital Notes through a permanent establishment in Australia;
- not specifically consider the tax implications of conversion of Capital Notes on the occurrence of a Loss Absorption Event or Acquisition Event;
- not consider the tax treatment of Distributions made to trustee or partnership Capital Noteholders;
- only bind the Commissioner if the Offer is carried out in the specific manner described in the Class Ruling; and
- only rule on the relevant taxation laws and regulation that apply at the time the Class Ruling is issued.

7.3 Distributions on Capital Noteholders

For Australian income tax purposes, Capital Notes should be characterised as “non-share equity interests”.

7.3.1 Australian Resident Capital Noteholders

Distributions on Capital Notes should constitute non-share dividends that are frankable.

Australian Resident Capital Noteholders should be required to include the amount of any Distributions in their assessable income.

Distributions on Capital Notes may be fully franked, partially franked or unfranked. The following comments apply to a Distribution on Capital Notes that is fully or partially franked. The general position is that, provided that an Australian Resident Capital Noteholder is a “qualified person” in relation to a Distribution and the ATO does not seek to apply any anti-avoidance rules to effectively deny the benefit of franking credits to the Australian Resident Capital Noteholder, an Australian Resident Capital Noteholder:

- should include the amount of the Distribution and an amount equal to the franking credits attached to the Distribution in their assessable income in the year in which the Australian Resident Capital Noteholder received the Distribution;
- should be entitled to a tax offset equal to the amount of the franking credits attached to the Distribution.

Australian Resident Capital Noteholders who are individuals or complying superannuation entities entitled to receive tax offsets may be able to either reduce the tax payable by the Capital Noteholder, or receive a tax refund if the tax offset equal to the franking credits attached to a Distribution exceeds the tax otherwise payable by the Capital Noteholder. Australian Resident Capital Noteholders that are companies are not entitled to tax refunds of excess tax offsets. Any excess tax offsets may be converted to a tax loss and carried forward to future years (subject to satisfaction of certain tax loss carry forward rules and other qualifications).

Broadly, an Australian Resident Capital Noteholder will meet the requirements to be a ‘qualified person’ if they meet the “holding period rule” and “related payments rule”:

- “*Holding period rule*” – broadly, the “holding period rule” requires the Capital Noteholder to continuously hold their Capital Notes ‘at risk’ for a continuous period of at least 90 days (excluding the days of acquisition and disposal) within a period beginning on the day after the day on which Capital Notes are acquired and ending on the 90th day after the day on which Capital Notes become ex-Distribution) to be eligible for a franking tax offset.
- “*Related payments rule*” – in general, the “related payments rule” applies where the Australian Resident Capital Noteholder (or an associate) is under an obligation to make a “related payment” (broadly, a payment that passes on the benefit of the franked Distribution). Under the “related payments rule”, an Australian Resident Capital Noteholder must hold their Capital Notes ‘at risk’ for a continuous period of at least 90 days (excluding the days of acquisition and disposal), within the period beginning 90 days before and ending 90 days after Capital Notes become ex-Distribution.

For Capital Notes to be held ‘at risk’, an Australian Resident Capital Noteholder must be exposed to at least 30% of the risks of loss and opportunities for gains in respect of Capital Notes. An Australian Resident Capital Noteholder’s ability to satisfy the “at risk” requirement may be impacted where the Capital Noteholder undertakes certain risk management strategies (for example, by the use of derivatives or options).

Any Australian Resident Capital Noteholder who is an individual and where the sum of the tax offsets to which the Capital Noteholder is entitled does not exceed \$5,000 in an income year will be automatically treated as a “qualified person” in respect of the Distributions (provided that the Capital Noteholder does not make any “related payment” as described in this Section 7.3.1).

Anti-avoidance rules

There are certain anti-avoidance rules that can apply to deny the benefit of any franking credits to Australian Resident Capital Noteholders.

Section 177EA of the Tax Act is one such measure that applies to schemes which seek to obtain a tax advantage in relation to imputation benefits. If the Commissioner of Taxation is satisfied of certain factors and section 177EA applies, the Commissioner may make a determination:

- that a franking debit arises in respect of a Distribution; or
- to deny a franking credit benefit on a Distribution.

Based on current case law and ATO practices, Judo expects that the Commissioner will make a favourable ruling that neither section 177EA, nor any other anti-avoidance provision, should apply to Distributions on Capital Notes (subject to the individual circumstances of the Australian Resident Capital Noteholder). Capital Noteholders should refer to the Class Ruling, when available, on this point.

7.3.2 Non-Resident Capital Noteholders

In respect of Distributions paid to Non-Resident Capital Noteholders who hold their Capital Notes through a permanent establishment outside of Australia:

- Distributions that are fully franked should not be subject to Australian withholding tax; and
- Where Distributions are unfranked or partially franked, the unfranked proportion will be subject to Australian withholding tax at the current rate of 30%. If the Non-Resident Capital Noteholder is a resident of a country that has a double tax agreement with Australia, this rate may be reduced.

7.4 Disposal of Capital Notes

7.4.1 Disposal other than through Conversion

Australian Resident Capital Noteholders

It is expected that the Class Ruling will confirm that Capital Notes will not be “traditional securities”. On that basis, the Capital Gains Tax (**CGT**) provisions should apply to any gains or losses on the disposal of Capital Notes. Capital Noteholders should refer to the Class Ruling, when available, on this point.

A CGT event will occur on the disposal of Capital Notes (including by way of Redemption, Resale and on-market disposal). Australian Resident Capital Noteholders may make a capital gain where the capital proceeds from a disposal are greater than the cost base for Capital Notes, and a capital loss where the capital proceeds from a disposal are less than the reduced cost base for Capital Notes.

The capital proceeds of a Capital Note from:

- an on-market disposal will be the sale price of the Capital Note;
- a Resale will be equal to the Face Value for the relevant Capital Notes, assuming that the Australian Resident Capital Noteholder is dealing with the Nominated Purchaser on an arm’s length basis; and
- a Redemption will be equal to the Face Value of the Capital Note or will be replaced with the market value of Capital Notes if it is more or less than the Face Value of the Capital Note (worked out as if the Redemption had not occurred and was never proposed to occur). Based on recently published ATO guidance, if Judo elects to Redeem all Capital Notes before a Mandatory Conversion Date, the market value of the redeemed Notes should be equal to the Face Value. On the basis that Capital Notes will be held on Judo’s non-share capital account, the proceeds from Redemption should not be treated as a dividend.

Any capital gain should be included in the assessable income of the Australian Resident Capital Noteholder in the income year in which the relevant disposal occurred. Generally, capital losses can only be offset by capital gains and can be carried forward to future years. Australian Resident Capital Noteholders should seek independent advice on their entitlement to offset capital losses with respect to future capital gains.

The first element of the cost base (or reduced cost base) for each Capital Note held by an Australian Resident Capital Noteholder should be equal to the initial amount paid for the Capital Note (i.e. the initial issue price of \$100). Other non-deductible amounts associated with acquiring and/or disposing of Capital Notes should also be included in the cost base (or reduced cost base) of Capital Notes.

Each Capital Note should be taken to have been acquired by the Australian Resident Capital Noteholder for CGT purposes on the day Capital Notes are issued to that Capital Noteholder. If the Capital Noteholder has owned Capital Notes for at least 12 months (excluding the days of acquisition and disposal), certain Australian Resident Capital Noteholders may be entitled to receive a CGT discount for any capital gain arising on a CGT event with respect to Capital Notes. The CGT discount may entitle Capital Noteholders to reduce the capital gain on disposal of Capital Notes (after deducting any capital losses) by a half in respect of trusts and individuals, and a third in respect of complying superannuation entities.

The Federal Government has announced that “managed investment trusts” (**MITs**) and “attribution managed investment trusts” (**AMITs**) will be prevented from applying the CGT discount at the trust level. This change was previously proposed to apply from 1 July 2020 but will instead apply to income years commencing on or after three months from the date of Royal Assent of the enabling legislation. The (former) Federal Government previously indicated that it intended to legislate this measure, however, the status of implementation should be monitored on an ongoing basis by potential investors. Once this measure is implemented, MITs and AMITs that derive a capital gain will continue to be able to distribute those amounts as capital gains that may be subject to the CGT discount in the hands of those beneficiaries that are entitled to the CGT discount. Where these rules are relevant, Capital Noteholders should monitor any ongoing legislative developments.

Non-Resident Capital Noteholders

On the basis that it is expected that Capital Notes will not be “traditional securities”, any capital gain or capital loss made on the disposal of Capital Notes by a Non-Resident Capital Noteholder is likely to be disregarded (as Capital Notes are not likely to be “taxable Australian property” for CGT purposes).

7.4.2 Disposal on Conversion of Capital Notes

On Conversion, each Capital Note is automatically transferred to Judo and each Capital Noteholder’s rights in relation to each Converted Capital Note will be immediately and irrevocably terminated for an amount equal to the Face Value of that Capital Note. Judo will apply this amount for subscription of Ordinary Shares. For both Australian Resident Capital Noteholders and Non-Resident Capital Noteholders, any capital gain or capital loss on Conversion should be effectively ignored and deferred until the subsequent sale of any Ordinary Shares acquired on Conversion. For CGT purposes, a Capital Noteholder is taken to acquire the Ordinary Shares on the date of Conversion. Both the first element of the cost base and reduced cost base of the Ordinary Shares acquired on Conversion should be equal to the cost base and reduced cost base of the relevant Capital Notes.

7.5 Provision of TFN and/or ABN

Judo may be required to deduct withholding tax from the unfranked part (if any) of distributions (currently at the rate of 47%) unless Capital Noteholders provide Judo an Australian tax file number (**TFN**), an Australian Business Number (**ABN**) or notify Judo that the Capital Noteholder is exempt from providing this information.

7.6 GST

No GST should be payable by Capital Noteholders on the issue, disposal, Conversion, Redemption or Resale of Capital Notes.

Capital Noteholders may be charged GST on costs they incur which relate to the issue, disposal, Conversion, Redemption or Resale of Capital Notes (e.g. legal, financial or tax adviser fees) and Capital Noteholders may not be entitled to claim input tax credits or may only be entitled to reduced input tax credits in relation to the GST amount incurred on these costs. Capital Noteholders should seek independent tax advice in relation to their individual circumstances.

7.7 Stamp Duty

No stamp duty should be payable on the issue, disposal, Conversion, Redemption, or Resale of Capital Notes.

Section 8

Additional information.

This Section provides information about a number of other matters not covered elsewhere in this Prospectus.

8.1 Trust Deed

Judo has entered into the Trust Deed with the Trustee. The Terms are set out as a schedule to the Trust Deed. A copy of the Trust Deed can be obtained from www.judo.bank/capital-notes/.

In accordance with the requirements in Chapter 2L of the Corporations Act, the Trustee will act as note trustee for the Capital Noteholders under the Trust Deed. All Capital Noteholders are bound by the terms of the Trust Deed.

All payment, Conversion and other obligations under Capital Notes are the direct obligations of Judo. Neither the Trustee nor any of its directors, employees, officers, affiliates, agents, advisers, intermediaries, or Related Bodies Corporate guarantee, or are otherwise responsible for, the payment, Conversion or any other obligation of Judo under Capital Notes.

The Trustee is not responsible for monitoring any breach of the Trust Deed, the Terms, the occurrence of any event that may trigger a Conversion, or the activities, financial position, business or status of Judo except as required by law. In this regard, the Trustee is subject to certain statutory duties imposed on it under Chapter 2L of the Corporations Act including to:

- exercise reasonable diligence to ascertain whether:
 - the property of Judo that is or should be available will be sufficient to repay the amounts lent by Capital Noteholders in respect of Capital Notes when such amounts become due; and
 - Judo has breached the Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act; and
- unless the Trustee is satisfied a breach of the Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act are not materially prejudicial to the Capital Noteholders' interests, do everything in its power to ensure Judo remedies any breach which is known to the Trustee.

The following is a summary only of the principal provisions of the Trust Deed.

8.1.1 Appointment of Trustee and declaration

The Trustee has been appointed under the Trust Deed and holds on trust for itself and the Capital Noteholders, amongst other things:

- the amount of \$10;
- the right to enforce, on behalf of Capital Noteholders, Judo's obligations to pay amounts payable under the Terms and under the Trust Deed;
- the right to enforce, on behalf of Capital Noteholders, all other duties and obligations of Judo under the Terms, the provisions of the Trust Deed and Chapter 2L of the Corporations Act; and
- any other property and benefits which the Trustee from time to time receives or holds on such trust (including, without limitation, the benefit of any covenants, undertakings, representations, warranties, rights, powers, benefits or remedies in favour of the Trustee under the Trust Deed or the Terms).

8.1.2 Judo undertakings

Judo has undertaken to the Trustee (on behalf of each Capital Noteholder) that it will, amongst other things:

- pay any amounts due and payable in respect of Capital Notes (subject to any obligation of Judo to Convert or Write-Off any Capital Notes);
- comply with its obligations under the Terms, and comply with the Corporations Act and any other laws binding on it with respect to Capital Notes where failure to do so would have or be likely to have a material adverse effect in relation to Capital Notes; and
- use its best endeavours to ensure that Capital Notes are, upon being issued, quoted on ASX and that such quotation is maintained.

8.1.3 Trustee limitation of liability

Except to the extent arising as a result of the Trustee's fraud, negligence or wilful default, the Trustee is not liable to Judo, any Capital Noteholder or any other person in any capacity other than as trustee of the Trust and the Trustee's liability is further limited to the assets of the Trust available to indemnify the Trustee for the liability.

8.1.4 Sale of Ordinary Shares

The Trust Deed contains a provision that, where a Loss Absorption Event occurs and the Terms provide for the issue of Ordinary Shares to the Trustee or an Eligible Nominee (which may occur if a Capital Noteholder is a Foreign Capital Noteholder or if a Capital Noteholder has notified Judo that it does not wish to receive Ordinary Shares as a result of Conversion), the Trustee must take delivery of the Ordinary Shares on trust for the relevant Capital Noteholders and, as required by the Terms, sell (or appoint one or more entities as Sales Agent to sell on its behalf) the Ordinary Shares of the relevant Capital Noteholders and pay the proceeds net of sale costs to them.

8.1.5 Action by Trustee

Subject to the Terms and section 283DA(h) of the Corporations Act, the Trustee is not in any event bound to take any action referred to in Condition 20.1 ("Enforcement by Trustee") of the Terms unless it:

- has been requested by Capital Noteholders holding between them at least 25% of the total Face Value of Capital Notes then Outstanding or it shall have been so directed by a Special Resolution of the Capital Noteholders; and
- has been indemnified by the Capital Noteholders as contemplated by the Trust Deed.

The Trustee may defer taking action and seek an order from a Court to set aside a special resolution if it forms the view that an action is or could be inconsistent with this document, the Terms or the Corporations Act or any other applicable law.

8.1.6 Direct action by Capital Noteholders

No Capital Noteholder is entitled to proceed directly against Judo to enforce the performance of any of the provisions of the Trust Deed or the Terms (including any rights, powers or remedies in connection with Capital Notes, whether arising under the Trust Deed or the Terms), unless the Trustee, having become bound to proceed, fails to do so within 14 days and the failure is continuing, in which case any Capital Noteholder may itself institute proceedings against Judo for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. Any such proceeding must be brought in the name of the Capital Noteholder and not the Trustee.

Capital Noteholders should be aware that, even if action is taken by the Trustee in accordance with the Terms, the Trust Deed, the Corporations Act or applicable law, there can be no guarantee that such action will ensure the performance of all (or any) of Judo's obligations under the Terms. Further, Capital Noteholders should be aware that the Trustee may not take any action to enforce any obligation of Judo in connection with Capital Notes unless the enforcement of that obligation is in accordance with the Terms, the Trust Deed and applicable law. Neither the Trustee nor any Capital Noteholder may exercise any powers in a manner inconsistent with the Trust Deed and the Terms.

8.1.7 Fees and expenses

Under the Trust Deed, Judo will pay the Trustee by way of a fee for its services such amounts as may be agreed between Judo and the Trustee from time to time. The Trustee may also be entitled to additional remuneration from Judo where it is required to undertake duties of an exceptional nature or otherwise outside its normal duties. Judo will also pay to the Trustee on demand for:

- the Trustees' reasonable costs, charges and expenses incurred in connection with the negotiation, preparation and execution of the Trust Deed, this Prospectus and the Terms and any subsequent consent, agreement, approval, waiver or amendment relating to the Trust Deed or the Terms;
- all costs, charges, expenses, losses and other liabilities it incurs in connection with exercising, enforcing or preserving, or attempting to exercise, enforce or preserve, rights under the Trust Deed and the Terms; and
- all losses, costs, charges and expenses and other liabilities it suffers or properly incurs which arise out of, or in the course of, acting as the trustee of the Trust.

8.1.8 Change of Trustee

The Trustee may resign by giving written notice to Judo, which will not take effect until at least 90 days after the date of the notice has passed (or such other period as the Trustee and Judo may agree) and provided that the appointment of a new trustee is effective and in compliance with all applicable statutory requirements.

The Trustee may be removed by Judo by giving not less than 15 days' notice (or such other period as the Trustee and Judo may agree) to the Trustee if:

- the Trustee is in default by not paying any money required to be paid by the Trustee in relation to the Trust Deed within 10 Business Days of receipt of all relevant information (including bank account details, if applicable) necessary for the Trustee to effect payments;
- the Trustee has not performed any of its obligations under the Trust Deed or has otherwise acted fraudulently or is in wilful default (and has not rectified the position within 10 Business Days of receiving a notice from Judo of its occurrence);
- the Trustee ceases to carry on business or becomes subject to an insolvency event (such as being placed in liquidation, being wound-up or dissolved) or a receiver or similar official is appointed to it;
- the Trustee is no longer permitted to act as a trustee under due to section 283AC(1) or 283AC(2) of the Corporations Act;
- any licence, consent, authorisation or similar thing the Trustee is required to hold to carry out its obligations under the Trust Deed is revoked or not renewed;
- Judo is authorised or requested to do so by a Special Resolution of the Capital Noteholders; or
- Judo reasonably believes that any of the things in section 283BD of the Corporations Act has occurred.

When the Trustee resigns or is removed, the Trustee is, to the extent permitted by law, discharged and released from its obligations, covenants and liabilities under the Trust Deed arising after the date it resigns or is removed. Judo has the power to appoint a new Trustee.

8.1.9 Meetings

A meeting of Capital Noteholders has the power to, by Special Resolution:

- give directions to the Trustee as to, or authorise, ratify or confirm anything the Trustee has done or omitted to do in respect of, the performance or exercise of any of its duties, rights, powers and remedies under the Trust Deed or Capital Notes;
- approve the release of the Trustee from liability for anything done or omitted to be done by the Trustee or any other person before the release is given; and
- approve alterations to the Trust Deed or amendments to the Terms (subject to the other conditions described in Section 5.2.32 being complied with).

To the extent any matter arising from a meeting of Capital Noteholders may affect the eligibility of Capital Notes as Additional Tier 1 Capital, such matter requires the prior written approval of APRA.

Each Capital Noteholder is entitled to one vote on a show of hands. On a poll, each Capital Noteholder is entitled to one vote for each Capital Note with respect to which it is the registered holder.

To the extent permitted by law, the Trustee is not liable to a Capital Noteholder, Judo or any other person for acting on directions, authorisations, resolutions or confirmations given by the Capital Noteholders.

A Capital Noteholder has no entitlement to attend or vote at any meeting of the members of Judo.

8.1.10 No monitoring obligations

The Trustee is not responsible for monitoring compliance by Judo with its obligations under the Trust Deed or any other activities of Judo, except as required by the Trust Deed or Corporations Act. In this regard, the Trustee is subject to certain statutory duties imposed on it under Chapter 2L of the Corporations Act, including to:

- exercise reasonable diligence to ascertain whether:
 - the property of Judo that is, or should be, available will be sufficient to repay the amounts lent by Capital Noteholders in respect of Capital Notes; and
 - Judo has breached the Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act; and
- unless the Trustee is satisfied the breach will not materially prejudice the Capital Noteholders' interests, it must do everything in its power to ensure Judo remedies such a breach.

8.1.11 Application of moneys

All moneys that are received by the Trustee under the Trust Deed will be applied first in payment of any amounts owing to the Trustee in connection with the Trust Deed, and secondly in or towards payment of all amounts due but unpaid in respect of Capital Notes to the relevant Capital Noteholders. The balance (if any) of the money remaining after those payments will be returned to Judo.

8.2 Offer Management Agreement

Judo has entered into an Offer Management Agreement (**OMA**) with the Arranger and Joint Lead Managers. Under the OMA, the Arranger and Joint Lead Managers have agreed to conduct a Bookbuild for the purpose of establishing the Margin.

The following is a summary of the principal provisions of the OMA.

8.2.1 Fees

The fees payable to the Arranger and Joint Lead Managers are as described in Section 8.6.

8.2.2 Representations, warranties and undertakings under the OMA

Judo makes various representations and warranties in relation to this Prospectus and conduct of the Offer in accordance with this Prospectus, the Judo Constitution, the OMA, and the Corporations Act. Judo also warrants that it has the power (including under the Judo Constitution) to enter into and perform transactions and agreements in connection with the OMA and the Offer.

8.2.3 Termination events

The Arranger or a Joint Lead Manager may terminate its obligations under the OMA after the happening of any one or more of the following events (among others):

- a downgrade of certain credit ratings assigned to Judo;
- a material contravention of applicable law or regulation by Judo or a member of Judo Group;
- a stop order being issued by ASIC in relation to the Offer;
- a supplementary prospectus under section 719 of the Corporations Act is required to be issued;
- quotation of the Capital Notes on ASX is refused or not granted;
- a specified decline in the S&P/ASX All Ordinaries Index or the S&P/ASX 200;
- Judo withdraws the Offer;
- Judo withdraws the TMD or a new TMD which replaces an earlier TMD;
- a review trigger under the TMD or an event or circumstance that would reasonably suggest the TMD is no longer appropriate arises;
- unauthorised alterations are made to the Trust Deed or the Constitution of Judo;
- hostilities not presently existing commence, or a major escalation in existing hostilities occurs involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, Japan, Russia, Ukraine, North Korea, South Korea, Indonesia, the People's Republic of China, Hong Kong, Israel or any member state of the European Union, or a national emergency is declared by any of those countries, or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries; and

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- a material adverse effect or an event involving a likely material adverse effect affecting the general affairs, management, financial condition, earnings, business affairs or business prospects, shareholders' equity or results of operations of Judo Group arises.

Certain termination events will only give rise to a right to terminate if the Joint Lead Manager has reasonable and bona fide grounds to believe and does believe that the event has or is likely to have a material adverse effect on the Offer.

If termination occurs, the Joint Lead Manager who terminates (or each Joint Lead Manager that terminates) will no longer be a lead manager or bookrunner and will not be obliged to conduct the Bookbuild or provide settlement support for the Bookbuild.

8.2.4 Indemnities

Judo indemnifies the Arranger and a Joint Lead Manager and their affiliates (including their related bodies corporate) and each of their officers, directors, partners, employees, agents and advisers against all losses and claims arising in connection with the Offer or this Prospectus except to the extent that those losses and claims arise from:

- the fraud, wilful misconduct, recklessness or gross negligence of the indemnified parties;
- any criminal penalty or criminal fine which that the indemnified party is required to pay for any contravention by it of the Corporations Act; or
- attributable to any amount in respect of which this indemnity would be illegal, void or unenforceable under any law,

except to the extent any such loss is caused, induced or contributed to by the act or omissions of Judo or any of the Directors, officers, employees or advisers of Judo.

8.3 Summary of rights attaching to Capital Notes

The rights and liabilities attaching to Capital Notes are contained in the Terms, which are set out in Appendix A. Additional rights and liabilities attaching to Capital Notes may arise under the Corporations Act, the ASX Listing Rules and the Constitution and other laws.

8.4 Summary of rights attaching to Ordinary Shares

Ordinary Shares will be issued to Capital Noteholders on certain events – see Sections 2.2, 2.4 and 2.5 for further details of Conversion and when it may occur.

The rights and liabilities attaching to Ordinary Shares are set out in the Judo Constitution and are also regulated by the Corporations Act, the ASX Listing Rules and the general law.

This section briefly summarises the key rights attaching to Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of holders of Ordinary Shares. A copy of the full Judo Constitution is available at www.judo.bank/corporate-governance.

The key rights attaching to Ordinary Shares are as follows:

- subject to any rights or restrictions for the time being attached to any class or classes of shares and to the Judo Constitution, at a general meeting of the Company, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each fully paid ordinary Share held and in respect of a partly paid Share, a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the Share;
- the Board may resolve to pay any dividend, including interim dividends, that it thinks appropriate and fix the time for, and method of, payment. The Board may also pay a dividend on one class of shares to the exclusion of another class;
- the right to receive information required to be distributed under the Corporations Act and the ASX Listing Rules; and
- the right to participate in a Winding-Up of Judo at the discretion of the liquidator.

8.5 Interests and benefits of Judo's Directors

8.5.1 Directors

Judo's Board comprises seven members, all of whom are non-executive and five of whom are independent, including the Chair. The composition of Judo Bank's board is determined by Judo, subject to applicable regulatory requirements. As at the date of this Prospectus, Judo Bank's board comprises the same members as the Judo Board.

A biography of each of the Directors is listed below.

Directors and their experience

Peter Hodgson <i>Chair of the Board</i>	Qualifications	Peter holds a Master of Arts (Hons) in Law from Cambridge University and is a member of the Australian Institute of Company Directors.
Appointed 25 January 2017	Skills and experience	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. In July 2023, Peter was additionally appointed as a non-executive director of The Star (ASX:SGR) and in September 2023, Peter was appointed as a non-executive director of Significant Capital Ventures. 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.
Jennifer Douglas <i>Non-Executive Independent Director</i>	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.
Appointed 23 August 2021	Skills and experience	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).
John Fraser <i>Non-Executive Independent Director</i>	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.
Appointed 1 October 2018	Skills and experience	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.

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Directors and their experience

David Hornery <i>Non-Executive Director</i> Appointed 7 October 2021	Qualifications	David holds a Bachelor of Economics degree from Sydney University.
	Skills and experience	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.
Malcolm McHutchison <i>Non-Executive Director</i> Appointed 27 February 2020	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 experience	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.
Mette Schepers <i>Non-Executive Independent Director</i> Appointed 17 April 2019	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 experience	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, the Colonial Foundation and Spatial Vision. Previously, Mette served on the boards of a variety of private and for purpose companies, and a statutory authority.
Manda Trautwein <i>Non-Executive Independent Director</i> Appointed 17 April 2019	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 experience	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 and non-executive director of Task Group (ASX:TSK). 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.

8.5.2 Directors' relevant interests

Other than as set out below or elsewhere in this Prospectus, no Director or any proposed Director holds at the date of this Prospectus, or has held in the two years before this date, an interest in:

- the formation or promotion of Judo;
- the Offer; or
- any property acquired or proposed to be acquired by Judo in connection with the Offer,

and no amount (whether in cash, Capital Notes or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to the Directors or any proposed Director to induce that person to become, or qualify as a Director, or for services in connection with the formation or promotion of Judo or the Offer.

The Directors and any proposed Director (and their respective associates) may acquire Capital Notes under the Offer. Holdings of these securities are subject to the ASX Listing Rules (including the waivers described in Section 8.9 "Regulatory relief").

Details of the Directors' holdings of Ordinary Shares and other securities of Judo are disclosed to, and available from, ASX at www.asx.com.au. Details of the remuneration paid to Directors is set out in the Remuneration Report in the FY23 Annual Report. The FY23 Annual Report can be obtained free of charge from the Investor Centre at www.judo.bank/full-year-result-2023.

8.6 Interests and benefits of advisers

Barrenjoey Markets Pty Limited has been appointed as Arranger and Joint Lead Manager, and E&P Corporate Advisory Pty Limited, Morgans Financial Limited and Westpac Institutional Bank (a division of Westpac Banking Corporation) have been appointed as Joint Lead Managers to the Offer, in respect of which they will receive fees from Judo. The estimated aggregate fees payable by Judo to the Arranger and Joint Lead Managers is \$1.9 million (exclusive of GST), making certain assumptions as to the allocation of Capital Notes between the Institutional Offer and Broker Firm Offer. The Joint Lead Managers on behalf of Judo are responsible for paying all selling fees and other commissions payable to the Syndicate Brokers. Judo reserves the right to pay select institutional investors a cornerstone fee.

The Arranger, Joint Lead Managers and their respective affiliates are involved in a wide range of financial services and businesses in respect of which they may receive fee and other benefits and out of which conflicting interests or duties may arise. These services and businesses may include securities trading, brokerage activities or the provision of finance (including in respect of securities of, or loans to, the Judo Group). In the ordinary course of these activities, the Arranger, Joint Lead Managers and their respective affiliates may at any time hold long or short positions and may trade or take or enforce security, for their own account or the accounts of investors. The Arranger, Joint Lead Managers and their respective affiliates may receive fees for, or profits and other financial benefits from, those activities. The Arranger, Joint Lead Managers and their respective affiliates have represented to the Issuer that they will manage any conflicts in connection with their roles in compliance with their legal obligations.

Fees payable to the Trustee for acting as trustee under the Trust Deed are described in Section 8.1.7.

Ashurst Australia has acted as Judo's legal and Australian tax adviser in relation to the Offer and have performed work in relation to drafting the Capital Notes Terms and transaction documents, advised on the due diligence and verification program and performed due diligence required on legal matters. In respect of this work, Judo estimates that it will pay approximately \$700,000 (excluding disbursements and GST) to Ashurst Australia for work up to the date of the Prospectus. Further amounts may be paid to Ashurst Australia under its normal time-based charges.

PricewaterhouseCoopers Securities Ltd has acted as accounting adviser to Judo in relation to the Offer. In respect of this work, Judo estimates that it will pay approximately \$166,000 (excluding disbursements and GST) to PricewaterhouseCoopers Securities Ltd for work up to the date of the Prospectus. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd under its normal time-based charges.

Except as set out in this Prospectus:

- no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; and
- no Joint Lead Manager,

holds at the date of this Prospectus, or has held in the two years before that date, an interest in:

- the formation or promotion of Judo;
- the Offer; or
- any property acquired or proposed to be acquired by Judo in connection with the formation or promotion of Judo or the Offer, nor has anyone paid or agreed to pay, or given or agreed to give, any benefit to such persons in connection with the formation or promotion of Judo or the Offer.

8.7 Consents to be named

Each of the parties named below has given its written consent to be named in this Prospectus in the form and context in which it is named and has not, at the date of this Prospectus, withdrawn its consent:

Role	Consenting parties
Arranger	Barrenjoey Markets Pty Limited
Joint Lead Managers	Barrenjoey Markets Pty Limited E&P Corporate Advisory Pty Limited Morgans Financial Limited Westpac Institutional Bank (a division of Westpac Banking Corporation)
Australian legal and tax adviser	Ashurst Australia
Auditor	PricewaterhouseCoopers
Accounting adviser	PricewaterhouseCoopers Securities Ltd
Registry	Link Market Services Limited
Trustee	Certane CT Pty Ltd
Industry data provider	East & Partners RFI Global

Except as outlined above, none of the parties have made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based. Each party expressly disclaim all liability in respect of, makes no representations regarding, and takes no responsibility for, any statements in, or omissions from, this Prospectus. This applies to the maximum extent permitted by law, other than to the extent to which consent is given.

8.8 Expenses of the Offer

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises \$75 million, then the net proceeds of the Offer are expected to be \$71.8 million as total expenses of the Offer (including fees payable to the Arranger and Joint Lead Managers, legal, accounting, tax, marketing, administrative fees, as well as other expenses related to this Prospectus and the Offer) are expected to be \$3.2 million. All of these expenses have been, or will be, borne by Judo.

8.9 Regulatory relief

8.9.1 ASX

Judo has received the following ASX confirmations or waivers in relation to Capital Notes:

- ASX Listing Rules 3.20.2 and 3.20.5 will not apply to any Conversion of Capital Notes following the occurrence of a Loss Absorption Event;
- the Terms are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- the terms of the APRA constraints on the payment of Distributions do not amount to a removal of a right to a distribution for the purposes of ASX Listing Rule 6.10;
- Conversion, Redemption, Resale or write-off of Capital Notes, as provided in the Terms, is appropriate and equitable for the purposes of ASX Listing Rule 6.12;
- ASX does not consider Capital Notes to be options or preference securities for the purposes of the Listing Rules;
- there is no further requirement for member approval, or further absorption of placement capacity under Listing Rule 7.1, at the time that Capital Notes are Converted in accordance with ASX Listing Rules 7.2 (exception 9) and 10.12 (exception 7);

- ASX Listing Rule 10.11 has been waived to permit Directors (and their associates) to participate in the Offer, without shareholder approval, on the condition that (amongst other things) the Directors (and their associates) are collectively restricted to being issued no more than 0.2% of the total number of Capital Notes issued under the Offer;
- the ASX trading code for Capital Notes will be 'JDOPA'; and
- the timetable for the Offer is acceptable.

8.9.2 ASIC

Judo has obtained relief from ASIC from section 734(2) of the Corporations Act to enable it to provide its shareholders with details on the structure of the Offer before the release of this Prospectus.

8.10 Reporting and disclosure obligations

Judo is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations. Under its obligations under the Corporations Act and the ASX Listing Rules, Judo prepares yearly and half yearly financial statements, reports on its operations during the relevant accounting period and receives audit or a review from its auditor.

These documents, as well as other documents lodged with ASIC, may be obtained from ASIC.

Under the ASX Listing Rules, Judo must notify ASX immediately of any information concerning it of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

Subject to certain conditions, Judo must ensure that ASX is continuously notified of information about specific events and matters as they may arise so that ASX can make the information available to the Australian securities market.

In addition, Capital Noteholders should be aware that secrecy obligations may apply to action taken by APRA. This means that information about action taken by APRA (including in exercise of its powers under the Banking Act) may not be publicly disclosed.

8.11 Availability of documents

During the Offer Period, Judo will provide a copy of any of the following documents to any person upon their request:

- The FY23 Annual Report lodged with ASIC by Judo; and
- Any continuous disclosure notices given by Judo in the period after the lodgement of the FY23 Annual Report and before lodgement of this Prospectus with ASIC.

The FY23 Annual Report and copies of continuous disclosure notices lodged with ASX are available at www.asx.com.au.

The Constitution is available at www.judo.bank/corporate-governance.

All written requests for copies of the above documents should be addressed to the Registry at the address set out in the Corporate directory at the end of this Prospectus.

8.12 Personal information

If you submit an Application, Judo (or the Registry as Judo's agent) and a Syndicate Broker will collect, use and disclose your personal information for the purposes of:

- Processing your Application;
- Administering your Capital Notes; and
- Sending marketing communications to you.

The collection of your personal information may be required under law, including under Chapter 2C of the Corporations Act, the ASX Listing Rules and/or applicable taxation or superannuation laws.

You may choose not to provide your information or to limit the information you provide, in which case Judo may not be able to process your Application, administer your Capital Notes or make payments to you.

Judo may disclose this information for these purposes to its subsidiaries, Syndicate Brokers and other relevant organisations involved in providing, managing or administering your product or service such as third-party suppliers, loyalty and affinity partners, printers, posting services, call centres and Judo's advisers.

Section 8 Additional information continued

Where personal information is disclosed, Judo will ensure that the information is held, used or disclosed consistently with the *Privacy Act 1988* (Cth) and any other applicable privacy laws and codes.

You may request access to your personal information held by or on behalf of Judo. To request access, or to correct your personal information, please contact the Capital Notes Information Line on 1800 754 866 (Monday to Friday 8.30am – 5.30pm, Sydney time) during the Offer Period. You can read the Registry's privacy policy at www.linkmarketservices.com.au. You can read the Judo Group's Privacy Policy at www.judo.bank/privacy-policy.

8.13 Acknowledgements

By submitting an Application, each Applicant is deemed to:

- acknowledge having personally received an electronic copy of this Prospectus (and any supplementary or replacement Prospectus);
- acknowledge they understand the Capital Note Terms and have had opportunity to consider the suitability of an investment in Capital Notes with their professional advisers;
- agree to be bound by the Capital Note Terms;
- agree to the terms of the Offer and provide authorisation to be registered as the holder of Capital Notes and, on Conversion, become a member of Judo and to be bound by the terms of the Judo Constitution;
- acknowledge that, in some circumstances, Judo may not pay Distributions or any other amount payable on Capital Notes;
- apply for, and agreed to being allocated, the number of Capital Notes set out in or determined in accordance with their Application;
- represent and warrant that all details and statements in their Application are complete and accurate;
- declare, to the extent they are a natural person, that they are at least 18 years of age;
- authorise Judo and the Arranger and Joint Lead Managers to do anything on behalf of the Applicant(s) that is necessary for Capital Notes to be allocated to them;
- acknowledge that once received by the Registrar or Judo, their Application may not be varied or withdrawn except as allowed by law;
- acknowledge that if the amount of any Application Payment is insufficient to pay for the number of Capital Notes that the Applicant has applied for, then Judo may, in consultation with the Arranger and Joint Lead Managers determine that the Applicant has applied for such lower number of Capital Notes as the cleared Application Payment will pay for;
- acknowledge that the information contained in this Prospectus (or any supplementary or replacement Prospectus) is not personal investment advice or a recommendation that Capital Notes are suitable for the Applicant;
- declare that the Applicant is a resident of Australia or otherwise a person to whom the Offer can be made, and Capital Notes issued, in accordance with all applicable foreign securities laws and Section 8.15;
- acknowledge that any Application may be rejected without giving any reason, including where the Application is not properly completed; and
- acknowledge that Capital Notes are not protected accounts or deposit liabilities for the purposes of the Banking Act and that investments are subject to investment risk, including possible delays in repayment and loss of income and principal invested and that none of Judo or any other member of the Judo Group in any way guarantees or stands behind the capital value or performance of Capital Notes.

8.14 Governing law

This Prospectus and the contracts that arise from acceptance of Applications are governed by the law applicable in New South Wales, Australia, and each Applicant submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

8.15 Foreign selling restrictions

As at the date of this Prospectus, no action has been taken to register or qualify Notes or the Offer or to otherwise permit a public offering of Notes outside Australia.

The distribution of this prospectus outside Australia may be restricted by law. If you come into possession of this Prospectus outside Australia, then you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws. This prospectus does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Neither Capital Notes nor Ordinary Shares have been, or will be, registered under the U.S. Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, any U.S. Person except in transactions exempt from, or not subject to, the registration requirements under the U.S. Securities Act and applicable securities laws of any state or other jurisdiction of the United States.

Each Applicant, and any person for whose benefit such Applicant is applying, and each person to whom the Offer is made under this Prospectus, by accepting delivery of this Prospectus or Capital Note, will have represented, agreed and acknowledged that:

- Capital Notes and Ordinary Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities authority in any state or other jurisdiction of the United States;
- any Capital Note it acquires in the Offer will be acquired in an “offshore transaction” (as defined in Regulation S under the U.S. Securities Act) outside the United States in compliance with the requirements of Regulation S under the U.S. Securities Act;
- it is not in the United States and it is not a U.S. Person and it is not acting for the account or benefit of a U.S. Person;
- it will not offer, sell, pledge or transfer any Capital Note or Ordinary Shares in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any applicable laws of any state or other jurisdiction of the United States;
- it is not engaged in the business of distributing securities or, if it is, it agrees that it will not offer or sell in the United States or to, or for the account or benefit of, a U.S. Person (i) any Capital Note it acquires in the Offer at any time; or (ii) any Capital Note it acquires other than in the Offer until 40 days after the settlement of Capital Note, except in a transaction exempt from the registration requirements of the U.S. Securities Act pursuant to Rule 144A (if available) or Regulation S under the U.S. Securities Act. Notwithstanding the foregoing and the immediately preceding paragraph, it may sell Capital Note in standard (regular way) brokered transactions on ASX where neither it nor any person acting on its behalf knows, or has reason to know, that the sale has been prearranged with, or that the purchaser is, a person in the United States or a U.S. Person;
- it, its affiliates and any person acting on its or their behalf, at or prior to confirmation of sales of any Capital Note will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases any Capital Note from it or them until 40 days after the date on which Capital Notes are allocated in the Offer, a confirmation or notice substantially to the following effect:

“The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (“U.S. Securities Act”) and may not be offered and sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the U.S. Securities Act) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the date of the commencement of the offering and the closing date, except in either case in accordance with Rule 144A or Regulation S under the U.S. Securities Act.”

- it has not and will not send this Prospectus, or any other material relating to the Offer to any person in the United States; and
- Judo and the Arranger and Joint Lead Managers will rely upon the truth and accuracy of the foregoing representations, agreements and acknowledgements and agrees that, if any of such representations, agreements and acknowledgements are no longer accurate, it will promptly notify Judo, and if it is acquiring any Capital Note as fiduciary or agent for one or more accounts, it has full power to make the foregoing representations, agreements and acknowledgements on behalf of each such account.

8.16 Directors consent to lodgement

Each Director of Judo has given, and not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

Appendix A

Capital Notes Terms.

1. Interpretation

1.1 Definitions

In these Conditions, unless the context requires otherwise:

Acquisition Conversion Date has the meaning given in Condition 8 (Conversion on an Acquisition Event).

Acquisition Conversion Notice has the meaning given in Condition 8 (Conversion on an Acquisition Event).

Acquisition Event means any one of the following events:

- a) a takeover bid is made to acquire all or some of the Ordinary Shares and such offer is, or becomes, unconditional and:
 - i) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares on issue; or
 - ii) the Directors, issue a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of such offer (in the absence of a higher offer); or
- b) a court approves a scheme of arrangement which, when implemented, would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and:
 - i) all classes of members of the Issuer pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme if the scheme relates to the Issuer; or
 - ii) all conditions to the implementation of the scheme, including any necessary regulatory approval (but not including approval of the scheme by the court) have been satisfied or waived,

provided that none of the events described above will constitute an Acquisition Event if:

- c) the event is a NOHC Event;
- d) the ordinary shares of the Approved NOHC are listed on an internationally recognised stock exchange; and
- e) the Approved NOHC makes the agreements for the benefit of Capital Noteholders contemplated by Condition 25 (Substitution).

Additional Tier 1 Capital means the "Additional Tier 1 Capital" of the Judo Level 1 Group and the Judo Level 2 Group as defined by APRA from time to time.

Alternative Base Rate means a rate other than BBSW that is generally accepted in the market for floating rate securities denominated in Australian dollars of a tenor and interest period comparable to that of the relevant Capital Notes, or if the Issuer is not able, after making reasonable efforts to ascertain such rate, or there is no such rate:

- a) a reference rate that is, in the Issuer's opinion, appropriate to floating rate debt securities denominated in Australian dollars of a tenor and interest period most comparable to that of the relevant Capital Notes; or
- b) such other reference rate as the Issuer considers appropriate having regard to available comparable indices.

Applicable Regulation means such provisions of the ASX Listing Rules, the ASX Settlement Operating Rules, the ASX Operating Rules, the Corporations Act and any regulations or rules pursuant under or pursuant to any such provisions as may be applicable to the transfer of a Capital Note.

Approved NOHC means a NOHC of the Group arising from a NOHC Event in circumstances where the proviso to the definition of Acquisition Event will be satisfied.

APRA means the Australian Prudential Regulation Authority.

ASX means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.

ASX Listing Rules means the listing rules of ASX as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

ASX Operating Rules means the market operating rules of ASX as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

ASX Settlement Operating Rules means the settlement operating rules of ASX as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

Appendix A Capital Notes Terms continued

Attributable Proceeds means the net proceeds of sale of Ordinary Shares attributable to the Capital Notes of the relevant Capital Noteholder or, where Condition 10.11 (Issue to the Trustee or an Eligible Nominee) applies, the clearing system participant, actually received after deducting any applicable brokerage, stamp duty and other taxes.

Authorised Officer means a person appointed by the party to act as an authorised officer for the purposes of these Conditions by notice to the Issuer.

Banking Act means the *Banking Act 1959* (Cth) or successor legislation.

BBSW means the BBSW Rate (as defined in Condition 5.4).

BBSW Disruption Event means that, in the Issuer's opinion, the BBSW:

- a) has been discontinued or otherwise ceased to be calculated or administered; or
- b) is no longer generally accepted as a reference rate appropriate to floating rate debt securities denominated in Australian dollars of a tenor and interest period comparable to that of that Capital Note.

Business Day means a day which is:

- a) a business day within the meaning of the ASX Listing Rules; and
- b) for the purpose of determining a Conversion Date (other than a Mandatory Conversion Date) or the calculation or payment of a Distribution or of any other sum, a day on which banks are open for general banking business in Sydney and Melbourne (not being a Saturday, Sunday or public holiday in that place).

Bookbuild means the process conducted prior to the opening of the Offer where brokers and investors bid for the Capital Notes and, on the basis of those bids, the Issuer, in consultation with the joint lead managers to the Offer, determines the Margin.

Business Day Convention means, in respect of a Capital Note, that the date is adjusted to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date is adjusted to the first preceding day that is a Business Day.

Buy-Back means a transaction involving the acquisition by the Issuer of Ordinary Shares pursuant to an offer made at the Issuer's discretion in accordance with the provisions of Part 2J of the Corporations Act.

Capital Note means the convertible, subordinated, non-cumulative, perpetual debt securities issued in the form of unsecured notes which are to be issued pursuant to the Prospectus by the Issuer and which are constituted by, and owing under, the Trust Deed.

Capital Noteholder means, in respect of a Capital Note, each person whose name is entered in the Register as the holder of that Capital Note.

Capital Reduction means a reduction in capital initiated by the Issuer in its discretion in respect of Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ACN 008 504 532) or any system that replaces it relevant to the Capital Notes (including in respect of the transfer or Conversion of the Capital Notes).

Common Equity Tier 1 Capital in respect of each of the Judo Level 1 Group and the Judo Level 2 Group has the meaning determined for that term (or its equivalent) by APRA from time to time.

Common Equity Tier 1 Ratio means the ratio of Common Equity Tier 1 Capital:

- a) in respect of the Judo Level 1 Group to risk weighted assets of the Judo Level 1 Group; and
- b) in respect of the Judo Level 2 Group to risk weighted assets of the Judo Level 2 Group,

as calculated by the methodology prescribed by APRA from time to time.

Common Equity Trigger Event has the meaning given in Condition 7.2 (Common Equity Trigger Event).

Conditions means, in relation to a Capital Note, these general terms and conditions.

Control has the meaning given in the Corporations Act.

Controlled Entity means, whether presently existing or existing at a future date, in respect of the Issuer (or any NOHC that is the holding company of the Issuer), an entity that the Issuer (or such NOHC) Controls.

Conversion means the Conversion of all, some or a percentage of each Capital Note for Ordinary Shares in accordance with these Conditions and **Convert**, **Converted** and **Converting** have a corresponding meaning.

Conversion Date means a Mandatory Conversion Date, a Loss Absorption Event Conversion Date, an Acquisition Conversion Date or an Optional Conversion Date in respect of a Conversion.

Conversion Number has the meaning given to it in Condition 10.1(b) (Conversion mechanics).

Corporations Act means the *Corporations Act 2001* (Cth).

CS Facility has the same meaning as "Prescribed CS Facility" in the Corporations Act.

CS Facility Operator means the operator of a CS Facility.

Defaulting Nominated Purchaser has the meaning given in Condition 13.5 (Effect of a failure by Nominated Purchaser to pay).

Deferred Acquisition Conversion Notice has the meaning given in Condition 8.4 (Deferred Acquisition on Acquisition Event).

Deferred Conversion Date has the meaning given in Condition 9.5 (Deferred Conversion on Optional Conversion Date).

Delisting Event means, in respect of a date, that:

- a) the Issuer has ceased to be listed or Ordinary Shares have ceased to be quoted on the ASX on or before that date (and where the cessation occurred before that date, the Issuer or the Ordinary Shares continue not to be listed or quoted (as applicable) on that date);
- b) trading of Ordinary Shares is suspended for a period of consecutive days, which includes:
 - i) at least 5 consecutive Business Days prior to that date; and
 - ii) that date; or
- c) the Issuer is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, Winding-Up or other external administration of the Issuer) or any other reason from Converting the Capital Notes.

Directors means the directors of the Issuer acting as a board or an authorised committee of the board.

Distribution means a cash distribution calculated in accordance with Condition 5 (Distributions).

Distribution Commencement Date means the Issue Date.

Distribution Payment Date means

- a) each 16 February, 16 May, 16 August and 16 November, commencing on 16 February 2024 until (but not including) the date on which the Capital Note is Converted, Resold or Redeemed in accordance with these Conditions; and
- b) each date on which a Conversion, Redemption or Resale of that Capital Note occurs, other than a Conversion on Loss Absorption Event Conversion Date, in each case in accordance with these Conditions,

and in each case, subject to adjustment in accordance with the applicable Business Day Convention.

Distribution Period means each period beginning on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date. However:

- a) the first Distribution Period commences on (and includes) the Distribution Commencement Date; and
- b) the final Distribution Period ends on (but excludes) each date on which a Write-Off, Redemption, Conversion or Resale occurs.

Distribution Rate means the rate calculated in accordance with Condition 5.3 (Calculation of Distribution of Capital Notes).

Early Redemption Date means either a Scheduled Optional Redemption Date or an Optional Redemption Date as the date on which a Capital Note is to be redeemed as specified in the Early Redemption Notice.

Early Redemption Notice means a notice given by the Issuer under Condition 11.3.

Equal Ranking Security means any instrument that ranks in a Winding-Up of the Issuer as the most junior claim in the Winding-Up of the Issuer ranking senior to Ordinary Shares, and includes Preference Shares, Relevant Tier 1 Capital Instruments and any other instruments, present and future, issued as instruments constituting Tier 1 Capital.

Face Value means the Issue Price for Capital Notes, being A\$100 per Capital Note.

FATCA means:

- a) sections 1471 to 1474 of the US Internal Revenue Code of 1986 or any associated regulations;
- b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

First Mandatory Conversion Condition has the meaning given in Condition 6.3 (Mandatory Conversion Conditions).

First Optional Conversion Restriction has the meaning given in Condition 9.4 (Restrictions on election of Conversion).

First Test Date has the meaning given in Condition 6.3 (Mandatory Conversion Conditions).

Foreign Capital Noteholder means:

- a) a Capital Noteholder whose address in the Register is a place outside Australia; or
- b) a Capital Noteholder who the Issuer believes may not be a resident of Australia and the Issuer is not satisfied that the laws of the country in which the Issuer believes the Capital Noteholder is resident permit the offer of Ordinary Shares to, or holding or acquisition of Ordinary Shares by, the Capital Noteholder (but the Issuer will not be bound to enquire into those laws), either unconditionally or after compliance with conditions which the Issuer, in its absolute discretion, regards as acceptable and not unduly onerous.

Franking Rate means (expressed as a decimal) the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) applicable to the franking account of the Issuer at the relevant Distribution Payment Date.

Government Agency means any country, state or political subdivision or any government or central bank or any governmental, semi-governmental, international, judicial, administrative, municipal, local governmental statutory, fiscal, monetary or supervisory authority, body or entity.

Group means the Issuer and Judo Bank Pty Ltd ABN 11 615 995 581.

Inability Event means the Issuer is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, Winding-Up or other external administration of the Issuer) or any other reason from Converting the Capital Notes.

Issue Date means the date on which the Capital Notes are issued, expected to be 16 November 2023.

Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, as adjusted in accordance with Condition 10 (Conversion mechanics).

Issue Price means for a Capital Note, A\$100.

Issuer means Judo Capital Holdings Limited (ABN 71 612 862 727).

Judo Level 1 Group means the Issuer and those of its controlled entities included by APRA from time to time in the calculation of the Issuer's capital ratios on a Level 1 basis.

Judo Level 2 Group means the Issuer and together with each other Related Entity included by APRA from time to time in the calculation of the Issuer's capital ratios on a Level 2 basis.

Level 1 has the meaning given to that term by APRA from time to time.

Level 2 has the meaning given to that term by APRA from time to time.

Loss Absorption Event has the meaning given in Condition 7.1 (Loss Absorption Event).

Loss Absorption Event Conversion has the meaning given in Condition 7.4 (Loss Absorption Event Conversion).

Loss Absorption Event Conversion Date has the meaning given in Condition 7.4 (Loss Absorption Event Conversion).

Loss Absorption Event Notice has the meaning given in Condition 7.6 (Loss Absorption Event Notice).

Mandatory Conversion means the mandatory conversion of Capital Notes to Ordinary Shares on the Mandatory Conversion Date in accordance with Condition 6 (Mandatory Conversion).

Margin means the rate (expressed as a percentage per annum) determined under the Bookbuild.

Maximum Conversion Number has the meaning given in Condition 10.1 (Conversion).

Meetings Provisions means the provisions relating to meetings of Capital Noteholders and set out as a schedule to the Trust Deed.

NOHC means a “non-operating holding company” within the meaning of the Banking Act.

NOHC Event means an event which would otherwise be an Acquisition Event which is initiated by the Directors, acting as a board, and the result of which is that the ultimate holding company of the Issuer would be a NOHC.

Nominated Purchaser means, subject to Condition 13.3 (Identity of a Nominated Purchaser), one or more third parties selected by the Issuer in its absolute discretion, provided that such party cannot be the Issuer or any Related Entity of the Issuer.

Non-Conversion Notice has the meaning given in Condition 6.4 (Non-Conversion Notices).

Non-Conversion Test Date has the meaning given in Condition 9.4 (Restrictions on election of Conversion).

Non-Viability Trigger Event has the meaning given in Condition 7.3(a).

Offer means the invitation made under the Prospectus by the Issuer for persons to subscribe for the Capital Notes.

Optional Conversion Date has the meaning given in Condition 9.3 (Contents of Optional Conversion Notice).

Optional Conversion Notice has the meaning given in Condition 9.1 (Optional Conversion by the Issuer).

Optional Conversion Restrictions has the meaning given in Condition 9.4 (Restrictions on election of Conversion).

Optional Redemption Date means the next Distribution Payment Date occurring on or after a Tax Event or Regulatory Event (as applicable).

Optional Resale Notice has the meaning given in Condition 12 (Optional Resale).

Ordinary Resolution has the meaning given in the Meeting Provisions.

Ordinary Share means a fully paid ordinary share in the capital of the Issuer.

Ordinary Share Dividend means any interim, final or special dividend payable in accordance with the Corporations Act and the Issuer’s constitution in relation to Ordinary Shares.

Outstanding means in relation to the Capital Notes, all of the Capital Notes other than:

- a) a Capital Note which has been redeemed, repaid, resold or satisfied in full by the Issuer;
- b) a Capital Note for which funds equal to its Face Value are on deposit with the Registry on terms which prohibit the redemption of those Capital Notes or in respect of which the Registry holds an irrevocable direction to apply funds in repayment of Capital Notes to be redeemed on that day;
- c) a Capital Note in respect of which a Capital Noteholder is unable to make a claim as a result of the operation of Condition 18 (Time limit for claims); or
- d) a Capital Note which has been Converted or Written-Off in full.

Payment Condition means in respect of Distributions scheduled to be paid on a Distribution Payment Date:

- a) the payment of Distributions will result in the Issuer or the Group not complying with APRA’s then current Prudential Capital Requirements;
- b) unless APRA otherwise approves in writing, making the Distribution payment would result in the Issuer or the Group exceeding any limit on distributions of earnings applicable under (and calculated in accordance with) APRA’s then current capital conservation requirements as they are applied to the Issuer or the Group (as the case may be) at the time;
- c) APRA otherwise objects to the payment of Distributions; or
- d) making the Distribution payment would result in the Issuer becoming, or being likely to become, insolvent for the purposes of the Corporations Act.

Preference Share means a notional preference share in the capital of the Issuer conferring a claim in the Winding-Up of the Issuer equal to the Face Value of each Capital Note and ranking equally in respect of return of capital in a Winding-Up with each of the preference shares which is an Equal Ranking Security in respect of payment in a Winding-Up.

Prospectus means the prospectus for the Offer.

Prudential Capital Requirements means at any time the requirements of APRA with respect to the ratio of Common Equity Tier 1 Capital, Tier 1 Capital or Total Capital to total risk weighted assets as applicable to the Issuer or the Group at that time.

Record Date means 5.00pm in the place where the Register is maintained on:

- a) the date which is the tenth calendar day before the Distribution Payment Date;
- b) such other date as is determined by the Issuer, in its absolute discretion, and announced to the Capital Noteholders on ASX and which is before the Record Date which would have been determined under paragraph (a) above; or
- c) such other date as may be required by, or agreed by the Issuer with, ASX.

Redemption means the redemption of a Capital Note by the Issuer paying to the Capital Noteholder of that Capital Note the Redemption Price for that Capital Note on the Redemption Date in accordance with Condition 11.1 (Redemption) and the words **Redeem**, **Redeemable** and **Redeemed** have a corresponding meaning.

Redemption Date means, in respect of a Capital Note, any Early Redemption Date.

Redemption Price means, in respect of each Capital Note, the amount equal to its Face Value.

Register means a register of Capital Notes maintained by or on behalf of the Issuer in accordance with the Trust Deed and including any sub-register established and maintained in CHESS under Applicable Regulation.

Registry means Link Market Services Limited (ABN 54 083 214 537) or any other person appointed by the Issuer to maintain the Register.

Regulatory Event means:

- a) the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification or change (including any announcement of a prospective change) in any law or regulation or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date of the Capital Notes (but which the Issuer did not expect at the Issue Date of the Capital Notes) (a **Change in Law**), there is more than an insubstantial risk that more than a de minimis additional requirement would be imposed on the Issuer in relation to or in connection with the Capital Notes which the Directors determine, in their absolute discretion, to be unacceptable; or
- b) the determination by the Directors that the Issuer is not or will not be entitled to treat some or all Capital Notes as Relevant Capital Instruments as a result of a Change in Law, except where the reason the Issuer is not or will not be entitled to treat some or all Capital Notes as Relevant Capital Instruments is because of a limit or other restriction on the recognition of Relevant Capital Instruments which is in effect on the Issue Date or which on the Issue Date is expected by the Issuer to come into effect.

Related Entity has the meaning given to it by APRA from time to time.

Relevant Capital Instrument means Relevant Tier 1 Capital Instruments.

Relevant Distribution has the meaning given in Condition 5.9 (Restrictions in the case of non-payment).

Relevant Distribution Payment Date has the meaning given in Condition 5.9 (Restrictions in the case of non-payment).

Relevant Mandatory Conversion Date has the meaning given in Condition 6.2 (Mandatory Conversion Date).

Relevant Tax Jurisdiction means Australia or any relevant political sub-division.

Relevant Tier 1 Capital Instrument means a capital instrument forming part of the Tier 1 Capital of the Issuer (on a Level 1 or Level 2 basis) that, in accordance with its terms or by declaration of law, is capable of being converted, exchanged or written-off where APRA makes a determination as referred to in Condition 7.3(a).

Resolution means a Special Resolution or Ordinary Resolution, as the context requires.

Resale means, in relation to a Capital Note, the effect of the rights specified in Condition 12 (Optional Resale) in relation to that Capital Note, and **Resold** and **Resell** have corresponding meanings.

Resale Date has the meaning given in Condition 12 (Optional Resale).

Resale Price means, for a Capital Note, a cash amount equal to its Face Value.

Scheduled Mandatory Conversion Date means 16 November 2031.

Scheduled Optional Conversion Date means the Distribution Payment Dates falling on or around:

- a) 16 February 2029;
- b) 16 May 2029;
- c) 16 August 2029; and
- d) 16 November 2029.

Scheduled Optional Redemption Date means the Distribution Payment Dates falling on or around:

- a) 16 February 2029;
- b) 16 May 2029;
- c) 16 August 2029; and
- d) 16 November 2029.

Scheduled Optional Resale Date means the Distribution Payment Dates falling on or around:

- a) 16 February 2029;
- b) 16 May 2029;
- c) 16 August 2029; and
- d) 16 November 2029.

Second Mandatory Conversion Condition has the meaning given in Condition 6.3 (Mandatory Conversion Conditions).

Second Optional Conversion Restriction has the meaning given in Condition 9.4 (Restrictions on election of Conversion).

Senior Creditors means all present and future creditors of the Issuer with Senior Ranking Obligations.

Senior Ranking Obligations means all present and future deposits and other liabilities, securities and other obligations of the Issuer, including depositors and holders of Tier 2 Capital Instruments which would be entitled to be admitted in the Winding-Up of the Issuer other than any Equal Ranking Securities or Ordinary Shares.

Special Resolution means a resolution passed:

- a) at a meeting of the Capital Noteholders, duly called and held under the Meeting Provisions:
 - i) by at least 75% of the persons voting on a show of hands (unless paragraph (b) below applies), or
 - ii) if a poll is duly demanded, then by a majority consisting of at least 75% of the votes cast, or
- b) by postal ballot or written resolution under the meeting provisions by the Capital Noteholders representing (in aggregate) at least 75% of the aggregate Face Value of the outstanding Capital Notes.

Specified Currency means:

- a) in the case of the Capital Notes, Australian Dollars; and
- b) in the case of any other Relevant Tier 1 Capital Instrument (other than the Capital Notes), the currency in which such instruments are denominated.

Subsequent Mandatory Conversion Date has the meaning given in Condition 6.2 (Mandatory Conversion Date).

Tax Act means the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth) jointly or as applicable.

Tax Authority means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official having power to tax.

Tax Event means the receipt by the Directors of an opinion from a reputable legal counsel or other tax adviser in Australia, experienced in such matters to the effect that, as a result of a change in, or amendment to, the laws of a Relevant Tax Jurisdiction, or any change in their application or official or judicial interpretation or administration, which change or amendment becomes effective on or after the Issue Date of the Capital Notes (but which the Issuer did not expect at the Issue Date of the Capital Notes) there is more than insubstantial risk which the Directors determine to be unacceptable that:

- a) a Distribution would not be a frankable distribution (within the meaning of division 202 of the Tax Act); or
- b) the Issuer would be exposed to a more than de minimus adverse tax consequence or increase in its costs.

Appendix A Capital Notes Terms continued

Tax Rate means (where terms used in this definition that are not otherwise defined in this document have the meaning set out in the Income Tax Assessment Act 1997 (Cth)):

- a) where the Issuer is a member of consolidated group or multiple entry consolidated group, the rate at which income tax is assessed on taxable income of the head company of the consolidated group or multiple entry consolidated group; or
 - b) in other circumstances, the rate at which income tax is assessed on taxable income of the Issuer,
- on the relevant Distribution Payment Date, expressed as a percentage.

Taxes means taxes, duties, levies, withholdings, deductions, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by any Tax Authority together with any related interest, penalties, fines and expenses in connection with them.

Third Mandatory Conversion Condition has the meaning given in Condition 6.3 (Mandatory Conversion Conditions).

Tier 1 Capital means Tier 1 capital as defined by APRA from time to time.

Tier 2 Capital means Tier 2 capital as defined by APRA from time to time.

Tier 2 Capital Instruments means securities issued by the Issuer which qualify as Tier 2 Capital.

Total Capital means total capital as defined by APRA from time to time.

Transfer Form means a transfer and acceptance form in the form available from the Registry at the relevant time or, if no form is so available, in any usual or common form by which the transferee agrees to be bound by the Trust Deed and the Conditions applicable to the Capital Notes.

Trust Deed means the document entitled "Judo Capital Holdings – Capital Notes Trust Deed" executed by the Issuer and the Trustee dated on or about 23 October 2023.

Trustee means Certane CT Pty Ltd (ABN 12 106 424 088) or any replacement trustee under the Trust Deed from time to time.

VWAP means the average of the daily volume weighted average prices of Ordinary Shares traded on ASX during the relevant VWAP Period, subject to any adjustments made under Condition 10 (Conversion mechanics), but the trades taken into account in determining such daily volume weighted average prices will exclude special crossings, crossings prior to the commencement of normal trading or during the closing phase or after hours adjustment phase, overnight crossings, overseas trades, trades pursuant to the exercise of options over Ordinary Shares, or any other trade determined by the board of the Issuer in its discretion not to be reflective of normal trading in Ordinary Shares.

VWAP Period means:

- a) in the case of a Conversion resulting from an Acquisition Event, the lesser of:
 - i) 20 Business Days on which trading in Ordinary Shares takes place; and
 - ii) the number of Business Days on which trading in Ordinary Shares takes place that the Ordinary Shares are quoted for trading on ASX after the occurrence of the Acquisition Event (as the case may be);

in each case immediately preceding (but not including) the Business Day before the Acquisition Conversion Date in respect of that event (as the case may be);

- b) in the case of a Conversion resulting from a Loss Absorption Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Loss Absorption Event Conversion Date;
- c) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Conditions; or
- d) otherwise, the period for which VWAP is to be calculated in accordance with these Conditions.

Winding-Up is:

- a) a court order made for the winding-up of the Issuer (and the order is not successfully appealed within 60 days); or
- b) an effective resolution passed by members for the winding-up of the Issuer.

Written-Off means, in respect of a Loss Absorption Event Conversion Date and a Capital Note (or the percentage of Capital Notes determined in accordance with Condition 7.4 (Loss Absorption Event Conversion)), that:

- a) the Capital Note will not be Converted in respect of the Loss Absorption Event Conversion Date and will not be Converted, Redeemed or Resold under these Conditions or on any subsequent date; and
- b) the immediate and irrevocable termination of a Capital Noteholder's rights in relation to that Capital Note, including to the payment of Distributions and its Face Value and the termination of all obligations of the Issuer in respect of such Capital Note with effect on and from the Loss Absorption Event Conversion Date.

In the case of a Write-Off of a Capital Note, for all purposes the Issuer will consider that Capital Note no longer to be outstanding and the Issuer will instruct the Registry to delete that Capital Note from the Register. **Write-Off** has a corresponding meaning.

1.2 References to certain general terms

The following rules apply in interpreting these Conditions, except where the context makes it clear that a rule is not intended to apply.

- a) Headings are for convenience only, and do not affect interpretation.
- b) A reference to:
 - i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation and regulations issued under it;
 - ii) a directive includes a treaty, official directive, request, regulation, guideline or policy (whether or not having the force of law) with which responsible participants in the relevant market generally comply;
 - iii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - iv) a party to this document or to any other document or agreement includes a successor in title, permitted substitute or a permitted assign of that party;
 - v) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person;
 - vi) anything (including a right, obligation or concept) includes each part of it and any part of it; and
 - vii) a time of day is a reference to that time in Sydney.
- c) A singular word includes the plural, and vice versa.
- d) A word which suggests one gender includes the other genders.
- e) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- f) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- g) The word agreement includes an undertaking or other binding arrangement or understanding, whether or not in writing.
- h) A reference to **A\$, \$, AUD** or **Australian dollars** is a reference to the lawful currency of the Commonwealth of Australia.
- i) A reference to the **Corporations Act** is to the Corporations Act 2001 of Australia.
- j) Any provisions which refer to APRA requirements of or any other prudential regulatory requirements will apply to the Issuer only if the Issuer is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of an entity subject to regulation and supervision by APRA at the relevant time.
- k) A reference to any term defined by APRA is, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, to be taken to be a reference to the replacement or equivalent term.
- l) Any provisions which require APRA's consent or approval (written or otherwise) will apply only if APRA requires that such consent or approval be given at the relevant time.
- m) Any provision in these Conditions requiring prior APRA approval for a particular course of action to be taken by the Issuer do not imply that APRA has given its consent or approval to the particular action as at the Issue Date.
- n) A "winding up" will not occur solely by reason of (i) an application to wind up being made or (ii) the appointment of a receiver, administrator or official with similar powers under section 13A(1) of the Banking Act.

1.3 References to particular terms

Unless the contrary intention appears, in these Conditions:

- a) a reference to the Trust Deed is a reference to the Trust Deed applicable to the Capital Notes; and
- b) a reference to a particular date is a reference to that date adjusted in accordance with the Business Day Convention, and if an event under these Conditions must occur on a stipulated day which is not a Business Day, then, for an event other than a Non-Viability Trigger Event, a Conversion or a Write-Off (and any action required in connection with such event), the stipulated day will be taken to be the next Business Day.

2. Form and issue price of Capital Notes

2.1 Form

- a) Capital Notes are mandatorily convertible, subordinated, unsecured, non-cumulative, perpetual debt securities that may be Written-Off, Redeemed, Converted or Resold by the Issuer in accordance with these Conditions.
- b) Capital Notes are issued in registered uncertificated form by entry in the Register.

2.2 Issue Price and Face Value

Each Capital Note is issued fully paid with a Face Value and an Issue Price of A\$100.

2.3 Constitution

- a) Capital Notes are constituted by, and owing under, the Trust Deed and the details of which are recorded in, and evidenced by entry in, the Register.
- b) Capital Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Trust Deed.
- c) Each entry in the Register constitutes a separate and independent obligation of the Issuer to the relevant Capital Noteholder under these Conditions. Without limiting any provision requiring a Special Resolution or an Ordinary Resolution, the Capital Noteholder to whom those obligations are owed is entitled to enforce them without having to join any other Capital Noteholder or any previous Capital Noteholder.

2.4 CHES

The Capital Notes will be lodged into and dealt with in CHES. While the Capital Notes remain in CHES:

- a) the rights and obligations of a person holding the Capital Notes; and
- b) all dealings (including transfers and payments) in relation to the Capital Notes within CHES,

will be subject to and governed by the ASX Settlement Operating Rules (but without affecting any provisions of these Conditions which affect the eligibility of the Capital Notes as Additional Tier 1 Capital).

No certificates will be issued to Capital Noteholders unless the Issuer determines that certificates should be available or are required by law.

2.5 Fully and irrevocably paid

Capital Notes will be issued fully and irrevocably paid by the Capital Noteholder.

2.6 ASX quotation

The Issuer must use all reasonable endeavours to procure that the Capital Notes are, until Redeemed, Converted, Written-Off, Purchased or Resold, quoted on ASX on or as soon as possible after the Issue Date.

3. Status, ranking and subordination

3.1 Status of Capital Notes

Capital Notes constitute direct and subordinated obligations of the Issuer.

3.2 Ranking of Capital Notes

Claims in respect of the Capital Notes, prior to any Conversion, rank for payment of the Redemption Price in a Winding-Up of the Issuer:

- a) after the claims in respect of Senior Ranking Obligations including claims preferred by applicable laws;
- b) equally among themselves and with claims in respect of all other Equal Ranking Securities; and
- c) ahead of Ordinary Shares.

3.3 Subordination in a Winding-Up

- a) If an order is made by a court of a competent jurisdiction in Australia (other than an order successfully appealed or permanently stayed within 60 days), or an effective resolution passed, for the Winding-Up of the Issuer in Australia, the Face Value in respect of each Capital Note is redeemable in accordance with this Condition 3.3 (Subordination in a Winding-Up).
- b) In a Winding-Up of the Issuer, a Capital Note confers upon a Capital Noteholder, subject to Conditions 7.4 (Loss Absorption Event Conversion) and 7.5 (Write-Off following failure to Convert) the right to payment in cash of the aggregate Face Value of each Capital Note in accordance with this Condition 3.3 (Subordination in a Winding-Up).
- c) In a Winding-Up of the Issuer, payments on each Capital Note are subject to:
 - i) all holders of Senior Ranking Obligations being paid in full before any payment is made to Capital Noteholders; and
 - ii) Capital Noteholders and holders of Equal Ranking Securities being paid on a pro-rata basis,

but will rank in priority to all Ordinary Shares being paid.

3.4 No consent of holders of Senior Ranking Obligations

Nothing in this Condition 3 is taken to require the consent of any holder of a Senior Ranking Obligation to any amendment of these Conditions.

3.5 Not deposits or protected accounts

The Capital Notes are not:

- a) deposits with, nor deposit liabilities of, the Issuer or any other member of the Group for the purposes of the Banking Act;
- b) protected accounts for the purposes of the depositor protection provisions of the Banking Act or the financial claims scheme established under the Banking Act; nor
- c) guaranteed or insured by the Australian Government or under any compensation scheme of the Australian Government, or by any other government, under any other compensation scheme or by any government agency, any other member of the Group or any other party.

3.6 Unsecured Capital Notes

The Capital Notes are unsecured notes for the purposes of section 283BH of the Corporations Act.

4. Title and transfer of Capital Notes

4.1 Registered form

Each Capital Note takes the form of an entry in the Register. The Issuer must, in respect of the Capital Notes at all times maintain a Register and a Registry.

4.2 Title

Title to a Capital Note passes when details of the transfer are entered in the Register. The Register will be closed for the purpose of determining entitlements to payments of Distributions at 5.00pm on the Record Date prior to any relevant Distribution Payment Date.

4.3 Effect of entries in Register

Each entry in the Register in respect of a Capital Note constitutes:

- a) an unconditional and irrevocable undertaking by the Issuer to the Capital Noteholder to:
 - i) pay any Distributions and any other amounts in accordance with these Conditions; and
 - ii) otherwise to comply with the Conditions; and
- b) an entitlement to the other benefits given to Capital Noteholders under these Conditions in respect of the Capital Note.

4.4 Ownership and non-recognition of interests

- a) Entries in the Register in relation to a Capital Note constitute conclusive evidence that the person so entered is the absolute owner of such Capital Note subject to correction for fraud or proven error.
- b) No notice of any trust or other interest in, or claim to, any Capital Note will be entered in a Register. Neither the Issuer nor the relevant Registry need take notice of any trust or other interest in, or claim to, any Capital Note, except as ordered by a court of competent jurisdiction or required by any applicable law or directive. This Condition 4.4(b) applies whether or not a Capital Note is overdue.

4.5 Joint holders

Where two or more persons are entered in the Register as the joint holders of a Capital Note then they are taken to hold the Capital Note as joint tenants with rights of survivorship, but the Registry is not bound to register more than four persons as joint holders of a Capital Note.

4.6 Transfer

Capital Noteholders may only transfer Capital Notes in accordance with these Conditions.

4.7 Transfers in whole

Capital Notes may only be transferred in whole but not in part.

4.8 Conditions of transfer

Capital Notes may only be transferred if:

- a) while Capital Notes are registered within CHES, such transfer is in accordance with the rules and regulations of CHES; or
- b) at any other time:
 - i) it is a proper transfer under any other applicable computerised or electronic system recognised by the Corporations Act (or as the Issuer may otherwise accept); or
 - ii) subject to Condition 2.4 (CHES), by any proper or sufficient instrument of transfer of marketable securities under applicable law, provided such instrument is delivered to the Registry with any evidence the Registry requires to prove title to or the right to transfer the Capital Notes,

in each case and at all times, the transfer complies with all applicable laws and directives of the jurisdiction where the transfer takes place. A purported transfer otherwise than in accordance with these Conditions and the Trust Deed or grant of an interest in a Capital Note otherwise than by way of transfer is, to the fullest extent permitted by law, void.

- c) The Capital Noteholder is responsible for any stamp duty or other similar taxes which are payable in any jurisdiction in connection with a transfer, assignment or other dealing with the Capital Notes.
- d) The Issuer must not charge any fees on the transfer of Capital Notes.
- e) Subject to Applicable Regulations, the Issuer may determine that transfers of some or all Capital Notes will not be registered during any period reasonably specified by it prior to the Conversion Date, Redemption Date or Resale Date of such Capital Notes.
- f) Upon registration and entry of the transferee in the Register the transferor ceases to be entitled to future benefits under these Conditions in respect of the transferred Capital Note and the transferee becomes so entitled in accordance with Condition 4.3 (*Effect of entries in Register*). A transferee of, or any person claiming, an interest in a Capital Note takes subject to these Conditions and the Trust Deed.

4.9 Estates

Subject to this Condition 4, a person becoming entitled to a Capital Note as a consequence of the death or bankruptcy of a Capital Noteholder or of a vesting order or a person administering the estate of a Capital Noteholder may, upon producing such evidence as to that entitlement or status as the Registry considers sufficient, transfer the Capital Note or, if so entitled, become registered as the holder of the Capital Note.

4.10 Unincorporated associations

A transfer of a Capital Note to an unincorporated association is not permitted.

4.11 Transfer of unidentified Capital Notes

If a Capital Noteholder transfers some but not all of the Capital Notes it holds and the Transfer Form does not identify the specific Capital Notes transferred, the relevant Registry may choose which Capital Notes registered in the name of Capital Noteholder have been transferred. However, the Face Value of the Capital Notes registered as transferred must equal the Face Value of the Capital Notes expressed to be transferred in the Transfer Form.

4.12 Issuer may request holding lock or refuse to register transfer

If the Capital Notes are quoted on ASX, and if permitted to do so by the ASX Listing Rules and the Corporations Act, the Issuer may:

- a) request the CS Facility Operator or the Registry, as the case may be, to apply a holding lock to prevent a transfer of Capital Notes approved by and registered on the CS Facility's electronic subregister or any Capital Notes registered on an issuer-sponsored subregister, as the case may be; or
- b) refuse to register a transfer of any Capital Note.

4.13 Issuer must request holding lock or refuse to register transfer

- a) The Issuer must request the CS Facility Operator or the Registry, as the case may be, to apply a holding lock to prevent a transfer of Capital Notes approved by and registered on the CS Facility's electronic subregister or Capital Note registered on an issuer-sponsored subregister, as the case may be, if the Corporations Act or the ASX Listing Rules require the Issuer to do so.
- b) The Issuer must refuse to register any transfer of any Capital Note if the Corporations Act or the ASX Listing Rules require the Issuer to do so.

4.14 Notice of holding locks and refusal to register transfer

If, in the exercise of its rights under Conditions 4.12 (Issuer may request holding lock or refuse to register transfer) and 4.13 (Issuer must request holding lock or refuse to register transfer), the Issuer requests the application of a holding lock to prevent a transfer of Capital Notes or refuses to register a transfer of Capital Notes, it must, within 2 months after the date on which the transfer was lodged with it, give written notice of the request or refusal to the Capital Noteholder, to the transferee and the broker lodging the transfer, if any. Failure to give such notice does not, however, invalidate the decision of the Issuer.

4.15 Delivery of instrument

If an instrument is used to transfer any Capital Note according to Condition 4.8 (Conditions of transfer), it must be delivered to the Registry, together with such evidence (if any) as the Registry reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Capital Note.

4.16 Refusal to register

- a) A transferor of a Capital Note is deemed to remain a Capital Noteholder until the transfer is registered and the name of the transferee is entered in the Register.
- b) The Issuer may refuse to Register a transfer of any Capital Note if:
 - i) such registration would contravene these Conditions; or
 - ii) the Corporations Act or any other law or regulation binding on the Issuer restricts the registration.

If the Issuer refuses to register a transfer, the Registry must give the lodging party notice of the refusal and the reasons for it within 5 Business Days after the date on which notice of the transfer was delivered to it.

4.17 No liability to persons other than Capital Noteholders

The Issuer is not liable to pay any amount to any person claiming an interest in a Capital Note in connection with that Capital Note other than the Capital Noteholder.

5. Distributions

5.1 Entitlement to Distributions

Subject to Condition 5.7 (Conditions to payment of Distributions), each Capital Note entitles the Capital Noteholder listed as the Capital Noteholder of that Capital Note on a Record Date to receive a Distribution in respect of such Capital Note, in arrear on each Distribution Payment Date during the Distribution Period.

5.2 Record Dates

A Distribution is only payable on a Distribution Payment Date to those persons registered as Capital Noteholders on the Register on the Record Date for that Distribution.

5.3 Calculation of Distribution of Capital Notes

The Distribution payable in respect of a Capital Note on a Distribution Payment Date is determined in accordance with the following formula:

$$\text{Distribution} = \text{Distribution Rate} \times \text{Face Value} \times \mathbf{N}/365$$

N = for a Distribution Period, the number of days in that Distribution Period.

5.4 Calculation of Distribution Rate

The Distribution Rate in respect of a Distribution on a Capital Note is the rate (expressed as a percentage per annum) determined in accordance with the following formula:

$$\text{Distribution Rate} = (\mathbf{BBSW Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

where: **BBSW Rate** means:

- a) for a Distribution Period, the rate for prime bank eligible securities having a tenor closest to the Distribution Period which ASX (or its successor as administrator of that rate) publishes through information vendors at approximately 10:30am (Sydney time) (or such other time at which such rate customarily appears on that page) on the first Business Day of that Distribution Period; but
- b) if the Issuer determines that such rate is not published by 12.00pm (Sydney time) on that day, other than on account of a BBSW Disruption Event, or if it does appear but the Issuer determines that there is an obvious error in that rate, then **BBSW Rate** means the rate determined by the Issuer in good faith, having regard, to the extent possible, to comparable indices then available. The rate calculated or determined by the Issuer will be expressed as a percentage rate per annum and will be rounded up, if necessary, to the next higher one ten-thousandth of a percentage point (0.0001 per cent.).

5.5 BBSW Disruption Event

If a BBSW Disruption Event has occurred, then subject to APRA's prior written approval, the Issuer must:

- a) use as the "BBSW" such Alternative Base Rate as it may determine in accordance with these Conditions; and
- b) make such adjustments to the Business Day Convention and other Conditions as it determines are reasonably necessary to calculate the Distribution Rate in accordance with such Alternative Base Rate; and
- c) in making the determinations under paragraphs (a) and (b) above:
 - i) must act in good faith and in a commercially reasonable manner;
 - ii) may consult with such sources of market practice as it considers appropriate; and
 - iii) may otherwise make such other determination in its discretion.

Capital Noteholders should note that APRA's prior approval may not be given for any Alternative Base Rate if it considers the Alternative Base Rate to have the effect of increasing the Distribution Rate contrary to applicable prudential standards.

5.6 Franking adjustments

If a Distribution is not franked to 100% under Part 3-6 of the Tax Act (and any provisions that revise or replace that Part), the Distribution payable under Condition 5.3 (Calculation of Distribution of Capital Notes) will be calculated according to the following formula:

$$\text{Distribution} = \mathbf{D}/1 - [\text{Tax Rate} \times (1 - \mathbf{F})]$$

where:

D = the Distribution calculated under Condition 5.3 (Calculation of Distribution of Capital Notes); and

F = the applicable Franking Rate.

5.7 Conditions to payment of Distributions

A Distribution will only be paid if:

- a) the Directors in their sole discretion resolve to pay the relevant Distribution on the relevant Distribution Payment Date; and
- b) a Payment Condition does not exist on the relevant Distribution Payment Date.

5.8 Distributions are non-cumulative

Distributions are non-cumulative. If all or any part of a Distribution is not paid in full because of the restrictions in Condition 5.7 (Conditions to payment of Distributions) or for any other reason:

- a) the Issuer has no liability to pay the unpaid amount of the Distribution;
- b) the Capital Noteholder has no claim or entitlement in respect of such non-payment; and
- c) such non-payment does not constitute an event of default.

No interest accrues on any unpaid Distributions and a Capital Noteholder has no claim or entitlement in respect of interest on any unpaid Distributions. If all or any part of a Distribution will not be paid in whole or part because of this Condition 5.8 (Distributions are non-cumulative), the Issuer must give notice to the Registry and ASX promptly after determining or becoming aware that payment will not be made.

5.9 Restrictions in the case of non-payment

Subject to Condition 5.7 (Conditions to payment of Distributions), if a Distribution on a Capital Note has not been paid in full (a **Relevant Distribution**) on a Distribution Payment Date (a **Relevant Distribution Payment Date**) for any reason (including because of the restrictions in Condition 5.7 (Conditions to payment of Distributions)), the Issuer must not, unless approved by Special Resolution, until and including the Distribution Payment Date following the Relevant Distribution Payment Date, in respect of itself only:

- a) declare, determine to pay or pay any Ordinary Share Dividend; or
- b) undertake any Buy-Back or Capital Reduction,

unless the Relevant Distribution is paid in full within 3 Business Days of the Relevant Distribution Payment Date.

5.10 Exceptions to restrictions

The restrictions in Condition 5.9 (Restrictions in the case of non-payment) do not apply:

- a) in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of the Issuer or any member of the Group;
- b) in connection with the Issuer or any of its Controlled Entities (if applicable) purchasing shares in the NOHC:
 - i) in connection with transactions for the account of customers of the Issuer or customers of any of its Controlled Entities (if applicable); or
 - ii) subject to APRA's prior written approval, in connection with the distribution or trading of shares in the Issuer in the ordinary course of business; or
- c) to the extent that at the time a Distribution has not been paid on the Relevant Distribution Payment Date, the Issuer is legally obliged to pay on or after that date an Ordinary Share Dividend or is legally obliged to complete on or after that date a Buy-Back or Capital Reduction.

5.11 Notification of Distribution Rate, Distribution payable and other items

- a) The Issuer must notify the Registry, the Capital Noteholders and any stock or securities exchange or other relevant authority on which the Capital Notes are listed, quoted and/or traded of:
 - i) each Distribution Rate, the amount of Distribution payable and each other amount, item or date calculated or determined by it together with the Distribution Payment Date; and
 - ii) any amendment to any amount, item or date referred to in paragraph (i) arising from any extension or reduction in any Distribution Period or calculation period.
- b) The Issuer must give notice under this Condition 5.11 as soon as practicable after it makes its determination. However, it must give notice of each Distribution Rate, the amount of Distribution payable and each Distribution Payment Date by the fourth day of the Distribution Period.
- c) The Issuer may amend its determination of any amount, item or date (or make appropriate alternative arrangements by way of adjustment) as a result of the extension or reduction of the Distribution Period or calculation period without prior notice but must notify, the Registry, the Capital Noteholders and each stock or securities exchange or other relevant authority on which the Capital Notes are listed, quoted and/or traded after doing so.

5.12 Determination final

The determination by the Issuer of all amounts, rates and dates falling to be determined by it under these Conditions is, in the absence of wilful default, bad faith or manifest or proven error, final and binding on the Registry and each Capital Noteholder.

5.13 Rounding

For the purposes of any calculations required under these Conditions:

- a) all percentages resulting from the calculations must be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent being rounded up to 0.00001 per cent);
- b) all figures resulting from calculations must be rounded to five decimal places (with 0.000005 being rounded up to 0.00001); and
- c) all amounts that are due and payable must be rounded (with halves being rounded up) to:
 - i) in the case of Australian dollars, one cent; and
 - ii) in the case of any other currency, the lowest amount of that currency available as legal tender in the country of that currency.

6. Mandatory Conversion

6.1 Mandatory Conversion

Subject to Conditions 7 (Mandatory Conversion on Loss Absorption Event) and 8 (Conversion on Acquisition Event), on the Mandatory Conversion Date, the Issuer must Convert all (but not some only) of the Capital Notes into Ordinary Shares in accordance with Condition 10 (Conversion mechanics) and this Condition 6 (Mandatory Conversion).

6.2 Mandatory Conversion Date

The “**Mandatory Conversion Date**” will be the first to occur of the following dates (each a **Relevant Mandatory Conversion Date**) on which the Mandatory Conversion Conditions are satisfied:

- a) the Scheduled Mandatory Conversion Date; or
- b) the first Distribution Payment Date after the Scheduled Mandatory Conversion Date and each subsequent Distribution Payment Date thereafter (each a **Subsequent Mandatory Conversion Date**).

6.3 Mandatory Conversion Conditions

The “**Mandatory Conversion Conditions**” for each Relevant Mandatory Conversion Date are each of the following:

- a) the VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Mandatory Conversion Date (the **First Test Date**, provided that if no trading in Ordinary Shares took place on that date, the “**First Test Date**” is the first Business Day before the 25th Business Day immediately preceding (but not including) the Relevant Mandatory Conversion Date on which trading in Ordinary Shares took place) is greater than 56% of the Issue Date VWAP (the **First Mandatory Conversion Condition**);
- b) the VWAP during the period of 20 Business Days on which trading of Ordinary Shares took place immediately preceding (but not including) the Relevant Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP (the **Second Mandatory Conversion Condition**); and
- c) no Delisting Event applies in respect of the Relevant Mandatory Conversion Date (the **Third Mandatory Conversion Condition**).

6.4 Non-Conversion Notices

If:

- a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Mandatory Conversion Date for the Capital Notes, the Issuer will give notice to the Trustee and the Capital Noteholders between the 21st and the 25th Business Day before the Relevant Mandatory Conversion Date; or
- b) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition is not satisfied in relation to a Relevant Mandatory Conversion Date for the Capital Notes, the Issuer will give notice to the Trustee and the Capital Noteholders on or as soon as practicable after the Relevant Mandatory Conversion Date,

each such notice a “**Non-Conversion Notice**”, that a Mandatory Conversion will not (or, as the case may be, did not) occur on the Relevant Mandatory Conversion Date.

Failure to give a notice when required by this Condition 6.4 (Non-Conversion Notices) including where in accordance with Condition 26 (Notices) such notice takes effect only after the last date for the giving of that notice does not affect the obligations of the Issuer and the Capital Noteholders to Convert each Capital Note when required in accordance with these Conditions.

7. Mandatory Conversion on Loss Absorption Event

7.1 Loss Absorption Event

A “**Loss Absorption Event**” means each of the following:

- a) a Common Equity Trigger Event; and
- b) a Non-Viability Trigger Event.

7.2 Common Equity Trigger Event

- a) A “**Common Equity Trigger Event**” occurs when either or both of the Common Equity Tier 1 Ratio in respect of the Judo Level 1 Group or the Judo Level 2 Group, as determined by the Issuer or APRA at any time, is equal to or less than 5.125%.
- b) The Issuer must immediately notify APRA in writing if it makes a determination, to the extent APRA has not itself made such determination, under Condition 7.2(a) (Common Equity Trigger Event) or anticipates that a Common Equity Trigger Event may or will occur.
- c) If a Common Equity Trigger Event occurs, the Issuer must immediately Convert into Ordinary Shares or otherwise Write-Off:
 - i) all Relevant Tier 1 Capital Instruments; or
 - ii) such proportion of the Relevant Tier 1 Capital Instruments sufficient to return each of the Common Equity Tier 1 Ratio of the Judo Level 1 Group and the Common Equity Tier 1 Ratio of the Judo Level 2 Group to a percentage above 5.125%, as determined by the Issuer,

in each case, which must, at a minimum, be no less than the lower of:

- iii) the amount required to ensure the Common Equity Trigger Event no longer applies; and
- iv) the aggregate Face Value in respect of such Capital Notes.

7.3 Non-Viability Trigger Event

- a) A “**Non-Viability Trigger Event**” occurs on the earlier of, a determination by APRA notified in writing to the Issuer that:
- the Conversion of Relevant Capital Instruments into Ordinary Shares or the Write-Off of Relevant Capital Instruments is necessary because without the Conversion or Write-Off, APRA considers that the Issuer would become non-viable; or
 - without a public sector injection of capital into, or equivalent support with respect to, the Issuer, the Issuer would become non-viable.
- b) The Issuer must immediately notify APRA in writing if it makes a determination, to the extent APRA has not itself made such determination, under Condition 7.3(a) (Non-Viability Trigger Event) or anticipates that a Non-Viability Trigger Event may or will occur.
- c) If a Non-Viability Trigger Event occurs, the Issuer must immediately Convert into Ordinary Shares or Write-Off:
- all Relevant Tier 1 Capital Instruments; or
 - where APRA is satisfied that the Conversion or Write-Off of a proportion of Relevant Tier 1 Capital Instruments will be sufficient, such that the Issuer is viable without further Conversion or Write-Off of Relevant Tier 1 Capital Instruments, that proportion of Relevant Tier 1 Capital Instruments,
- in each case, which must, at a minimum, be no less than the lower of:
- the amount required to ensure the Non-Viability Trigger Event no longer applies; and
 - the aggregate Face Value in respect of such Capital Notes.

APRA has stated that it will not approve partial Conversion or partial write off in those exceptional circumstances where a public sector injection of funds is deemed necessary.

7.4 Loss Absorption Event Conversion

- a) On the date on which a Loss Absorption Event occurs (the **Loss Absorption Event Conversion Date**), the Issuer must immediately determine:
- the aggregate Face Value of Capital Notes that will be Converted and the aggregate principal amount of other Relevant Tier 1 Capital Instruments that will Convert into Ordinary Shares or be Written-Off (in accordance with Condition 7.2 (Common Equity Trigger Event) or Condition 7.3 (Non-Viability Trigger Event), as applicable); and
 - the identity of Capital Noteholders whose Capital Notes will Convert on the Loss Absorption Event Conversion Date, and in making that determination, may make any decisions with respect to the identity of the Capital Noteholders at that time as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of Capital Notes that have not been settled or registered at that time.
- b) Notwithstanding paragraph (a) above, the aggregate amount of Capital Notes to be Converted must, at a minimum, be no less than the lower of:
- the amount required to ensure the Non-Viability Trigger Event no longer applies;
 - the amount required to cure the Loss Absorption Event so that the Common Equity Tier 1 Ratio is greater than 5.125%; and
 - the aggregate Face Value in respect of such Capital Notes.
- c) If the Issuer is required to Convert some (but not all) Capital Notes following a Loss Absorption Event, then subject to paragraph (d) below:
- the Issuer must endeavour to select the Capital Notes of the Capital Noteholders to be Converted on an approximately proportionate basis among all Capital Noteholders, provided however that the Issuer may make such adjustments among Capital Noteholders to take account of the effect on the marketable parcels, whole numbers of Ordinary Shares and other logistical considerations; and
 - where the Specified Currency of the Relevant Tier 1 Capital Instruments is not the same for all Relevant Tier 1 Capital Instruments, then the Issuer may treat all such instruments as if converted into a single currency (at the Issuer’s discretion) at such rate of Conversion as the Issuer considers reasonable. The Issuer may make such adjustments amongst the Capital Noteholders and holders of the other Relevant Tier 1 Capital Instruments as required, having regard to the need to effect the Conversion immediately.
- d) Despite any other provision in these Conditions, on a Loss Absorption Event Conversion Date, the aggregate Face Value (as determined under this Condition 7.4 (Loss Absorption Event Conversion)), will be Converted into Ordinary Share immediately and irrevocably.
- e) A Loss Absorption Event occurs immediately on the day the Issuer determines or is notified by APRA of such event whether or not that day is a Business Day. Accordingly, the Issuer must perform its obligations under this Condition 7.4 (Loss Absorption Event Conversion) on that day as if such day were a Business Day.

- f) None of the following prevents, impedes or delays the Conversion of Capital Notes as required under this Condition 7.4 (Loss Absorption Event Conversion):
 - i) any failure or delay to convert or exchange into Ordinary Shares or write-off other Relevant Tier 1 Capital Instruments (other than the Capital Notes);
 - ii) any failure or delay in giving a Loss Absorption Event Notice;
 - iii) any failure or delay in the quotation of the Ordinary Shares to be issued on Conversion;
 - iv) any obligations to treat holders proportionately or to make determinations or adjustments in accordance with Condition 7.4(b) (Loss Absorption Event Conversion); or
 - v) any decision as to the identity of Capital Noteholders whose Capital Notes are to be Converted or Written-Off in accordance with these Conditions.
- g) From a Loss Absorption Event Conversion Date, the Issuer must treat the Capital Noteholder in respect of its Capital Notes as the holder of the Conversion Number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion.

7.5 Write-Off following failure to Convert

If the Conversion required in respect of a Capital Note following a Loss Absorption Event has not been (or cannot be) effected within 5 Business Days following such Loss Absorption Event for any reason, then the Conversion will not occur. Notwithstanding any other Condition, the Capital Notes which, but for this Condition 7.5 (Write-Off following failure to Convert), would be required to be Converted, will be immediately and irrevocably Written-Off with effect on and from the Loss Absorption Event Conversion Date whether or not that day is a Business Day.

7.6 Loss Absorption Event Notice

As soon as practicable following the occurrence of a Loss Absorption Event, the Issuer must give notice of the Loss Absorption Event (a Loss Absorption Event Notice) to the Registry and the Capital Noteholders which states:

- a) the Loss Absorption Event Conversion Date;
- b) the aggregate Face Value of Capital Notes to be Converted or Written-Off; and
- c) the aggregate outstanding principal amount of Relevant Tier 1 Capital Instruments Converted for Ordinary Shares or Written-off.

7.7 Priority of Conversion obligations

- a) Conversion as a result of a Loss Absorption Event is not subject to the matters described as the Mandatory Conversion Conditions or to any other condition except as provided in this Condition 7 (Mandatory Conversion on Loss Absorption Event).
- b) Notwithstanding any other provision in these Conditions, Conversion required as a result of a Loss Absorption Event takes place on the date, and in the manner, required under Condition 7.4 (Loss Absorption Event Conversion).

8. Conversion on an Acquisition Event

8.1 Conversion on the occurrence of an Acquisition Event

If an Acquisition Event occurs, the Issuer must Convert all (but not some only) Capital Notes on the Acquisition Conversion Date by notice (an **Acquisition Conversion Notice**) to the Trustee and the Capital Noteholders in accordance with this Condition 8 (Conversion on an Acquisition Event) and Condition 10 (Conversion mechanics).

8.2 Acquisition Conversion Notice

Subject to Condition 8.3 (Where Acquisition Conversion Notice not required), the Issuer must give an Acquisition Conversion Notice to the Trustee and the Capital Noteholders as soon as practicable and, in any event, within 10 Business Days after becoming aware of the Acquisition Event.

An Acquisition Conversion Notice must specify:

- a) the details of the Acquisition Event to which the Acquisition Conversion Notice relates;
- b) the date on which the Conversion is to occur (the **Acquisition Conversion Date**), which must be:
 - i) the Business Day prior to the date reasonably determined by the Issuer to be the last date on which the holders of Ordinary Shares are likely to be able to participate in the bid or scheme concerned or such other earlier date as the Issuer may reasonably determine, having regard to the timing for the implementation of the bid or scheme concerned; or
 - ii) such later date as APRA may require; and
- c) whether any Distribution will be paid in respect of the Capital Notes on the Acquisition Conversion Date.

8.3 Where Acquisition Conversion Notice not required

Notwithstanding any other provision in this Condition 8 (Conversion on an Acquisition Event), the Issuer is not required to give an Acquisition Conversion Notice if either or both of the Optional Conversion Restrictions would apply (and as if a reference to an Optional Conversion Notice were a reference to an Acquisition Conversion Notice). In those circumstances, Condition 8.4 (Deferred Conversion on Acquisition Event) will apply.

8.4 Deferred Conversion on Acquisition Event

If Condition 8.3 (Where Acquisition Conversion Notice not required) applies or the Issuer has given an Acquisition Conversion Notice but, if the Acquisition Conversion Date were a Relevant Mandatory Conversion Date for the purposes of Condition 6.2 (Mandatory Conversion Date), either the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then notwithstanding any other provision of these Conditions (but without limitation to the operation of Condition 7.7 (Priority of Conversion obligations)):

- a) the Acquisition Conversion Notice, if given, is taken to be revoked and Conversion will not occur on the Acquisition Conversion Date specified in the Acquisition Conversion Notice;
- b) the Issuer will notify the Trustee and the Capital Noteholders as soon as practicable that Conversion will not (or, as the case may be, did not) occur (a **Deferred Acquisition Conversion Notice**); and
- c) the Issuer must, unless Condition 8.3 (Where Acquisition Conversion Notice not required) applies, give an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) on or before the 25th Business Day prior to the immediately succeeding Distribution Payment Date which is at least 25 Business Days after the date on which the Deferred Acquisition Conversion Notice was given.

The Acquisition Conversion Notice given in accordance with paragraph (c) above must comply with the requirements in Condition 8.2 (Acquisition Conversion Notice).

If this Condition 8.4 (Deferred Conversion on Acquisition Event) applies but:

- d) Condition 8.3 (Where Acquisition Conversion Notice not required) applies in respect of the Distribution Payment Date referred to in paragraph (c) above such that no Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) is given under this Condition 8.4 (Deferred Conversion on Acquisition Event); or
- e) an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) is given under this Condition 8.4 (Deferred Conversion on Acquisition Event) but, if the Acquisition Conversion Date specified in the Acquisition Conversion Notice were a Relevant Mandatory Conversion Date for the purpose of Condition 6.2 (Mandatory Conversion Date), either the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date,

then this Condition 8.4 (Deferred Conversion on Acquisition Event) will be reapplied in respect of each subsequent scheduled Distribution Payment Date until a Conversion occurs.

9. Optional Conversion

9.1 Optional Conversion by the Issuer

The Issuer may, with APRA's prior written consent, by notice to the Trustee, the Registry and the Capital Noteholders (an **Optional Conversion Notice**) elect to Convert:

- a) all or some Capital Notes on an Optional Conversion Date following the occurrence of a Tax Event or a Regulatory Event; or
- b) all or some Capital Notes on a Scheduled Optional Conversion Date.

Capital Noteholders should not expect that APRA's approval will be given for a Conversion of Capital Notes under these Conditions.

9.2 When an Optional Conversion Notice may be given

An Optional Conversion Notice under this Condition 9 (Optional Conversion) may be given:

- a) in the case of Condition 9.1(a) (Optional Conversion by the Issuer), on any day following the occurrence of the Tax Event or Regulatory Event (as applicable); or
- b) in the case of Condition 9.1(b) (Optional Conversion by the Issuer), on any day following the occurrence of the Scheduled Optional Conversion Date,

provided in each case that an Optional Conversion Notice cannot be given in the period of 20 Business Days preceding (and not including) a Relevant Mandatory Conversion Date where the First Mandatory Conversion Condition has been met in respect of that Relevant Mandatory Conversion Date.

Subject to Condition 7.7 (Priority of Conversion obligations), an Optional Conversion Notice once given is irrevocable.

9.3 Contents of Optional Conversion Notice

An Optional Conversion Notice must specify:

- a) in the case of Condition 9.1(a) (Optional Conversion by the Issuer), the details of the Tax Event or Regulatory Event to which the Optional Conversion Notice relates;
- b) the date on which Conversion is to occur (the **Optional Conversion Date**) which:
 - i) in the case of a Tax Event or a Regulatory Event, is the next Distribution Payment Date, unless the Issuer determines an earlier date having regard to the best interests of Capital Noteholders as a whole and the relevant event; or
 - ii) in the case of Condition 9.1(b) (Optional Conversion by the Issuer), is the "**Optional Conversion Date**" as specified in the Optional Conversion Notice being a date at least 10 Business Days and no more than 60 Business Days after the date of the Optional Conversion Notice;
- c) if less than all Capital Notes are subject to Conversion, the proportion of the Capital Notes that are to be Converted; and
- d) whether any Distribution will be paid in respect of the Capital Notes to be Converted on the Optional Conversion Date.

9.4 Restrictions on election of Conversion

The Issuer may not elect to Convert its Capital Notes under this Condition 9 (Optional Conversion) if:

- a) on the second Business Day before the date on which an Optional Conversion Notice is to be sent by the Issuer (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (the **Non-Conversion Test Date**), the VWAP on that date is less than or equal to 22.50% of the Issue Date VWAP (the **First Optional Conversion Restriction**); or
- b) a Delisting Event applies in respect of the Non-Conversion Test Date (the **Second Optional Conversion Restriction** and together with the First Optional Conversion Restriction, the **Optional Conversion Restrictions**).

9.5 Deferred Conversion on Optional Conversion Date

If the Issuer has given an Optional Conversion Notice but, if the Conversion Date were a Relevant Mandatory Conversion Date for the purposes of Condition 6.2 (Mandatory Conversion Date), either the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these Conditions:

- a) the Optional Conversion Date will be deferred until the first Distribution Payment Date on which the Mandatory Conversion Conditions (applied as if the percentage of the Issue Date VWAP were 22% for the First Mandatory Conversion Condition and 20.20% for the Second Mandatory Conversion Condition) would be satisfied if that Distribution Payment Date were a Relevant Mandatory Conversion Date for the purposes of Condition 6.2 (Mandatory Conversion Date) (the **Deferred Conversion Date**);
- b) the Issuer must Convert the Capital Notes on the Deferred Conversion Date (unless the Capital Notes are Converted, Written-Off, Redeemed or Resold earlier in accordance with these Conditions); and
- c) until the Deferred Conversion Date, all rights attaching to the Capital Notes will continue as if the Optional Conversion Notice had not been given.

The Issuer will notify the Capital Noteholders on or as soon as practicable after an Optional Conversion Date in respect of which this Condition 9.5 (Deferred Conversion on Optional Conversion Date) applies that Conversion did not occur on that Conversion Date.

10. Conversion mechanics

10.1 Conversion

If the Issuer elects to Convert its Capital Notes (with APRA's prior written approval) or must Convert its Capital Notes in accordance with these Conditions, then, subject to this Condition 10 (Conversion mechanics), the following provisions apply:

- a) on the relevant Conversion Date the Issuer will allot and issue the Conversion Number of Ordinary Shares to the Capital Noteholders in accordance with these Conditions;
- b) each Capital Noteholder will be issued a number of Ordinary Shares for each Capital Note held by that Capital Noteholder that is being Converted on the Conversion Date equal to the Conversion Number, where the "**Conversion Number**" is the lesser of the number calculated according to the following formula and the Maximum Conversion Number:

$$A = B/C$$

where:

A = the Conversion Number;

B = the Face Value; and

C = 99% multiplied by **VWAP**.

For the purposes of this Condition 10 (Conversion mechanics), the following definitions apply:

VWAP (expressed in dollars and cents) means the VWAP during the VWAP Period; and

Maximum Conversion Number means a number calculated according to the following formula:

$$A = B/C$$

where:

A = the Maximum Conversion Number;

B = the Face Value; and

C = the Issue Date VWAP multiplied by the **Relevant Fraction**,

where:

Relevant Fraction means:

- i) if Conversion is occurring on a Mandatory Conversion Date, 0.5; and
 - ii) if Conversion is occurring for any other reason, 0.2;
- c) each Capital Noteholder's rights (including to payment of Distributions, other than the Distribution if any, payable on a Conversion Date that is not a Loss Absorption Event Conversion Date) in relation to each Capital Note that is being Converted will be immediately and irrevocably terminated for an amount equal to the Face Value of that Capital Note and

the Issuer will apply the Face Value by way of payment for subscription for the Conversion Number of Ordinary Shares to be issued under Condition 10 (Conversion mechanics). Each Capital Noteholder is taken to have irrevocably directed that any amount payable under this Condition 10.1(c) (Conversion) is to be applied as provided for in this Condition and no Capital Noteholder has any right to payment in any other way;

- d) if the total number of Ordinary Shares to be issued to a Capital Noteholder in respect of their aggregate holding of Capital Notes that is being Converted includes a fraction of a Ordinary Share, that fraction of a Ordinary Share will be disregarded;
- e) the rights attaching to the Ordinary Shares issued upon Conversion do not take effect until 5.00pm Sydney time on the Mandatory Conversion Date, Acquisition Conversion Date or the Optional Conversion Date (as the case may be) or, in the case of a Conversion on the Loss Absorption Event Conversion Date, the time at which such Conversion occurs on that date. At that time:
 - i) all other rights conferred or restrictions imposed on that Capital Note under these Conditions will no longer have effect (except for rights relating to a Distribution which has been determined to be payable on a Conversion Date (that is not a Loss Absorption Event Conversion Date), which rights will continue); and
 - ii) the Ordinary Shares issued upon the Conversion will rank equally with all other Ordinary Shares; and
- f) where Capital Notes are Converted, the Issuer will allot and issue the Ordinary Shares to the Capital Noteholder on the basis that a Capital Noteholder's name and address set out in the Register (or, if not set out in the Register, otherwise held by the Registry) are the name and address for entry into any register of title and delivery of any certificate or holding statement in respect of any Ordinary Shares issued on Conversion.

10.2 Adjustments to VWAP

For the purposes of calculating the VWAP in these Conditions:

- a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Capital Notes will be Converted for Ordinary Shares after that date and those Ordinary Shares will no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement will be reduced by an amount (**Cum Value**) equal to:
 - i) in the case of a dividend or other distribution, the amount of that dividend or other distribution;
 - ii) in the case of any other entitlement that is not a dividend or other distribution under paragraph (i) above which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the relevant VWAP Period on the Business Days on which those entitlements were traded (excluding trades of the kind that would be excluded in determining VWAP under the definition of that term); or
 - iii) in the case of any other entitlement which is not traded on ASX during the VWAP Period, the value of the entitlement as reasonably determined by the Board; and
- b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted as ex dividend or ex any other distribution or entitlement, and Capital Notes will be Converted for Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement will be increased by the Cum Value.

10.3 Adjustments to VWAP for capital reconstruction and similar transactions

- a) Where, during the relevant VWAP Period, there is a change to the number of Ordinary Shares on issue because the Ordinary Shares are reconstructed, consolidated, divided or reclassified (not involving any payment or other compensation to or by holders of Ordinary Shares) (**Reclassification**) into a lesser or greater number, the daily VWAP for each day in the VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reclassification basis will be multiplied by the following formula:

A/B

where:

A = means the aggregate number of Ordinary Shares immediately before the Reclassification; and

B = means the aggregate number of Ordinary Shares immediately after the Reclassification.

- b) Any adjustment made by in accordance with paragraph (a) above will be effective and binding on Capital Noteholders under the Conditions and the Conditions will be construed accordingly.
- c) For the avoidance of doubt, nothing in this Condition 10.3 (Adjustments to VWAP for capital reconstruction and similar transactions) allows a cash payment or other distribution to be made to or by a Capital Noteholder as part of a Reclassification or as a result of a Reclassification.

10.4 Adjustments to Issue Date VWAP generally

For the purposes of determining the Issue Date VWAP under Condition 10.1 (Conversion), adjustments will be made in accordance with Condition 10.2 (Adjustments to VWAP) and Condition 10.3 (Adjustments to VWAP for capital reconstruction and similar transactions) during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- a) may be made in accordance with Conditions 10.1 (Conversion) to Condition 10.7 (No adjustment to Issue Date VWAP in certain circumstances) (inclusive);
- b) if so made, will correspondingly cause an adjustment to the Maximum Conversion Number and the Mandatory Conversion Conditions; and
- c) if so made, will be effective and binding on Capital Noteholders under these paragraphs and these paragraphs will be construed accordingly.

10.5 Adjustments to Issue Date VWAP for bonus issues

- a) Subject to paragraphs (b) and (c) below, if at any time after the Issue Date, the Issuer makes a pro-rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_o \times RD / (RD + RN)$$

where:

V = the Issue Date VWAP applying immediately after the application of this formula;

V_o = the Issue Date VWAP applying immediately prior to the application of this formula;

RD = the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue; and

RN = the number of Ordinary Shares issued pursuant to the bonus issue.

- b) For the avoidance of doubt, paragraph (a) above does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- c) For the purposes of this paragraph, an issue will be regarded as a bonus issue notwithstanding that the Issuer does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia (or to whom an offer is otherwise subject to foreign securities laws), provided that in so doing is not in contravention of the ASX Listing Rules.

10.6 Adjustments to Issue Date VWAP for capital reconstruction

If, at any time after the Issue Date, there is a change to the number of Ordinary Shares on issue because of a Reclassification into a lesser or greater number, the Issue Date VWAP will be adjusted by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reclassification by the following formula:

A/B

where:

A = means the aggregate number of Ordinary Shares on issue immediately before the Reclassification; and

B = means the aggregate number of Ordinary Shares on issue immediately after the Reclassification.

10.7 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of Conditions 10.5 (Adjustments to Issue Date VWAP for bonus issues) and 10.6 (Adjustments to Issue Date VWAP for capital reconstruction), no adjustment will be made to the Issue Date VWAP where any such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

10.8 Announcement of adjustments to Issue Date VWAP

The Issuer will notify any adjustment to the Issue Date VWAP under Conditions 10.4 (Adjustments to Issue Date VWAP generally) to 10.6 (Adjustments to Issue Date VWAP for capital reconstruction) (inclusive) to the Registry and the Capital Noteholders within 10 Business Days of the Issuer determining the adjustment and the adjustment will be final and binding.

10.9 Status and quotation of Ordinary Shares

- a) Ordinary Shares issued or arising from Conversion will rank equally with all other fully paid Ordinary Shares provided that the rights attaching to the Ordinary Shares issued or arising from Conversion do not take effect until 5.00pm (Sydney time) on the relevant Conversion Date (or such other time required by APRA).
- b) The Issuer will use all reasonable endeavours to quote the Ordinary Shares issued on Conversion of the Capital Notes on ASX.
- c) Capital Noteholders acknowledge that any ASX trades in Capital Notes that have not settled on the Conversion Date will continue to settle in accordance with the normal ASX settlement process, although the seller will be treated as having delivered and the buyer will be treated as having acquired, the number of Ordinary Shares into which Capital Notes have been Converted.
- d) Capital Noteholders agree not to trade Ordinary Shares issued on Conversion (except as permitted by the Corporations Act, other applicable laws and the ASX Listing Rules) until the Issuer has taken such steps as are required by the Corporations Act, other applicable laws and the ASX Listing Rules for the shares to be freely tradeable without such further disclosure or other action and agrees to allow the Issuer to impose a holding lock or refuse to register a transfer in respect of Ordinary Shares until such time.

10.10 Failure to Convert (other than as a result of a Loss Absorption Event)

If on a Conversion Date (other than a Loss Absorption Event Conversion Date), an Ordinary Share is not issued or delivered in respect of a Capital Note, that Capital Note remains on issue (and will continue to entitle the Capital Noteholder to Distributions in accordance with the Conditions) until the Ordinary Share is issued to the Capital Noteholder (such date is deemed to be the Conversion Date in respect of that Capital Note) or the Capital Note is Redeemed (such date is deemed to be the Redemption Date in respect of that Capital Note) or Resold (such date is deemed to be the Resale Date in respect of that Capital Note), and a Capital Noteholder has no claim in respect of that failure other than for specific performance of the obligation to issue or deliver the Ordinary Shares. This Condition 10.10 (Failure to Convert (other than as a result of a Loss Absorption Event)) does not affect the obligation of the Issuer to issue or deliver the Ordinary Shares when required in accordance with the Conditions.

10.11 Issue to the Trustee or an Eligible Nominee

- a) Where a Capital Note is required to be Converted and:
 - i) the Capital Note is held by a Foreign Capital Noteholder, unless the Issuer is satisfied that the laws of the Foreign Capital Noteholder's country of residence permit the issue of Ordinary Shares to the Foreign Capital Noteholder, either unconditionally or after compliance with conditions which the Issuer (in its absolute discretion) regards as acceptable and not unduly onerous; or
 - ii) the Capital Noteholder has notified the Issuer that it does not wish to receive Ordinary Shares as a result of Conversion, which notice may be given by the Capital Noteholder at any time on or after the Issue Date and no less than 15 Business Days prior to the Conversion Date,

the Ordinary Shares which either the Foreign Capital Noteholder under sub-paragraph (i) or the Capital Noteholder under sub-paragraph (ii) above is obliged to accept will be issued to the Trustee or to a nominee (which must not be the Issuer or any Related Entity of the Issuer) (an **Eligible Nominee**) but otherwise in accordance with Condition 10 (Conversion mechanics) and on terms that, at the first reasonable opportunity to sell the Ordinary Shares, the Trustee or the Eligible Nominee will arrange for their sale and pay to the relevant Foreign Capital Noteholder under paragraph (i) or the Capital Noteholder under sub-paragraph (ii) on a date determined by the Trustee or the Eligible Nominee, as applicable a cash amount equal to the Attributable Proceeds of the relevant Foreign Capital Noteholder or Capital Noteholder as applicable.

- b) Where a Capital Note is required to be Converted and a FATCA Withholding is required to be made in respect of Ordinary Shares issued on Conversion of such Capital Note, the Ordinary Shares which the Capital Noteholder is obliged to accept will be issued to the Capital Noteholder only to the extent (if at all) that the issue is net of FATCA Withholding and the Issuer will issue the balance of the Ordinary Shares (if any) to the Trustee or an Eligible Nominee who will sell those Ordinary Shares and deal with any proceeds of their disposal in accordance with FATCA.

The issue of Ordinary Shares in accordance with paragraph (a)(i) or (ii) above (as applicable) will satisfy all obligations of the Issuer in connection with the Conversion, the Capital Note will be deemed to be Converted and will be dealt with in accordance with Condition 10 (Conversion mechanics) and, on and from the issue of Ordinary Shares, the rights of a Capital Noteholder the subject of paragraph (i) or (ii) above (as applicable) in respect of the Capital Note are limited to its rights in respect of the Ordinary Shares or the Attributable Proceeds as provided in those Conditions.

Without prejudice to the express obligations of the Issuer and the Trustee and the Eligible Nominee under this Condition 10.11 (Issue to the Trustee or an Eligible Nominee):

- c) neither the Issuer nor the Trustee has no duty to enquire into the law of a Foreign Capital Noteholder's country of residence; and

- d) neither the Issuer, the Trustee, nor any Eligible Nominee owes any obligations or duties to Capital Noteholders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Capital Noteholder as a result of the sale of Ordinary Shares where required by this Condition 10.11 (Issue to the Trustee or an Eligible Nominee).

If Conversion is occurring as a result of a Loss Absorption Event and has not been effected within 5 days after the Conversion Date for any reason (including an Inability Event), then Condition 7.5 (Write-Off following failure to Convert) will apply.

10.12 Capital Noteholder acknowledgments relating to Conversion

Each Capital Noteholder irrevocably:

- a) upon Conversion of Capital Notes in accordance with these Conditions, consents to becoming a member of the Issuer and agrees to be bound by the constitution of the Issuer, in each case in respect of the Ordinary Shares issued on Conversion;
- b) acknowledges and agrees that it is obliged to accept Ordinary Shares upon a Conversion notwithstanding anything that might otherwise affect a Conversion of Capital Notes including:
 - i) any change in the financial position of the Issuer since the Issue Date;
 - ii) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally; or
 - iii) any breach by the Issuer of any obligation in connection with the Capital Notes;
- c) acknowledges and agrees that:
 - i) where Condition 7.4 (Loss Absorption Event Conversion) applies:
 - A) there are no other conditions to a Loss Absorption Event occurring as and when provided in Conditions 7.2 (Common Equity Trigger Event), 7.3 (Non-Viability Trigger Event) and 7.4 (Loss Absorption Event Conversion);
 - B) Conversion must occur immediately on the Loss Absorption Event and that may result in disruption or failures in trading or dealings in the Capital Notes;
 - C) it will not have any rights to vote or right of approval in respect of any Loss Absorption Event Conversion; and
 - D) the Ordinary Shares issued on Loss Absorption Event Conversion may not be quoted at the time of issue, or at all;
 - ii) the only conditions to a Mandatory Conversion are the Mandatory Conversion Conditions;
 - iii) the only conditions to a Conversion under Condition 8 (Conversion on an Acquisition Event) or a Conversion under Condition 9 (Optional Conversion) are the conditions expressly applicable to such Conversion as provided in Condition 8 (Conversion on an Acquisition Event) and Condition 9 (Optional Conversion) respectively and no other conditions or events will affect Conversion;
 - iv) Condition 7.5 (Write-Off on failure to Convert) is a fundamental term of the Capital Notes and where this applies, no other conditions or events will affect its operation; and
 - v) a Capital Noteholder has no right to request a Conversion, Redemption or Resale of any Capital Note or to determine whether (or in what combination) Capital Notes are Converted, Redeemed or Resold; and
- d) agrees to provide to the Issuer any information necessary to give effect to a Conversion and, if applicable, to surrender any certificate relating to the relevant Capital Notes on the occurrence of the Conversion.

10.13 Appointment of attorneys, agents and directions

Each Capital Noteholder irrevocably:

- a) appoints each of the Issuer, its respective Authorised Officers and any liquidator, administrator, statutory manager or other similar official of the Issuer or the Issuer (each an “**Appointed Person**”) severally to be the attorneys of the Capital Noteholder and the agents of the Capital Noteholder, with the power in the name and on behalf of the Capital Noteholder to:
 - i) sign all documents, instruments or transfers or instructing CHES as may, in the opinion of the Appointed Person, be necessary or desirable to be done in order to give effect to, a Write-Off, purchase, Redemption, Resale or Conversion in accordance with these Conditions;
 - ii) do all other things which an Appointed Person reasonably believes to be necessary or desirable to give effect to these Conditions; and
 - iii) appoint in turn its own agent or delegate; and
- b) authorises and directs the Issuer and/or the Registry to make such entries in the Register, including amendments and additions to the Register, which the Issuer and/or the Registry may consider necessary or desirable to record a Write-Off, purchase, Redemption, Resale or a Conversion in accordance with these Conditions.

The power of attorney given in this Condition 10.13 (Appointment of attorneys, agents and directions) is given for valuable consideration and to secure the performance by the Capital Noteholder of the Capital Noteholder's obligations under these Conditions and is irrevocable and will survive and not be affected by the subsequent disability or incapacity of the Capital Noteholder (or, if such Capital Noteholder is an entity, by its dissolution or termination). An Appointed Person will have no liability in respect of any acts duly performed in accordance with the power of attorney given in this Condition 10.13 (Appointment of attorneys, agents and directions).

11. Redemption

11.1 Redemption

Each Capital Note has no fixed maturity date and can only be redeemed by the Issuer in accordance with these Conditions at its Redemption Price or as otherwise specified in these Conditions.

11.2 Early Redemption

With the prior written approval of APRA, the Issuer may by notice to Capital Noteholders and the Registry (an **Early Redemption Notice**) elect to Redeem:

- a) all or some of the Capital Notes on an Optional Redemption Date following the occurrence of a Tax Event or a Regulatory Event; or
- b) all or some of the Capital Notes on a Scheduled Optional Redemption Date.

Capital Noteholders should not expect that APRA's approval will be given for any Redemption of Capital Notes or that the Issuer will redeem the Capital Notes under these Conditions.

11.3 Early Redemption Notice

An Early Redemption Notice must specify:

- a) where Condition 11.2(a) (Early Redemption) applies, the details of the Tax Event or Regulatory Event to which the Early Redemption Notice relates;
- b) the Capital Notes subject to redemption;
- c) if less than all Capital Notes are subject to Redemption, the number and proportion of Capital Notes to be Redeemed;
- d) whether any Distribution will be paid in respect of the Capital Notes to be Redeemed on the Early Redemption Date; and
- e) the Early Redemption Date, which:
 - i) in the case of a Scheduled Optional Redemption Date, is at least 10 Business Days (and no more than 60 Business Days) after the date the Early Redemption Notice is given; and
 - ii) in the case of a Tax Event or Regulatory Event, is the next Optional Redemption Date after the date the Early Redemption Notice is given unless the Issuer determines an earlier Early Redemption Date (having regard to the best interests of the Capital Noteholders as a whole and the relevant event).
- f) An Early Redemption Notice given under this Condition 11.3 is irrevocable and obliges the Issuer, subject to Condition 11.4, to redeem the relevant number of Capital Notes on the Early Redemption Date, by payment of the Face Value in respect of each Capital Note to be redeemed (together with any Distribution payable on the Capital Note to the Early Redemption Date).

11.4 Effect of notice of Redemption

Any notice of Redemption given under this Condition 11.4 is irrevocable and obliges the Issuer to redeem the Capital Notes at the time and in the manner specified in the notice.

11.5 No Early Redemption by Capital Noteholders

A Capital Noteholder cannot require the Issuer to redeem all or some of the Capital Notes held by that Capital Noteholder.

11.6 Redemption

Capital Notes will be redeemed by payment on the applicable Early Redemption Date of an amount equal to the Face Value to the Capital Noteholder.

11.7 Effect of Redemption on Capital Noteholders

On the Redemption Date the only right the Capital Noteholders will have in respect of Capital Notes will be to obtain the Face Value payable in accordance with these Conditions and any Distribution the Issuer has determined is payable on that date. Upon the Face Value being paid (or taken to be paid in accordance with Condition 16 (Payments)), all other rights conferred, or restrictions imposed, by Capital Notes will no longer have effect.

12. Optional Resale

12.1 Optional Resale by the Issuer

The Issuer may, with APRA's prior written approval, by notice to the Registry and the Capital Noteholders (an **Optional Resale Notice**), elect to Resell:

- a) all or some Capital Notes on a Resale Date following the occurrence of a Tax Event or a Regulatory Event; or
- b) all or some Capital Notes on a Scheduled Optional Resale Date.

Capital Noteholders should not expect that APRA's approval will be given for any Resale of Capital Notes under these Conditions.

12.2 When an Optional Resale Notice may be given

An Optional Resale Notice may be given:

- a) in the case of Condition 12.1(a) (Optional Resale by the Issuer), on any day following the occurrence of the Tax Event or Regulatory Event (as applicable) provided that an Optional Resale Notice cannot be given in the period of 20 Business Days preceding (and not including) a Relevant Mandatory Conversion Date where the First Mandatory Conversion Condition has been met in respect of that Relevant Mandatory Conversion Date; and
- b) in the case of Condition 12.1(b) (Optional Resale by the Issuer), the Scheduled Optional Resale Date is at least 10 Business Days (and no more than 60 Business Days) after the date the Early Redemption Notice is given.

Subject to Conditions 7.7 (Priority of Conversion obligations), 13.2 (Appointment of a Nominated Purchaser) and 13.5 (Effect of failure of a Nominated Purchaser to pay), an Optional Resale Notice once given is irrevocable.

12.3 Contents of an Optional Resale Notice

An Optional Resale Notice must specify:

- a) in the case of Condition 12.1(a) (Optional Resale by the Issuer), the details of the Tax Event or Regulatory Event to which the Optional Resale Notice relates;
- b) the date on which Resale is to occur (the Resale Date), which:
 - i) in the case of a Tax Event or a Regulatory Event, is the next Distribution Payment Date, unless the Issuer determines an earlier Resale Date having regard to the best interests of the Capital Noteholders as a whole and the relevant event; or
 - ii) in the case of Condition 12.1(b) (Optional Resale by the Issuer), the Scheduled Optional Resale Date;
- c) if less than all Capital Notes are subject to Resale, the proportion of the Capital Notes that are to be Resold;
- d) the identity of the Nominated Purchasers for that Resale and the Resale Price; and
- e) whether any Distribution will be paid in respect of the Capital Notes to be Resold on the Resale Date.

13. Resale mechanics

13.1 Resale mechanics

If the Issuer elects to Resell its Capital Notes in accordance with these Conditions, the provisions of this Condition 13 (Resale mechanics) apply to that Resale.

13.2 Appointment of a Nominated Purchaser

The Issuer must appoint one or more Nominated Purchasers for the Resale on such terms as may be agreed between the Issuer and the Nominated Purchasers (and, to the extent any such conditions may cause the Capital Notes to cease to be Additional Tier 1 Capital, with the prior written approval of APRA) including:

- a) as to the conditions of any Resale, the procedures for settlement of such Resale and the circumstances in which the Optional Resale Notice may be amended, modified, added to or restated;
- b) as to the substitution of another entity (not being the Issuer or a Related Entity of the Issuer) as Nominated Purchaser if, for any reason, the Issuer is not satisfied that the Nominated Purchaser will perform its obligations under this Condition 13 (Resale mechanics); and
- c) as to the terms (if any) on which any Capital Notes acquired by a Nominated Purchaser may be Redeemed, Converted or otherwise dealt with.

If the Issuer appoints more than one Nominated Purchaser in respect of a Resale, all or any of the Capital Notes held by a Capital Noteholder which are being Resold may be purchased by any one or any combination of the Nominated Purchasers, as determined by the Issuer for the Resale Price.

13.3 Identity of a Nominated Purchaser

The Issuer may not appoint itself or any Related Entity of it as a Nominated Purchaser.

13.4 Irrevocable offer to sell Capital Notes

Each Capital Noteholder on the Resale Date is taken irrevocably to offer to sell Capital Notes the subject of an Optional Resale Notice to the Nominated Purchaser or Nominated Purchasers on the Resale Date for the Resale Price.

13.5 Effect of failure by Nominated Purchaser to pay

If a Nominated Purchaser does not pay the Resale Price to the Capital Noteholders on the Resale Date (a **Defaulting Nominated Purchaser**):

- a) the Optional Resale Notice as it relates to the Defaulting Nominated Purchaser will be void;
- b) the Capital Notes will not be transferred to the Defaulting Nominated Purchaser on the Resale Date; and
- c) the Capital Noteholders will continue to hold the Capital Notes referable to the Defaulting Nominated Purchaser until they are otherwise Redeemed, Converted or Resold in accordance with these Conditions.

14. Purchase

The Issuer or any Related Entity of the Issuer may at any time purchase the Capital Notes in the open market or otherwise and at any price or consideration, subject to the prior written approval of APRA.

Capital Noteholders should not expect that APRA's approval will be given for any purchase of Capital Notes under these Conditions.

15. Redemption, resale and purchase restrictions

- a) The Issuer may only elect to Redeem, Resell or Purchase any Capital Notes in accordance with these Conditions, if APRA is satisfied that either:
- i) before or concurrently with the resale, redemption or purchase, the Issuer replaces the Capital Notes the subject of the resale, redemption or purchase with a capital instrument which is of the same or better quality (for the purposes of APRA's prudential standards as they are applied to the Group at the relevant time) and the replacement of the relevant Capital Notes is done under conditions that are sustainable for the income capacity of the Issuer; or
 - ii) the capital position of the Judo Level 1 Group and the Judo Level 2 Group remains adequate and that the Issuer does not have to replace the Capital Notes the subject of the resale, redemption or purchase,

and, in each case, the Issuer meets the requirements relating to reductions in capital set out in APRA's Prudential Standard APS 110.

- b) Without limiting paragraph (a) above, and notwithstanding any other Condition, the Issuer must not provide an Early Redemption Notice, Optional Resale Notice or purchase any Capital Notes if:

- i) a Loss Absorption Event has occurred; or
- ii) a Loss Absorption Event will occur,

provided that in each case, if the Issuer has delivered an Early Redemption Notice or Optional Resale Notice in breach of this Condition, then such notice is deemed to be immediately, automatically and permanently revoked.

16. Payments

16.1 Payment of other amounts

Payments of other amounts in respect of a Capital Note will be made to each person registered as the Capital Noteholder of that Capital Note (or the first person to be registered in the case of joint holders) on the relevant date for payment.

16.2 Payment of Distributions

Payments of Distributions in respect of a Capital Note will be made to each person registered as at 5.00pm on the Record Date as the Capital Noteholder of that Capital Note (or the first person to be registered in the case of joint holders).

16.3 Payments to accounts

Payments in respect of the Capital Note, will be made in Australian dollars, will be made in Australia and may be paid in any manner the Issuer decides, which may include any of the following:

- a) by any method of crediting on the payment date, the amount due to the Capital Noteholder or Capital Noteholders as shown on the Register or to such person or place directed by that Capital Noteholder;
- b) by crediting on the payment date, the amount then due under each Capital Note to an account in Australia previously notified by the Capital Noteholder to the Issuer and the Registry;
- c) by sending on or before the payment date a cheque, through the post at the Capital Noteholder's risk directed to the physical or postal address of the Capital Noteholder as shown in the Register or, in the case of joint Capital Noteholders, to the physical or postal address notified to the Registry for receipt of such monies (and in default of notification, to the physical or postal address shown in the Register as the address of the joint Capital Noteholder first named in that Register); and/or
- d) by cheque sent through the post directed to such other physical or postal address as the Capital Noteholder or joint Capital Noteholders in writing direct.

16.4 Payments by cheque

If the Capital Noteholder has not notified the Registry of an account to which payments to it must be made by the close of business on the Record Date, payments in respect of the Capital Note will be made in Australia by cheque drawn on a bank in Australia sent by prepaid post on, or on the Business Day immediately before, the payment date, at the risk of the registered Capital Noteholder, to the Capital Noteholder (or to the first named joint holder of the Capital Note) at its address appearing in the Register at the close of business on the Record Date.

Cheques sent to the nominated address of a Capital Noteholder are taken to have been received by the Capital Noteholder on the payment date and, no further amount is payable by the Issuer in respect of the Capital Notes as a result of the Capital Noteholder not receiving payment on the due date.

16.5 Payments and issue and delivery of securities subject to law

All payments and issue and delivery of securities are subject to applicable law, but without prejudice to the provisions of Condition 17 (*Taxation*).

16.6 Payments on Business Days

Other than in respect of a Conversion to be made on a Mandatory Conversion Date, if a payment is due on a day which is not a Business Day then the due date for payment is adjusted in accordance with the Business Day Convention. The Capital Noteholder is not entitled to any additional payment in respect of such delay.

17. Taxation

17.1 No set-off, netting, counterclaim or deductions

Payments in respect of the Capital Notes are subject to fiscal and other laws, regulations and directives. Payments in respect of the Capital Notes must be made without (and are not subject to any) set-off, netting or counterclaim and made free and clear of, and without deduction for any Taxes of any nature now or later imposed, levied, collected, withheld or assessed, unless such withholding or deduction is required by law or Condition 17.2 (*Deductions*).

17.2 Deductions

- a) The Issuer and any financial institutions or intermediaries through which payments are made or securities are issued and delivered, may withhold or deduct from any amount payable or securities issuable or deliverable to a Capital Noteholder the amount of any withholding, deduction or other tax, duty or levy required by law to be withheld or deducted in respect of such payment, including, without limitation:
 - i) any withholding or deduction of taxes, interest or penalties required under FATCA (**FATCA Withholding**); or
 - ii) where the Issuer and any financial institution or intermediary (as applicable) has reasonable grounds to suspect that a Capital Noteholder or a beneficial owner of any Capital Note (or any financial institution or intermediary through which the payment is to be made) may be subject to a FATCA Withholding in respect of the payment of that amount.
- b) For the avoidance of doubt, any withholding or deduction required under FATCA is a tax, the withholding or deduction of which is required by applicable law for purposes of this Condition 17.2 (*Deductions*). In addition, where Ordinary Shares are required to be delivered to a Capital Noteholder upon a Conversion, and the Issuer is required or entitled to make a FATCA Withholding, then each of the Issuer is entitled to deal with any Ordinary Shares in accordance with these Conditions.
- c) Each Capital Noteholder is deemed to authorise the Issuer and any financial institutions or intermediaries through which payments are made to deal with payments, securities to be issued or delivered and the Capital Noteholder's Capital Notes in accordance with FATCA, including remitting, or otherwise dealing with, any amounts or securities comprising a FATCA Withholding, or reporting payment or account or other information to the Internal Revenue Service of the United States of America or other relevant revenue or taxing authority in accordance with the applicable requirements under FATCA.
- d) If any withholding or deduction is required by applicable law, the Issuer or the relevant financial institution or intermediary through which payments are made to deal with payments, securities to be issued or delivered (as applicable) must remit the full amount required to be withheld or deducted, or remit or otherwise deal with the total number of securities, to or as required by the relevant revenue or taxing authority within the time allowed for such remittance or dealing without incurring a penalty under the applicable law.
- e) If:
 - i) a withholding or deduction is made in accordance with this Condition 17.2 (*Deductions*);
 - ii) the amount of the withholding or deduction is, or number of or rights in respect of securities withheld are, accounted for by the Issuer or the relevant financial institution's or intermediary's (as applicable) to the relevant revenue or taxing authority; and
 - iii) the balance of the amount payable has been paid, or the balance of the securities to be issued or delivered are issued or delivered, to the Capital Noteholder, then the Issuer's or the relevant financial institution's or intermediary's (as applicable) obligation to make the payment, or to issue or deliver securities to the Capital Noteholder is taken to have been satisfied in full.

18. Time limit for claims

A claim against the Issuer for a payment under a Capital Note is void unless made within 5 years (in the case of Distributions and other amounts) from the date on which payment first became due.

19. No discharge by payment

If any of the rights and claims of a Capital Noteholder against the Issuer is discharged by any payment whether voluntarily or in any other circumstances received from or on account of the Issuer (including by way of credit, set-off, counterclaim or otherwise howsoever) or from any Winding-Up of the Issuer in breach of Condition 20, that Capital Noteholder will immediately pay an amount equal to the amount of that discharge to the Issuer or, in the event of its Winding-Up, the liquidator (or other competent official) of the Issuer and until such time as payment is made will hold a sum equal to that amount on behalf of the Issuer and accordingly any such discharge will be taken not to have taken place.

20. Subordination

20.1 Winding-Up

- a) In a Winding-Up of the Issuer, and subject to the terms of the Trust Deed and this Condition 20, a Capital Noteholder (and the Trustee) is entitled to claim for payment in cash of an amount equal to the Face Value. Any such claim is subordinated to the claims of holders of Senior Ranking Obligations of the Issuer, in that:
 - i) all claims of holders of Senior Ranking Obligations must be paid in full before the Capital Noteholder's claim is paid; and
 - ii) until the claims of holders of Senior Ranking Obligations have been paid in full, the Capital Noteholder must not claim in the Winding-Up in competition with the holders of Senior Ranking Obligations so as to diminish any distribution, dividend or payment which, but for that claim, the holders of Senior Ranking Obligations would have been entitled to receive.
- b) There is no limit on the amount of debt or other obligations which rank equally or ahead of the Capital Notes that may be incurred or assumed by the Issuer.
- c) A Capital Noteholder does not have any right to set-off or net any amounts owing to it by the Issuer in respect of a Capital Note against any amount owing by that Capital Noteholder to the Issuer on any account.
- d) The Issuer does not have any right to set-off or net any amounts owing to it by a Capital Noteholder on any account against any amount owing by the Issuer to that Capital Noteholder on any account.

20.2 Winding-Up of Issuer

Subject to Condition 20.1(a):

- a) if an order by a court of competent jurisdiction is made (and the order is not successfully appealed within 21 days) or an effective resolution is passed for the Winding-Up of the Issuer in Australia, a Capital Noteholder of Capital Notes may, subject to Conditions 7.4 (Loss Absorption Event Conversion) and 7.5 (Write-Off following failure to Convert), by notice to the Registry, declare any such Capital Notes to be due and payable and may prove or claim in that Winding-Up of the Issuer in Australia. The Capital Noteholder of Capital Notes may in that Winding-Up of the Issuer in Australia prove for the Face Value owing to that Capital Noteholder under the Capital Notes;
- b) no remedy of the Capital Noteholders of Capital Notes against the Issuer other than proving or claiming in that Winding-Up of the Issuer in Australia, will be available to the Capital Noteholders of Capital Notes as a consequence of that Winding-Up of the Issuer in Australia;
- c) in a Winding-Up of the Issuer in Australia, a Capital Note confers upon the Capital Noteholder (and the Trustee), subject to Conditions 7.4 (Loss Absorption Event Conversion) and 7.5 (Write-Off following failure to Convert), the right to payment in cash of the Face Value on a subordinated basis in accordance with Condition 3.3 (Subordination in a Winding-Up), but no further or other claim on the Issuer in the Winding-Up of the Issuer in Australia; and
- d) nothing in this Condition 20.2 (Winding-Up of Issuer):
 - i) creates a charge or security interest on or over any right of the Capital Noteholder or the Trustee; or
 - ii) requires the consent of any Senior Creditor to any amendment of these Conditions made in accordance with Condition 22 (Variation).

20.3 Agreements and Acknowledgements of Capital Noteholders

Each Capital Noteholder (and the Trustee in its capacity as trustee for the Capital Noteholders) irrevocably acknowledges and agrees that:

- a) **(debt subordination)** this Condition 20 is a debt subordination for the purposes of section 563C of the Corporations Act;
- b) **(Preference Shares)** that it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a Preference Share would not be entitled to such interest;
- c) **(voting)** it must not exercise its voting rights as an unsecured creditor in the Winding-Up or administration of the Issuer to defeat the subordination in this Condition 20;
- d) **(not otherwise affected)** the debt subordination effected by this Condition 20 is not affected by any act or omission of the Issuer or a holder of a Senior Ranking Obligation which might otherwise affect it at law or in equity; and
- e) **(clawback)** it must pay or deliver to the liquidator any amount or asset received on account of its claim in the Winding-Up of the Issuer in connection with a Capital Note in excess of its entitlement under Condition 20 above.

20.4 No consent of holders of Senior Ranking Obligations

Nothing in this Condition 20 (Subordination) is taken to require the consent of any holder of a Senior Ranking Obligation to any amendment of these Conditions.

21. Voting, enforcement and consent

21.1 Enforcement by Trustee

Subject to Condition 21.2 (Capital Noteholder's right to take action), only the Trustee may enforce the provisions of the Trust Deed or these Conditions. The Trustee is not bound to take any action under these Conditions or the Trust Deed to enforce the obligations of the Issuer in respect of the Capital Notes or any other proceedings or action pursuant to or in connection with the Trust Deed or the Capital Notes unless:

- a) it has been directed by the Capital Noteholders (by way of Special Resolution) or so requested in writing by the Capital Noteholders of at least 25% of the aggregate Face Value of all Capital Notes then Outstanding; and
- b) it is indemnified in accordance with Clause 11.4(b) of the Trust Deed.

21.2 Capital Noteholder's right to take action

No Capital Noteholder is entitled to proceed directly against the Issuer to enforce any right or remedy under or in respect of any Capital Note or the Trust Deed (including by way of proving for the Redemption Price in a Winding-Up of the Issuer) unless the Trustee, having become bound to proceed, fails to do so within 14 days and the failure is continuing, in which case any Capital Noteholder may itself institute proceedings against the Issuer for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

21.3 Requirement for APRA approval

Any resolution which may affect the eligibility of the Capital Notes as Additional Tier 1 Capital cannot be approved by Capital Noteholders without the prior written approval of APRA.

22. Variation

22.1 Variation with consent

Unless expressly provided otherwise in these Conditions or the Trust Deed, or unless Condition 22.2 (*Variation without consent*) applies, any Condition may be varied by the Issuer with the approval of the Trustee (such approval not to be unreasonably withheld or delayed) in accordance with the Meetings Provisions, provided that the Issuer has obtained the prior written approval of APRA where the amendments may affect the regulatory capital treatment of the Capital Notes as Relevant Capital Instruments.

22.2 Variation without consent

- a) Subject to complying with the Corporations Act and all other applicable laws and directives, any Condition or the Trust Deed may be amended by the Issuer without the consent of the Trustee or the Capital Noteholders if the Issuer is of the opinion that the amendment:
- i) is of a formal, minor or technical nature;
 - ii) is made to correct a manifest error;
 - iii) is made to cure any ambiguity or correct or supplement any defective or inconsistent provision;
 - iv) is necessary or expedient for the purpose of enabling the Capital Notes to be listed or to remain listed on a stock exchange or lodged in a clearing system or to remain lodged in a clearing system or to be offered for sale or for subscription under the laws for the time being in force in any place;
 - v) is necessary or expedient for the purpose of complying with the provisions of any statute, the requirements of any statutory authority, the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which the Issuer may propose to seek a listing or quotation of the Capital Notes;
 - vi) is necessary and appropriate to effect the substitution under Condition 25 (Substitution);
 - vii) is made to amend any date or time period stated, required or permitted in connection with any Conversion, Redemption or Resale (including, without limitation, when the proceeds of Redemption are to be reinvested in a new security to be issued by the Issuer or a member of the Group);
 - viii) is made to:
 - A) amend the terms of the Capital Notes to align them with any Relevant Tier 1 Capital Instruments issued after the Issue Date; or
 - B) amend the definition of Relevant Tier 1 Capital Instruments on account of the issue after the Issue Date of capital instruments of any member of the Group;
 - ix) is not materially prejudicial to the interests of the Capital Noteholders as a whole;
 - x) is to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated; or
 - xi) only applies to Capital Notes issued by it after the date of amendment,

provided that, notwithstanding anything else in this Condition 22.2, any amendments which may have an adverse effect on the Trustee's personal rights and obligations under the Conditions or the Trust Deed must first be approved by the Trustee in writing (such approval not to be unreasonably withheld or delayed). In considering whether an amendment is materially prejudicial to Capital Noteholders as a whole, the Issuer need not take into account the taxation and regulatory capital consequences to Capital Noteholders (or any class of Capital Noteholders) or other special consequences which are personal to a Capital Noteholder (or any class of Capital Noteholders).

- b) The Issuer must obtain the prior written approval of APRA where the amendments may affect the regulatory capital treatment of the Capital Notes as Relevant Capital Instruments.
- c) Subject to complying with all applicable laws and with APRA's prior written approval where required in accordance with the Conditions, the Issuer may without the authority, assent or approval of the Capital Noteholders, amend these Conditions if the Issuer is of the reasonable opinion that the amendment is necessary and appropriate to effect the substitution of an Approved NOHC as issuer of ordinary shares on Conversion in the manner contemplated by these Conditions including without limitation amendments and additions to effect a substitution in accordance with Condition 25 (Substitution).

- d) The Issuer must give the Trustee notice of any proposed amendment under Condition 22.2(a)(ix) (**Proposed Amendment Notice**) at least 35 days (or such lesser period as may be acceptable to the Trustee (acting reasonably)) prior to making the amendment. If the Trustee (acting reasonably) has notified the Issuer that it has determined that an amendment proposed to be made by the Issuer under Condition 22.2(a)(ix) (taken as a whole and in conjunction with all other amendments to be made contemporaneously with that amendment) may be materially adverse to the interests of the Capital Noteholders as a whole, which notice shall be given as soon as practicable and in any event within 35 days of the date of the Proposed Amendment Notice, the Issuer may not make that amendment unless an Ordinary Resolution is passed in favour of the amendment.

22.3 Notification of amendment to APRA

The Issuer will promptly notify APRA of any amendments made in accordance with this Condition 22 (Variation).

22.4 Requirement for APRA approval

A requirement in this Condition 22 (Variation) for an amendment to be made with APRA's prior written approval applies only where the amendment may affect the eligibility of Capital Notes as Additional Tier 1 Capital.

23. Further issues and other rights

Each of the following is expressly permitted and authorised by these Conditions:

- a) the allotment or issue of notes, preference shares or other securities, or the conversion or exchange of existing securities into preference shares or other securities, ranking equally with, in priority to or junior to, or having different rights from, the Capital Notes then on issue;
- b) a redemption, conversion, exchange, buy-back or return or distribution of capital in respect of any share capital (except as provided by Condition 5.9 (Restrictions in the case of non-payment)) or any other securities issued by the Issuer whether ranking behind, equally with, or in priority to, the Capital Notes; and
- c) the incurring or guaranteeing by the Issuer of any indebtedness upon such terms as the Issuer thinks fit in its sole discretion.

24. No other rights

Before Conversion, the Capital Notes confer no rights on Capital Noteholders to:

- a) attend or vote at any meeting of the members of the Issuer;
- b) subscribe for securities or to participate in any bonus issues of securities of the Issuer or any other member of the Group;
- c) participate in the issue of any other securities of the Issuer and has no claim against the Issuer other than as expressly set out in these Conditions or in respect of any other member of the Group; or
- d) otherwise participate in the profits or property of the Issuer or any other member of the Group, except by receiving payments as set out in these Conditions.

No Capital Noteholder of the Capital Notes has any claim against the Issuer or any other member of the Group other than as expressly provided for in these Conditions.

25. Substitution

25.1 Substitution of Approved NOHC as issuer of Ordinary Shares

If:

- a) the Issuer proposes to implement a NOHC Event involving an Approved NOHC; and
- b) the Approved NOHC agrees for the benefit of Capital Noteholders:
 - i) to deliver fully paid ordinary shares in its capital under all circumstances when the Issuer (or the NOHC, as applicable) would otherwise have been required to deliver ordinary shares and upon the occurrence of an Acquisition Event with respect to the Approved NOHC, subject to the same terms and conditions as set out in these Conditions (with all necessary modifications); and
 - ii) to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of all ordinary shares in the capital of the Approved NOHC issued under these Conditions (with all necessary modifications) on the securities exchange on which the other ordinary shares in the capital of the Approved NOHC are quoted at the time of a Conversion,

the Issuer may give a notice (an **Approved NOHC Substitution Notice**) to the Capital Noteholders and the Trustee (which, if given, must be given as soon as practicable before the NOHC Event and in any event no later than 10 Business Days before the NOHC Event occurs) specifying the amendments to these Conditions which will be made in accordance with Condition 25.2 (Amendment without consent for substitution of an Approved NOHC) to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion (the **Approved NOHC Substitution Terms**). An Approved NOHC Substitution Notice, once given, is irrevocable. If the Issuer gives an Approved NOHC Substitution Notice to Capital Noteholders and the Trustee in accordance with Condition 25.2 (Amendment without consent for substitution of an Approved NOHC), the Approved NOHC Substitution Terms will have effect on and from the date specified in the Approved NOHC Substitution Notice. No proposal to implement a NOHC prevents, impedes or delays a Conversion required on account of a Loss Absorption Event.

25.2 Amendment without consent for substitution of an Approved NOHC

Subject to complying with all applicable laws and with APRA's prior written approval, if the circumstances described in Condition 25.1 (Substitution of Approved NOHC as issuer of ordinary shares) applies, without the authority, assent or approval of the Capital Noteholders, the Issuer may give an Approved NOHC Substitution Notice which:

- a) amends the definition of "Conversion" such that, unless APRA otherwise agrees, on the date Capital Notes are to be Converted:
 - i) each Capital Note that is being Converted will be automatically transferred by each Capital Noteholder free from encumbrance to the Approved NOHC (or another member of the Group which is a holding company of the Issuer) (the **Transferee**) on the date the Conversion is to occur;
 - ii) each Capital Noteholder (or in the circumstances contemplated in Condition 10.11 (Issue to the Trustee or an Eligible Nominee) the Trustee or Eligible Nominee) will be issued a number of ordinary shares in the capital of the Approved NOHC equal to the Conversion Number; and
 - iii) as between the Issuer and the Transferee, each Capital Note held by the Transferee as a result of the transfer will be automatically Converted into ordinary shares in the Approved NOHC, in a number such that the total number of ordinary shares held by the Transferee increases by the number which equals the number of ordinary shares in the capital of the Approved NOHC issued by the Approved NOHC to Capital Noteholders on Conversion; and
- b) makes such other amendments as in the Issuer's reasonable opinion are necessary and appropriate to effect the substitution of an Approved NOHC as the provider of the ordinary shares on Conversion in the manner contemplated by these Conditions, including without limitation:
 - i) amendments and additions to the definition of "Group", "Acquisition Event", "Common Equity Trigger Event", "Non-Viability Trigger Event", "Loss Absorption Event", "Regulatory Event", "Tax Event" and "Mandatory Conversion";
 - ii) where the terms upon which the Approved NOHC acquires the Issuer are such that the number of ordinary shares in the capital of the Approved NOHC on issue immediately after the substitution differs from the number of ordinary shares on issue immediately before the substitution (not involving any cash payment, or other distribution (or compensation) to or by the holders of any such shares), an adjustment to any relevant VWAP or Issue Date VWAP consistent with the principles of adjustment set out in Condition 10 (Conversion mechanics);
 - iii) amendments to the mechanics for adjusting the Conversion Number; and
 - iv) any term defining the rights of Capital Noteholders if the Conversion is not effected which is appropriate for the Capital Notes to remain as Tier 1 Capital.

25.3 Further substitutions

After a substitution under Condition 25.1 (Substitution of Approved NOHC as issuer of ordinary shares), the Approved NOHC may, without the consent of the Capital Noteholders, effect a further substitution in accordance with Condition 25.1 (Substitution of Approved NOHC as issuer of ordinary shares) as if references to “Issuer” were to the “Approved NOHC” and any other necessary amendments to that Condition.

25.4 Notice to Capital Noteholders

The Issuer or the Approved NOHC must notify the Trustee, the Registry and the Capital Noteholders of the particulars of any substitution according to Condition 25.1 (Substitution of Approved NOHC as issuer of ordinary shares) or Condition 25.3 (Further substitutions) in writing as soon as practicable after the substitution.

25.5 Acknowledgement of Capital Noteholders

Each Capital Noteholder irrevocably acknowledges and agrees that an Approved NOHC may in accordance with these Conditions be substituted for the Issuer as issuer of the Ordinary Shares on Conversion and that if such a substitution is effected, the Capital Noteholder is obliged to accept ordinary shares in that Approved NOHC on a Conversion, and will not receive Ordinary Shares.

26. Notices

All notices and other communications required to be given to the Capital Noteholders in accordance with these Conditions must also be provided to the Trustee.

27. Governing law and jurisdiction

27.1 Governing law

The Capital Notes are governed by the law in force in New South Wales, Australia.

27.2 Jurisdiction

The Issuer irrevocably and unconditionally submits, and each Capital Noteholder is taken to have submitted, to the non-exclusive jurisdiction of the courts of New South Wales and courts of appeal from them. The Issuer waives any right it has to object to any suit, action or proceedings (**Proceedings**) being brought in those courts including by claiming that the Proceedings have been brought in an inconvenient forum or that those courts do not have jurisdiction.

Glossary.

To the extent that there is any inconsistency between the description of the terms of Capital Notes in this Glossary and in the Terms, the Terms prevail.

Term	Meaning
1m BBSW	Means the BBSW with a tenor of 1 month.
ACCC	Means the Australian Competition and Consumer Commission.
ACL	Means an Australian Credit Licence.
Acquisition Conversion Date	Means the date on which Conversion is to occur.
Acquisition Event	<p>Means any one of the following events:</p> <ul style="list-style-type: none"> a) a takeover bid is made to acquire all or some of the Ordinary Shares and such offer is, or becomes, unconditional on, all regulatory approvals necessary for the acquisition to occur have been obtained and either: <ul style="list-style-type: none"> i) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares, as applicable, on issue; or ii) the directors of Judo, as applicable, acting as a board, issue a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of such offer (in the absence of a higher offer); or b) a court orders the holding of meeting(s) to approve a scheme of arrangement under Part 5.1 of the Corporations Act in relation to Judo, which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares, as applicable that will be on issue after the scheme is implemented and: <ul style="list-style-type: none"> i) all classes of members of Judo pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme if the scheme relates to Judo; or ii) all conditions to the implementation of the scheme, including any necessary regulatory approval (but not including approval of the scheme by the court) have been satisfied or waived, <p>provided that none of the events described above will constitute an Acquisition Event if:</p> <ul style="list-style-type: none"> c) the event is a NOHC Event; d) the ordinary shares of the Approved NOHC are listed on an internationally recognised stock exchange; and e) the Approved NOHC makes the agreements for the benefit of Capital Noteholders contemplated by Condition 23 of the Terms (Substitution).
Additional Tier 1 Capital	Means Additional Tier 1 capital as defined by APRA from time to time.
ADI	Means an authorised deposit-taking institution as defined in the Banking Act.
AFSL	Means an Australian Financial Services Licence.
Allocation Policy	Means the policy described in Section 6.6.2 under which Allocations under the Offer are determined.
Alternative Base Rate	<p>Means a rate other than BBSW, that is generally accepted in the Australian market for floating rate securities denominated in Australian dollars of a tenor and interest period comparable to that of Capital Notes or, if there is no such rate:</p> <ul style="list-style-type: none"> a) a reference rate that is, in Judo's opinion, appropriate to floating rate debt securities of a tenor and interest period most comparable to Capital Notes; or b) such other reference rate as Judo considers appropriate having regard to available comparable indices.

Term	Meaning
AML/CTF Act	Means the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (Cth).
Applicant	Means a person who submits an Application.
Application	Means a valid application for a specified number of Capital Notes made in accordance with this Prospectus to a Syndicate Broker.
Application Payment	Means the monies payable on each Application, calculated as the number of Capital Notes applied for multiplied by the Issue Price.
Approved NOHC	Means a NOHC of the Group arising from a NOHC Event in circumstances where the proviso to the definition of Acquisition Event will be satisfied.
APRA	Means the Australian Prudential Regulatory Authority (ABN 79 635 582 658) or any authority succeeding to its powers and responsibilities.
Arranger	Means Barrenjoey Markets Pty Limited.
Ashurst Australia	Means Ashurst Australia (ABN 75 304 286 095).
ASIC	Means the Australian Securities and Investments Commission.
ASX	Means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires, or any successor.
ASX Listing Rules	Means the listing rules of ASX, as amended, varied or waived (whether in respect of Judo or generally) from time to time.
AT1 Internal Notes	Means the Additional Tier 1 Capital notes issued by Judo Bank to Judo via an intra-group arrangement on substantially the same terms as Capital Notes.
ATO	Means the Australian Tax Office.
Audited Financial Statements	Means Judo's audited general-purpose financial statements for FY22 and FY23.
Australian Resident Capital Noteholders	Means certain Capital Noteholders who are tax residents of Australia.
AUSTRAC	Means the Australian Transaction Reports and Analysis Centre.
Banking Act	Means the <i>Banking Act 1959</i> (Cth).
Barrenjoey Markets Pty Limited	Means Barrenjoey Markets Pty Limited (ABN 66 636 976 059).
BBSW	Means the rate designated 'BBSW' in respect of prime bank eligible securities having tenor closest to the Distribution Period (currently 3 months as it relates to Capital Notes) and subject to the Terms.

Term	Meaning
BBSW Disruption Event	Occurs when, in Judo's opinion, the BBSW: <ul style="list-style-type: none"> a) is not published by 12.00pm or such other time that Judo considers appropriate on that day; b) is published but is affected by an obvious error; c) has been discontinued or otherwise ceased to be calculated or administered; or d) is no longer generally accepted in the Australian market as a reference date appropriate to floating rate debt securities of a tenor and interest period comparable to that of the Capital Note.
BCBS	Means the Basel Committee on Banking Supervision.
Board	Means the board of directors of Judo.
Bookbuild	Means the process described in Section 6.6.1 to determine the Margin.
Broker Firm Applicants	Means Applicants under the Broker Firm Offer.
Broker Firm Offer	Means the offer under which an Applicant may receive a firm allocation from their Syndicate Broker.
Business Day	Means a day which is: <ul style="list-style-type: none"> a) a business day within the meaning of the ASX Listing Rules; and b) for the purpose of determining a Conversion Date (other than a Mandatory Conversion Date) or the calculation or Payment of a Distribution or of any other sum, a day on which banks are open for general banking business in Sydney and Melbourne (not being a Saturday, Sunday or public holiday in that place).
Business Day Convention	Means, in respect of a Capital Note, that the date is adjusted to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date is adjusted to the first preceding day that is a Business Day.
Capital Buffer	Means the aggregate of the capital conservation buffer plus any countercyclical buffer that APRA determines from time to time.
Capital Note	Means the convertible, subordinated, non-cumulative, perpetual debt securities issued in the form of unsecured notes which are to be issued pursuant to the Prospectus by Judo and which are constituted by, and owing under, the Trust Deed.
Capital Noteholder	Means, in respect of a Capital Note, each person whose name is entered in the Register as the holder of that Capital Note.
CET1	Means Common Equity Tier 1.
CET1 Capital	Has the meaning as defined by APRA from time to time.
CET1 Capital Ratio	Means the ratio of the CET1 Capital to RWA, calculated in accordance with APRA's Prudential Standards (as amended from time to time).
Chair	Means the Chair of the Board.
Closing Date	Means the last date by which Applications will be accepted, which is expected to be 5.00pm (Sydney time) on 10 November 2023.

Term	Meaning
Common Equity Trigger Event	Occurs when: <ol style="list-style-type: none"> a) Judo determines; or b) APRA notifies Judo in writing that it believes, that either or both the Judo Level 1 CET1 Capital Ratio or Judo Level 2 CET1 Capital Ratio is equal to or less than 5.125%.
Conversion	Means the conversion of all, some or in the case of a Common Equity Trigger Event or Non-Viability Trigger. Event only, a proportion of the Face Value of each of the Capital Notes into Ordinary Shares under these Terms. Convert, Converting and Converted have corresponding meanings.
Conversion Number	Has the meaning given to it in Condition 10.1(b) of the Terms
Corporations Act	Means the <i>Corporations Act 2001</i> (Cth).
COVID-19	Means the infectious disease caused by the coronavirus, SARS-CoV-2, a respiratory pathogen, declared a pandemic by the World Health Organisation on 11 March 2020.
CRS	Means the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information.
DDO Regime	Means the design and distribution obligations regime contained in Part 7.8A of the Corporations Act.
Delisting Event	Means, in respect of a date, that: <ol style="list-style-type: none"> a) Judo has ceased to be listed or Ordinary Shares have ceased to be quoted on ASX on or before that date (and where the cessation occurred before that date, Judo or the Ordinary Shares continue not to be listed or quoted (as applicable) on that date); b) trading of Ordinary Shares is suspended for a period of consecutive days, which includes: <ol style="list-style-type: none"> i) at least 5 consecutive Business Days prior to that date; and ii) that date; or c) Judo is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, Winding-Up or other external administration of Judo) or any other reason from Converting Capital Notes.
Direct Term Deposits	Means term deposits offered by Judo Bank to single or joint individual account holders, SMSFs or business customers online, via the website.
Directors	Means the directors of Judo acting as a board or an authorised committee of the board.
Distribution	Means a cash distribution calculated in accordance with Condition 5 of the Terms.
Distribution Commencement Date	Means the Issue Date.
Distribution Payment Date	Means: <ol style="list-style-type: none"> a) each 16 February, 16 May, 16 August and 16 November, commencing on 16 February 2024 until (but not including) the date on which the Capital Note is Converted, Redeemed or Resold in accordance with the Terms; and b) each date on which a Conversion, Redemption or Resale of that Capital Note occurs, other than a Conversion on Loss Absorption Event Conversion Date, in each case in accordance with the Terms. If a Distribution Payment Date is a day which is not a Business Day, then the Distribution Payment Date becomes the next day which is a Business Day.

Term	Meaning
Distribution Period	Means each period beginning on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date. However: <ul style="list-style-type: none"> a) the first Distribution Period commences on (and includes) the Distribution Commencement Date; and b) the final Distribution Period ends on (but excludes) each date on which a Write-Off, Redemption, Conversion or Resale occurs.
Distribution Rate	Means the rate calculated in accordance with Condition 5.7 of the Terms.
E&P Corporate Advisory Pty Limited	Means E&P Corporate Advisory Pty Limited (ABN 21 137 980 520).
East & Partners	Means East & Partners Pty Ltd (ACN 151 025 599).
Equal Ranking Security	Means any instrument that ranks in a Winding-Up of Judo as the most junior claim in the Winding-Up of Judo ranking senior to Ordinary Shares, and includes preference shares (in the event Judo issues preference shares), Relevant Tier 1 Capital Instruments and any other instruments, present and future, issued as instruments constituting Tier 1 Capital.
Exposure Period	Means the seven day period after the date this Prospectus was lodged with ASIC, during which the Corporations Act prohibits the processing of Applications.
Face Value	Means the Issue Price for Capital Notes, being A\$100 per Capital Note.
FATCA	Means: <ul style="list-style-type: none"> a) sections 1471 to 1474 of the US Internal Revenue Code of 1986 or any associated regulations; b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.
FATCA Withholding	Means any withholding or deduction of taxes, interest or penalties required under FATCA.
Financial Claims Scheme	Means the scheme established under Division 2AA of Part II of the Banking Act.
Foreign Capital Noteholder	Means: <ul style="list-style-type: none"> a) a Capital Noteholder whose address in the Register is a place outside Australia; or b) a Capital Noteholder who the Issuer believes may not be a resident of Australia and the Issuer is not satisfied that the laws of the country in which the Issuer believes the Capital Noteholder is resident permit the offer of Ordinary Shares to, or holding or acquisition of Ordinary Shares by, the Capital Noteholder (but the Issuer will not be bound to enquire into those laws), either unconditionally or after compliance with conditions which the Issuer, in its absolute discretion, regards as acceptable and not unduly onerous.
Franking Rate	Means (expressed as a decimal) the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) applicable to the franking account of Judo at the relevant Distribution Payment Date.
FY22	Means the financial year ended 30 June 2022.
FY22 Annual Report	Means the financial report for Judo for the year ended 30 June 2022.

Term	Meaning
FY23	Means the financial year ended 30 June 2023.
FY23 Annual Report	Means the financial report for Judo for the year ended 30 June 2023.
GLA	Means Gross Loans and Advances.
Holding Statement	Means a statement issued to Capital Noteholders by the Registry, which sets out details of Capital Notes issued to them under the Offer.
ICAAP	Means Judo's Internal Capital Adequacy Assessment Process.
Initial Face Value	Means A\$100 per Capital Note.
Institutional Investor	Means an investor to whom offers or invitations in respect of Capital Notes can be made without the need for a lodged prospectus (or other formality, other than a formality which Judo is willing to comply with), including, in Australia, to a person who is a wholesale client as defined in section 761G of the Corporations Act and to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act, and who has been invited by the Joint Lead Managers to bid for Capital Notes in the Bookbuild, provided that such investor is not in the United States or acting for the account or benefit of a person in the United States.
Intermediated Middle Market Term Deposits	Means term deposits offered by Judo Bank to entities including charities, universities, governments and corporates via intermediaries.
Intermediated SMSF/ Retail Term Deposits	Means term deposits offered by Judo Bank to SMSF and retail customers via intermediaries.
IRB	Means an internal ratings-based approach.
IRS	Means the U.S. Internal Revenue Service.
Issue Date	Means the date on which Capital Notes are issued.
Issue Date VWAP	Means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, as adjusted in accordance with Condition 10 of the Terms.
Issue Price	Means for a Capital Note, A\$100.
Joint Lead Managers	Means Barrenjoey Markets Pty Limited, E&P Corporate Advisory Pty Limited, Morgans Financial Limited and Westpac Institutional Bank (a division of Westpac Banking Corporation).
Judo or Issuer	Means Judo Capital Holdings Limited (ACN 612 862 727).
Judo Bank	Means Judo Bank Pty Ltd (ACN 615 995 581).
Judo Constitution	Means the constitution of Judo, as amended from time to time.
Judo Group	Means Judo and all of its controlled entities (including but not limited to Judo Bank).
Judo Level 1 CET1 Capital Ratio	Means, in respect of the Judo Level 1 Group, the ratio of the CET1 Capital of the Judo Level 1 Group to the risk weighted average assets of the Judo Level 1 Group, calculated in accordance with APRA's Prudential Standards (as amended from time to time).
Judo Level 1 Group	Means Judo and those of its controlled entities included by APRA from time to time in the calculation of Judo's capital ratios on a Level 1 basis.

Term	Meaning
Judo Level 2 CET1 Capital Ratio	Means, in respect of the Judo Level 2 Group, the ratio of the CET1 Capital of the Judo Level 2 Group to the risk weighted average assets of the Judo Level 2 Group, calculated in accordance with APRA's Prudential Standards (as amended from time to time).
Judo Level 2 Group	Means Judo and together with each other Related Entity included by APRA from time to time in the calculation of Judo's capital ratios on a Level 2 basis.
Loss Absorption Event	Means each of the following: <ul style="list-style-type: none"> a) a Common Equity Trigger Event; and b) a Non-Viability Trigger Event.
Loss Absorption Event Conversion	Means a conversion on account of a Loss Absorption Event.
Loss Absorption Event Conversion Date	Has the meaning given in Condition 7.4 (Loss Absorption Event Conversion) in the Terms.
Mandatory Conversion	Means conversion in accordance with Condition 6.1 of the Terms.
Mandatory Conversion Conditions	Means for each Relevant Mandatory Conversion Date each of the following for each Relevant Mandatory Conversion Date are each of the following: <ul style="list-style-type: none"> a) the VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Mandatory Conversion Date (the First Test Date, provided that if no trading in Ordinary Shares took place on that date, the "First Test Date" is the first Business Day before the 25th Business Day immediately preceding (but not including) the Relevant Mandatory Conversion Date on which trading in Ordinary Shares took place) is greater than 56% of the Issue Date VWAP (the First Mandatory Conversion Condition); b) the VWAP during the period of 20 Business Days on which trading of Ordinary Shares took place immediately preceding (but not including) the Relevant Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP (the Second Mandatory Conversion Condition); and c) no Delisting Event applies in respect of the Relevant Mandatory Conversion Date (the Third Mandatory Conversion Condition).
Mandatory Conversion Date	Means will be the first to occur of the following dates (each a Relevant Mandatory Conversion Date) on which the Mandatory Conversion Conditions are satisfied: <ul style="list-style-type: none"> a) the Scheduled Mandatory Conversion Date; or b) the first Distribution Payment Date after the Scheduled Mandatory Conversion Date and each subsequent Distribution Payment Date thereafter (each a Subsequent Mandatory Conversion Date).
Margin	Means the rate (expressed as a percentage per annum) determined under the Bookbuild.
Maximum Conversion Number	Means the maximum number of Ordinary Shares a Capital Noteholder can receive upon Conversion.
MLH	Means Minimum Liquidity Holdings under the Minimum Liquidity Holdings regime where APRA requires Judo Bank to hold a minimum buffer in cash and eligible securities.
Morgans Financial Limited	Means Morgans Financial Limited (ABN 49 010 669 726).
NCD	Means a Negotiable Certificate of Deposit.
NIM	Means the net interest margin.

Term	Meaning
NOHC	Means a “non-operating holding company” within the meaning of the Banking Act.
NOHC Authority	Means the authority within the meaning of the Banking Act.
NOHC Event	Means an event which would otherwise be an Acquisition Event which is initiated by the Directors, acting as a board, and the result of which is that the ultimate holding company of Judo would be a NOHC.
Nominated Purchaser	Means one or more third parties selected by Judo in its absolute discretion, provided that such party cannot be Judo or any Related Entity of Judo.
Non-Resident Capital Noteholders	Means certain Capital Noteholders who are not tax residents of Australia
Non-Viability Trigger Event	Has the meaning given to it in Condition 7.3 of the Terms.
NPS	Means a Net Promoter Score.
OAIC	Means the Office of the Australian Information Commissioner.
Offer	Means the invitation made under this Prospectus by Judo for persons to subscribe for Capital Notes.
Offer Management Agreement or OMA	Means the offer management agreement entered into between Judo, the Arranger and the Joint Lead Managers, as described in Section 8.2.
Offer Period	Means the period from the Opening Date to the Closing Date.
Opening Date	Means the day the Offer opens, being 31 October 2023, unless varied.
Ordinary Share	Means a fully paid ordinary share in the capital of Judo.
Outstanding	Means in relation to the Capital Notes, all of the Capital Notes other than: <ul style="list-style-type: none"> a) a Capital Note which has been redeemed, repaid, resold or satisfied in full by the Issuer; b) a Capital Note for which funds equal to its Face Value are on deposit with the Registry on terms which prohibit the redemption of those Capital Notes or in respect of which the Registry holds an irrevocable direction to apply funds in repayment of Capital Notes to be redeemed on that day; c) a Capital Note in respect of which a Capital Noteholder is unable to make a claim as a result of the operation of Condition 18 (Time limit for claims); or d) a Capital Note which has been Converted or Written-Off in full.
Payment Condition	Means in respect of Distributions scheduled to be paid on a Distribution Payment Date: <ul style="list-style-type: none"> a) the payment of Distributions will result in Judo or the Group not complying with APRA's then current Prudential Capital Requirements; b) unless APRA otherwise approves in writing, making the Distribution payment would result in Judo or the Group exceeding any limit on distributions of earnings applicable under (and calculated in accordance with) APRA's then current capital conservation requirements as they are applied to Judo or the Group (as the case may be) at the time; c) APRA otherwise objects to the payment of Distributions; or d) making the Distribution payment would result in Judo becoming, or being likely to become, insolvent for the purposes of the Corporations Act.
PCR	Means the prudential capital requirement as stipulated by APRA. See Section 4.3.1.

Term	Meaning
Privacy Act	Means the <i>Privacy Act 1988</i> (Cth).
Pro Forma Capital Adequacy Information	Has the meaning described in Section 4.1.
Pro Forma Consolidated Statement of Financial Information	Has the meaning described in Section 4.2.2.
Pro Forma Historical Financial Information	Has the meaning described in Section 4.1.
Product Intervention Order Regime	Means the product intervention order regime contained in Part 7.9A of the Corporations Act.
Prospectus	Means this document (including the electronic form of this document), and any supplementary or replacement prospectus in relation to this document, including the Terms.
Prudential Capital Requirements	Means at any time the requirements of APRA with respect to the ratio of CET1 Capital, Tier 1 Capital or Total Capital to total RWAs as applicable to the Issuer or the Group at that time.
Prudential Standards	Means the legally binding standards established by APRA for regulated institutions.
PwC	Means PricewaterhouseCoopers.
RBA	Means the Reserve Bank of Australia.
Redemption	Means the redemption of a Capital Note by Judo paying to the Capital Noteholder of that Capital Note the Redemption Price for that Capital Note on the Redemption Date in accordance with Condition 11.1 of the Terms and the words Redeem , Redeemable and Redeemed have corresponding meanings.
Register	Means a register of Capital Notes maintained by or on behalf of Judo in accordance with the Trust Deed and including any sub-register established and maintained in CHESS under Applicable Regulation.
Registrar or Registry	Means Link Market Services Limited.
Regulatory Event	Means: <ul style="list-style-type: none"> a) the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification or change (including any announcement of a prospective change) in any law or regulation or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date of Capital Notes (but which Judo did not expect at the Issue Date of Capital Notes) (a Change in Law), there is more than an insubstantial risk that more than a de minimis additional requirement would be imposed on Judo in relation to or in connection with Capital Notes which the Directors determine, in their absolute discretion, to be unacceptable; or b) the determination by the Directors that Judo is not or will not be entitled to treat some or all Capital Notes as Relevant Capital Instruments as a result of a Change in Law, except where the reason Judo is not or will not be entitled to treat some or all Capital Notes as Relevant Capital Instruments is because of a limit or other restriction on the recognition of Relevant Capital Instruments which is in effect on the Issue Date or which on the Issue Date is expected by Judo to come into effect.
Related Entity	Has the meaning given to it by APRA from time to time.

Term	Meaning
Relevant Distribution	Has the meaning given to it in Condition 5.9 of the Terms.
Relevant Distribution Payment Date	Has the meaning given to it in Condition 5.9 of the Terms.
Relevant Tax Jurisdiction	Means Australia or any relevant political sub-division.
Relevant Tier 1 Capital Instrument	Means a capital instrument forming part of the Tier 1 Capital of Judo (on a Level 1 or Level 2 basis) that, in accordance with its terms or by declaration of law, is capable of being converted, exchanged or written-off where APRA makes a determination as referred to in Condition 7.3(a) of the Terms.
Resale	Means, in relation to a Capital Note, the effect of the rights specified in Condition 12 of the Terms in relation to that Capital Note, and Resold and Resell have corresponding meanings.
Retail Investor	Means an investor who is a “retail client” under the Corporations Act.
RFI Global	Retail Finance Intelligence Pty Ltd (ACN 121 015 192).
RMF	Means Judo’s Risk Management Framework.
RMS	Means Judo’s Risk Management Strategy.
RWA	Means risk-weighted assets.
Sales Agent	Means an entity who is authorised by its AFSL to sell Ordinary Shares (or is an authorised representative of an AFSL holder) and which will sell or procure the sale of Ordinary shares in accordance with the Trustee’s instructions under the Trust Deed.
Senior Ranking Creditors	Means all present and future creditors of Judo with Senior Ranking Obligations.
Senior Ranking Obligations	Has the meaning given to it in Condition 1.1 of the Terms.
SME	Means Small and Medium Enterprises.
SME TAM	Means the SME total addressable market.
SMSF	Means a Self-managed superannuation fund.
SOCI Act	Means the Security of Critical Infrastructure Act 2018.
Special Resolution	Means a resolution passed at a meeting of Capital Noteholders by a majority of at least 75% of the votes validly cast by Capital Noteholders in person or by proxy and entitled to vote on the resolution.
Statutory Historical Financial Information	Has the meaning described in Section 4.1
Subordinated Notes	Means floating rate subordinated notes issued by Judo Bank, comprising Tier 2 Capital.
Syndicate Broker	Syndicate Broker means any of the Joint Lead Managers and brokers invited by the Joint Lead Managers to participate in the Broker Firm Offer.

Term	Meaning
Target Market Determination	Means the target market determination for Capital Notes issued by Judo in accordance with its obligations under the DDO Regime.
Tax Act	Means the <i>Income Tax Assessment Act 1936</i> (Cth) or the <i>Income Tax Assessment Act 1997</i> (Cth), as the context requires.
Tax Event	Means the receipt by the Directors of an opinion from a reputable legal counsel or other tax adviser in Australia, experienced in such matters to the effect that, as a result of a change in, or amendment to, the laws of a Relevant Tax Jurisdiction, or any change in their application or official or judicial interpretation or administration, which change or amendment becomes effective on or after the Issue Date of Capital Notes (but which Judo did not expect at the Issue Date of Capital Notes) there is more than insubstantial risk, which the Directors determine to be unacceptable that: <ul style="list-style-type: none"> a) a Distribution would not be a frankable distribution (within the meaning of division 202 of the Tax Act); or b) the issuer would be exposed to a more than de minimus adverse tax consequence or increase in its costs.
Terms	Means the terms and conditions of Capital Notes.
TFF	Means Term Funding Facility.
TFF Operational Notes	Means the operational notes published by the RBA from time to time that relate to the TFF.
Tier 1 Capital	Has the meaning as defined by APRA from time to time.
Tier 1 Capital Ratio	Means the ratio of the Tier 1 Capital to RWA, calculated in accordance with APRA's Prudential Standards (as amended from time to time).
Tier 2 Capital	Has the meaning as defined by APRA from time to time.
Total Capital	Means the sum of Tier 1 Capital (including CET1 Capital) and Tier 2 Capital.
Total Capital Ratio	Means the ratio of the Total Capital to RWA, calculated in accordance with APRA's Prudential Standards (as amended from time to time).
Trust	Means the trust constituted by the Trust Deed.
Trust Deed	Means the trust deed in respect of Capital Notes, as amended from time to time.
Trustee	Means Certane CT Pty Ltd (ABN 12 106 424 088) or any replacement trustee under the Trust Deed from time to time.
U.S. Persons	Has the meaning given to that term in Rule 902(k) under the U.S. Securities Act.
U.S. Securities Act	Means the U.S. Securities Act of 1933.
UCT Reform Bill	Means the <i>Treasury Laws Amendment (More Competition, Better Prices) Bill 2022</i> (Cth).
VWAP	Means the average of the daily volume weighted average prices of Ordinary Shares traded on ASX during the relevant VWAP Period, subject to any adjustments made under Condition 10 of the Terms, but the trades taken into account in determining such daily volume weighted average prices will exclude special crossings, crossings prior to the commencement of normal trading or during the closing phase or after hours adjustment phase, overnight crossings, overseas trades, trades pursuant to the exercise of options over Ordinary Shares, or any other trade determined by the board of Judo in its discretion not to be reflective of normal trading in Ordinary Shares.

Term	Meaning
VWAP Period	<p>VWAP Period means:</p> <ul style="list-style-type: none"> a) in the case of a Conversion resulting from an Acquisition Event, the lesser of: <ul style="list-style-type: none"> i) 20 Business Days on which trading in Ordinary Shares takes place; and ii) the number of Business Days on which trading in Ordinary Shares takes place that the Ordinary Shares are quoted for trading on ASX after the occurrence of the Acquisition Event (as the case may be); b) in each case immediately preceding (but not including) the Business Day before the Acquisition Conversion Date in respect of that event (as the case may be); c) in the case of a Conversion resulting from a Loss Absorption Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Loss Absorption Event Conversion Date; d) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Conditions; or e) otherwise, the period for which VWAP is to be calculated in accordance with these Conditions.
Westpac Institutional Bank	Means Westpac Institutional Bank (a division of Westpac Banking Corporation) (ABN 33 007 457 141).
Wholesale Investor	Means an investor who is a “wholesale client” under the Corporations Act.
Winding-Up	<p>Means:</p> <ul style="list-style-type: none"> a) a court order made for the winding-up of Judo (and the order is not successfully appealed within 60 days); or b) an effective resolution passed by members for the winding-up of Judo.
Written-Off	<p>Means, in respect of a Loss Absorption Event Conversion Date and a Capital Note (or the percentage of Capital Notes determined in accordance with Condition 7.4 of the Terms), that:</p> <ul style="list-style-type: none"> a) the Capital Note will not be Converted in respect of the Loss Absorption Event Conversion Date and will not be Converted, Redeemed or Resold under these Conditions or on any subsequent date; and b) the immediate and irrevocable termination of a Capital Noteholder’s rights in relation to that Capital Note, including to the payment of Distributions and its Face Value and the termination of all obligations of Judo in respect of such Capital Note with effect on and from the Loss Absorption Event Conversion Date. <p>In the case of a Write-Off of a Capital Note, for all purposes Judo will consider that Capital Note no longer to be outstanding and Judo will instruct the Registry to delete that Capital Note from the Register. Write-off has a corresponding meaning.</p>

Issuer

Judo Capital Holdings Limited

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Melbourne VIC 3000

www.judo.bank

Australian Legal Adviser

Ashurst Australia

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Arranger

Barrenjoey Markets Pty Limited

Level 19, Quay Quarter Tower
50 Bridge Street
Sydney NSW 2000

Joint Lead Managers

Barrenjoey Markets Pty Limited

Level 19, Quay Quarter Tower
50 Bridge Street
Sydney NSW 2000

E&P Corporate Advisory Pty Limited

Mayfair Building
171 Collins Street
Melbourne VIC 3000

Morgans Financial Limited

Riverside Centre
Level 29
123 Eagle Street
Brisbane QLD 4000

Westpac Institutional Bank

(a division of Westpac Banking Corporation)

Level 3, Westpac Place
275 Kent Street
Sydney NSW 2000

Auditor

PricewaterhouseCoopers

2 Riverside Quay
Southbank VIC 3006

Accounting Adviser

PricewaterhouseCoopers Securities Ltd

2 Riverside Quay
Southbank VIC 3006

Trustee

Certane CT Pty Ltd

Level 6
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Sydney NSW 2000

Registry

Link Market Services Limited

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