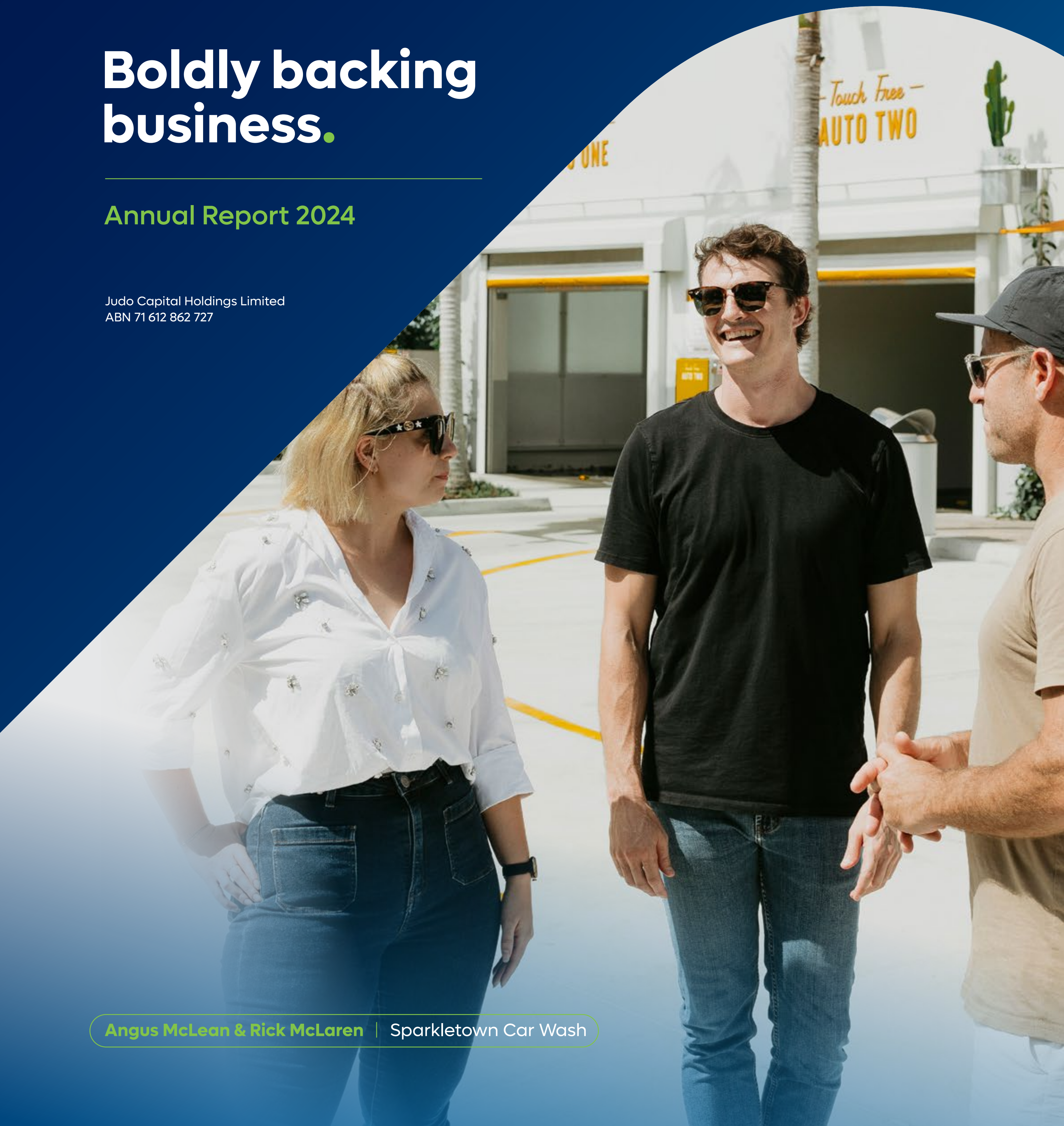
Boldly backing business.

Annual Report 2024

Judo Capital Holdings Limited
ABN 71 612 862 727



Angus McLean & Rick McLaren | Sparkletown Car Wash

Contents

We acknowledge the Traditional Owners and Custodians of the lands on which we live, work and gather, and acknowledge their rich culture and continuing connection to land, waters and community. We pay our respects to all our First Nations peoples, to their culture and their Elders, past and present.

"We were impressed with the clarity and transparency that Judo Bank offers. In a world where there is less and less, it's refreshing to see a bank work fast and clear."

Justin Jenkins | Fleet Wines

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

Reporting Suite

About this Report

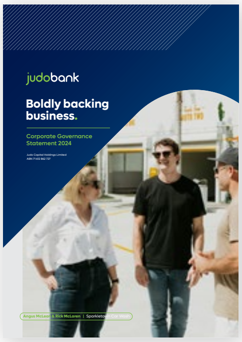
Judo Bank Pty Ltd is an authorised deposit-taking institution (ADI) that is regulated by the Australian Prudential Regulation Authority (APRA). It is a subsidiary of Judo Capital Holdings Limited ABN 71 612 862 727 (JCHL), which is listed on the Australian Securities Exchange (ASX) under the ASX code "JDO". JCHL is regulated by APRA as a non-operating holding company (NOHC) of an ADI. Throughout this Annual Report (Report), references to "Judo Bank" or "Judo" should be taken to mean JCHL and its controlled entities, unless otherwise stated. This year's Report includes Judo Bank's purpose and values, FY24 operating and financial review, audited financial statements and other statutory disclosures. Unless otherwise stated, the Report encompasses all Judo Bank activities for the financial year starting 1 July 2023 and ending 30 June 2024 (FY24). All monetary values in this document are presented in Australian dollars, which is Judo Bank's functional currency.

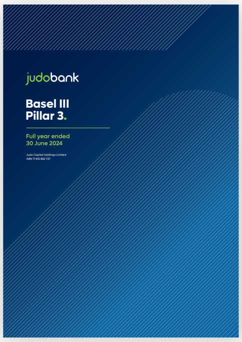
Welcome to our FY24 Annual Report

Other documents in our 2024 reporting suite

Judo Bank produces a range of reports designed to meet the evolving expectations of diverse stakeholder groups. Our 2024 annual reporting suite also includes the following documents, which are available on our website:

We are continually seeking to improve our reporting suite and welcome your feedback. Please address any questions, comments or suggestions to investor@judo.bank.





Basis of preparation

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

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

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

Important notice

The material in the 2024 Full Year Report (the Report) is provided by Judo Capital Holdings Limited ABN 71 612 862 727 and its controlled entities (variously, "Judo Bank", "Judo", "us", "we", "the Group", "the Company" or "our"), contains general background information and is current as at 20 August 2024. It is information given in summary form only and does not purport to be complete. It does not constitute personal, legal, investment, taxation, accounting or financial product advice, has been prepared as general information only, and does not take into account your personal circumstances, investment objectives, financial situation, tax position or particular needs. Having regard to those matters, please consider the appropriateness of the information before acting on it and seek professional advice. No information herein constitutes an offer, solicitation or invitation to apply for securities, or any other financial product or service, or to engage in any investment activity. This Report contains statements that are, or may be deemed to be, forward-looking statements. To the extent the information may constitute forward-looking statements, it reflects Judo's intent, belief or current expectations at the above date. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, assumptions and uncertainties, many of which are beyond Judo's control, which may cause actual results to differ materially from those expressed or implied. Undue reliance should not be placed on any forward-looking statement and, other than as required by law, Judo does not give any representation, assurance or guarantee that the occurrence of the events, results and outcomes expressed or implied in any forward-looking statement will actually occur. Subject to any continuing obligations under applicable law, we expressly disclaim any obligation to provide any updates or revisions to any forward-looking statements in this Report to reflect events or circumstances after the above date. There are a number of other important factors that could cause actual results to differ materially from those set out in this Report, and these include those matters discussed on pages 24 to 25 under our approach to risk management.

"We wouldn't have been able to grow as rapidly as we have over the last five years without the assistance of Judo Bank. Without that, we would be half the size we are today."

Angus McLean | Sparkletown Car Wash

To be the most trusted SME business bank in Australia.

Katie Mellor & Nick Rhodes | Clarity Medical

Our Strategy

Purpose

To be the most trusted SME business bank in Australia

Vision

To build a world-class SME business bank

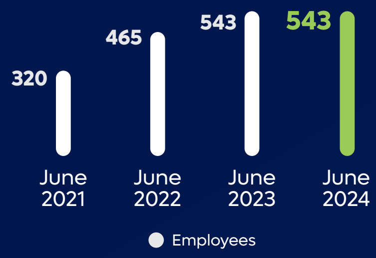
Milestones

- **$10.7bn** Lending
- **$8.2bn** Deposits
- **Five years as an APRA regulated bank**
- **TFF refinancing completed**
- **Officially admitted to the S&P/ASX200 Index**

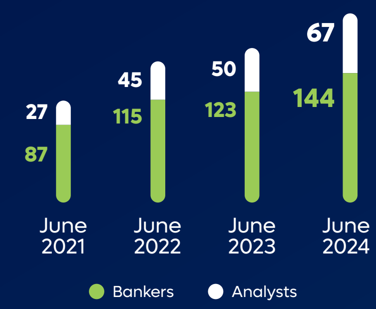
21 locations

throughout Australia

Employees



Bankers and Analysts



Our Values

- Accountability
- Performance
- Teamwork
- Trust

Who We Are

As a unique specialist pure-play SME business lender, we are committed to the craft of SME banking to support the businesses that represent the engine room of the Australian economy.

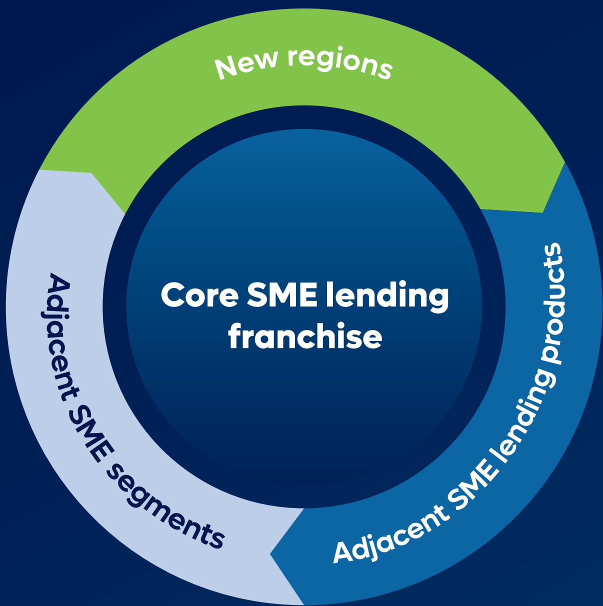
Our purpose is simple – to be the most trusted SME business bank in Australia. Not the biggest, but the best, with a vision of building a world-class SME business bank.

Our core SME lending franchise is built on the belief that each SME is unique, and that each deserves a relationship with their bank that is built on a deep understanding of their business, professionalism, trust and exceptional customer service – something that has been lacking in the banking industry for decades.

We have long felt that SMEs were being left behind or taken for granted by the rest of the industry that prioritised mortgage lending, industrialised their operating models and fundamentally diminished their relationship proposition in a market with no real competition.

We are proud to be led by a deeply experienced management team with high levels of equity ownership across the Company, which underpins a strong owner's mindset and a challenger culture.

Sustainable growth in our SME lending franchise



Judo's core lending competitive advantages

- Relationship led
- Judgement
- Speed

Strategic enablers

- Scale our advantage
- Excel in execution
- Empower our people

Measures for success

- High employee engagement
- Market-leading customer NPS
- Low to mid-teens ROE

FY24 Highlights

Judo Bank is now a well-established player in the market, with a $10.7 billion loan book and an $8.2 billion deposit franchise.

Financials

Statutory profit before tax (PBT)	Underlying profit before tax (PBT)[1]	Loan book
$104m	$110m	$10.7bn

Term deposits	NIM	CTI ratio[1]
$8.2bn	2.94%	55%

Loan growth vs system[2]	ROE	CET1 ratio
3x	4.5%	14.7%

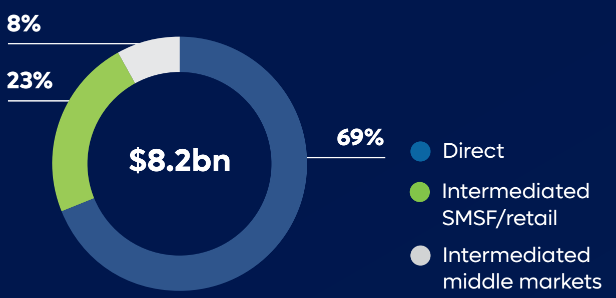
Strong progress towards key business metrics at scale

Metric	At-scale drivers	FY24 results	At-scale metrics
Gross loans and advances (GLA)	Strong growth within risk appetite, driven by our relationship-led customer value proposition (CVP)	✓ $10.7bn	$15 billion to $20 billion
Net interest margin (NIM)	Performance supported by SME lending margins and at-scale funding costs	✓ 2.94%	>3%
Cost-to-income (CTI) ratio[1]	CTI improvement driven by industry-leading margins, legacy-free tech stack and branchless model	✓ 55%	Approaching 30%
Cost of risk[3]	Conservative estimate relative to historical performance of the business segment over 30 years	✓ $70m	~50 basis points of GLA
Return on equity (ROE)	ROE outcomes supported by delivery of key metrics above	✓ 4.5%	Low to mid-teens

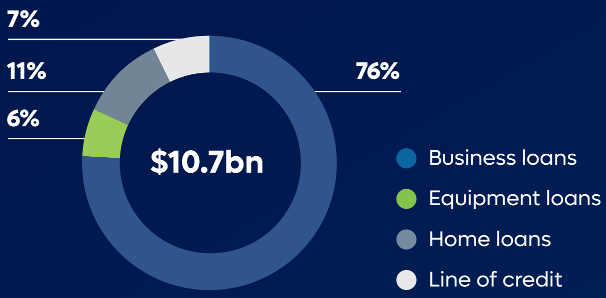
1. Excluding non-recurring costs.
2. Reflects Judo's multiple of system growth for GLA across FY24, per the Australian Prudential Regulation Authority (APRA) statistics.
3. Defined as impairment expense on loans, advances and treasury investments (cost of risk). Calculated based on average GLA.

Our products

Deposits



Lending



Customers

4,357

SME lending customers

+59[1]

Lending net promoter score (NPS)

46,800

Term deposit customers

+66[2]

Deposit NPS

31

Low average customer-to-banker ratio

Accredited third-party brokers

1,352

Awards

#2

in the 2024 AFR Boss Best Places to Work (Banking, Superannuation and Financial Services list)

1. Across FY24, measuring Judo's overall lending NPS including onboarding, relationship and exit scores.
2. Across FY24, measuring Judo's overall deposit NPS including origination, maturity and rollover scores.

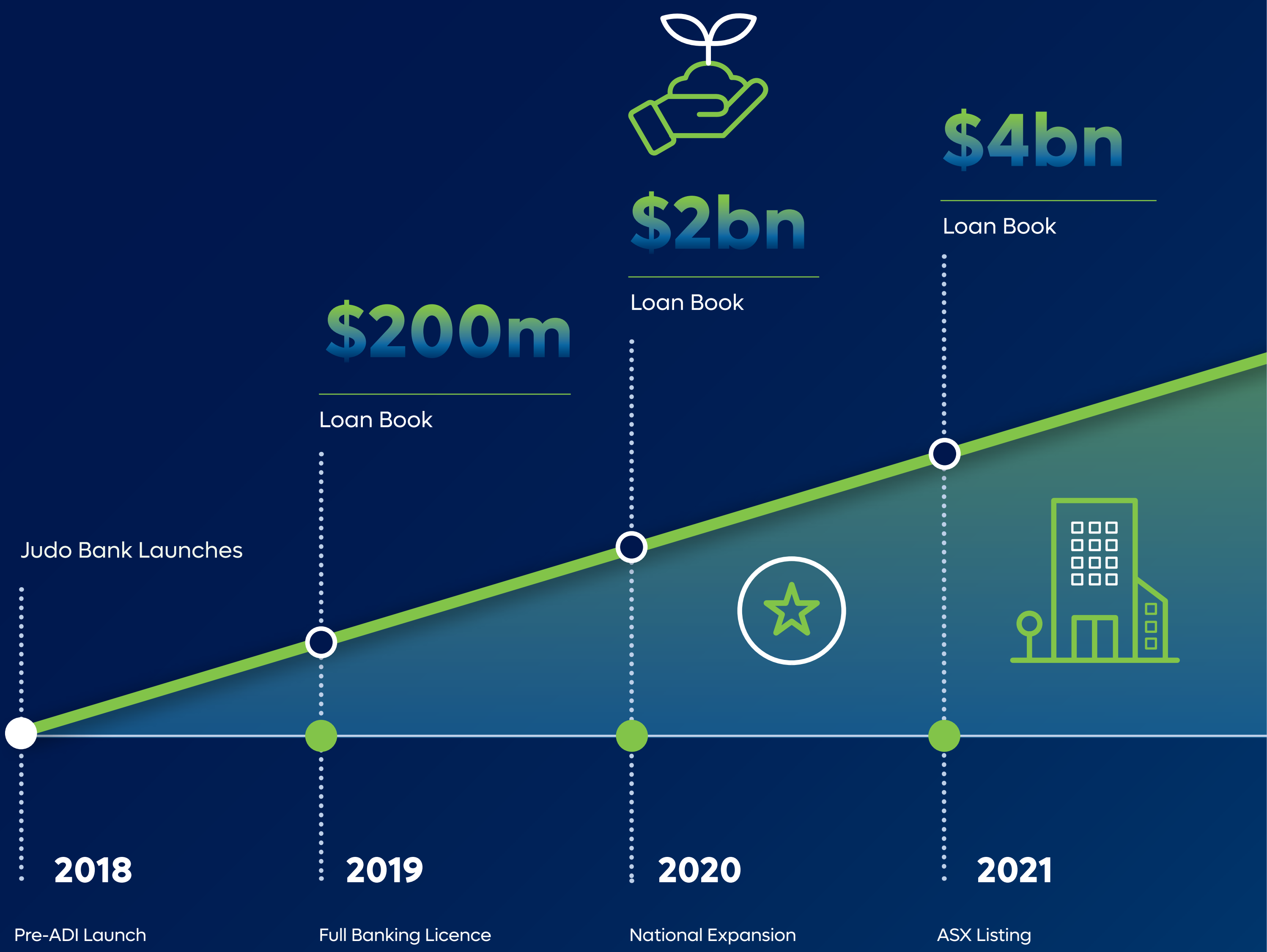
Changing the face of business banking

A $10 billion milestone, on the five-year anniversary of its APRA banking licence.

On 16 April 2024, Judo announced that it had reached the milestone of extending loans to SME business customers to the value of $10 billion. This milestone coincided with the five-year anniversary of Judo receiving its banking licence from APRA and becoming an ADI.

The growth Judo has achieved since becoming an ADI is exceptional. We cannot find another bank that has achieved what Judo has achieved, starting from scratch, anywhere else in the world.

No longer a start-up, Judo now moves from building the bank to scaling the bank. With the benefits of growth, the Judo team is proud to be able to serve more SME customers in more locations around Australia, as it strives to become Australia's most trusted SME business bank.



"We can now focus on truly bringing to life the bank we always dreamed Judo would be, delivering for customers and, in turn, shareholders."

Chris Bayliss
Chief Executive Officer

$6bn

Loan Book

2022

Achieved Profitability

$9bn

Loan Book

2023

Halfway to Scale

$10.7bn

Loan Book

$8.2bn

Deposit Book

2024

5 years ADI

S&P/ASX200 Inclusion

Chair's Review

Our progress is the result of disciplined execution of our simple and clear strategy, and of the trust we have built with our SME customers. We are proud of the competition we are bringing to the Australian economy.

Peter Hodgson
Chairman

We are making strong progress in building the bank we always set out to build – a world-class, SME-focused business bank.

This is the result of disciplined execution of our simple and clear strategy and of the trust we have built with our SME customers. As we continue our growth and expansion, we are very pleased to be able to serve in more regions across Australia. We are proud of the competition we are bringing to the Australian economy.

On behalf of the Board, I extend my thanks to former Judo Chief Executive Officer (**CEO**) and co-founder, Joseph Healy, whom we farewelled this year.

Since 2016, Joseph, together with our colleagues David Hornery and Chris Bayliss, led the bank through its important foundational milestones. These included proving the customer value proposition, recruiting an industry-leading team, obtaining a banking licence, raising $1.5 billion in equity, and transitioning the bank to the public market.

From the beginning, Joseph's vision recognised that SMEs were being underserved by the major banks. Under his leadership, Judo has changed Australia's banking industry for the better, and reawakened the industry's appetite to lend to Australian SME businesses.

SME lending customers

4,357

Deposit customers

46,800

The Board was delighted to appoint Chris Bayliss to the CEO role. As a co-founder since the very beginning, Chris has been a key leader in building our bank. Over the past eight years, Chris has held the positions of Chief Operating Officer, Chief Financial Officer, Chief Relationship Officer and Deputy CEO of Judo. In each of these roles, he has applied his 40 years of international and domestic business and retail banking experience to building the bank we see today.

This internal leadership transition allows us to smoothly continue on the next phase of our journey, as we continue to execute on our strategy, which remains simple and clear: disciplined growth, building trusted relationships with our customers, and supporting our unique culture. The simplicity of our strategy, we believe, is how we maintain our high customer satisfaction and employee engagement levels.

We are very aware of the challenges our customers face in the current economic environment and, as a relationship-led bank, are proud of the way we can provide meaningful support as they navigate their way through the uncertainty. Now, more than ever, our team's experience and capacity to build trust, along with a deep understanding of each customer's business, is essential. As a pure-play SME business bank, our customers will always be at the core of all our decision-making at all levels of our business.

As we grow our business, social responsibility will continue to hold an important place on our leadership agenda. At Judo, this translates to providing greater financial inclusion to underserved Australian SMEs and providing market-leading term deposits to Australians, SME businesses and self-managed super funds (**SMSF**). We are committed to supporting our customers on their own journey, which in turn helps us to build a more resilient and sustainable bank for the long term, as well as value for our shareholders. You will see examples throughout this Report of the great work our team is doing to promote diversity and inclusion and contribute to the communities we operate in.

A banking licence is a privilege. We operate in a complex regulatory environment, and strong governance and a robust risk management framework, at all levels of the business, are crucial for our strategic goals. Our experienced leadership team, from the Board down, deeply understands the risks in banking, and the highest standards of risk management will continue to be the measure of our model.

I would like to thank our shareholders for their support and confidence in our bank. We are highly aligned with you in wanting to see the business deliver and have firm belief that the strong fundamentals and growth trajectory of Judo will translate to shareholder returns.

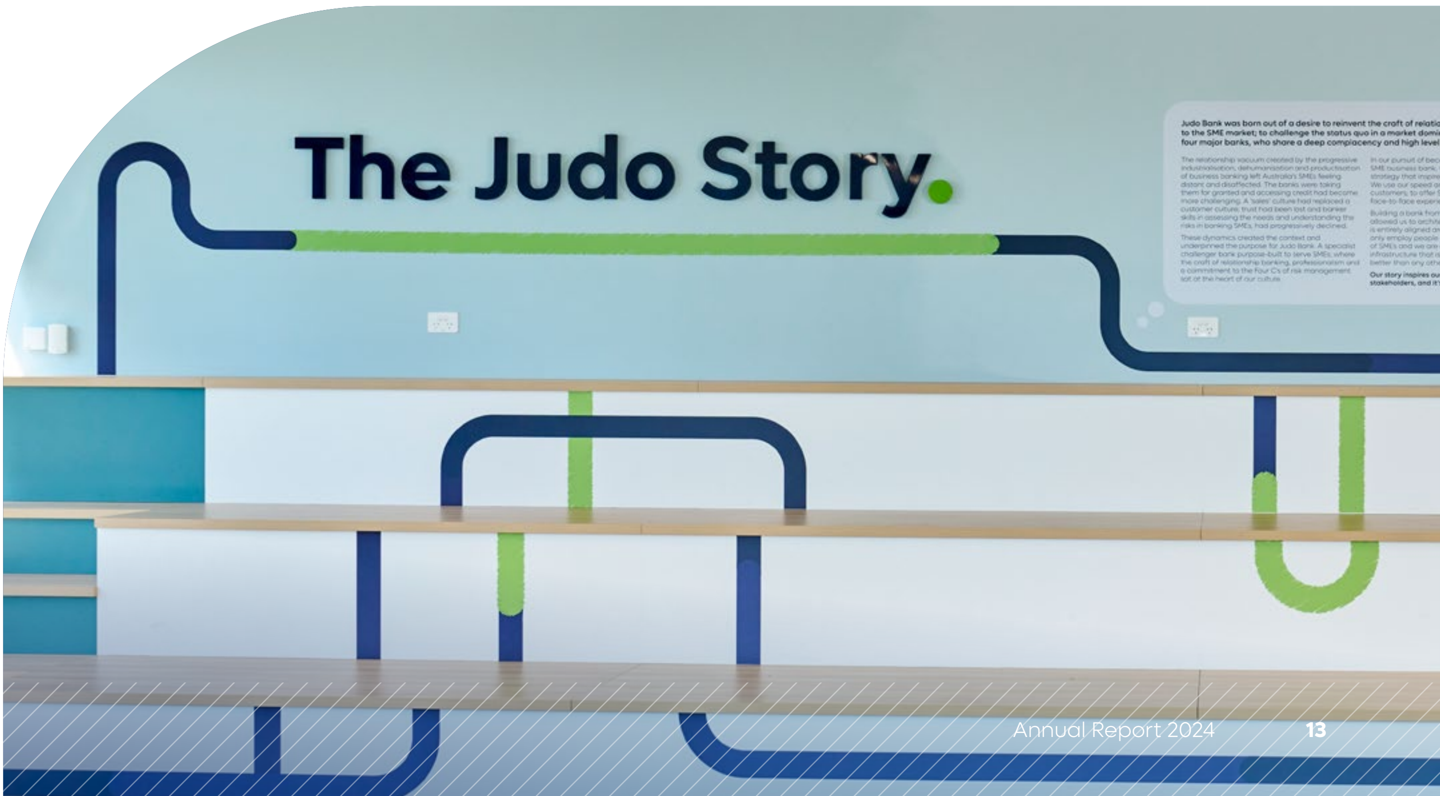
We have engaged extensively with our shareholders over the past 12 months and we remain committed to continually uplifting and improving our communications to allow investors to understand and assess our performance against our strategic and financial objectives.

On behalf of the Board, I extend thanks to my fellow Directors, our customers and stakeholders, as well as our investors, many of whom have been with Judo from inception. Thank you all for your ongoing support. I also extend my thanks to the exceptional Judo team, who are committed to our SME customers, each and every day.

I am incredibly positive about the future of Judo and confident of the clear vision we have for executing on the path of growth ahead.

Sincerely,

Peter Hodgson
Chairman



Chief Executive Officer's Review

With so many of the challenges of building a bank in the rearview mirror, we can now focus on truly bringing to life the bank we always dreamed Judo would be, delivering for customers and, in turn, shareholders.

Chris Bayliss
Chief Executive Officer

I am pleased to provide my first Annual Report to you as CEO. It is a privilege to be given the opportunity to lead Judo. Judo is so much more than a job to me. It is a personal passion, and I take over the leadership role at a pivotal point in our journey. I want to thank my predecessor and co-founder, Joseph Healy, for his vision and leadership over the last eight years.

During FY24, Judo celebrated three important milestones that highlight the incredible progress we have made as a business since commencing life as a PowerPoint presentation in 2016. Firstly, we marked our five-year anniversary as a fully licensed bank in April, having completed a full regulatory review cycle. Secondly, our lending book surpassed $10 billion. Thirdly, we were admitted to the S&P/ASX 200 Index.

These milestones signify that Judo is, categorically, no longer a start-up. Judo is an established bank with over 500 employees in over 20 locations nationally, serving 4,357 lending customers and 46,800 deposit customers (as at 30 June 2024). It is widely acknowledged and evidenced by our customer net promoter scores (**NPS**) that we are delivering the most trusted business banking service to SMEs in Australia.

Loan book

$10.7bn

Banking licence

5 years

Financial and operational highlights

Throughout FY24, we have continued to execute our clear strategy and provide our relationship-centric customer service proposition to SMEs. Our lending book grew by $1.8 billion, ending the year at $10.7 billion. This represents three times system growth in FY24, and an average growth rate of 130% per annum since the Australian Prudential Regulation Authority (**APRA**) granted us our banking licence in April 2019.

Our growth has been supported by our continued expansion into new regions, with four new locations established throughout the year. We have also continued to recruit among the best Relationship Bankers in the country and have seen the number of Relationship Bankers grow to 144 nationally. Our growth in agribusiness lending has also been a highlight, as this portfolio continues to scale since being established two years ago, now representing 4% of our total portfolio.

Our lending net promoter score, a measure of customer satisfaction, remains strong at +59. This is extremely positive, and virtually unheard of in our industry, with the major banks continuing to report net promoter scores that are either negative or in the low single digits.

Our underlying FY24 profit before tax was $110 million. Profitability was stable as we continued to grow our loan book, invest in the business, and transition our funding stack.

During the year, we successfully repaid $2.8 billion to the Reserve Bank of Australia (**RBA**), representing Judo's outstanding share of the RBA's Term Funding Facility (**TFF**), which was a government policy response to the COVID-19 pandemic to ensure banks continued to lend to SMEs. We have repaid the TFF largely through additional retail term deposits, our most economical source of funding. Over the year, our term deposit balance has grown by $2.3 billion, to now stand at $8.2 billion (as at 30 June 2024). Term deposits now represent over 60% of total funding.

We are exceptionally proud of our deposit franchise, which has built a strong reputation demonstrated by consistently high rollover rates comparable to several other well-recognised and long-established brands.

In addition to the strength of our deposit franchise, we continued augmenting our access to wholesale funding markets, providing additional diversity and certainty of funding to the bank. We issued our inaugural public term securitisation deal, and our inaugural Additional Tier 1 (**AT1**) hybrid capital issuance. We now have proven access to the full spectrum of funding channels available to the major banks.

Our credit quality remained robust. While we have seen an increase in customers experiencing financial challenges, as evidenced by more customers in arrears or experiencing impairment, the numbers have flattened and remain within our planning assumptions. We are well provisioned for this point in the cycle, and we are working very closely with customers experiencing difficulties to help them reach an optimal resolution.

Our capital levels remain strong, with Common Equity Tier 1 capital (**CET1**) of 14.7%. Our strong capital levels provide us with ample headroom for continued lending growth towards our at-scale target of a $15–20 billion loan book.

Lastly, we are also very proud of the strength of our employment brand. This has been one of the resounding successes of our journey. We are able to attract the best talent in the sector, and it is this talent that has made all our successes to date a reality, and it is this talent that will enable us to capitalise on the opportunities ahead.

Conclusion

Our team is made up of deeply experienced executives who are guided by our purpose of being the most trusted SME business bank in Australia. Our business bankers are supported by a team of Risk, Technology, Operations, People and Culture, Legal, Commercial and Finance professionals, who obsess about the service we provide to our customers.

Over the past 12 months, we have again demonstrated that execution is in our DNA. Our strong execution capability has enabled us to successfully build a full-scale bank from a blank sheet of paper in the space of just eight years, including through the major period of uncertainty caused by the COVID-19 pandemic.

We were cautious as we entered FY24, unsure how our target customer base of SMEs would perform in an environment of high inflation and rapid cash rate increases. Against this backdrop, the uninterrupted progress we have made this year towards our ROE at scale is especially pleasing. I would like to thank our team for its passion, perseverance and ongoing commitment to driving the bank forward.

We are very optimistic about FY25 and beyond, where the inherent benefits of scale in our model will progressively be demonstrated. The foundations of a larger balance sheet, diverse funding, strong risk management, and robust capital levels are creating new opportunities for growth. With so many of the challenges of building a bank in the rearview mirror, we can now focus on truly bringing to life the bank we always dreamed Judo would be, delivering for customers and, in turn, shareholders.

I have genuinely never been more excited about the outlook for Judo. There is no doubt in my mind that, grounded in our purpose, we will achieve our vision of being a world-class business bank that delivers market-leading economics.

Chris Bayliss
Chief Executive Officer

Meet the Judo Executive Committee

Judo has a deeply experienced management team with combined experience of close to 200 years in commercial banking, both in Australia and overseas. There is also considerable depth of experience throughout the organisation, with strong equity alignment given the bank's highly equity-centric remuneration framework.

Since being granted a full banking licence five years ago by APRA, we have built a robust risk management framework. This has been crucial for the delivery of the bank's strategic goals and continued sustainable growth. The deep risk experience of the management team ensures the bank's future progress will continue to be underpinned by the highest standards of risk management.

Chris Bayliss

Chief Executive Officer and Managing Director

Chris is a co-founder of Judo and a career international banker with 40 years of experience across all aspects of retail and business banking in Asia-Pac, UK and Europe. Chris's career has spanned many global banks and markets, including executive positions at Clydesdale/Yorkshire Bank, BNZ, NAB, and Standard Chartered in Singapore. Prior to becoming Judo's CEO, Chris held various positions in the bank including Chief Relationship Officer, Chief Financial Officer, Chief Operating Officer and Deputy CEO.

Andrew Leslie

Chief Financial Officer

Andrew joined Judo in 2019 and has over 18 years of experience in banking, finance, strategy and corporate advisory. During his time at Judo, Andrew helped lead several of the bank's private funding rounds and its IPO on the ASX. Prior to Judo, Andrew had an executive banking career at Morgan Stanley, where he advised clients in Australia, Asia and the UK on mergers and acquisitions, capital raisings and strategic projects in the financial services, mining and infrastructure sectors.

Yien Hong

Chief Legal and Commercial Officer

Yien is an accomplished legal and governance professional with over 20 years' experience across banking, property and commercial law. Yien joined Judo in 2019 and now leads the Legal, Governance, Commercial, ESG and Corporate Affairs teams. Yien trained at Herbert Smith Freehills in Melbourne and was Managing Associate at Linklaters, London before leading the Global Finance and FX legal team at Deutsche Bank, London Branch. She has held senior legal roles at NAB and prior to Judo Bank, was General Counsel and Company Secretary at Growthpoint Properties. Prior to being appointed Chief Legal and Commercial Officer, Yien was Judo's General Counsel and Company Secretary.

1. Renee Roberts will commence as Chief Risk Officer on 6 September 2024, as announced to the ASX on 14 June 2024. Prior to this, both Nicholas Thorpe and Alastair Hawkins held Acting Co Chief Risk Officer roles.

Frank joined Judo in 2017 and is a career banker with over 20 years of experience. Frank's career includes commercial, corporate and retail banking experience, and he has held executive roles at ANZ and Macquarie Bank, which included an extensive focus on managing all forms of business risks. He has experience running large relationship distribution businesses, including ANZ mobile Lending, which has over 500 staff. Prior to being appointed Chief Strategy and Growth Officer, Frank held the roles of Chief Risk Officer and Chief Relationship Officer.

Frank Versace

Chief Strategy and Growth Officer

Jess joined Judo in 2022 with almost 20 years' experience in People and Culture roles across diverse industries, including FMCG, IT, and professional services. Jess brings a global perspective on best practice P&C strategy, having spent much of her career working in the US and UK, and in roles with accountability for teams in Asia, Europe, North America and New Zealand. Prior to Judo, Jess spent seven years in P&C leadership roles at Treasury Wine Estates in Australia and the US.

Jess Lantieri

Chief People and Culture Officer

Rosanna has over 35 years' experience in banking across a broad range of senior and executive technology, transformation, and operations roles. Prior to joining Judo, Rosanna was the COO at Hewison Private Wealth where she was responsible for Technology, Finance, Risk, People and Culture and Operations for the firm, and prior to that the COO at ME Bank. She has held senior roles at NAB and ANZ spanning technology, risk, retail banking, HR, payments, and large-scale transformation.

Rosanna Fornarino

Chief Operating Officer

Relationship-led banking.

Through a deep and trusted relationship, and a clear understanding of its vision and purpose, we are supporting the owners of Sparkletown Car Wash to expand and drive their unique approach to the car wash industry.

Doing things differently.

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

Angus McLean & Rick McLaren | Sparkletown Car Wash

Operating and Financial Review

Lending

Our lending customers increased by 599 to 4,357 over FY24. Our loan growth in FY24 came both from existing customers (40%) and new customers to Judo (60%).

Judo has a unique, sustainable customer value proposition. Judo's relationship-based approach to lending is the core of our customer value proposition – our highly skilled Relationship Bankers seek to understand their customers' businesses and are empowered to lend to them.

Our customers come to Judo for three key reasons: a genuine relationship with an experienced banker, our ability to apply judgement when working with customers, and our fast decision-making. These are the core elements of our relationship-based lending proposition, and this is what makes Judo different to other incumbent banks. In FY24, our lending NPS of +59 was consistently well above the industry average.

Our customers generally have reliable revenues, strong balance sheets and have largely been operating for more than five years, and approximately two-thirds of our customers have refinanced to Judo from the five largest domestic banks.

~85%

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

+59

Lending NPS

$2.4m

average loan size

"With the help that I've had from Judo Bank, I have the confidence to be able to move forward and grow my business even more."

Rene Ratilainen | Broadbeach Waters Pharmacy

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

Our unique 4Cs approach to lending recognises that SMEs are all different. Judo's approach to assessing loan applications places significant emphasis on the outlook for loan applicants, instead of focusing purely on historical financial performance and security. The 4Cs approach considers *Character, Capacity, Capital and Collateral*, in that order.

The 4Cs of lending

- Character
- Capacity (Cash flow)
- Capital
- Collateral

During FY24, Judo's Relationship Bankers each maintained a portfolio of 31 customers on average. This ratio is well below industry norms, meaning that our bankers are able to provide more focus to each customer. Judo supports our customers in their ambitions to grow. In FY24, 40% of our lending growth came from existing customers who are successfully expanding their businesses. We continued to empower our bankers by investing in systems to support dynamic changes to product structures, limits, and rates.

As businesses adapt to different parts of the economic cycle, our close relationship with customers is an advantage. Our unique relationship with customers not only allows us to identify signs of distress early, but also to proactively support their ongoing lending needs. Judo is committed to delivering the best possible outcome for its customers. SME loans are more complex than mortgages and generally require a customer-specific approach. Judo has among the most experienced credit executives in the industry who are well-equipped to work with our customers to achieve the best possible outcome for any given situation.

Judo's model works through all parts of the cycle

Judo way of banking	• Specialist model that incentivises positive customer and shareholder outcomes. • Experienced bankers with credit risk as a core competency. • Ongoing investment in technical credit competency, not sales skills.
Low customer-to-banker ratio	• Ratio of 31 customers to Relationship Bankers on average in FY24.
Early detection of issues	• Relationship-focused model enables Relationship Bankers to engage proactively, allowing early detection of issues.
Clear arrears management process	• Asset management team is engaged by Relationship Bankers at 'point easy' to manage distressed customers. • Embedded asset management teams rather than separate workout teams.
Individualised approach to resolution	• Judo's model enables a customer-specific approach to resolutions. • Credit executives have an average of over 20 years' experience.

Funding and liquidity

Judo has a clear funding strategy that supports its SME lending growth strategy.

Term deposits remain the cornerstone of Judo's funding strategy, with a goal of 75% of our funding to be sourced through this channel. Judo also raises funding from wholesale markets to provide greater funding diversity and surety. Over the longer term, wholesale funding is expected to represent approximately 15% of total funding.

Judo has made strong progress towards its at-scale funding stack in FY24, with the bank now having more than $8 billion of term deposit balances, representing 64% of total funding at June 2024, up from 50% in June 2023.

Term deposits

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

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

Judo has built a powerful deposit franchise, reflecting competitive pricing, increasing brand strength and an expanded range of offerings such as Direct SMSF and Direct Business term deposits. Close to 70% of Judo's deposits have been sourced from direct channels, with our brand increasingly well known in the market, supported by several independent deposit industry awards over the past five years and maintaining an NPS well above industry averages. These factors have supported a high retail rollover rate of 69%.

Wholesale funding

Judo has now proven its ability to access largely the same wholesale funding sources available to much older, more established banks. Judo now has a range of wholesale funding facilities in place, including both public and private securitisations, senior unsecured bonds, hybrid capital instruments, and negotiable certificates of deposit (**NCDs**). Judo has seen increase in demand from wholesale investors following its credit rating upgrade to BBB/Stable/A-2 from S&P in April 2024.

Judo has $2.7 billion of total committed warehouse capacity, $0.8 billion of that representing undrawn capacity, with funders including four international banks and three domestic banks. The committed warehouse facilities provide ongoing certainty of funding.

Judo achieved several key wholesale funding milestones in FY24. Judo executed the multi-award-winning, first-to-market SME-backed $500 million capital relief term securitisation transaction in September 2023. The bank also raised $75 million through its inaugural AT1 transaction in November 2023 that further optimised and diversified the capital structure.

Finally, Judo completed its repayment of the RBA's TFF in June 2024.

Liquidity

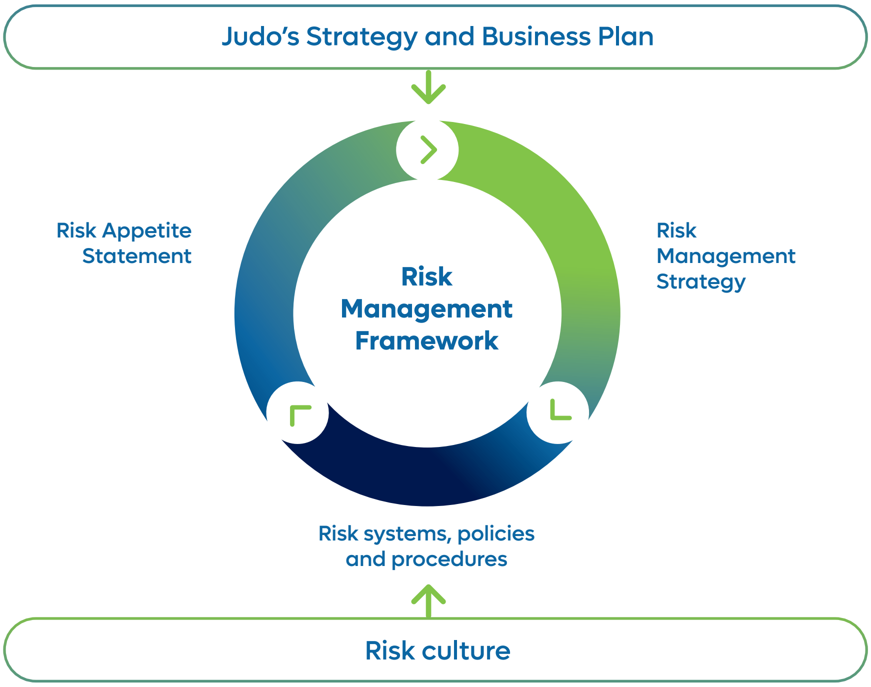
Judo continues to maintain significant liquidity buffers, with a minimum liquidity holdings (**MLH**) ratio of 18.2% at 30 June 2024, well above Board targets. Liquid assets include Australian Commonwealth Government Securities, semi-government securities, ADI debt securities and cash/cash equivalents.

1. March 2024 quarter APRA ADI statistics.

Risk Management Framework

Judo has a dynamic and disciplined approach to risk management underpinned by our core values of accountability, performance, teamwork and trust. Our people and culture are what set us apart, and our risk culture is deeply embedded in the way we work. Core to Judo's Risk Management Framework (**RMF**) is the belief that everyone at Judo is a risk manager. Our team is not only accountable for managing risks, but is also encouraged and rewarded as it champions risk management across the business.

Our risk culture forms the basis of our RMF. Informed by Judo's overarching strategic and financial plans, our RMF sets out Judo's Risk Management Strategy (**RMS**) and risk appetite for our material risks. Embedded in our RMS are the processes, policies, frameworks and systems we use to identify, monitor, manage and report on our material risks.



Our RMF is executed through a Three Lines of Defence model:

First Line "The Business"

"The business" is the owner of strategy, outcomes and risks, and compliance obligations, as relevant. Our people are accountable for the implementation of Judo's RMF as part of their day.

Second Line "Risk"

Judo's Chief Risk Officer is ultimately responsible for the development and oversight of the RMF and associated policies, frameworks and procedures.

Judo's Risk team is charged with providing oversight and challenge of risk-related matters and reporting and monitoring of adherence to the RMF across Judo.

Third Line "Internal Audit"

Providing the Board with independent assurance on the function and management of Judo's RMF.

Material risks

Judo is exposed to a broad range of strategic, financial and non-financial risks. Judo's material risks are identified and managed as part of the bank's RMF. Some of Judo's most material risks are described below:

Risk	Description	Management of risk
Balance sheet and liquidity risk	This risk comprises three main sub-risks: • Judo's ability to raise funding to support its ongoing operations and strategic objectives and/or to meet its financial obligations as they fall due. • The risk that Judo's capital levels are not adequate to support growth and absorb unexpected losses. • The risk that Judo's net interest income or economic value is negatively impacted by movements in interest rates.	Judo identifies, assesses and manages this risk through the Internal Capital Adequacy Assessment Process and supporting policies, risk settings and minimum liquidity and capital requirements as detailed in the applicable regulatory standards, with oversight from the Management Asset and Liability Committee (**ALCO**).
Credit risk	The risk of loss from a customer or counterparty failing to meet their obligations to Judo as a result of factors, including, but not limited to, economic impacts.	Judo manages credit risk by taking a responsible approach to lending activities including the consideration of the 4Cs, maintaining robust portfolio concentration limits, regular customer engagement, portfolio monitoring and ongoing review of supporting policies and frameworks. Credit risk is governed through Judo's Credit Risk Management Framework and is oversighted through regular reporting to our Management Board Risk Committee.
Cybersecurity risk	The potential for Judo to experience cybersecurity incidents from malicious or targeted cyberattacks. Cyberattacks may result in service interruptions, downtime or data loss in all or part of Judo's or its service providers' technology platforms or applications. Judo has adopted a continuous improvement approach to maturing its 'zero trust' security architecture and leverages investments in market-leading cybersecurity solutions to support its cloud-first technology strategy.	Judo maintains policies and procedures to identify, manage and respond to cybersecurity incidents within our operating environment. We continually monitor the external threat environment through several key alliances with the Australian Cyber Security Centre, Financial Services Information Sharing and Analysis Centre, and third-party threat intelligence providers that provide early warning of emerging cyberthreats. Our Information Security Control Framework is assessed against industry-accepted security control frameworks on an annual basis.
Financial crime risk	This risk relates to the potential occurrence of financial crimes, including money laundering, terrorism financing, sanctions, bribery, corruption, fraud and cybercrime.	Judo manages financial crime risk through various internal controls, policies and practices. Judo has a dedicated anti-fraud function, with robust processes to detect and prevent financial crimes and comply with required legislation.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people, systems, and external events. Operational risk covers a broad spectrum of risk areas across Judo from the conduct of our people in accordance with Judo's values and Code of Conduct, to the management and monitoring of our third-party service providers.	Operational risk is managed through a broad set of activities, policies and frameworks including the ongoing monitoring and effectiveness testing of Judo's control environment, as well as regular reporting and monitoring of third-party service providers, and key risk indicators and events.
Regulatory and compliance risk	The risk of failure to comply with relevant regulatory obligations, prudential standards and laws overseen by our regulators. The risk may present as an inadequate response to changes in laws, regulation, policies and industry codes relevant to Judo's operations.	Judo maintains a compliance management system designed to identify, assess and manage compliance risks, and regulatory requirements are embedded across relevant Judo policies and frameworks. Judo also maintains transparent relationships with all of its regulators.
Technology risks	Technology risk relates to the potential for Judo to experience loss, reputational damage, regulatory sanctions or disruption to operations as a result of issues, failures or damage to its information technology (IT) platform.	Technology risk is managed through a combination of technology policies, system compliance controls, business continuity and disaster recovery plans, and incident and event management processes.
Sustainability risks	The risk that ESG-related events or conditions arise that could negatively impact the sustainability, resilience, value or reputation of Judo and/or our value chain. This includes risks related to physical climate change impacts, climate mitigation and adaptation, environmental management practices, work, health and safety conditions, respect for human rights, anti-bribery and corruption practices, and compliance with related laws and regulations.	Sustainability risks are not a stand-alone material risk for Judo and, instead, present throughout Judo's key risk types and are managed under our RMF.

People and Culture

Judo's unique culture is one of our key competitive advantages, enabling us to build a successful challenger bank. During FY24, we continued to develop and foster a highly skilled, engaged and inclusive workforce that is empowered to deliver the best outcomes for our SME customers.

Attracting the best talent and supporting them to thrive

Judo's strong employment brand sets us apart, supporting us to attract and retain talent who are passionate about our purpose. People join Judo because they want to work for a bank that challenges the status quo and empowers its people to put customers first.

In FY24, as we continued to execute our growth objectives and build our presence in regional locations, the average number of full time equivalent (**FTE**) roles increased by 49 relative to FY23. This includes recruiting 21 new Relationship Bankers, and four new locations.

We care deeply about our people, and we're passionate about supporting them to live their best lives, because we know that when our people are at their best, so is Judo. We are committed to providing a safe and healthy environment for all of our team members. Judo offers industry-leading benefits that include six weeks of annual leave, educational assistance and a variety of health, safety and wellbeing programs. We offer enhanced parental leave benefits, including paid superannuation on unpaid parental leave, and the opportunity to take parental leave flexibly. Our Flex@Judo policy seeks to ensure that our people have the option to work in a flexible way to balance their individual needs, and the needs of our teams, culture and customers.

Our engagement tracking tool, the Judo Employee Delight Index (**JEDI**), measures the energy, mood and commitment of our team on a weekly basis. This way, in near real time, we have our finger on the pulse of how our people are feeling and can seek to quickly take action and make changes to keep our engagement with them high. We are proud to have sustained high levels of employee engagement throughout FY24 through our ongoing investment in our culture.

Our bankers, our difference

"There's a lot that's different about being a Relationship Banker at Judo. The culture empowers us to work together as a team to seek the very best results for our customers. How? There are two ways. Firstly, we're empowered to make fast decisions for our customers, and to think outside the box to craft solutions that capitalise on great opportunities. No bureaucracy, laborious processes or "computer says no" approach holding us back. And secondly, we are encouraged to bring our whole selves to work – this celebration of diversity in our workplace, from the top down, is a game changer, and attracts the very best people in the industry.

I love being a trusted adviser to many of my customers, some of whom I have known for many years, and others that are more recent connections. I am proud to have watched not only their businesses grow, but to see the impact this has had on their personal lives, too. They know my kids, I know theirs, and to me, this is the essence of SME banking as it used to be... as it should be."

Aaron Browne | Director Relationships

HRD Employer of Choice Award

AFR Best Place to Work Award

Women held 34% of senior leadership roles

Investing in our people to grow

We want Judo to be a game-changer for the careers of our people, so we have a strong focus on their personal growth and development. Every banker joining Judo is required to pass a stringent credit test as part of our standard recruitment process. Once they join us, we then invest in the ongoing development of our bankers through our bespoke Judo Way of Banking program. We also invest in the next generation of bankers through our J Factor development program, accelerating analyst to banker promotions.

This year, we also launched the Judo Way of Coaching program to nurture our high-performing team environment and enhance our enterprise coaching culture.

This is a tailored experience for people leaders and team members that taps into our people's individual needs and motivational drivers, to help bring out their best. In FY24, 192 team members participated in the pilot program with positive feedback.

Inaugural Judo Annual Excellence Awards

In FY24 we introduced Judo's inaugural Annual Excellence Awards – Judo's highest honour, designed to celebrate our people for their outstanding work, attitudes, leadership, teamwork and commitment to our purpose and customers.

"The talent in our business is second-to-none, and it's been a personal highlight of my year to recognise the outstanding contributions of team members across Judo and celebrate all they've achieved."

Jess Lantieri
Chief People and Culture Officer

A place where everyone feels like they belong

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

As a team, we have defined three strategic IE&D pillars:

1. To attract, celebrate and keep diverse talent.
2. To nurture an inclusive culture where everyone feels like they belong.
3. To become the most trusted employer in Australian banking.

Our Belong@Judo Network, an employee-led initiative to inform, celebrate and promote diversity in all its forms across the organisation, went from strength to strength in FY24. Judo continues to advocate for equality and maximise inclusion in the way we work, and we were once again pleased to highlight and celebrate a number of cultural and religious holidays and national and international events.

International Women's Day 2024, Guest Speaker, Jelena Dokic

It was an honour to have former world number four tennis player, commentator, best-selling author and keynote speaker, Jelena Dokic, share her story with the Judo team as part of International Women's Day 2024.

"Fearless is about finding the power to thrive. It's about using our voice and not being silent. It's about sharing our stories and using our stories for the good. But ultimately, it's about belief and hope and knowing that you can build yourself back up, that you can start all over again. It's about turning hardship, adversity and the bad life events and moments and using it to drive you, not define you and knowing you can not just survive them, but thrive after them and even use it to help others."

Jelena Dokic | Former world number 4 tennis player

Diversity targets

We continue working towards our measurable targets for gender diversity by the end of FY26, which are:

- 40% women
- 40% men
- 20% open[1]

These targets are set across the entire Judo workforce, including people leadership roles, senior leadership roles (including the Management Board) and the Board.

As at 30 June 2024:

- women held 38% of Board positions (-5% from FY23[2]);
- women held 34% of senior leadership roles[3] including on the Management Board (+1% from FY23); and
- women accounted for 35% of Judo's entire workforce (-2% from FY23).

1. Open is defined as non-gender specific, and could include women, men, non-binary, intersex or gender-diverse identities.
2. The diversity percentage of the Board has shifted due to Chris Bayliss's appointment as CEO and Managing Director during FY24. Former CEO Joseph Healy was not a Director.
3. Defined as employees who are members of the senior leadership group (SLG), typically direct reports of all Management Board members who are in General Manager/Managing Director positions.

Giving back to our communities

We are very proud to support community-giving projects and causes that our people are passionate about. We also encourage our people to support their local communities through paid volunteering leave.

2023 Andrew Gibson Sponsorship Award Winner, Thi Anh Hong Bui

Congratulations to Judo's inaugural Andrew Gibson Sponsorship Award recipient – Thi Anh Hong Bui.

Launched this year in partnership with the University of Melbourne, the Award pays tribute to former General Manager of Finance, Andrew Gibson's lasting legacy at Judo, honouring his passion for helping others to achieve their potential.

Designed to develop future talent in the community, we are so proud of this year's worthy recipient. Hong is a community-minded, high-achieving BCom student majoring in Finance and Economics.

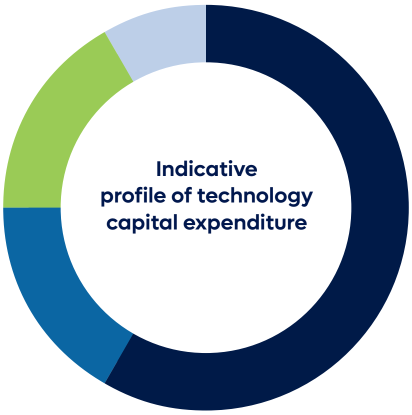
Impressing the panel to achieve a unanimous result, here's what she had to say about her win:

"The Andrew Gibson Award has offered me invaluable support, encompassing not just financial assistance, but also a source of motivation for me to continue pursuing the academic journey and contributing to community activities. I genuinely appreciate Judo Bank's dedication to investing in the education of students."

Thi Anh Hong Bui
Business Commerce student

Our technology

Transition to strategic, scalable platforms near complete



Platform	Details
Lending and deposit origination	Completed transition to nCino
Data platform	Completed transition to Microsoft Azure
Digital	Completed transition to Backbase
Credit risk engine	Completed transition to new Moody's credit risk engine
Core lending	Completed transition to Thought Machine in early FY25
Core deposits	Currently on Temenos
Enterprise Resource Planning (ERP)	Build of new Oracle platform underway; migration planned for 1H FY25
Customer Relationship Management (CRM)/workflow	New Salesforce platform is in production
Regulation and compliance	Ongoing investment in a number of platforms

Core tech (new and existing) · Data platform and insights · Digital experience · Reg and compliance

Total technology capital expenditures of ~$100m over FY22–FY27

Judo's technology strategy focuses on technology that better enables the banker and customer relationship, which is our core competitive advantage.

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

As the bank has grown, our technology strategy has evolved. We started our journey with tactical technology solutions that enabled us to prove our customer value proposition cost effectively.

At our initial public offering in 2021, we indicated that we would spend $100 million of capital expenditure in technology over five years. This included investing in our core systems and building the digital and data capability required for a full-scale bank.

We have made significant progress with this work. Over the past two years, we have progressively invested in best-in-class, strategic solutions that will enable the business to scale rapidly.

To date we have:

- upgraded our lending and deposit origination platform, freeing up our banker and deposits teams to engage directly with customers rather than back-office systems;
- introduced a new digital banking platform, allowing customers to self-service simple tasks that do not require banker support;
- implemented market-leader Moody's credit risk engine, improving our ability to assess our credit risk and unlocking increased efficiencies for our credit risk team;
- partnered with Thought Machine, a global cloud-based core banking provider, to develop and implement a flexible core lending platform that will enable us to scale and accelerate product development;
- piloted the new Thought Machine lending platform in just under nine months and completed the migration of all lending accounts onto Thought Machine in just over a year – a relative short overall timeframe when uplifting a core banking platform;
- implemented a new CRM solution for our bankers, enabling best-in-class Salesforce customer insights; and
- completed the majority of build for our new strategic Oracle general ledger and ERP system, setting our corporate teams up to scale.

This demonstrates the significant advantage we have as a cloud-native bank with a simple product set.

Data and insights are also central to achieving our long-term strategic goals. Our data strategy focuses on empowering bankers and customers. Our cloud-based data platform is scalable and built to deliver reporting and insights that enable our bankers to manage and grow their portfolios. Beyond our relationship banking team, we are empowering our team members across Judo with self-service reporting and insights.

We are continuing to invest to scale and will make further investments in both existing and new technologies, data and insights, digital experiences and risk and compliance to unlock efficiencies across the bank.

Given the importance of technology to our strategy, project delivery and value are components of the bank's scorecard, described in the Remuneration Report in Section 1.2.

"It felt like Judo Bank really wanted to work with us. And the service didn't stop once they did sign us up."

Paul Farrelly | Position Promo

Sustainability

At Judo, sustainability means providing greater financial inclusion to underserved Australian SMEs and building a more resilient and sustainable bank for the long term. In FY24, we built on the work undertaken in our FY23 inaugural materiality assessment to identify material environmental, social and governance (ESG) topics for us and our stakeholders that could have a positive or negative impact on society and the environment.

Sustainability of our customers

We believe in supporting our customers to be more sustainable, both now and into the future. We do this through our customer value proposition, our hardship and vulnerable customer policies and through our participation in the Federal Government's SME Guarantee Scheme and SME Recovery Loan Schemes.

Every SME is different. Our unique relationship-led banking model helps to deliver outcomes for customers in a way that makes sense for their business. We continue to work to better understand the risks of climate change for Australian SMEs.

Inclusion, equity and diversity

As a multi-award-winning employer, we actively encourage diversity of people, experience and of thought. Our employee value proposition sets us apart. We hand select talented, passionate people who are aligned to our customer-centric purpose. We lend differently, so we seek to hire people who can think differently.

Climate risks

We recognise it is necessary to take a strategic and risk-based approach to managing the various climate change-related risks and opportunities we face.

Judo's climate change-related risks present both at an organisational and customer level. During the year we have continued working to understand our climate change-related risks through the measurement and identification of emissions sources, and further refinement of our Emissions Reduction Plan for future years.

As an ADI with a cloud-based technology and no physical bank branches, our climate change-related risks are predominantly present in our customer portfolio. One of our priorities for our Sustainability Strategy is to better understand the climate-related risks impacting our SME customers, which will then inform a deeper understanding of our portfolio-level risks.

Financial inclusion

We believe that all Australian SMEs deserve to have access to financial products and services to help grow their businesses. We continue to provide more financial inclusion to this underserved sector of the Australian economy through our unique relationship-led banking model.

Corporate governance

We believe that strong corporate governance provides the foundation for a high-performing organisation and that good governance practices will preserve and strengthen stakeholder confidence and long-term value.

Our beliefs are underpinned by our Judo Values of Accountability, Performance, Teamwork and Trust.

Sustainability governance

Our Board Charter was updated in FY23 to reflect the Board's commitment to sustainability at Judo. Judo's ESG Policy underwent a significant refresh in FY24 and sets out the responsibilities of our Board and Management Board in oversight of Judo's Sustainability Strategy, priorities and approach to sustainability.

Board

Responsible for sustainability governance, including consideration of ESG-related risks and opportunities, assessing trade-offs and sensitivity to uncertainty, and overseeing ESG-related metrics and targets. The Board is supported in the exercise of its oversight by Judo's Board Committees.

Board Audit Committee (BAC)

Advice to the Board regarding existing and emerging ESG or sustainability accounting and reporting frameworks.

Board Risk Committee (BRC)

Advice to the Board on Judo's ESG Risk Management Framework including implementation of ESG risk management strategies, policies, frameworks and procedures.

Board Remuneration and Nominations Committee (REMCO)

Advice to the Board on people and remuneration matters, including inclusion, equity and diversity-related matters.

The Board and Board Committees are supported in the execution of their ESG-related responsibilities through the Management Board, and three Management Board Committees.

Management Board Committee

Management and implementation of Judo's ESG Policy and Strategy.

Management Board Risk Committee (MBRC)

Management and monitoring of ESG-related risks under Judo's RMF and ESG-related policies and procedures.

Management Asset and Liability Committee (ALCO)

Management Board support as required for any balance sheet and financial implications from identified ESG-related risks and opportunities.

ESG Working Group

Advice and assistance in fulfilling Judo's responsibilities in relation to Judo's ESG initiatives and reporting requirements. Formalised through the adoption of the ESG Working Group Charter during FY24, this Group meets quarterly.

ESG Committee

Assessing the application of ESG criteria in relation to credit risk assessments that have negative or complex ESG-related risk factors.

Judo's overarching approach to corporate governance is further detailed in Judo's governance structures on page 40.

The Board exercises oversight through periodic updates from members of the ESG Working Group and as required reporting from the Management Board and its three Committees. Annually, the Board approves Judo's sustainability targets and progress reporting towards those targets.

Risk management

Risks associated with ESG across our customers and our portfolio are embedded in Judo's RMF. For details on how these risks are incorporated into Judo's RMF, and the management of sustainability risks, refer to Material risks in this Report, at page 25.

During FY24, we:

- Updated ESG guidance for our bankers (**ESG Credit Risk Guidance**).
- Finalised our Red, Amber and Green "traffic light" approach to credit risk assessments regarding positive, negative and/or complex ESG-related risk factors (**ESG Traffic Light Framework**).
- Implemented the ESG Credit Risk Guidance proactively when making credit assessments.

Sustainability strategy

Material topics

Judo's ESG Working Group refreshed Judo's material ESG topics for FY24 based on an annual desktop review. The desktop assessment included a review of key internal and external documents, including finalised sustainability standards, frameworks, regulatory guidance and requirements and Judo's RMF. The outcome of this annual review was reported to the Management Board in May. Our refreshed material topics continue to focus on how we can protect and create value for all our stakeholders across the short, medium and long term, and will inform our strategic initiatives for the next financial year.

Judo's top five material ESG topics for FY24 were:

Supporting SMEs	Aligned to our purpose, supporting SMEs to ensure greater financial inclusion and the development and economic viability of our unique customer base, both now and into the future.
Digital and cybersecurity	Securing our customer, employee and supplier data, including protecting personal and financial information against cyber threats, as well as harnessing new technologies to continuously improve our business processes and customer experience.
Conduct and ethics	Maintaining a culture of integrity, transparency and accountability at all levels within Judo. We see conduct and ethics as fundamental to robust governance practices and ethical decision-making. We are committed to operating in an inclusive and equitable environment.
People, engagement and wellbeing	Increasing focus on our people and their engagement and wellbeing, as we believe that a supported, empowered, engaged team will deliver better customer outcomes.
Climate risk	Identifying, mitigating, monitoring and disclosing the impact of physical and transitional climate-related risks on Judo and on our lending portfolio. This approach supports compliance with new, once-in-a-generation mandatory climate reporting requirements. These requirements will give us greater visibility of our physical and transitional risks, as well as the risks that arise across the economy.

Supporting SMEs

Judo's customers are primarily Australian citizens, Australian permanent residents or Australian tax resident entities, and we are proud of our strong and growing presence in the SME ecosystem of regional Australia.

Our highly experienced Relationship Bankers seek to deeply understand each customer in their portfolio and to make tailored, judgement-based lending decisions to support their customers' businesses that, in turn, support Judo's sustainability program of work. We undertook targeted, SME-specific ESG banker training throughout FY24, to help our Relationship Bankers build their understanding of ESG risks and opportunities. We are exploring ways in which Judo can assist our customers, and the wider SME community, to adapt and respond to sustainability challenges, including climate risks and opportunities.

Along with our unique, relationship-led approach to SME banking, we provide a valuable and freely accessible SMEconomics content series (at: www.judo.bank/smeconomics) to all SMEs, regardless of whether they are our customers.

Digital and cybersecurity

We continue to prioritise data security as a material ESG topic as we take the privacy of our customers', prospective customers', employees' and suppliers' personal information seriously. Our publicly available Privacy Policy and our Privacy Collection Statement for prospective, current and former employees each set out how Judo and its related bodies corporate seek to manage personal information (which may include sensitive information and credit-related personal information) about individuals, in accordance with the *Privacy Act 1988* (Cth) (the **Privacy Act**), the Australian Privacy Principles set out in the Privacy Act, and the *Privacy (Credit Reporting) Code 2014*, as applicable.

In FY24, we substantially uplifted our Document Retention Policy, which:

- sets out Judo's record keeping and retention practices in relation to information generated in connection with Judo's business;
- assigns roles and responsibilities in respect of Judo's record and data keeping and retention practices; and
- helps Judo's representatives understand their record keeping, privacy and related obligations.

We also refreshed our Marketing Communications Policy and Media Policy to ensure they remain current and responsive to changing regulatory and market conditions, and community expectations.

Conduct and ethics

Judo is committed to the highest standards of corporate governance across our RMF, policies and business practices. We believe that strong corporate governance can only lead to better outcomes for our employees, customers and stakeholders. Everyone at Judo is a risk manager and everyone is accountable for effectively implementing the RMF.

During FY24 we are pleased to report

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

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

The Judo Code

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

Whistleblowing

Judo aims for a safe and inclusive environment at all times, and employees and other eligible whistleblowers (such as suppliers or contractors) are encouraged to speak up about improper conduct. Judo is committed to ensuring that this can be done without fear of intimidation, disadvantage or reprisal. This allows us to detect and address wrongdoing as soon as possible. Our Whistleblower Policy sets out our commitment to fostering an environment of honest and ethical behaviour, where individuals feel able to safely and confidentially report known, or suspected, business misconduct or wrongdoing without fear of reprisal or detrimental treatment. Our Whistleblower Policy is available on our website at: www.judo.bank/corporate-governance.

As described in our Whistleblower Policy, our independent whistleblower service, STOPline, is the preferred method of disclosure to support the anonymity and protection of whistleblowers. The service is available 24/7 by phone, email, website or dedicated app. We are pleased to report that no whistleblower reports were made via STOPline or any other method of disclosure during FY24.

Human rights and modern slavery

We strive to respect and protect human rights and are committed to taking steps to prevent modern slavery, acknowledging that modern slavery can occur in every industry and sector, including the financial services sector. Judo is committed to helping to eliminate modern slavery in general, and to maintaining a supply chain that meets equivalent standards.

We strive to:

- cultivate a work environment free from discrimination, harassment and bullying;
- make decisions based on merit and to act fairly;
- foster a culture of inclusion, equity and diversity, where everyone feels like they belong;
- support team members experiencing family and domestic violence through our generous leave policies; and
- do business with like-minded organisations that uphold human rights and seek to prevent modern slavery.

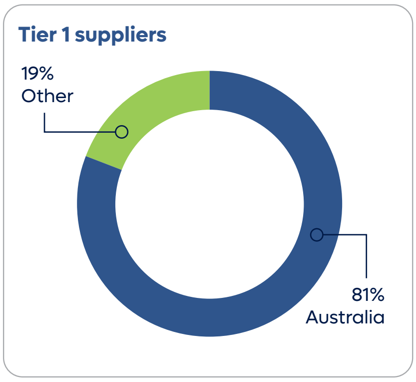
In FY24, Judo lodged its third Modern Slavery Statement under the *Modern Slavery Act 2018* (Cth).

At 30 June 2024, all of our permanent and casual employees were based in Australia. We are a wholly Australian-domiciled business, and do not have any offshore subsidiaries, branch offices or service centres.

Supply chain

As at 30 June 2024, our supply chain comprised circa 210 first-tier (Tier 1) direct suppliers, with 170 of these (approximately 81%) headquartered or based in Australia, with the remaining 40 suppliers (approximately 19%) headquartered or based in:

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



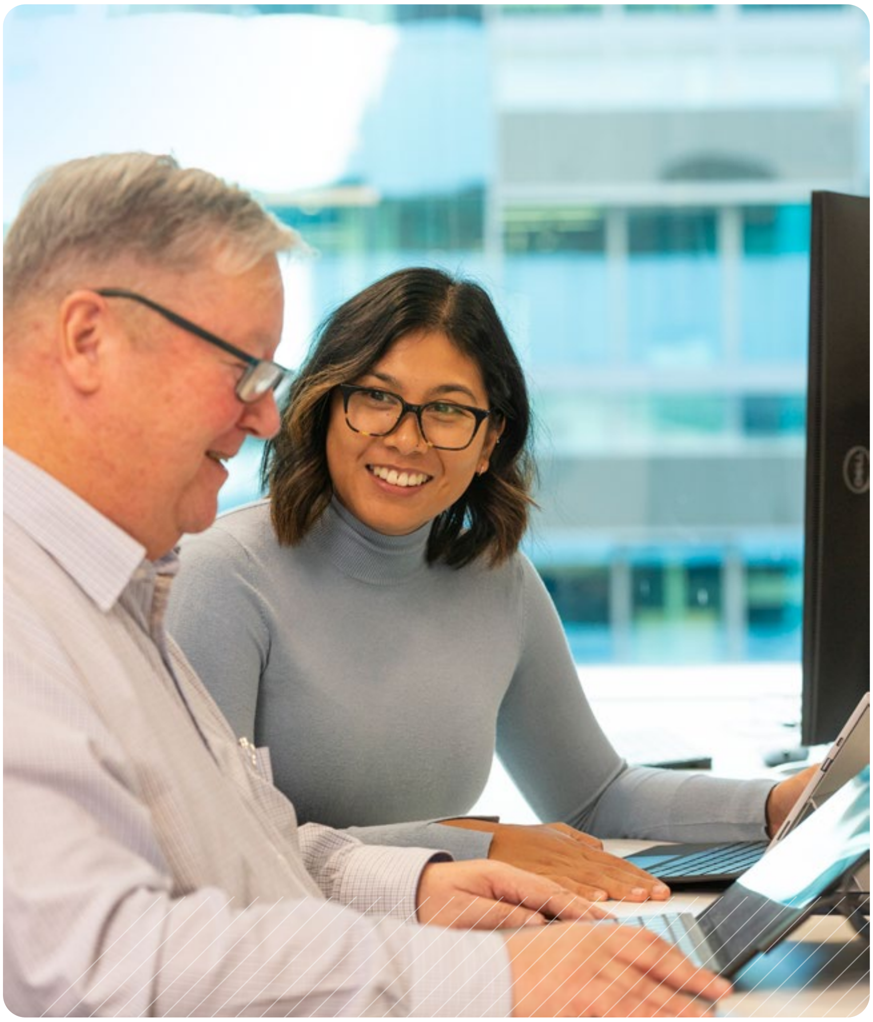
Throughout FY23 and FY24, we undertook a detailed program of work including reviewing and updating our procurement policies and processes to reduce the risks of slavery or other human rights abuses being present within our operations or our supply chain. Any supplier located in, or known by Judo to have operations or subcontractors in, any high-risk or medium-risk countries as defined by the United Nations Environment Programme Finance Initiative must be pre-vetted before executing the relevant agreement. Depending on the nature of the service and the supplier, enhanced due diligence (including in relation to privacy, data security and modern slavery) is required prior to entering supply agreements.

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

In FY25 we intend to continue our program of work in relation to the preparation and introduction of a supplier code of conduct.

People, engagement and wellbeing

Refer to the People and Culture Section on page 26.



Climate risk

In FY24, we continued to uplift our ESG Credit Risk Guidance (**Guidance**), to assist our Relationship Bankers and analysts in the identification, assessment and mitigation of ESG-related risks and the identification and assessment of ESG-related opportunities when considering credit transactions at the individual customer or transactional level.

The Guidance is the foundation for our ESG credit risk screening and oversight processes. The Guidance contains a mechanism to escalate customers or transactions with negative or complex ESG-related risk factors to our ESG Committee.

In FY24, we conducted ESG-specific training for senior leaders in the Relationship and Credit Risk teams to upskill these teams in the application of the Guidance.

Metrics and targets[1]

Being a digitally enabled bank without physical bank branches, Judo has a relatively low-carbon operational footprint for an ADI.

tCo_2e	FY23	FY22	Year-on-year (YoY) change
Scope 1	0	0	0%
Scope 2			
Electricity (market-based)	162	142	↑14%
Scope 3			
Purchased goods and services*	6,799	3,616	↑88%
Business travel**	993	734	↑35%
Other***	54	72	↓25%
Electricity (market-based)	16	16	No change
Total Scope 3	7,862	4,438	↑77%
Total operational carbon footprint (market-based)	**8,024**	**4,580**	**↑76%**

* Includes capital goods.

** Includes employee commuting and work from home.

*** Includes waste generated in operations and upstream transportation and distribution.

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

tCo_2e	FY23	FY22	YoY change
Market-based			
Scope 2	162	142	↑14%
Scope 3	16	16	No change
Total electricity (market-based)	**178**	**158**	**↑12%**
Location-based			
Scope 2	401	216	↑86%
Scope 3	44	24	↑83%
Total electricity (location-based)	**445**	**240**	**↑85%**

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

Judo's emissions from FY22 to FY23 increased due to:

- Operational expansion, including four new office locations. This is reflected in an increase in electricity emissions (market-based), which is partially offset by a greater portion of renewable energy used at existing facilities (see below).
- Increased operational emissions from purchased goods and services partly due to Judo's office move in Melbourne to Queen and Collins in FY23. The Queen and Collins building is certified carbon neutral and was awarded a Six Star Green Star rating in building design and construction. The office move resulted in significant extra emissions from office fit-out and furniture, which is a one-off occurrence.

	FY23	FY22	Change (tCO_2e)	Change (%)
Office furniture and fit-out	1,571	340	↑1,231	↑362%

- Throughout the 2023 financial year, we invested in building our internal technological capabilities, including uplifting our digital banking platform and investments in technology to enable stronger banker and customer relationships. The increase in our investment in technological builds from FY22 to FY23 resulted in an increase in emissions year on year:

	FY23	FY22	Change (tCO_2e)	Change (%)
IT projects	1,037	571	↑466	↑82%

- Business travel increased year on year due to return to post-pandemic levels of business travel. COVID-19 travel restrictions continued to impact the first half of FY22 in Melbourne and Sydney. As a relationship-led bank, business travel is unavoidable for Judo. Visiting customer premises helps our Relationship Bankers deeply understand customers' businesses and is core to our unique credit assessment process. We recognise the impact business travel has on our emissions, and Judo is working to reduce these emissions wherever possible.
- The remaining movements in emissions year on year are the result of increased supplier spend across Judo consistent with the growth in our business, increase in supplier emissions directly reported from suppliers and availability of data used to estimate emissions.

Calculation of emissions from purchased goods and services is based on primary and secondary data sources. Where primary data was not available, the spend-based method was used to estimate emissions. Using this method, spending on goods and services is multiplied by supplier-specific emissions intensity (preferred approach) or industry average emissions factors. The accuracy of reported emissions is expected to improve in future periods as more supplier-specific information becomes available to Judo. Where there is a material change in Judo's methodology or the granularity of available data, Judo will report these changes.

Judo's reported emissions boundary increased from FY22–FY23 including:

- FTE increase (FY23: 543, FY22: 465).
- Increase in operational facilities (FY23: 17, FY22: 15).

No other changes were made to Judo's reported year-on-year emissions boundary.

Emissions Reduction Plan

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

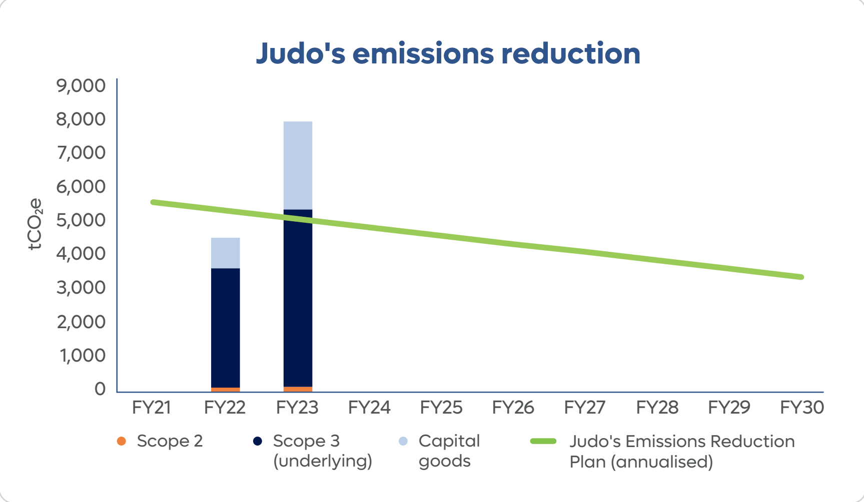
The Judo Emissions Reduction Plan (operational and value chain) has been developed by reference to a 42% reduction to 2030, in absolute terms, considering best practice international frameworks, such as the Science Based Targets Initiative recommended emissions scenario of a 1.5° global warming trajectory.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

Judo's Emissions Reduction Plan includes 100% of our Scope 2 and Scope 3 operational and supplier emissions (non-financed emissions), based on FY21 emissions of 5,630 tCO_2e1 as our base year. The FY21 base is used as the first year Judo calculated and reported GHG emissions. Our reduction plans are graphically represented on the right.

Judo's actual emissions for FY22 and FY23 are plotted against the trajectory. In FY23 (the latest period of available data), Judo's Scope 3 emissions were inflated due in part to increased spend on capital goods, relating to our additional office occupancy associated with our expanded coverage.

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

As a growth business, we plan to achieve our emissions reduction targets through a combination of supplier selection, engagement and internal



policy updates. We will continue to review our Emissions Reduction Plan and targets, and update these in ways that are meaningful to Judo and the wider community.

We will also continue to review our Climate Risk and Reduction Plan in line with the company's growth strategy.

Industry exposure

As a unique pure-play specialist SME business lender, we are less exposed to heavy emissions industries than other commercial banks. Despite this, we are committed to understanding the climate risks and opportunities in our loan portfolio. Our exposures to industries considered higher climate risk are shown on the right.

Our gross loans and advances as at 30 June 2024 were $10.7 billion.

Preparation for mandatory climate reporting

The Federal Government is proposing to introduce new, internally aligned, mandatory climate-related disclosure laws for large businesses and financial institutions with a proposed effective date of 1 January 2025 for Group 1 entities. Judo is likely to be a Group 1 entity on commencement and, if so, will be required to report under the new regime from 1 July 2025.

In preparation for the new requirements we are undertaking matters including:

- information gathering to enable Judo to commence meeting the disclosure requirements;
- reviewing our existing governance arrangements to determine responsibility and accountability for the new disclosure requirements; and
- uplifting our Sustainability Strategy to better align it with the new requirements.

As at 30 June 2024, Judo had no direct lending to:

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

As at 30 June 2024, Judo's total exposure to:

- Other electricity generation[4] was 0.02% of total outstanding loans and comprised solely of renewable energy or sustainable energy transition activities.
- Oil and gas supply and distribution[5] was 0.01% of our total outstanding loans.
- Judo began lending to the agribusiness sector in FY22. A small percentage of Judo's agribusiness loans provides funding for sheep and cattle businesses.

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

Corporate Governance

Our approach to corporate governance

Judo's Board of Directors and management team work together to ensure effective implementation and oversight of Judo's strategic direction, financial plans and risk management objectives.

Key responsibilities of the Board include:

(a) Approving Judo's business strategy and financial plan and monitoring their implementation.

(b) Approving Judo's annual budget (and any reforecasts) and financial statements, monitoring financial performance against budget and prior period performance.

(c) Approving Judo's annual Internal Capital Adequacy Assessment Process (**ICAAP**) Report and overseeing capital management throughout the year.

(d) Approving and monitoring, with guidance from the Board Risk Committee, the effective operation of Judo's RMF and RMS.

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

(f) Considering the social and environmental impact of Judo's activities and approving Judo's ESG Strategy and ESG Policy.

Further details of Judo's approach to corporate governance are outlined in our Corporate Governance Statement.

Board Committees

The Board has established the following Committees to assist it in carrying out its responsibilities:

	Board Audit Committee	Board Risk Committee	Board Remuneration and Nominations Committee
Purpose	Advises the Board on the effectiveness of Judo's accounting, auditing, financial and regulatory reporting, and overall internal control frameworks.	Advises and assists the Board to fulfill its responsibilities in relation to Judo's risk management practices, including risk management strategies, policies and frameworks that support implementation, and how these aid Judo's business strategy and culture.	Advises and assists the Board to fulfil its responsibilities in relation to Judo's remuneration strategy and policy, Board composition, Board and Management Board succession, and Inclusion, Equity and Diversity Strategy, policy, and targets and people and remuneration matters, including remuneration strategies, policies and frameworks for implementation, and how these support Judo's strategy and culture.
Chair	Manda Trautwein	John Fraser	Jennifer Douglas
Members	Peter Hodgson Mette Schepers David Hornery	Peter Hodgson Mette Schepers David Hornery	Peter Hodgson John Fraser Malcolm McHutchison
Observer		Manda Trautwein	

The Board and Board Committees' charters, outlining their responsibilities, membership requirements and terms of operation, are available at: www.judo.bank/corporate-governance.

Board composition and renewal

Judo's Board comprises seven Non-Executive Directors and one Executive Director, the Chief Executive Officer and Managing Director, Chris Bayliss.

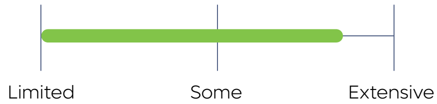
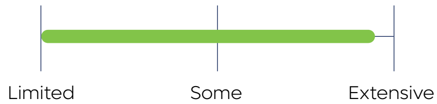
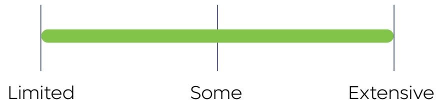
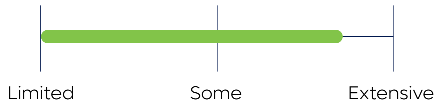
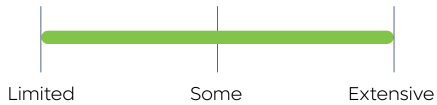
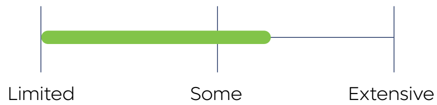
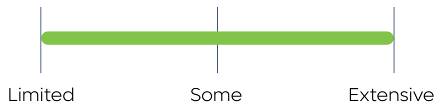
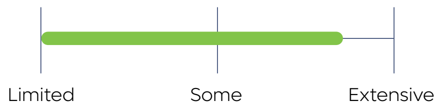
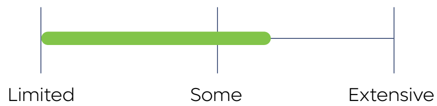
Malcolm McHutchison was re-elected as a Director on the Judo Board at the 2023 AGM. Chris Bayliss joined the Board in March 2024 as CEO and Managing Director.

Board performance, skills, and experience

The Board has a formal Assessment Framework that outlines the requirements for assessing its performance, skills and fitness and proprietary to hold the role of a Director. A Board and Board Committee performance assessment and skills assessment are completed annually.

Judo's Board skills matrix, set out below, was updated in FY24 and summarises the industry knowledge and experience, technical skills and governance and risk competencies currently held by its Directors. Collectively, Judo's Directors have the relevant skills and competencies to advise on, and oversee, Judo's strategy.

Board skills and experience as at 30 June 2024

Skills and experience	Description	Collective experience
Relevant industry experience	Experience working in a senior role in the commercial banking sector, strong understanding of the economic drivers and the regulatory environment that have an impact on Judo and its customers.	 Limited Some Extensive
Small business and start-up experience	Experience working, or acting, in an advisory role to the small business sector and start-up organisations. Understanding of key issues facing these sectors and a proven capacity as an advocate for small businesses for whom Judo is a key partner.	 Limited Some Extensive
Customer relationships	Experience developing and delivering customer strategies, enhanced customer experiences and deeper customer relationships to assist Judo in continuing to embed our customer value proposition.	 Limited Some Extensive
Risk culture	Experience assessing and managing financial and non-financial risks through development and oversight of risk management frameworks to support everyone as a risk manager at Judo.	 Limited Some Extensive
Strategy and performance	Experience developing and delivering on growth plans and strategic direction to support Judo's purpose to be Australia's most trusted SME business bank. Sound understanding of financial statements, capital management strategies and drivers of financial performance, including assessing the adequacy of financial controls and integrity of financial reporting.	 Limited Some Extensive
Transformation, digital technology and data	Experience in delivery and oversight of technology strategies, technology risk and technology transformation programs, including in utilising digital technology and data (and the associated risks, e.g. cybersecurity risks).	 Limited Some Extensive
People and organisational culture	Experience developing workforce capability in attracting and retaining talent, remuneration practices and organisational culture with a focus on inclusion, equity and diversity.	 Limited Some Extensive
Ownership mindset	Experience in taking an owner's mindset approach and the continuous exercise of critical, independent thinking to avoid bureaucracy.	 Limited Some Extensive
Environment and social	Understanding potential risks and opportunities from an environmental and social perspective relevant to a challenger bank focused on the SME market.	 Limited Some Extensive

Board focus areas in FY24

Key focus areas and priorities for the Board throughout FY24 included:

- Leadership succession planning.
- Oversight of the delivery of key strategic technology projects.
- Continuous monitoring of credit portfolio performance including impacts of the external economic environment on SME businesses against Judo's risk appetite.
- Ensuring full paydown of the TFF by 30 June 2024.
- Oversight of the launch of Judo's inaugural public term securitisation and AT1 transactions.
- Ensuring all decisions across the business are made for and with full consideration of Judo's SME customers.
- Improved communication with investment community.

Financial Performance

1.0 FY24 result overview

Statutory Profit Before Tax (PBT)

$104.3m

FY23: $107.5m

Underlying Profit Before Tax (PBT)[1]

$110.1m

FY23: $107.5m

Gross Loans and Advances (GLA)

$10.7bn

FY23: $8.9bn

Net Interest Margin (NIM)

2.94%

FY23: 3.29%

Underlying Cost to Income ratio (CTI)[1]

54.6%

FY23: 54.1%

Minimum Liquidity Holdings (MLH)

18.2%

FY23: 19.1%

Total Provision Coverage (GLA %)

1.39%

FY23: 1.21%

90+ DPD and Impaired assets

2.31%

FY23: 1.09%

Return on Equity (ROE)

4.5%

FY23: 5.1%

Common Equity Tier 1 ratio (CET1)

14.7%

FY23: 16.7%

1. Excluding non-recurring costs in FY24. See Section 2.5 on operating expenses. Statutory CTI was 56.0%.

1.1 FY24 result summary

Judo has delivered another year of strong financial and operational performance, having achieved or exceeded all of its FY24 guidance targets. Judo also achieved three important milestones during the year. Firstly, Judo celebrated its five-year anniversary as a fully licensed bank in April 2024. Secondly, Judo's lending book surpassed the $10bn threshold and closed the year at $10.7bn. Thirdly, Judo was admitted to the S&P/ASX200 index. These milestones, together with the strong FY24 results, show continued successful execution of Judo's clear and simple SME-focused strategy. Judo remains on track to achieve its at-scale target of an ROE in the low to mid-teens.

Statutory profit before tax (PBT) was $104.3m, which included non-recurring costs related to CEO transition and organisational restructuring.

Underlying PBT[1], excluding non-recurring costs, was $110.1m, up 2%. The result was primarily driven by strong growth in the loan book, continued investments in growth, and the shift to a greater proportion of term deposit funding as a result of refinancing the Group's share of the RBA's TFF.

GLA at Jun-24 was $10.7bn, up 20%, with growth across all product categories underpinned by Judo's customer value proposition, geographical expansion, ongoing recruitment of highly experienced Relationship Bankers, and increasing banker portfolio sizes. Judo continued to deliver prudent growth, notwithstanding the uncertain economic environment, and maintained a sector-leading lending net promotor score.

Funding continued to strengthen and diversify during the year, as Judo made significant progress towards its at-scale funding stack, whilst also successfully refinancing its share of the RBA's TFF. The bank's term deposit balances reached $8.2bn at Jun-24, up $2.3bn, representing 64% of the bank's total funding, up from 50%. The bank has also continued to mature its wholesale funding profile with the issuance of its inaugural public term securitisation and AT1 transaction. Judo now has access to the full spectrum of funding channels available to the major banks.

NIM was 2.94%, down 35bps. NIM moderated over the year, primarily due to the refinancing of the TFF and the continued normalisation of deposit costs to within Judo's long-run expected range of 80-90bps over 1-month BBSW. These factors were partly offset by higher margins on the lending portfolio, improvement in warehouse funding costs and liquidity management.

Underlying operating expenses[1] were $216.5m, up 13%, driven by an increase in employee costs and an acceleration of amortisation of intangible assets following the completion of key technology projects during the period.

Underlying CTI[1] was 54.6%, broadly stable compared to 54.1% in FY23. While cost growth moderated significantly in FY24, income growth also moderated due to the one-off transition of the funding stack. Normalising for the impact of the TFF, Judo has demonstrated significant operating leverage, which will continue in FY25 and beyond.

Impairment expense was $70.1m, up from $54.6m, reflecting loan book growth and an increase in customers with arrears greater than 30 days past due or who are new to impaired status. Impairment expense as a percentage of average GLA was 72bps in FY24, which was broadly stable vs 74bps in FY23.

Expected credit loss (ECL) provisions on loans and advances increased to $149.1m, up from $107.5m. Total provision coverage was 1.39% of GLA, up 18bps. The bank's collective provision increased due to growth in the loan book, changes in Judo's expectations for the economic outlook and an increase in customers exhibiting an increase in credit risk, including arrears and defaults. The bank also continues to carry a management overlay. Specific provisions also increased due to continued seasoning of the loan book and the more challenging operating conditions for SMEs. Write-offs totalled $30.9m, consisting of 13 customer groups.

90+ DPD and impaired assets to GLA increased to 2.31% at Jun-24, up from 1.09%, however has flattened from 2.63% in Mar-24. The increase in FY24 was primarily driven by a small number of large, typically well-secured loans.

Capital remained strong with a CET1 ratio of 14.7%, down from 16.7%. The key driver of the CET1 movement was growth in lending assets. The capital position benefited from the term securitisation transaction executed in September 2023.

1. Excluding non-recurring costs in FY24. See Section 2.5 on operating expenses. Statutory CTI was 56.0%.

2.0 Analyst Pack

2.1 Income statement

	Year to			Half Year to		
	Jun-24 $m	**Jun-23 $m**	**YoY %**	**Jun-24 $m**	**Dec-23 $m**	**HoH %**
Interest income	910.3	574.2	59%	478.1	432.2	11%
Interest expense	(524.3)	(226.6)	131%	(287.3)	(237.0)	21%
Net interest income	**386.0**	**347.6**	**11%**	**190.8**	**195.2**	**(2%)**
Other operating income	10.7	5.4	98%	5.9	4.8	23%
Net banking income	**396.7**	**353.0**	**12%**	**196.7**	**200.0**	**(2%)**
Employee benefits expense	(129.2)	(119.3)	8%	(64.4)	(64.8)	(1%)
Other expenses	(87.3)	(71.6)	22%	(46.3)	(41.0)	13%
Total underlying operating expenses[1]	**(216.5)**	**(190.9)**	**13%**	**(110.7)**	**(105.8)**	**5%**
Underlying profit before impairment[1]	**180.2**	**162.1**	**11%**	**86.0**	**94.2**	**(9%)**
Impairment expense	(70.1)	(54.6)	28%	(43.3)	(26.8)	62%
Underlying profit before tax[1]	**110.1**	**107.5**	**2%**	**42.7**	**67.4**	**(37%)**
Non-recurring costs	(5.8)	–	–	(5.8)	–	–
Statutory profit before tax	**104.3**	**107.5**	**(3%)**	**36.9**	**67.4**	**(45%)**
Tax expense[2]	(34.4)	(34.1)	1%	(12.9)	(21.5)	(40%)
Statutory profit after tax	**69.9**	**73.4**	**(5%)**	**24.0**	**45.9**	**(48%)**

1. Excluding non-recurring costs in FY24. See section 2.5 on operating expenses.
2. Includes tax credit on non-recurring costs of $1.3m in FY24.

2.2 Operating metrics

	Year to			Half Year to		
	Jun-24 $m	Jun-23 $m	YoY %	Jun-24 $m	Dec-23 $m	HoH %
GLA						
GLA (end of period)	10,711	8,908	20%	10,711	9,703	10%
GLA (average)	9,687	7,410	31%	10,026	9,350	7%
Performance						
Net interest margin (%)	2.94%	3.29%	(35 bps)	2.85%	3.02%	(17 bps)
Underlying CTI (%)[1]	54.6%	54.1%	50 bps	56.3%	52.9%	340 bps
Net banking income/average FTEs	0.71	0.69	3%	0.35	0.36	(3%)
Funding						
Total customer deposits (end of period)	8,228	5,955	38%	8,228	6,921	19%
Deposits/total funding and capital (%)	64.4%	50.3%	14%	64.4%	52.1%	12%
Capital adequacy						
Total RWAs	9,611	8,179	18%	9,611	8,593	12%
Average risk weight on lending (%)[2]	77.5%	75.9%	160 bps	77.5%	76.0%	150 bps
Common Equity Tier 1 capital ratio (%)	14.7%	16.7%	(200 bps)	14.7%	16.2%	(150 bps)
Tier 1 capital ratio (%)	15.5%	16.7%	(120 bps)	15.5%	17.1%	(160 bps)
Total capital ratio (%)	17.5%	18.9%	(140 bps)	17.5%	19.3%	(180 bps)
Asset quality						
Impairment expense on average GLA (%)	0.72%	0.74%	(2 bps)	0.87%	0.57%	30 bps
Losses ratio (%)	0.31%	0.00%	31 bps	0.24%	0.06%	18 bps
90+ DPD and impaired assets/GLA (%)	2.31%	1.09%	122 bps	2.31%	1.73%	58 bps
Non-performing loans/Exposures (%)	2.52%	1.38%	114 bps	2.52%	1.87%	65 bps
Collective provision/GLA (%)	1.05%	1.00%	5 bps	1.05%	0.99%	6 bps
Specific provision/GLA (%)	0.34%	0.21%	13 bps	0.34%	0.38%	(4 bps)
Total provision/GLA (%)	1.39%	1.21%	18 bps	1.39%	1.34%	5 bps
Operations (end of period)						
Total full-time equivalent employees (FTEs)	543	543	–	543	557	(3%)
Number of Relationship Bankers	144	123	17%	144	128	13%

1. Excluding non-recurring costs in FY24. See Section 2.5 on operating expenses. Statutory CTI was 56.0%.
2. Average risk weight on lending (%) excludes assets in Judo's capital relief term securitisation, which are de-consolidated for the purposes of regulatory capital calculations.

2.3 Net interest income

	Year to			Half Year to		
	Jun-24 $m	**Jun-23 $m**	**YoY %**	**Jun-24 $m**	**Dec-23 $m**	**HoH %**
Interest income	910.3	574.2	59%	478.1	432.2	11%
Interest expense	(524.3)	(226.6)	131%	(287.3)	(237.0)	21%
Net interest income	**386.0**	**347.6**	**11%**	**190.8**	**195.2**	**(2%)**
Average gross loans and advances	9,687	7,410	31%	10,026	9,350	7%
Average trading and investment securities	3,443	3,145	9%	3,433	3,510	(2%)
Average interest earning assets	**13,130**	**10,555**	**24%**	**13,459**	**12,860**	**5%**
Average trading and investment securities/Average GLA	35.5%	42.4%	(690 bps)	34.2%	37.5%	(330 bps)
Net interest margin (%)	2.94%	3.29%	(35 bps)	2.85%	3.02%	(17 bps)
Yield on treasury assets (%)	3.56%	2.10%	146 bps	3.83%	3.24%	59 bps

Net interest income

Net interest income of $386m increased by 11%.

Net interest income is the sum of:

- interest income received on interest-earning assets; and
- establishment fees and facility-related fees received from customers;

less:

- interest expense on debt and hybrid-debt facilities, customer deposits and balances held with the Reserve Bank of Australia (RBA);
- brokerage costs related to the origination of loans; and
- establishment fees, commission expenses and line fees relating to funding activities.

Average interest earning assets

Average interest earning assets increased to $13.1bn, up 24%.

Average gross loans and advances increased to $9.7bn, up 31%, discussed in more detail in Section 2.6.

Trading and investment securities peaked in early 1H24 in advance of the bank's contractual TFF repayments, which were largely due in 2H24. Average trading and investment securities as a percentage of average GLA were 34% in 2H24, reducing from 38% in 1H24. Trading and investment securities as a percentage of GLA peaked at 41% in January before progressively reducing to 22% at the end of June.

Securities pledged as TFF collateral are not eligible for recognition as regulatory liquidity. Regulatory liquidity is discussed in more detail in Section 2.9.

Net interest margin

NIM for FY24 was 2.94%, a decrease of 35bps from 3.29%.

NIM for 2H24 was 2.85%, a decrease of 17bps from 3.02%.

Refinancing the TFF had a 39bps unfavourable impact on NIM in 2H24, as Judo refinanced its relatively cheaper TFF funding with more expensive term deposits and wholesale funding. Average drawn self-securitised funding from the TFF was $0.61bn in 2H24, down from $1.77bn in 1H24.

The average cost of deposits contributed a 5bps decrease to the 2H24 NIM. New deposits over 2H24 were priced at an average margin of 90bps over 1-month BBSW, within the bank's long run expected range of 80-90bps over 1-month BBSW. This is a positive outcome in a period of heightened competition for deposits and reflects the increasing strength of Judo's deposit franchise.

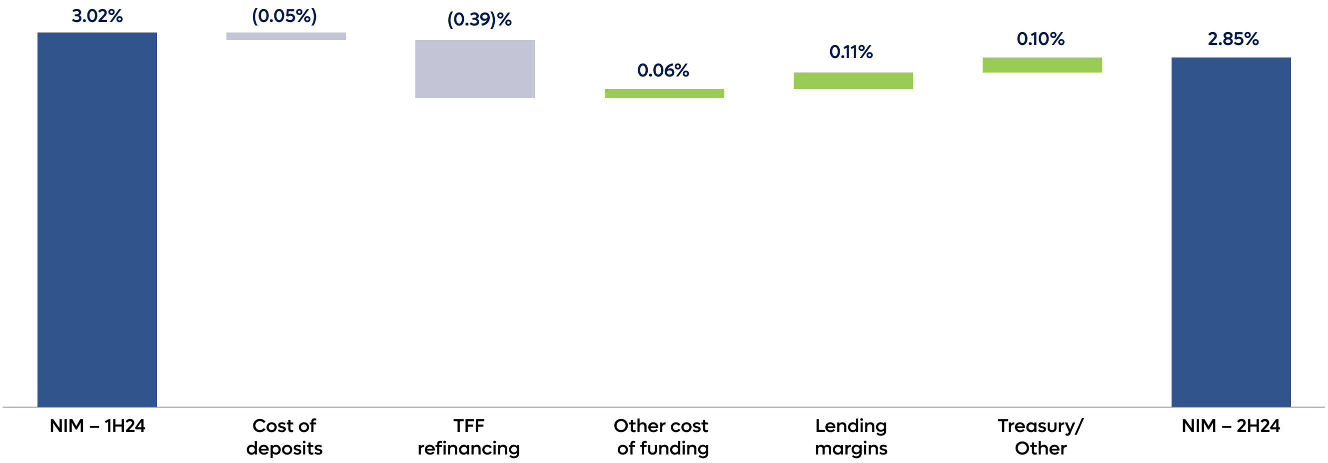
The average blended cost of deposits in 2H24 on a hedged basis was 80bps over 1-month BBSW.

Other cost of funding, which reflects wholesale funding sources, contributed a 6bps favourable impact to NIM in 2H24, primarily driven by optimisation of warehouse facilities during the period.

Lending margins contributed an 11bps favourable impact to NIM in 2H24 as a result of higher margins on new lending and proactive management of existing customers. Judo has maintained strong discipline pricing for risk and achieved an average margin on new lending in the mid-4%s in 2H24.

Treasury/Other contributed a 10bps favourable movement to NIM, largely due to higher yields on bonds and close management of excess liquidity levels.

Equity had a nil impact on NIM. Judo implemented an investment term of capital policy during 1H24, thereby reducing the sensitivity of interest income to interest rate movements.



2.4 Other operating income

	Year to			Half Year to		
	Jun-24 $m	**Jun-23 $m**	**YoY %**	**Jun-24 $m**	**Dec-23 $m**	**HoH %**
Fee income	6.2	2.9	114%	3.6	2.6	38%
Other income	4.5	2.5	80%	2.3	2.2	5%
Total other operating income	**10.7**	**5.4**	**98%**	**5.9**	**4.8**	**23%**

Other operating income increased to $10.7m, up $5.3m from $5.4m.

Fee income of $6.2m increased by $3.3m. Fee income consists of fees charged on Bank Guarantee products and undrawn lines of credit, which has benefited from an increase in active customer accounts during the year.

Other income of $4.5m increased by $2.0m, which includes mandate fees charged on lending products, term deposit break fees, and other one-off items. Other income continues to benefit from growth across the lending and term deposit books.

2.5 Operating expenses

	Year to			Half Year to		
	Jun-24 $m	Jun-23 $m	YoY %	Jun-24 $m	Dec-23 $m	HoH %
Employee benefits expense	129.2	119.3	8%	64.4	64.8	(1%)
IT expense	28.5	24.6	16%	14.4	14.1	2%
Marketing expense	8.4	8.1	4%	4.9	3.5	40%
Occupancy and depreciation	8.1	7.2	13%	3.9	4.2	(7%)
Intangibles amortisation	12.1	4.7	157%	7.8	4.3	81%
Other expenses	30.2	27.0	12%	15.3	14.9	3%
Total underlying operating expenses[1]	**216.5**	**190.9**	**13%**	**110.7**	**105.8**	**5%**
Non-recurring costs						
CEO transition costs	3.2	–	–	3.2	–	–
Organisational restructuring costs	2.6	–	–	2.6	–	–
Total statutory operating expenses	**222.3**	**190.9**	**16%**	**116.5**	**105.8**	**10%**
Total full-time equivalent employees (FTEs)	543	543	–	543	557	(3%)
Average FTEs	558	509	10%	564	550	3%
Total bankers	144	123	17%	144	128	13%
Underlying CTI (%)[1]	54.6%	54.1%	50 bps	56.3%	52.9%	340 bps

1. Excluding non-recurring costs in FY24. Statutory CTI was 56.0%.

Underlying operating expenses, excluding non-recurring costs, were $216.5m, up 13% from FY23. Underlying CTI was 54.6%, up 50bps.

Employee benefits expense was $129.2m, up 8%, reflecting higher average FTE for the period. Growth in the average number of FTEs slowed significantly in 2H24, reflecting the bank's non-customer facing areas approaching maturity. FTEs of 543 at Jun-24 was flat vs Jun-23, following an organisational restructure completed in May-24.

IT expense was $28.5m, up 16% from FY23. This was primarily related to an increase in IT licensing fees related to the bank's new systems.

Marketing expense was $8.4m, up 4%, due to increasing investments in brand awareness, primarily in the second half of the year.

Occupancy and depreciation expense was $8.1m, up 13%, reflecting Judo's geographical expansion during the year.

Intangibles amortisation was $12.1m, up 157%. Amortisation increased due to the bank's new, enterprise-grade digital and data platforms being moved to in-use during the period, as well as the bank's existing core lending platform being amortised faster given its shortened useful life.

The bank's new credit risk engine (CRE), core lending platform and enterprise resource planning (ERP) platform will begin amortising in FY25.

Other expenses were $30.2m, up 12%, reflecting the business's growth, and some one-off items related to strategic projects.

During FY24, Judo incurred $5.8m of non-recurring costs, comprising $2.6m in restructuring costs due to changes in the bank's operating model, and $3.2m in expenses related outgoing CEO Joseph Healy's statutory remuneration entitlements and accelerated amortisation of long-term incentives.[1]

1. Remuneration is discussed in more detail on page 69.

2.6 Gross loans and advances

Gross loans and advances were $10.7bn, an increase of 20%.

Growth was supported by continued recruitment of high-quality Relationship Bankers, geographical expansion and growth in banker portfolios. The bank maintained a sector-leading net promoter score, which was +59 at Jun-24.

Judo continued its prudent growth throughout an uncertain economic environment, with caution being exercised for sectors susceptible to the changes in discretionary consumer expenditure and to weakening asset values. Judo has seen strong growth in its health and agribusiness sectors, thereby increasing the diversification of the portfolio.

Judo continued to proactively manage relationships with existing customers. Run-off, which consists of structural principal amortisation, customer repayments and refinances, averaged 20% over 2H24, in line with long run expectations.

GLA by product

	Jun-24 $m	Dec-23 $m	Jun-23 $m	Jun-24 % of GLA	Dec-23 % of GLA	Jun-23 % of GLA
Business loans	8,187	7,431	6,807	76%	77%	76%
Equipment loans	643	599	582	6%	6%	7%
Line of credit	739	627	570	7%	6%	6%
Home loans	1,142	1,045	949	11%	11%	11%
Gross loans and advances	**10,711**	**9,703**	**8,908**	**100%**	**100%**	**100%**
Allowance for credit losses	(149)	(131)	(108)			
Total loans and advances	**10,562**	**9,572**	**8,800**			

GLA by geography

	Jun-24 $m	Dec-23 $m	Jun-23 $m	Jun-24 % GLA	Dec-23 % GLA	Jun-23 % GLA
NSW	4,259	3,760	3,498	40%	39%	39%
VIC	3,308	2,900	2,734	31%	30%	31%
QLD	1,671	1,560	1,396	15%	16%	16%
WA	930	905	808	9%	9%	9%
Other	543	578	472	5%	6%	5%
Gross loans and advances	**10,711**	**9,703**	**8,908**	**100%**	**100%**	**100%**

GLA by industry – percentage of total lending

	Jun-24	Dec-23	Jun-23	YoY (%)	HoH (%)
Rental, hiring and real estate services	25%	26%	27%	(2%)	(1%)
Property operators (property investment)	*21%*	*21%*	*22%*	*(1%)*	–
Other rental, hiring and real estate services	*4%*	*5%*	*5%*	*(1%)*	*(1%)*
Accommodation and food services	11%	10%	10%	1%	1%
Manufacturing	7%	7%	7%	–	–
Construction	7%	7%	7%	–	–
Retail trade	6%	7%	7%	(1%)	(1%)
Health care and social assistance	5%	5%	4%	1%	–
Agriculture, forestry and fishing	4%	3%	2%	2%	1%
Financial and insurance services	4%	5%	5%	(1%)	(1%)
Wholesale trade	4%	4%	4%	–	–
Professional, scientific and technical services	4%	4%	5%	(1%)	–
Transport, postal and warehousing	3%	3%	3%	–	–
Residential mortgage	10%	11%	11%	(1%)	(1%)
Other	10%	8%	8%	2%	2%
Gross loans and advances	**100%**	**100%**	**100%**	**–**	**–**

2.7 Funding

	Jun-24 $m	Dec-23 $m	Jun-23 $m	YoY %	HoH %
Customer deposits					
Direct term deposits	5,654	4,992	3,930	44%	13%
Intermediated SMSF/retail term deposits	1,921	1,461	1,495	28%	31%
Intermediated middle markets term deposits	653	468	530	23%	40%
Total customer deposits	**8,228**	**6,921**	**5,955**	**38%**	**19%**
Wholesale funding					
TFF self-securitisation drawn	–	1,193	2,252	(100%)	(100%)
Warehouse facilities	1,906	1,373	868	120%	39%
Term securitisation debt	361	432	–	–	(17%)
Senior unsecured debt	200	200	200	–	–
Additional Tier 1/Tier 2 subordinated debt	190	190	115	65%	–
Negotiable certificates of deposit (NCDs)	487	322	327	49%	51%
Total wholesale funding[1]	**3,144**	**3,710**	**3,762**	**(16%)**	**(15%)**
Other					
TFF preserved component	–	1,249	580	(100%)	(100%)
Repurchase agreements	–	–	170	(100%)	–
Total other	**–**	**1,249**	**750**	**(100%)**	**(100%)**
Total funding	**11,372**	**11,879**	**10,467**	**9%**	**(4%)**
CET1 capital	1,411	1,396	1,366	3%	1%
Total funding and capital	**12,783**	**13,275**	**11,833**	**8%**	**(4%)**
Deposits/total funding and capital (%)	64.4%	52.1%	50.3%	14%	12%
Customer deposits – average tenor at origination (days)					
Direct term deposits	547	537	515		
Intermediated SMSF/retail term deposits	294	309	294		
Intermediated middle markets term deposits	263	285	274		

1. Funding balances are presented gross of any capitalised funding establishment costs.

Funding strategy

Key elements of Judo's funding strategy include:

- achieve surety of funding sources to support the bank's growth strategy;
- attain diversified sources of funding by product, tenor, and channel;
- manage funding risk, including maturity profile and counterparty concentrations; and
- optimise the cost of funds.

Judo has established diversified sources of funding in the form of deposits and wholesale funding to support growth in the loan book.

Judo completed the repayment of TFF funding in June 2024, through a combination of additional term deposits and warehouse funding.

Deposits

Deposits are a core part of Judo's funding strategy. Judo has increased its long-term goal from 70-75% to approximately 75% of total asset funding to be sourced through this channel.

Judo offers term deposits directly and via intermediaries to retail and wholesale customers. As an APRA-authorised deposit-taking institution, Judo's deposits are covered by the Australian Government's guarantee on deposits scheme (also known as the Financial Claims Scheme), providing protection of up to $250,000 per account holder.

At Jun-24, customer deposits were $8.2bn, up 38%. The growth came primarily from the direct retail and intermediated SMSF/retail channels.

For 2H24, Judo's hedged cost[1] of newly originated term deposits was 90bps over the 1-month BBSW, within the bank's long-run expected range for term deposit funding of 80-90bps. This was a pleasing outcome given the industry's requirement to refinance $188bn of TFF funding, which created higher demand for term deposit funding.

The overall net blended cost of direct deposits increased over the year to 5.08%, up 181bps and for intermediated channels (including SMSF, retail and middle markets) increased to 4.99%, up 170bps. The increase in the overall net blended cost of deposits largely reflects the 148bps increase in the average 1-month BBSW for the year, which also led to a corresponding increase in Judo's overall net lending rates, given Judo's largely floating-rate lending portfolio.

Wholesale funding

Wholesale funding is an important component of Judo's funding strategy, providing flexibility and diversification. The composition of wholesale funding has shifted materially as the TFF was repaid in Jun-24. Over the longer term, wholesale funding is expected to represent approximately 15% of total asset funding, across diversified forms of debt, warehouse and term securitisation, senior unsecured bonds, hybrid capital instruments and NCDs.

Total wholesale funding at Jun-24 of $3.1bn was down significantly from $3.8bn over the period, as the TFF repayment was completed.

Committed warehouse funding limits were actively managed down to $2.7bn at Jun-24 from $3.0bn at Jun-23, due to improved funding surety and reduced reliance on warehouse funding, which allowed Judo to reduce the amount of committed capacity through repayment of one of its senior financiers. The drawn component of warehouse funding increased to $1.9bn, up from $1.4bn, leaving $0.8bn of committed headroom available.

During this period Judo also received a credit rating upgrade to BBB (stable) from S&P. This has provided greater access to investors across a range of channels, including NCDs, where Judo has increased its funding from $0.3bn to $0.5bn.

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

   Under hedge accounting rules, these arrangements are treated as swapping the variable interest received on the bank's loans to a fixed rate receipt. For treasury management purposes, this can also be considered as effectively swapping the interest paid on the bank's funding liabilities from fixed to variable. In this way, interest payments on funding are matched with interest received on loans, with both cashflows floating over the 1m BBSW.

2.8 Asset quality

Impairment on loans, advances and treasury investments

	Year to			Half Year to		
	Jun-24 $m	Jun-23 $m	YoY %	Jun-24 $m	Dec-23 $m	HoH %
Impairment expense – individual	47.8	17.4	175%	26.2	21.6	21%
Impairment expense – collective	24.3	35.2	(31%)	17.2	7.1	142%
Impairment on loans and advances	**72.1**	**52.6**	**37%**	**43.4**	**28.7**	**51%**
Impairment on treasury investments	(2.0)	2.0	(200%)	(0.1)	(1.9)	(95%)
Impairment on loans, advances and treasury investments	**70.1**	**54.6**	**28%**	**43.3**	**26.8**	**62%**
Impairment expense/average GLA (%)	0.72%	0.74%	(2 bps)	0.87%	0.57%	30 bps

Lending provisions and coverage

	Jun-24 $m	Dec-23 $m	Jun-23 $m	YoY %	HoH %
Individually-assessed provision	36.1	34.7	18.8	92%	4%
Collective provision	113.0	95.8	88.7	27%	18%
Total provisions	**149.1**	**130.5**	**107.5**	**39%**	**14%**
Specific provision[1]/impaired assets (%)	28.0%	36.2%	36.3%	(8%)	(8%)
Total provisions/impaired assets (%)	115%	136%	206%	(91%)	(21%)
Specific provision[1]/GLA (%)	0.34%	0.36%	0.21%	13 bps	(2 bps)
Collective provision/GLA (%)	1.05%	0.99%	1.00%	5 bps	6 bps
Total provisions/GLA (%)	1.39%	1.34%	1.21%	18 bps	5 bps
Total provisions/credit RWAs (%)	1.71%	1.67%	1.45%	26 bps	4 bps

Days Past Due ("DPD") and impaired assets

	Jun-24 $m	Dec-23 $m	Jun-23 $m	YoY %	HoH %
30-89 DPD but not impaired	101.9	134.2	45.2	126%	(24%)
90+ DPD but not impaired	117.7	72.1	45.0	162%	63%
Impaired assets	130.0	95.7	52.1	149%	36%
30+ DPD and impaired assets	**349.6**	**302.0**	**142.3**	**146%**	**16%**
30-89 DPD but not impaired/GLA (%)	0.95%	1.38%	0.51%	44 bps	(43 bps)
90+ DPD but not impaired/GLA (%)	1.10%	0.74%	0.51%	59 bps	36 bps
Impaired assets/GLA (%)	1.21%	0.99%	0.58%	63 bps	22 bps
30+ DPD and impaired assets/GLA (%)	**3.26%**	**3.11%**	**1.60%**	**166 bps**	**15 bps**
90+ DPD and impaired assets/GLA (%)	**2.31%**	**1.73%**	**1.09%**	**122 bps**	**58 bps**
Non-performing loans/Exposures (%)	**2.52%**	**1.87%**	**1.38%**	**114 bps**	**65 bps**

1. Specific provisions include both individually-assessed and collectively-assessed provisions for impaired assets.

Impairment on loans, advances, and treasury investments

Impairment expenses for FY24 were $70.1m, up from $54.6m. The increase reflects ongoing provision build due to growth in the loan book; additional provisions held due to an uncertain economic outlook; and an increase in customers with arrears greater than 30 days past due or new to impaired status.

Provision coverage

Total lending book provisions were $149.1m as at Jun-24, up from $107.5m. Total provision coverage was 1.39% of GLA at Jun-24, an increase of 18 bps from 1.21%.

Judo's collective provision was $113.0m as at Jun-24, an increase of $24.3m. Collective provision coverage increased to 1.05% of GLA, up from 1.00%.

The key drivers of the increase include:

- growth in the loan book, which results in an increase in forward-looking provisions under accounting standards;
- changes in Judo's expectations for the economic outlook, which resulted in a 5% increase in the weighting to the bank's central economic scenario of a soft landing (to 55%), offset by a 5% reduction in the weighting to the upside economic scenario (to 15%); and
- continued seasoning of the portfolio and the impact of a more uncertain economic environment, which was reflected in an increase in customers exhibiting an increase in credit risk, including arrears and defaults;

partially offset by:

- a partial release in the vulnerable industry economic overlay as result of underlying credit stress being captured in the ECL calculation.

Judo's individually assessed provision was $36.1m at Jun-24, a net increase of $17.3m. The increase reflects growth in new impaired assets, offset by write-offs of $30.9m, consisting of 13 customer groups[1].

Days past due and impaired assets

Judo's 90+ DPD and gross impaired assets to GLA was 2.31% at Jun-24, an increase from 1.09% at Jun-23, with all loans in these categories adequately provisioned. The increase during the period was largely driven by a small number of customers that are well-secured.

Arrears flattened in 4Q24, with Judo's 90+ DPD and gross impaired assets of 2.31% as at Jun-24 reducing from 2.63% as at Mar-24.

Judo's 90+ DPD (but not impaired) loans were $117.7m or 1.10% of GLA, up 59bps. As of Jun-24, there were 40 customer groups with loans 90+ DPD (but not impaired).

Judo's gross impaired assets to GLA of 1.21% was up 63 bps, a net increase of $77.9m, primarily driven by a small number of large customers, typically well-secured, and adequately provisioned where appropriate.

The increase in arrears and impaired assets predominantly came from a small number of property operators and sectors classified as vulnerable, including accommodation and food services, discretionary retail, manufacturing, and construction.

As discussed above, Judo remains well provisioned and its relationship-based business model allows the bank to work closely with customers with challenges to achieve optimal resolutions of their situation.

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

2.9 Capital management and liquidity

Capital adequacy	Jun-24 $m	Dec-23 $m	Jun-23 $m	YoY %	HoH %
CET1 capital	1,411	1,396	1,366	3%	1%
AT1 capital	75	75	–	–	–
Tier 1 capital	**1,486**	**1,471**	**1,366**	**9%**	**1%**
Tier 2 capital instruments	115	115	115	–	–
General reserve for credit losses	81	72	68	20%	13%
Tier 2 capital	**196**	**187**	**183**	**7%**	**5%**
Total capital	**1,682**	**1,658**	**1,549**	**9%**	**1%**
Total credit RWAs ($m)	8,737	7,812	7,436	18%	12%
Total RWAs ($m)	9,611	8,593	8,179	18%	12%
Average risk weight on lending (%)	77.5%	76.0%	75.9%	160 bps	150 bps
CET1 ratio (%)	14.7%	16.2%	16.7%	(200 bps)	(150 bps)
Tier 1 capital ratio (%)	15.5%	17.1%	16.7%	(120 bps)	(160 bps)
Total capital ratio (%)	17.5%	19.3%	18.9%	(140 bps)	(180 bps)

Liquidity	Jun-24 $m	Dec-23 $m	Jun-23 $m	YoY %	HoH %
Total liquid assets balance	2,185	3,523	3,143	(30%)	(38%)
Less: liquid assets ineligible for MLH	(6)	(1,313)	(980)	(99%)	(100%)
Total adjusted MLH balance	**2,179**	**2,210**	**2,163**	**1%**	**(1%)**
Total adjusted MLH balance (%)	18.2%	18.2%	19.1%	(90 bps)	–

Notes

1. Average risk weight on lending (%) excludes assets in Judo's capital relief term securitisation, which are de-consolidated for the purposes of regulatory capital calculations.

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

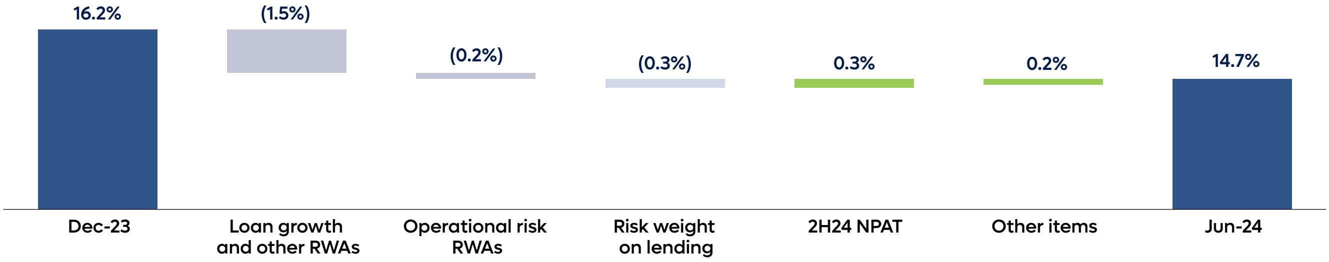
Judo's capital ratios throughout the year remained well above both APRA's minimum capital adequacy requirements and Board-approved limits.

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

Judo's minimum liquidity holdings (MLH) position as at Jun-24 was 18.2%, in line with Dec-23. The average MLH for 2H24 was 18.8%, marginally down from 19.1% in 1H24 as the excess liquidity position continued to be closely managed during the remaining period of TFF repayment.

Judo's liquidity holdings throughout the year were in compliance with both APRA's MLH requirements and Board-approved buffers.

CET1 waterfall chart



As at Jun-24, the bank's CET1 ratio was 14.7%, down 1.5% from 16.2% as at Dec-23. The key drivers of the movement were:

- loan book growth of $1.0bn, which was largely weighted to 4Q24, consumed 1.5% of CET1;
- operational risk RWAs increased proportionally to lending growth, consuming 0.2% of CET1;
- increased average risk weight on lending during the period consumed 0.3% of CET1;
- 2H24 earnings contributed 0.3% to CET1. This consisted of after-tax profit (including non-recurring items) for the period; and
- other items contributed net 0.2% benefit to CET1 primarily driven by reduced liquid assets following repayment of the TFF.

2.10 Tax

Judo's effective tax rate for FY24 of 33% is above the corporate tax rate of 30%, primarily due to expenses related to share based payments and AT1 distributions, which have been treated as non-deductible.

	Year to			Half Year to		
Effective tax rate	**Jun-24 $m**	**Jun-23 $m**	**YoY %**	**Jun-24 $m**	**Dec-23 $m**	**HoH %**
Statutory profit before tax	**104.3**	**107.5**	**(3%)**	**36.9**	**67.4**	**(45%)**
At the corporate tax rate (30%)	31.3	32.3	(3%)	11.1	20.2	(45%)
Add tax effect of:						
Share based payments	1.5	1.0	50%	0.6	0.9	(33%)
AT1 Interest	1.1	–	–	0.9	0.2	large
Non-deductible expenses	0.2	0.2	–	0.1	0.1	–
Income tax under provided in previous years	0.3	0.6	(50%)	0.2	0.1	100%
Income tax expense	**34.4**	**34.1**	**1%**	**12.9**	**21.5**	**(40%)**
Effective tax rate	33.0%	31.7%	130 bps	34.9%	31.9%	300 bps

Deferred tax	**Jun-24 $m**	**Dec-23 $m**	**Jun-23 $m**	**YoY %**	**HoH %**
Capital raising costs[1]	3.3	4.2	5.4	(39%)	(21%)
Share based payments[2]	11.6	12.5	14.3	(19%)	(7%)
Allowance for credit losses[3]	44.8	39.3	33.0	36%	14%
Other[4]	9.0	6.0	11.2	(20%)	50%
Deferred tax assets	**68.7**	**62.0**	**63.9**	**8%**	**11%**
Other[4]	(0.4)	(6.6)	–	–	(94%)
Deferred tax liabilities	**(0.4)**	**(6.6)**	**–**	**–**	**(94%)**
Net deferred tax assets	**68.3**	**55.4**	**63.9**	**7%**	**23%**

Notes

1. Capital raising costs are deductible over a 5-year period, commencing in the year they are incurred. Most of the capital raising costs were incurred in FY22.
2. Share based payments primarily includes the settlement of a legacy incentive plan, which is deductible over five years commencing in FY22. This also includes the expected future deductions available in relation to new employee incentive plans.
3. Credit losses are deductible when the associated asset is formally written off.
4. All other deferred tax balances reflect temporary differences between the accounting and tax treatment, which are expected to unwind as the tax benefits/liabilities are realised.

2.11 Average Balance Sheet – Full-year

	Full year ended 30 June 2024			Full year ended 30 June 2023		
	Avg bal $m	**Interest $m**	**Avg rate %**	**Avg bal $m**	**Interest $m**	**Avg rate %**
Assets						
Interest earning assets						
Trading and investment securities	3,443	122.5	3.56%	3,145	65.9	2.10%
Gross loans and advances	9,687	787.8	8.13%	7,410	508.3	6.86%
Total interest earning assets	**13,130**	**910.3**	**6.93%**	**10,555**	**574.2**	**5.44%**
Non-interest earning assets						
Other assets (incl. loan provisions)	105	NM	NM	104	NM	NM
Total non-interest earning assets	**105**	**NM**	**NM**	**104**	**NM**	**NM**
Total assets	**13,235**	**910.3**	**NM**	**10,659**	**574.2**	**NM**
Liabilities						
Interest bearing liabilities						
Direct term deposits	4,938	250.8	5.08%	3,199	104.5	3.27%
Intermediated term deposits	2,090	104.3	4.99%	1,894	62.3	3.29%
TFF self-securitisation drawn	1,192	7.2	0.60%	2,088	2.3	0.11%
Warehouse facilities	1,295	85.1	6.57%	421	26.8	6.37%
Term securitisation debt	325	24.3	7.48%	–	–	–
Senior unsecured debt	200	14.2	7.12%	182	10.2	5.60%
Additional Tier 1 subordinated debt	46	4.1	8.87%	–	–	–
Tier 2 subordinated debt	115	10.7	9.30%	55	4.3	7.82%
Certificates of deposit	359	16.9	4.70%	412	13.4	3.25%
TFF preserved component	890	5.3	0.60%	767	0.8	0.11%
Repurchase agreements	16	0.6	3.77%	57	1.6	2.83%
Other Interest bearing Liabilities	13	0.8	6.40%	6	0.4	6.67%
Total interest bearing liabilities	**11,479**	**524.3**	**4.57%**	**9,081**	**226.6**	**2.50%**
Non-interest bearing liabilities						
Other liabilities	220	NM	NM	134	NM	NM
Total non-interest bearing liabilities	**220**	**NM**	**NM**	**134**	**NM**	**NM**
Total liabilities	**11,699**	**524.3**	**NM**	**9,215**	**226.6**	**NM**
Average net assets	**1,536**	**NM**	**NM**	**1,444**	**NM**	**NM**
Average shareholder equity	**1,536**	**NM**	**NM**	**1,444**	**NM**	**NM**
Average 1m BBSW			**4.27%**			**2.87%**

2.12 Average Balance Sheet – Half-year

	Half year ended 30 June 2024			Half year ended 31 December 2023		
	Avg Bal $m	**Interest $m**	**Avg Rate %**	**Avg Bal $m**	**Interest $m**	**Avg Rate %**
Assets						
Interest earning assets						
Trading and investment securities	3,433	65.3	3.83%	3,510	57.2	3.24%
Gross loans and advances	10,026	412.8	8.28%	9,350	375.0	7.98%
Total interest earning assets	**13,459**	**478.1**	**7.14%**	**12,860**	**432.2**	**6.68%**
Non-interest earning assets						
Other assets (incl. loan provisions)	103	NM	NM	108	NM	NM
Total non-interest earning assets	**103**	**NM**	**NM**	**108**	**NM**	**NM**
Total assets	**13,562**	**478.1**	**NM**	**12,968**	**432.2**	**NM**
Liabilities						
Interest bearing liabilities						
Direct term deposits	5,281	135.3	5.15%	4,604	115.5	4.99%
Intermediated term deposits	2,195	55.8	5.11%	1,961	48.5	4.92%
TFF self-securitisation drawn	613	1.8	0.61%	1,769	5.2	0.58%
Warehouse facilities	1,619	51.5	6.40%	982	33.6	6.81%
Term securitisation debt	397	15.1	7.66%	268	9.2	6.82%
Senior unsecured debt	200	7.1	7.15%	199	7.1	7.08%
Additional Tier 1 subordinated debt	75	3.2	8.58%	21	0.9	8.37%
Tier 2 subordinated debt	115	5.3	9.27%	115	5.4	9.34%
Certificates of deposit	381	9.1	4.81%	333	7.8	4.66%
TFF preserved component	879	2.7	0.61%	953	2.8	0.58%
Repurchase agreements	–	–	–	30	0.6	4.05%
Other interest bearing liabilities	13	0.4	6.19%	12	0.4	6.52%
Total interest bearing liabilities	**11,768**	**287.3**	**4.91%**	**11,248**	**237.0**	**4.19%**
Non-interest bearing liabilities						
Other liabilities	231	NM	NM	208	NM	NM
Total non-interest bearing liabilities	**231**	**NM**	**NM**	**208**	**NM**	**NM**
Total liabilities	**11,999**	**287.3**	**NM**	**11,456**	**237.0**	**NM**
Average net assets	**1,563**	**NM**	**NM**	**1,512**	**NM**	**NM**
Average shareholder equity	**1,563**	**NM**	**NM**	**1,512**	**NM**	**NM**
Average 1m BBSW			**4.35%**			**4.18%**

2.13 Outlook

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

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

In this environment, Judo believes its specialist relationship-based banking model is well positioned. While the bank maintains a cautious bias to certain sectors, Judo's 4Cs approach to lending will enable its experienced Relationship Bankers to continue supporting SMEs, providing credit to successful operators who are looking to grow and invest in their businesses. The bank will also continue to provide support and seek optimal resolutions for any customers encountering challenges.

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

Judo has provided guidance on its key business metrics for FY25 in the table below.

Metric	Detail	FY25 Target
GLA	Lending to accelerate, supported by recruitment of an additional 20 bankers in 10 new locations by Jun-25	\$12.7bn – \$13.0bn
NIM	Gradual improvement throughout FY25 from trough NIM in Jun-24 • 1H25 NIM of 2.75% – 2.85% • 2H25 NIM of 2.90% – 3.00% • Jun-25 exit NIM of ~3%	2.80% – 2.90%
CTI[1]	Cost growth slowing in FY25, CTI to improve 2H25 vs 1H25	Broadly stable vs FY24 (%)
Impairment expense	Continued growth and seasoning of the portfolio	Broadly stable vs FY24 (\$)
PBT[1]	Significant operating leverage evident in 2H25 and beyond	Targeting 15% growth in PBT[1] vs FY24

1. On an underlying basis, excluding non-recurring costs.

Annual Financial Report

Directors' Report

The Directors present their Report together with the consolidated financial statements of the Group comprising of Judo Capital Holdings Limited (the Company) and its controlled entities for the year ended 30 June 2024.

Directors' information

Peter Hodgson

Chair of the Board

Appointed
25 January 2017

Board Committees	Board Audit Committee; Board Risk Committee; Board Remuneration and Nominations Committee
Qualifications	Peter holds a Master of Arts (Hons) in Law from Cambridge University and is a member of the Australian Institute of Company Directors.
Skills and expertise	Peter has nearly 40 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 appointed as a Non-Executive Director of The Star (ASX:SGR), and in September 2023, Peter was appointed as a Non-Executive Director and Chair 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.
Directorships of other listed entities	The Star Entertainment Group Limited

Chris Bayliss

Chief Executive Officer and Managing Director

Appointed
19 March 2024

Board Committees	Nil
Qualifications	Chris has a Financial Services Master of Business Administration from Sheffield Hallam University in the UK, is a Fellow of the Financial Services Institute of Australasia, and an Associate of the UK Chartered Institute of Bankers.
Skills and expertise	Chris is a co-founder of Judo Bank and a career international banker with 40 years of experience across all facets of retail and business banking in the Asia Pacific, UK and Europe. Chris's career has spanned many global banks and markets, including executive positions at Clydesdale/Yorkshire Bank, Bank of New Zealand, National Australia Bank, and Standard Chartered Bank in Singapore.
Directorships of other listed entities	Nil

Jennifer Douglas

Non-Executive Independent Director

Appointed
23 August 2021

Board Committees	Board Remuneration and Nominations Committee (Chair)
Qualifications	Jennifer holds degrees in Law (Hons) and Science from Monash University, a Master of Law and Master of Business Administration from Melbourne University, and a Certificate in Digital Transformation from MIT in the US. Jennifer is also a Fellow of the Australian Institute of Company Directors.
Skills and expertise	Jennifer has over 25 years of experience in the technology and media sectors, first as a lawyer and then executive, before moving into board roles. She has significant experience in driving growth through customer-centred thinking and use of technology, and her executive roles included $3bn 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 Amotiv Limited (ASX: AOV), and a Non-Executive Director of Essential Energy and Peter MacCallum Cancer Foundation. She is also the Vice President of St Kilda Football Club. Jennifer was formerly Non-Executive Director of Opticomm Limited, Telstra SNP Monitoring, Family Life Inc, Pacific Access Superannuation Fund, and Hansen Technologies Ltd (ASX:HSN).
Directorships of other listed entities	Amotiv Limited

John Fraser

Non-Executive Independent Director

Appointed
1 October 2018

Board Committees	Board Risk Committee (Chair); Board Remuneration and Nominations Committee
Qualifications	John graduated from Monash University, Melbourne, in 1972 with a first-class honours degree in economics and, in 2013, was awarded an honorary Doctorate of Laws by the University.
Skills and expertise	John has more than 40 years of experience in leadership roles in economics, public policy, capital markets and asset management in Australia and overseas. He was Secretary to the Treasury from 2015 to 2018, serving as a member of the board of the Reserve Bank of Australia, a member of the Australian Council of Financial Regulators and chairman of the G20 Global Infrastructure Hub. 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 a board Director on the Australian Securities Exchange, on the board of guardians of the Australian Future Fund and the advisory board of Accountability in New York, and as chairman of Victorian Funds Management Corporation. John also has a number of pastoral properties in Victoria.
Directorships of other listed entities	Nil

David Hornery

Non-Executive Director

Appointed
7 October 2021

Board Committees	Board Audit Committee; Board Risk Committee
Qualifications	David holds a Bachelor of Economics degree from Sydney University and is a Member of the Australian Institute of Company Directors.
Skills and expertise	David is a co-Founder of Judo, and was the co-Chief Executive Officer from inception until stepping up onto the Board in 2021. He is a highly experienced international banker, with 35+ years of experience across Australia's leading investment and commercial 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 their CEO Asia, spanning 13 countries across the region; and Macquarie Bank as their Global Head of Capital Markets. David has been a board member of the Australian Financial Markets Association, the Asian Bankers Association, and the European Australian Business Council, he is a published author, and in the not-for-profit sector, has served on the Presidents Council of the NSW Art Gallery and is chairman of Studio THI, focusing on community formation and placemaking.
Directorships of other listed entities	Nil

Malcolm McHutchison

Non-Executive Director

Appointed
27 February 2020

Board Committees	Board Remuneration and Nominations Committee
Qualifications	Malcolm holds a Bachelor of Economics from Monash University, a Master of Business Administration from the Australian Graduate School of Management at UNSW and is also a Graduate of the Australian Institute of Company Directors.
Skills and expertise	Malcolm has over 25 years of experience in business and financial services. He is currently the Group Chief Executive of Modern Star, Australia's market-leading education resources business. Prior to this, Malcolm was the Chief Executive of Interactive, one of Australia's largest IT services companies. Prior to Interactive, Malcolm led the Macquarie Capital Asset Management function, responsible for the operating performance of an $800 million portfolio of equity investments across Australia, China and New Zealand. During this time, he served on several boards, most notably Domino's Pizza China, Quadrant Energy and Mine Site Technology.
Directorships of other listed entities	Nil

Mette Schepers

Non-Executive Independent Director

Appointed
17 April 2019

Board Committees	Board Audit Committee; Board Risk Committee
Qualifications	Mette holds a Bachelor of Commerce from the University of Melbourne, a Graduate Diploma of Applied Finance and Investments from the Securities Institute of Australia (now FINSIA), a Graduate Diploma of Mobile Banking from Illinois Institute of Technology and an Associate Degree in Design (Furniture) from RMIT. Mette is a Graduate of the Australian Institute of Company Directors.
Skills and expertise	Mette has over 30 years of international experience in banking and professional services and is a Chartered Accountant. Mette has held senior executive roles at Mercer, ANZ, Esanda and FleetPartners, and has extensive experience serving large corporates, small-to-medium businesses and retail customers. Prior to this, Mette worked internationally with PwC. Mette is currently a board member of the Public Interest Journalism Initiative, 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.
Directorships of other listed entities	Nil

Manda Trautwein

Non-Executive Independent Director

Appointed
17 April 2019

Board Committees	Board Audit Committee (Chair); Board Risk Committee (Observer)
Qualifications	Manda holds a Bachelor of Commerce from Macquarie University, a Master of Applied Finance from Macquarie University and a Master of Applied Taxation from UNSW. She is a Fellow of Chartered Accountants ANZ, a Member of CPA Australia, and a Graduate Member of the Australian Institute of Company Directors.
Skills and expertise	Manda has over 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 was a Non-Executive Director of Task Group (ASX:TSK) for the reporting period (and up until 19 July 2024). Manda was previously the national chair of the Chartered Accountants Australia and New Zealand Business Valuation Community and an Adjunct Fellow at Macquarie University, where she lectured to postgraduate students in Applied Finance.
Directorships of other listed entities	Task Group Holdings Limited.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors (the Board) and of each Board Committee held during the year ended 30 June 2024, and the numbers of meetings attended by each Director were:

	Directors' meetings		Meetings of Committees					
			Audit		Risk		Remuneration	
	A	B	A	B	A	B	A	B
Peter Hodgson	18	18	7	7	6	6	5	5
Jennifer Douglas	18	18	–	–	–	–	5	5
John Fraser	18	17	–	–	6	5	5	4
David Hornery	18	18	7	7	6	6	–	–
Malcolm McHutchison	18	18	–	–	–	–	5	5
Mette Schepers	18	18	7	7	6	6	–	–
Manda Trautwein[1]	18	18	7	7	6	6	–	–
Joseph Healy[2]	13	13	–	–	–	–	–	–
Chris Bayliss[3]	5	5	–	–	–	–	–	–

A = Number of meetings held during the time the Director held office or was a member of the Committee during the year.

B = Number of meetings attended.

1. Manda Trautwein's attendance at Risk Committee meetings was in the capacity of an observer, and not an official member.
2. Joseph Healy's attendance at Board meetings was in the capacity of Chief Executive Officer and not as a member of the Board.
3. Chris Bayliss joined the Board on 19 March 2024 and attended all eligible Board meetings held on or after that date.

Directors' interests in equity

Particulars of shares, rights and other relevant interests held by Directors are set out in the Remuneration Report.

Company secretaries

Yien Hong

Chief Legal and Commercial Officer and Company Secretary

Appointed
10 September 2019

Qualifications	Yien holds an LLB (Hons), BCom and BA from the University of Adelaide and is a Graduate of the Australian Institute of Company Directors.
Skills and expertise	Yien is an accomplished legal and governance professional with over 20 years' experience across banking, property and commercial law. Yien joined Judo in 2019 and now leads the Legal, Governance, Commercial, ESG and Corporate Affairs teams. Yien trained at Herbert Smith Freehills in Melbourne and was Managing Associate at Linklaters, London, before leading the Global Finance and FX legal team at Deutsche Bank, London branch. She has held senior legal roles at NAB, and prior to Judo Bank was General Counsel and Company Secretary at Growthpoint Properties. Yien is a Fellow of the Governance Institute and a graduate of the AICD Company Directors Course. She holds a Bachelor of Laws (Hons), Commerce and Arts (Jurisprudence) from the University of Adelaide. She has previously served as Director for the YWCA Housing Association Victoria and YWCA National Housing, as well as on the Property Council of Australia Victorian Tax Committee. She is currently a Director of the Australian Financial Complaints Authority and Australian Arts Orchestra.

Liam Williams

Company Secretary

Appointed
25 March 2020

Qualifications	Liam holds a BA LLB from Macquarie University.
Skills and expertise	Liam was admitted to practice in NSW in 1998 (where he holds a current practising certificate) and England and Wales in 2004. He commenced with MinterEllison as a graduate lawyer, and spent four years in the banking team. In 2003 he relocated to London to work for Linklaters, where he worked for five years (moving to the Singapore office during that time). He has also worked at Herbert Smith Freehills, and was a partner at a medium-sized firm in Sydney. He has practised predominantly in banking and finance law, and has undertaken secondments at BNP Paribas, Westpac and Suncorp, as well as presenting for the Asia Pacific Loan Market Association. Liam joined Judo Bank in February 2020, and is also Head of Legal, Transactions and Treasury.

Principal activities

During the year the principal continuing activities of the Group consisted of the provision of finance and credit to Small and Medium Enterprises (SMEs) throughout Australia. Key services offered include:

(a) Business loans;

(b) Asset finance;

(c) Lines of credit;

(d) Residential mortgages (business loan customers); and

(e) Bank guarantees.

The Group funds lending activity primarily through term deposits which are offered to customers across Retail, Wholesale and Business sectors as well as Self-Managed Superannuation Funds (SMSF). Other key funding sources include securitisation warehouse funding, the RBA's Term Funding Facility (TFF) and capital notes, which qualify for treatment as Additional Tier 1 (AT1) and Tier 2 Capital under Prudential Standards.

Review of operations

The profit of the Group for the year after providing for income tax amounted to $69.9m (2023: $73.4m), reflecting strong growth in the loan book, ongoing investment in core technology platforms and a shift to a greater proportion of term deposit funding as a result of refinancing the Group's share of the TFF. The profit for the year was also impacted by non-recurring expenses related to the transition of the Chief Executive Officer role and organisational restructuring that occurred during the period.

Net interest income was $386.0m, an increase of $38.4m or 11.0%. The increase was driven by continued growth in the loan book and increased lending rates, partially offset by an increase in interest expense as the Group grew its term deposit book to support lending growth and refinance the TFF, which was fully repaid during the year.

Other operating income was $10.7m, an increase of $5.3m or 98.1%, primarily driven by growth in the number of active customer accounts resulting in higher fees charged on bank guarantee products, undrawn lines of credit, mandate fees and term deposit break fees.

Operating expenses increased by $31.4m or 16.4%, with the increase primarily driven by higher employee benefits as well as non-recurring costs associated with the CEO transition and organisational restructuring. The Group's continued investment in scalable information technology (IT) platforms also contributed to higher amortisation of intangible assets, as well as increased licensing and technology support costs.

Credit impairment charges increased by $15.5m or 28.4% driven by increased provisioning for growth in the loan book, as well as increases in customers in arrears greater than 30+ days and impaired loans. Actual customer write-offs were higher during the year increasing to $30.5m net of recoveries (2023: $0.3m).

Income tax expense has increased by $0.3m as the Group has incurred a number of non-deductible expenses during the year primarily through employee share-based incentive plans and distributions on AT1 Capital notes. The Group's effective income tax rate for the year is 33% (2023: 32%).

Total assets increased by $1,044.9m or 8.6% compared to the previous financial year. This was mainly due to an increase in loans and advances of $1,766.9m or 20.0% as the Group's loan portfolio expanded across all product categories, reflecting ongoing recruitment of high-quality relationship bankers and expanding national footprint. Intangible assets increased by $10.0m reflecting the Group's continued investment in IT software development as it transitions to strategic, scalable platforms including core lending, customer digital experience, credit risk engine and enterprise resource planning. Partially offsetting was a decrease in investments held as the Group positioned to repay the TFF during the year and manage liquidity levels.

Total liabilities increased by $956.7m or 9.0%, primarily driven by an increase of $2,272.2m or 38.2% in term deposits. The Group also successfully completed the inaugural AT1 Capital notes and Term Securitisation note issuances during the year, as well as drawing on existing committed warehouses. Partially offsetting was a reduction in borrowings as the Group completed repayment of the TFF, reducing borrowings by $2,831.3m from prior year.

Total equity increased by $88.2m or 6.0% driven by the current period's statutory profit, and also reflected movements in the share-based payments reserve and changes to fair values in the cash flow hedge reserve and fair value through other comprehensive income (FVOCI) reserve.

The Group remained well capitalised during the year, closing with a Common Equity Tier 1 (CET1) ratio of 14.7% (2023: 16.7%) and Total Capital ratio of 17.5% (2023: 18.9%). The key driver of the downward movement in CET1 and Total Capital ratios was the growth in the loan book, partially offset by organic capital generation. The capital position also benefited from the Term Securitisation transaction executed during the year.

Significant changes in the state of affairs

On 19 February 2024, the Company agreed that Joseph Healy, the Chief Executive Officer and a member of key management personnel of the Company, would step down as Chief Executive Officer on 18 March 2024 and would be succeeded by Chris Bayliss on 19 March 2024, who was appointed Chief Executive Officer and appointed to the Board of Directors as an Executive Director.

Other than the items outlined above and discussed in this Annual Report, there have been no significant changes in the state of affairs during the financial year.

Events since the end of the financial year

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Likely developments and expected results of operations

Likely developments in the operations of the Group, and the expected results of those operations in future financial years, have not been included in this Report, as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends

No dividends have been paid during the financial year. The Directors do not recommend that a dividend be paid in respect of the financial year (2023: $nil).

Share options and rights

As at the date of this Report, there are 13,611,173 deferred share rights outstanding, which entitle the holder to one fully paid ordinary share in the Company (subject to vesting conditions). No exercise price is payable for these rights. The rights are automatically exercised upon vesting, with vesting dates ranging between 5 October 2024 and 2 November 2026.

In addition, as at the date of this Report, there are 108,626,406 options that are exercisable or may become exercisable, which represent entitlements to fully paid ordinary shares in the Company (subject to vesting conditions). The exercise price for these options ranges between $1.25 and $2.73, with the last date for the exercise of the options ranging between 20 December 2029 and 5 October 2033.

For the period from 1 July 2023 to the date of this Report, 3,766,036 fully paid ordinary shares were issued as a result of the exercise of a right or option.

For further details on the rights and options on issue, refer to Note 26 Share-based payment plans and the Remuneration Report (which forms part of the Directors' Report).

Insurance of officers and indemnities

(a) Insurance of officers

During or since the end of the year, the Group has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the Directors of the Company against all liabilities to another person that may arise from their position as Directors of the Company and its controlled entities except where the liability arises out of conduct involving lack of good faith.

Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

(b) Indemnity of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the Group.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Audit and non-audit services

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers Australia) for audit and non-audit services during the year are disclosed in Note 27. The Group's External Auditor Independence Policy was established to preserve the independence of its auditors and includes rigorous processes for the review and approval of non-audit services.

The Group may engage the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

The Directors, after considering the non-audit services provided by the auditor and following advice from the Board Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board Audit Committee to ensure they comply with the policy and do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Management attestations

In line with s295A of the *Corporations Act 2001* and 4.2 of the ASX Corporate Governance Principles and Recommendations, the Board has received a joint declaration from both the Chief Executive Officer and Chief Financial Officer that, in their opinion, the financial statements and accompanying notes for the financial year comply with the appropriate accounting standards, and give a true and fair view of the financial position and performance of the Group. In addition, this attestation includes a declaration that the consolidated entity disclosure statement is true and correct.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 89.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off in accordance with the instrument to the nearest hundred thousand dollars, and presented in the form of a whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars, except where otherwise specifically directed by the ASIC Legislative Instrument.

This report is made in accordance with a resolution of Directors.

Peter Hodgson
Chair

20 August 2024

Manda Trautwein
Director

20 August 2024

Remuneration Report

Letter from the Chair

Dear Shareholders,

On behalf of the Board of Judo Bank, I am pleased to present our FY24 Remuneration Report. This Report outlines the remuneration arrangements in place for KMP of Judo in FY24.

We present below our performance and variable remuneration outcomes in FY24, as well as outline some changes to our framework. As we work to achieve our key business metrics at scale (KBMAS), it is important our remuneration framework continues to drive delivery of our strategic objectives. It is also important that it aligns the interests of our executives with Judo's shareholders, while keeping customers at the heart of everything we do.

Our performance and variable remuneration outcomes in FY24

In FY24, we achieved several key milestones demonstrating that we are now an established player in the Australian SME business banking market – most notably that our loan book is $10.7bn, our award-winning term deposit franchise now has balances exceeding $8.2bn and we have maintained our sector-leading net promoter score. Despite these achievements, FY24 was not without its challenges. In particular, the uncertain operating environment was a headwind to our statutory profit before tax. The delivery of the technology investment program, whilst progressing well, experienced some delays relative to the ambitious expectations we set for ourselves. Our share price was also volatile and despite stronger performance over the second half of the financial year, it remains below our listing price of $2.10 set in November 2021.

When reviewing remuneration outcomes, the Board carefully considered a range of factors, including scorecard measure outcomes, performance and shareholder experience, to determine the Company's short-term incentive (STI), Judo Grows, scorecard outcome. The Board determined a Judo Grows scorecard outcome of 80%, being below a target outcome of 100% and a possible maximum outcome of 120%.

Judo Grows+ long-term incentive (LTI) will first become eligible for vesting in FY27 for most Executive KMP. Therefore, in FY24 there were no Judo Grows+ awards eligible for vesting.

Further detail in respect of the Group's FY24 performance and remuneration outcomes for Executive KMP is outlined in Section 1 of this Remuneration Report.

Evolving our remuneration framework as we grow

Our remuneration framework has evolved since Judo first listed on the ASX in 2021. At that time, our framework was significantly weighted towards leveraged equity options, reflecting the early stages of building our bank. Whilst a heavy weighting towards equity has remained consistent, we have made small adjustments to continue to drive performance, as well as remain competitive in the market to attract and retain talent.

As we now turn to our next phase of growth as a more established bank and bigger team, we have recognised the need to further evolve our framework. Our remuneration principles and core values of teamwork, accountability, performance and trust remain central to our executive remuneration strategy and will not change, as does our fundamental principle of strong equity ownership. However, during FY24 we reviewed the effectiveness of our remuneration framework against the growth and evolution of our business and recognised the following areas for enhancement:

- a stronger focus on longer-term, stretch performance and building shareholder value;
- a renewed focus on organisational performance priorities given Judo's trajectory since listing; and
- ensuring the executive remuneration mix is aligned to the market.

There are several changes being made, with most being applied in FY25, which are designed to ensure our remuneration framework continues to support the business to deliver its strategy, is market competitive and is aligned with delivering shareholder value over the long-term. These key changes are detailed further in Section 4, and include:

- Shifting the executive remuneration mix to longer-term variable reward to support the delivery of long-term strategic goals and provide increased alignment between reward outcomes and shareholder experience.
- Reweighting the cash and equity delivery mechanism for our Judo Grows STI outcomes, while continuing to deliver a market competitive equity component that reinforces our owner's mindset principle. This change has been applied in FY24.
- Recalibrating short-term incentive payout levels to ensure the appropriate stretch performance levels are delivered.
- Changing the Judo Grows+ long term incentive (LTI) plan instrument from Premium Priced Options to Performance Rights with a relative Total Shareholder Return (TSR) measure to support this next stage of Judo's growth.

Non-Executive Director (NED) fee changes

During FY24, the Board reviewed NED fees to ensure they remain competitive. An increase to the Board Chair and Board NED base fee has been approved for FY25 following no increase to fees since listing in 2021. The increases are in line with market benchmarking and remain within the shareholder approved NED fee pool.

A guideline for NED minimum shareholdings has also been approved, from 1 July 2024.

Treatment of exiting KMP

During FY24 we made changes to our Executive KMP. We announced in February that our Chief Executive Officer and co-founder, Joseph Healy, would step down from his role in March 2024, and Chris Bayliss, Deputy CEO and Chief Relationship Officer, would become Chief Executive Officer and Managing Director. In June we also announced that Lisa Frazier, our Chief Operating Officer would cease her role during FY25. Leaving entitlements for both Joseph and Lisa were within their respective statutory entitlements and in compliance with Section 200B of the Corporations Act. Details are contained in Section 6 of this Report.

On behalf of the Board, I invite you to consider our Remuneration Report which will be presented to shareholders at the 2024 Annual General Meeting (AGM).

Jennifer Douglas
Chair of the Remuneration and Nominations Committee

1. Key messages

1.1 FY24 Group performance snapshot

During FY24, Judo made solid progress towards its at-scale targets. PBT was $104m, including $6m of non-recurring expenses. Underlying PBT was $110m, up 2%, driven by 20% growth in the loan book, continued investment in growth, robust asset quality, and higher interest costs as the bank managed the orderly repayment of $2.8bn of TFF funding throughout the year. At the same time, the bank raised funding from wholesale and deposit markets to facilitate our continued strong demand for lending to SMEs.

During FY24, Judo expanded into new regions. The bank also made steady progress with its core technology investments, and successfully migrated to several new digital and data systems, albeit slightly behind schedule. Nevertheless, the progress with technology was an important milestone during FY24, coinciding with a transition to a new operating model in the June quarter. As a result of the new operating model, the Group's full-time equivalent team members were held flat at 543, whilst the number of Relationship Bankers increased.

The bank delivered ROE of 4.5% in FY24, reflecting continued progress towards the at-scale target for ROE.

Table 1.1 Overview of Company performance

	30 Jun 21	30 Jun 22[1]	30 Jun 23	30 Jun 24
Lending portfolio ($bn)	3.5	6.1	8.9	10.7
Net interest margin (NIM)	2.09%	2.08%	3.29%	2.94%
Impairment expense ($m)	10	25	55	70
Cost-to-income (CTI) ratio	97%	76%	54%	56%
Profit before tax (PBT) ($m)	(7)	16	108	104

Judo's closing share price as of 28 June 2024 was $1.26 resulting in a financial year-on-year movement of 6.3%. This compared with the ASX200 Index finishing the year up 7.8%.

Judo's share price has increased 57.5% from its low of $0.80 on 23 October 2023. This compares with a 14.3% increase in the ASX200 over the same period.

Judo was admitted to the ASX/S&P200 Index, effective 20 June 2024.

1. Prior year comparatives for CTI and PBT are reported on a pro-forma basis for 30 June 2022. Refer to the basis of preparation on page 2 of Judo's FY23 Annual Report for more information.

1.2 FY24 performance scorecard outcomes

Judo operates an annual STI plan, Judo Grows, with a 12-month performance period. In determining the award outcome, the Board assesses performance against a balanced scorecard comprising financial and non-financial measures aligned to Judo's short-term strategic priorities. The focus for FY24 was broadly the same as FY23, with stretch performance levels applied for each scorecard measure.

Below is a summary of the scorecard and measures for FY24, including the Board's assessment of performance against these measures, which produced an overall scorecard outcome of 80%, out of a possible maximum of 120%, resulting in the remuneration outcomes to Executive KMP summarised in Table 1.3.

Table 1.2 Judo Grows scorecard performance outcome.

Weighting	Measure	FY24 method for assessment	Outcome and discussion
Our customers			
10%	Customer NPS	The weighted average of the three components of onboarding NPS, relationship NPS and exit NPS.	**Maximum** We exceeded our FY24 stretch performance level, which was set above our industry peers, reflecting an outstanding result as we deliver upon our core customer value proposition through all stages of the customer lifecycle.
10%	Customer retention	Regrettable refinance loss[1].	**Above target** Our FY24 outcome exceeded target, with outperformance levels set to ensure 100% customer retention. The result was strong, considering the external lending market through FY24.
Our culture			
10%	Employee engagement	Internal survey score measured weekly via a third party based on an annual average of monthly Engagement outcomes. The monthly employee participation threshold was met.	**Maximum** We exceeded our FY24 stretch performance level, which was set above industry benchmarks. The Board considers the result to be very strong, particularly given the operating model changes that occurred during FY24.
10%	Risk culture	Risk culture measured based on action orientation, risk awareness, risk behaviours, decision-making, with Chief Risk Officer (CRO) qualitative assessment.	**Between threshold and target** We achieved between threshold and target for our risk culture measure. While FY24 saw strong evidence of Judo's key risk culture pillar – "everyone is a risk manager" – being demonstrated, there were further opportunities for team members to achieve our stretch targets, especially as we continue to scale the business.
Our strategic delivery			
10%	Strategic Delivery Portfolio (SDP)	Value unlocked from the SDP, defined as the present value of expected benefits over the period FY25 to FY27.	**Threshold** We delivered efficiencies throughout the year for both bankers and supporting team members, in line with initial business cases and threshold level expectations.
		Number of FY24 major initiatives delivered.	**Below threshold** Three of our major projects for FY24, while largely completed at the time of this Report, had not been delivered by the 30 June scorecard deadline in line with our stretch performance threshold level.
Our shareholders			
50%	PBT excluding Judo Grows	Calculated from PBT excluding expense attributable to Judo Grows.	**Between threshold and target** The outcome for PBT excluding Judo Grows expense was $124.1m for FY24. This result was between threshold and target. We did not meet the scorecard target due to non-recurring expenses associated with the CEO transition and Judo's new 1 July operating model.

1. Regrettable refinance loss is where customers actively refinance due to servicing gap or pricing gap where Judo has met the market price. Regrettable refinance loss does not include refinancing due to product gaps, or customers that we have actively encouraged to refinance, or businesses that refinance externally due to a business or property sale. Regrettable refinance loss is a non IFRS measure that is unaudited.

The Board reviewed the Risk Management Considerations as outlined in Judo's Remuneration Policy, in conjunction with the Judo Grows scorecard outcome.

The Board regards the outcome achieved for Judo's FY24 corporate scorecard as solid progress towards delivering targeted at-scale economics, whilst taking into consideration the shareholder experience in FY24.

1.3 FY24 executive remuneration outcomes

In FY24, all Executive KMP were accountable persons for Banking Executive Accountability Regime (BEAR) and Financial Accountability Regime (FAR) purposes (Accountable Persons).

Judo Grows STI

All Executive KMP met the FY24 Judo Grows risk, values and conduct gateway requirements and received outcomes under FY24 Judo Grows.

Table 1.3.1 Judo Grows remuneration outcomes for current KMP

Name	Role	FY24 individual target as a % of fixed remuneration	Outcome	% bonus paid (relative to target)	% bonus forfeited (relative to target)
Joseph Healy	Chief Executive Officer (to 18 March 2024)	80%	764,800	80%	20%
Chris Bayliss	Chief Executive Officer and Managing Director (from 19 March 2024)[1]	60%[2]	402,738[3]	80%	20%
Andrew Leslie	Chief Financial Officer	60%	297,600	80%	20%
Lisa Frazier	Chief Operating Officer	60%	348,000	80%	20%
Frank Versace	Chief Risk Officer	50%	272,000	80%	20%

Judo Grows STI deferral

All Executive KMP satisfied the risk, values and conduct vesting conditions applying to FY22 Judo Grows deferred share rights (1st tranche) and therefore no downward adjustment was applied. Accordingly, in October 2023, the following amounts vested under FY22 Judo Grows (1st tranche) for KMP:

Table 1.3.2 FY22 Judo Grows vesting outcomes for KMP

Name	Role	Number of instruments	% vesting	% forfeited
Joseph Healy	Chief Executive Officer (to 18 March 2024)	179,449	100%	0%
Chris Bayliss	Chief Executive Officer and Managing Director (from 19 March 2024)[1]	81,568	100%	0%
Andrew Leslie	Chief Financial Officer	30,588	100%	0%
Lisa Frazier	Chief Operating Officer	69,915	100%	0%
Frank Versace	Chief Risk Officer	55,932	100%	0%

Judo Grows+ LTI

All Executive KMP met the FY24 Judo Grows+ risk, values and conduct gateway requirements and were granted Premium Priced Options under FY24 Judo Grows+ in October 2023. These options have a four-year vesting period, as well as Company and individual risk, values and conduct vesting requirements.

No amounts were eligible to vest under Judo Grows+ in FY24.

1. Chris Bayliss commenced his role as Chief Executive Officer and Managing Director on 19 March 2024. From 1 July 2023 to 18 March 2024 Chris Bayliss held the role of Deputy Chief Executive Officer and Chief Relationship Officer. Chris remained an Accountable Person for all of FY24.
2. Chris Bayliss maintained a 60% Judo Grows opportunity, as a percentage of fixed remuneration, across both his KMP roles held in FY24. His outcome is based on prorated fixed remuneration across the two roles held during the period.
3. Represents a pro-rated outcome considering the role change on 19 March 2024.

Other awards

The second tranche of Legacy Plan Options vested for Lisa Frazier in FY24.

Incentive plans that were in operation prior to the Company's listing have now ceased. Further detail can be found about these legacy arrangements in Section 4.4.

2. KMP covered by this Report

This Report outlines the remuneration arrangements in place for KMP of Judo in FY24 – that is, all Non-Executive Directors and executives who have authority and responsibility for planning, directing and controlling the activities of the Group. All members of Judo's Board are therefore considered KMP.

Table 2 sets out the Group's KMP during FY24. Judo's Board Audit Committee approved the named Executive KMP and it is comprised of all the roles that have primary accountability and decision-making authority over the Group's core strategy, operations and segments.

During FY24, there were changes made to Judo's KMP:

- Joseph Healy stepped down from his role as CEO on 18 March 2024.
- Chris Bayliss commenced as Chief Executive Officer and Managing Director (CEO and MD) on 19 March 2024, at which time he became an Executive Director of the Judo Board. A summary of Mr Bayliss' employment arrangement was announced to the ASX on 20 February 2024.
- The Chief Operating Officer, Lisa Frazier, will cease employment with Judo in FY25.

Table 2 – Key Management Personnel

Name	Role	Term as KMP
Executive KMP[1]		
Chris Bayliss[2]	Chief Executive Officer and Managing Director	Full year, role change from 19 March 2024
Andrew Leslie	Chief Financial Officer	Full year
Lisa Frazier[3]	Chief Operating Officer	Full year
Frank Versace	Chief Risk Officer	Full year[4]
Joseph Healy	Chief Executive Officer[5]	Part year
Non-Executive KMP[7]		
Peter Hodgson	Chair (independent)	Full year
David Hornery	Non-Executive Director	Full year
Jennifer Douglas	Non-Executive Director (independent)	Full year
John Fraser	Non-Executive Director (independent)	Full year
Malcolm McHutchison	Non-Executive Director	Full year
Manda Trautwein	Non-Executive Director (independent)	Full year
Mette Schepers	Non-Executive Director (independent)	Full year

1. The terms 'Executive KMP' and 'Non-Executive KMP' are used throughout the Report.
2. Chris Bayliss commenced FY24 as Deputy Chief Executive Officer and Chief Relationship Officer however moved into the Chief Executive Officer and Managing Director role on 19 March 2024.
3. Lisa Frazier's employment will cease in FY25 on 2 September 2024.
4. Frank Versace changed roles on 1 July 2024 to Chief Strategy and Growth Officer.
5. Joseph Healy ceased his role as Chief Executive Officer on 18 March 2024 and therefore ceased as KMP however continued as an adviser to Mr Bayliss during the transition for the remainder of FY24.

3. Governance

3.1 Role of the Remuneration and Nominations Committee

Judo Bank Board

Reviews and approves recommendations from the Remuneration and Nominations Committee.

Remuneration and Nominations Committee

Advises and assists the Board to fulfill its responsibilities in relation to Board composition, Judo's Management Board, people and remuneration matters, including remuneration strategies, policies, frameworks for implementation and how these support Judo's strategy and culture.

+

Management Board

Other Board Committees

- Board Audit Committee
- Board Risk Committee

Remuneration Advisers

- Engaged as required

The Remuneration and Nominations Committee (REMCO) supports the Board to manage Judo's people and ensuring remuneration matters. The REMCO is responsible for the oversight and implementation of Judo's remuneration strategy and policy and ensuring its consistency with Judo's Risk Management Framework (RMF).

The Management Board is responsible for implementing and maintaining appropriate people and remuneration policies designed to ensure compliance with internal policies, applicable laws and regulations, to foster a positive culture and to identify and address any issues of risk for Judo. The Management Board may provide recommendations to the REMCO on people and remuneration matters, which the REMCO reviews, challenges, and validates, prior to making recommendations to the Board.

The REMCO will work with relevant Committees during the year as it relates to remuneration practices. For example, to ensure that all remuneration outcomes are reflective and consistent with risk management performance at Judo, the Board will consider the assessment of the Risk Management Considerations as outlined in the Remuneration Policy, following year-end performance assessment. The Board Risk Committee and the REMCO review the Risk Management Considerations in assisting the Board to determine remuneration outcomes.

The REMCO may seek and consider advice from external advisers from time to time to assist with discharging its duties. Any advice from consultants is used as a reference point and does not serve as a substitute for thorough consideration by the REMCO. During the year, the REMCO did not seek or receive any remuneration recommendations from external advisers. Management engaged remuneration consultants during FY24 to provide advice, but no remuneration recommendations were made.

You can find the REMCO Charter here at https://www.judo.bank/corporate-governance.

3.2 Adjustments to variable remuneration

The Board, with input from the REMCO and the Board Risk Committee, may adjust the variable remuneration, including unvested and unpaid awards, in its absolute discretion. This includes the discretion to adjust the total number of unvested awards to zero. Variable remuneration can be adjusted for business, risk and conduct outcomes, which may include paying no variable remuneration to KMP in any given year.

An adjustment, reduction or cancellation of variable remuneration can be applied to the current year Judo Grows incentive plan and/or deferred equity under all variable reward programs that may exist that might otherwise have vested based upon achievement of the applicable criteria. The cancellation or reduction must be proportionate with the business, risk or conduct outcome and need not relate to the specific period in which the event occurred.

There were no adjustments made to KMP remuneration in FY24 because of consequence management or any other exercise of discretion by the Board.

4. Executive remuneration

4.1 FY24 executive remuneration strategy: key features

Our executive remuneration strategy operating during FY24 is underpinned by the following principles:

To inspire talented people to build and grow a sustainable challenger bank	To drive performance and a customer-centric approach	To enable a long-term owners' mindset	To reinforce a commitment to the fundamentals of banking	To ensure a simple and consistent approach

Judo's executive remuneration framework is focused on encouraging long-term sustainable decision-making and supporting our purpose to be the most trusted SME business bank in Australia. The framework also strongly incorporates risk management and aligns to both the letter and the spirit of applicable remuneration regulations (FAR/BEAR, CPS 511). In addition, most of the performance-based remuneration is delivered for executives in equity, which is designed to enable an owner's mindset. Performance assessment for Judo's programs is based solely on team measures, reinforcing our value of Teamwork.

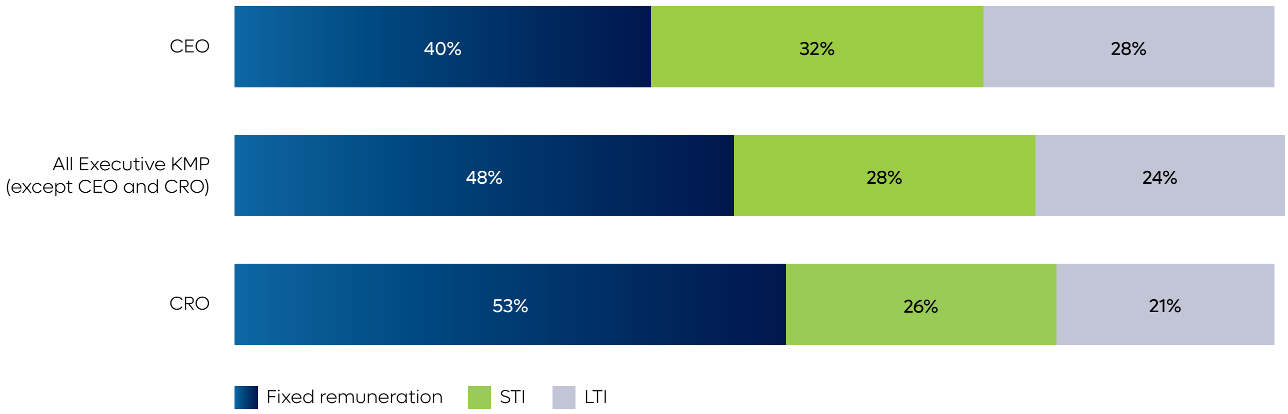
A substantial portion of executive remuneration is long-term in nature. The long-term components include criteria to reflect the outcomes of the business activities, the risks related to the business activities, and the time necessary for the outcomes of those business activities to be reliably measured. The long-term nature also creates true alignment with our shareholders. The Board considers that the long-term components of remuneration, and the risk adjustment mechanism inherent in the design of these arrangements, provides sufficient incentive to encourage behaviour that supports long-term financial soundness and Judo's RMF.

Remuneration element	What's included and timeframe	Strategic purpose	Performance focus
Fixed remuneration *We have a high-calibre executive team and therefore must recognise the role complexity and accountability against peer competitors.*	• Base salary and superannuation. • Benchmarked to peers. **1-year**	• Attract, retain and motivate key talent.	• Ensures a focus on core accountabilities of the role.
Judo Grows (STI) *A core value at Judo is teamwork and therefore Judo Grows rewards executives based only on team outcomes. As such, there is no individual differentiation applicable.*	• Choice to receive 50% in cash after results announcement and 50% deferred in equity vesting two years later. Where the choice to receive cash is not made, 100% is deferred in equity vesting two years later. • Two-year vesting period. **1-year performance, a further 2-years to vest**	• Focus executives towards delivering short-term and medium-term value. • Ensure accountability, with key financial and non-financial areas aligned to Judo's strategic pillars, including risk management. • Demonstrate alignment with Judo's core value of Teamwork, setting the "tone from the top". • Reward key talent.	• Risk, conduct and values assessment. • Balanced scorecard of 50% financial and 50% non-financial measures.
Judo Grows+ (LTI) *Premium Priced Options with a four-year service period and six-year exercise period to encourage a focus on long-term growth, executive retention, growing the share price and sustainable shareholder return.*	• 100% in Premium Priced Options. **4-year service period**	• Focus executives towards delivering long-term value. • Encourage sustainable decision-making in the long-term interests of shareholders. • Generate strong alignment between executives and shareholders.	• Board's discretionary performance overlay at vesting, considering financial and non-financial factors, including risk, conduct and values. • Premium exercise price reflects stretch objectives aligned to long-term shareholder returns.

Underpinning all performance-based remuneration outcomes at Judo is the consideration of risk management performance in the form of a qualitative overlay applied by the Board in relation to Risk Management Considerations. This helps to reinforce the fundamentals of banking and our core values of Trust, Performance, Teamwork and Accountability.

4.2 Executive pay mix

The FY24 Executive KMP pay mix is outlined below. The Judo Grows portion represents the annual at-target opportunity, and the Judo Grows+ portion represents the annual face-value opportunity.



The CRO has a higher weighting towards fixed remuneration and lower weighting to variable remuneration. A lower weighting on variable remuneration reinforces the independence of this position, particularly given the CRO's role in recommending risk culture outcomes and the Risk Management Considerations.

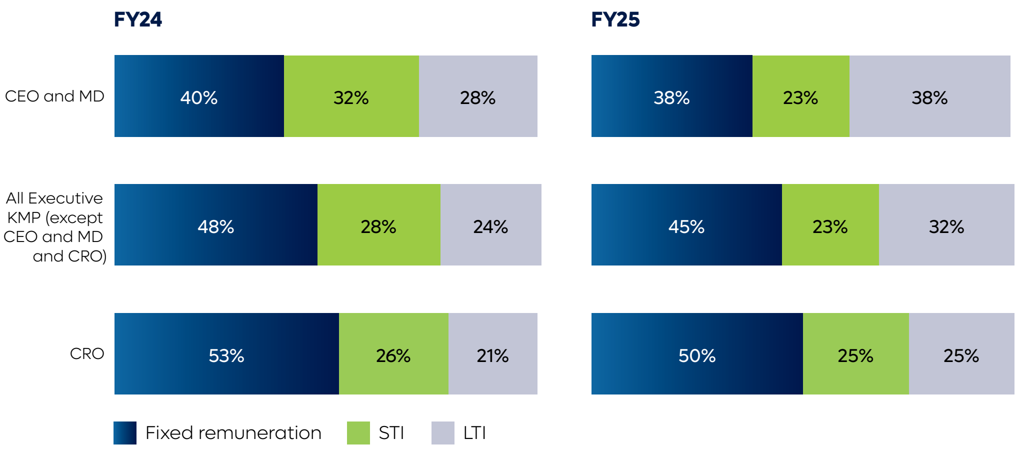
4.3 Enhancing our remuneration framework

In FY24, the Board reviewed the effectiveness of Judo's executive remuneration framework and recognised the following areas for enhancement:

- a stronger focus on longer term, stretch performance and building shareholder value;
- a renewed focus on organisational performance priorities given Judo's trajectory since listing; and
- ensuring the executive remuneration mix is aligned to the market.

The table below outlines the planned changes.

Remuneration element	Changes planned and rationale
Executive remuneration mix	• The variable remuneration mix between STI and LTI will change, **to increase the focus of executive reward to long-term shareholder outcomes**. For all executives, FY25 remuneration mix will deliver a greater portion of total reward in LTI, as follows: – The CEO and MD's target STI and LTI are 60% and 100% of fixed remuneration respectively. – All other executives' target STI and LTI are 50% and 70% of fixed remuneration respectively, except for the CRO. – The CRO's target STI and LTI are 50% and 50% of fixed remuneration respectively.



<table>
<thead>
<tr><th>Remuneration element</th><th>Changes planned and rationale</th></tr>
</thead>
<tbody>
<tr><td>Judo Grows (STI)</td><td>• To better align executive remuneration mix to market, the mix of cash and equity will change from FY24. The increased cash proportion, while maintaining a significant portion of deferral, supports attraction and retention of superior executive level talent. The mix will change as follows:
– From FY24, executives can take up to 50% of earned STI in cash, with the remaining 50% deferred into equity for two years.
– From FY25, the new mix of cash and equity will apply to the new, lower Judo Grows target opportunities (refer "Executive remuneration mix" above).
• STI payout levels will be recalibrated across all performance metrics so at-target performance levels drive higher performance towards our key business metrics at scale. The STI opportunity will change as a result as follows:
– The STI maximum opportunity will increase from 120% to 130% of at-target STI to recognise the recalibration.</td></tr>
<tr><td>Judo Grows + (LTI)</td><td>• To provide a market competitive reward mechanism, support Judo's next stage of growth and alignment of management reward with shareholder outcomes, the LTI instrument will change from Premium Priced Options (PPOs) to Performance Rights (PRs). Performance Rights will operate as follows:
– Performance Rights will vest subject to relative TSR performance to align management reward with shareholder returns.
– Half of the LTI will vest where Judo's relative TSR performance meets the median of the S&P/ASX200 constituents as at 1 July, excluding metals and mining companies and Real Estate Investment Trusts (REITs), with a sliding scale up to 100% vesting at the 75th percentile, aligning reward outcomes to Judo's long-term growth trajectory.</td></tr>
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</table>

4.4 Legacy arrangements

Judo's legacy LTI Option Plan (Legacy Plan) ceased operation in FY22, however some options remained unvested for one KMP. Awards under another program offered as a once-off arrangement at the time of the IPO, being the IPO Top-Up Award, also remained unvested during FY24.

4.4.1 IPO Top-Up award

The IPO Top-Up award was made at IPO and not during FY24.

For key terms, refer to the FY23 Remuneration Report, Section 6.2.1.

No IPO Top-Up award amounts vested or were exercised in FY24. There will be no further awards made under the IPO Top-Up award.

4.4.2 LTI option plan (Legacy Plan)

The Legacy Plan was established by Judo in 2019 and assisted in incentivising employees through grants of options over shares in the Company, subject to certain vesting conditions.

For key terms, refer to the FY23 Remuneration Report, Section 6.2.2.

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

The Board resolved to vest the second tranche of Legacy Plan options in August 2023.

5. Remuneration elements – detailed information

We set out below a detailed description of each element of the Executive KMP remuneration framework.

5.1 Fixed remuneration

Fixed remuneration is reviewed annually against relevant comparator group remuneration benchmarks and set at market-competitive levels reflective of the executive's unique skills, experience and responsibilities, and considering the complexity of the role and their performance. In FY24, where applicable, Executive KMP received increases, following a review of market competitiveness and also the role complexity and unique profile of Judo's executive team.

5.2 Judo Grows (STI)

Key terms for FY24 Judo Grows, the executive STI, are outlined in the table below.

Table 5.2 FY24 Judo Grows – key terms

Term	Further detail
Performance period	• The outcome is based on a 12-month performance period.
Eligibility criteria	• Must satisfy risk, values and conduct gateway requirements, assessed annually as part of Judo Tracks, the Company's performance management process. • Must be employed by 31 March in the relevant performance year and have not resigned or given notice at the time deferred share rights are offered or awarded and (if applicable) cash payment is made.
At target opportunity levels	• CEO (outgoing): 80% of fixed remuneration. • CEO and MD and all other Executive KMP: 60% of fixed remuneration. • CRO: 50% of fixed remuneration. • Up to 120% of the target opportunity can be achieved for maximum performance. • The above opportunity levels are in line with market variable pay practices.
Assessment of performance	• Performance is assessed against a balanced scorecard comprising 50% financial and 50% non-financial measures. • Ahead of each financial year, Management proposes key measures of success across the core focus areas for Board approval. For FY24, the measures were: – **Our customers (20%):** measured between NPS (10%) and regrettable refinance losses (10%). Both measures were chosen to align to our customer value proposition (CVP). NPS is viewed as an important measure of customer satisfaction and tracking of regrettable refinance losses ensures our high servicing standards are maintained. – **Our culture (20%):** measured by Engagement score (10%) and risk culture (10%). Engagement score is measured via an internal survey, and risk culture is measured via action orientation, risk awareness, decision-making and CRO qualitative assessment. Employee culture and risk culture are fundamental to our core purpose. – **Our strategic delivery (10%):** measured equally between value unlocked from strategic programs and programs delivered through our SDP. – **Our shareholders (50%):** PBT excluding Judo Grows expense is measured as a core stakeholder/shareholder measure of financial performance. • Performance against the scorecard measures is assessed annually by the Board based on recommendations from the REMCO after the end of the performance period. • Final Judo Grows pool is subject to a Board discretionary adjustment based on the company's Risk Management Considerations, whereby the Board may make downward adjustments (including to zero) for a range of financial and non-financial considerations.

Term	Further detail
Type of award	• 100% deferred share rights vesting approximately two years from grant date OR where the choice is made to receive cash: • 50% cash after results announcement; and • 50% deferred share rights vesting approximately two years from grant date.
Deferred share rights allocation methodology	• Deferred share rights will be allocated based on the 10-day volume weighted average price (VWAP) of Judo shares following the FY24 annual results announcement.
Vesting conditions for deferred share rights	• Deferred share rights awarded as part of Judo Grows will be subject to vesting conditions as follows: • **Service condition:** – continuous employment for a period of approximately two years from date of grant; and • **Risk management:** – the Board being satisfied that the participant has at all times satisfied the risk, values and conduct requirements of the Company.
Downward adjustment of unvested awards	• The Board may, at any time and in its absolute discretion, determine to adjust downwards the number of unvested awards held by an Executive KMP, including down to zero. In exercising its discretion, the Board may consider factors such as: i. the quality of the Company's most recent financial results; ii. the Company's management of risk; iii. people, culture and reputational matters regarding the Company; iv. compliance by the Company, or the Executive KMP, with compliance or conduct requirements; v. sustainability of the business of the Company; vi. the Company's response, or ability to respond, to significant unexpected or unintended consequences of an act or omission of the Company that were not foreseen by the Board; and vii. any other matter reasonably determined by the Board from time to time.
Leavers prior to deferred share rights being offered/awarded or (if applicable) prior to the cash payment date	• Where the Board determines that an Executive KMP is a Good Leaver, they may retain eligibility to receive a Judo Grows outcome, as determined by the Board. Where applicable, the amount may be prorated by reference to the proportion of the performance period worked, will be subject to the final year scorecard outcome, and subject to malus and clawback as per the Remuneration Policy. The method and timing of delivery is subject to Board determination and approval. • If an Executive KMP leaves and is not a Good Leaver (e.g., where the employee terminates employment due to resignation or is terminated by the Company for serious misconduct), the Participant will not be eligible to receive a Judo Grows outcome.
Leavers during the vesting period of deferred share rights[1]	• If an Executive KMP becomes a Good Leaver (e.g., where the employee terminates employment due to redundancy, death or permanent incapacity, genuine retirement (factors the Board would consider regarding genuine retirement are age and/or whether the employee intends to continue full-time employment and any other factors it considers relevant) or such other reasons determined by the Board in its absolute discretion to be a Good Leaver), they will retain: – all vested awards; and – the full number of unvested deferred share rights, unless otherwise determined by the Board. • If an Executive KMP becomes a leaver and is not a Good Leaver (e.g., where the employee terminates employment due to resignation or is terminated by the Company for serious misconduct), all the Participant's unvested awards will be forfeited, unless determined otherwise at the discretion of the Board.

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

5.3 Grows Plus (+) (LTI)

Key terms for FY24 Judo Grows +, the company's LTI program, are outlined in the table below.

Table 5.3 Judo Grows+ FY24 key terms

Term	Further detail
Eligibility criteria	• Must satisfy risk, values and conduct gateway requirements, which are assessed annually as part of Judo Tracks, the Company's performance management process.
Face value	• CEO (outgoing): 70% of fixed remuneration. • CRO: 40% of fixed remuneration. • All other Executive KMP: 50% of fixed remuneration.
Type of award	• Awards delivered in Premium Priced Options (PPOs). • Subject to the satisfaction of the vesting conditions and payment of the exercise price, each Premium Priced Option entitles the holder to one Share.
Allocation methodology	• The number of Premium Priced Options granted was calculated by dividing the participant's dollar value LTI opportunity for FY24 by the allocation value of the options. • The allocation value of Premium Priced Options was calculated using a Black–Scholes pricing methodology, with the share price input being the 10-trading day VWAP following the FY23 results announcement.
Exercise price	• The exercise price is $1.25, representing a 30% premium above the 10-trading day VWAP following the FY23 results announcement of $0.96.
Expiry date	• The FY24 Premium Priced Options will expire on 5 October 2033.
Vesting conditions	• Awards issued as part of Judo Grows+ will be subject to vesting conditions as follows: • **Service condition:** – continuous employment for a period of four years from the date of grant (5 October 2023) for awards made in FY24. and • **Risk management:** – the Board being satisfied that the participant has at all times satisfied the risk, values and conduct requirements of the Company.
Downward adjustment of unvested awards	• As per Judo Grows (refer Section 5.2)
Leavers during the vesting period of PPOs	• As per Judo Grows (refer Section 5.2)

5.4 Other terms

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

Table 5.4 Other terms

Term	Further detail
Voting and dividend rights	Judo Grows deferred share rights and Judo Grows+ PPOs do not carry any dividend or voting rights over the deferral and/or vesting period.
Hedging	Participants are not permitted to enter any arrangement for the purpose of hedging, borrowing or otherwise affecting their economic exposure to Deferred share rights under Judo Grows, or PPOs under Judo Grows+.
Malus and clawback	The Board may claw back a participant's awards or resulting shares so that no unfair benefit is obtained by the participant in circumstances where a Malus Event occurs in relation to the relevant person or another person. A Malus Event includes circumstances where a person: a) engages in serious misconduct or fraud; b) materially commits a breach of their obligations to any Group entity; c) acts, or fails to act, in a way that contributes to a Group entity incurring significant reputational harm, significant unexpected financial loss, or making a material financial misstatement; and/or d) is an Accountable Person and: i. fails to comply with their accountability obligations in accordance with section 37B of the *Banking Act 1959* (Cth); or ii. becomes deregistered by the Australian Prudential Regulation Authority from being or acting as an Accountable Person. The Board also retains the ability to use discretion and apply malus and/or clawback for any material matters not explicitly reflected above.
Change of control	Where a change of control event has occurred, or is expected to occur, the Board may: • determine that any unvested awards should remain unvested; • determine to buy back or cancel some or all of the awards for cash consideration equal to their fair market value; • waive any vesting condition or exercise condition; and/or • determine that any vesting condition or exercise condition is satisfied. In the absence of a determination by the Board, all unvested awards will become vested awards immediately prior to the change of control event.

6. Remuneration of executives – FY24 outcomes

6.1 Statutory disclosures

Table 6.1 has been prepared in accordance with AASB Standards and section 300A of the *Corporations Act 2001*. The table shows details of the nature and amount of each element of remuneration paid or awarded to the Executive KMP for services provided during the year (including variable reward amounts in respect of performance during the year that are awarded following the end of the year).

Table 6.1 Statutory disclosures for Executive KMP

		Short-term benefits			Post-employment	Other long-term benefits	Termination benefits	Equity-based benefits		Total[1]
Name	**Financial Year**	**Cash salary[2]**	**Annual variable reward cash[3]**	**Non-monetary benefits[4]**	**Superannuation[5]**	**Other long term[6]**	**Termination benefits[7]**	**Options[8]**	**Deferred share rights[9]**	
Joseph Healy[10]	FY24	1,200,737	764,800	4,965	27,399	31,529	748,817	2,140,608	720,398	5,639,254
	FY23	1,094,830	265,650	2,950	25,292	40,907	–	331,042	389,338	2,150,009
Chris Bayliss[11]	FY24	877,565	201,369	3,470	27,399	54,030	–	381,898	539,804	2,085,535
	FY23	682,560	129,375	4,999	25,292	27,547	–	344,851	682,066	1,896,690
Andrew Leslie[12]	FY24	593,884	148,800	4,293	27,399	19,861	–	138,531	122,993	1,055,761
	FY23	371,624	65,431	4,859	15,948	17,007	–	29,743	76,708	581,320
Lisa Frazier[13]	FY24	716,231	348,000	5,282	27,399	23,608	490,438	125,675	(983,658)	752,975
	FY23	635,730	108,675	5,000	25,292	4,727	–	559,559	908,587	2,247,571
Frank Versace	FY24	672,176	136,000	2,950	27,399	18,256	–	184,396	168,700	1,209,877
	FY23	611,557	93,438	4,999	25,292	23,808	–	104,678	131,097	994,869
Former KMP										
Angelo Manos[14]	FY23	254,183	–	–	14,754	(826)	505,215	243,440	(23,798)	992,968

1. The value of performance-based remuneration as a percentage of total remuneration in the statutory disclosures was 64% for Joseph Healy, 54% for Chris Bayliss, 39% for Andrew Leslie and 40% for Frank Versace in FY24. Due to the write-back of Lisa Frazier's IPO Top-Up award, the performance-based remuneration as a percentage of total remuneration is not applicable.
2. Includes base salary and short-term compensated absences, such as annual leave entitlements accrued. For Joseph Healy, it includes salary received for acting as an adviser to Chris Bayliss from 19 March 2024 (the day after he ceased to be a KMP) until 28 June 2024.
3. Includes cash receivable in respect of FY24 under Judo Grows that is scheduled to be paid during FY25.
4. Non-monetary benefits relate to Company-funded benefits. Any related fringe benefits tax is included.
5. Includes Company contributions to superannuation and contributions by employees made by way of salary sacrifice of fixed remuneration.
6. Includes long service leave entitlements accrued based on an actuarial calculation.
7. Termination benefits for Joseph Healy and Lisa Frazier include payment in lieu of balance of notice period, inclusive of superannuation to the quarterly maximum contribution cap. Amounts paid to Joseph Healy and Lisa Frazier in connection with cessation of employment were within their statutory entitlements and in compliance with Section 200B of the Corporations Act. Payments will be made in FY25.
8. Includes equity amortisation for Premium Priced Options delivered under Judo Grows+ for all Executive KMP, Premium Priced Options delivered under the IPO Top-Up award (for Lisa Frazier and Chris Bayliss) and options delivered under the Legacy Plan (for Lisa Frazier and Angelo Manos). Joseph Healy's FY24 options value reflects acceleration of amortisation expense to his cessation date.
9. Includes equity amortisation for Deferred share rights delivered under Judo Grows for all Executive KMP and deferred share rights delivered under the IPO Top-Up award. Deferred share rights for FY24 Judo Grows will be granted in FY25. Amounts are based on the 80% scorecard outcome. Lisa Frazier's negative amount reflects forfeiture of the IPO Top-Up award. Joseph Healy's FY24 value reflects acceleration of amortisation expense to his cessation date.
10. In line with the plan rules, all unvested options and deferred share rights for Joseph Healy remain unvested and will be tested at the original vesting dates.
11. Reflects statutory remuneration amounts across both roles held during FY24.
12. Andrew Leslie commenced as KMP on 14 November 2022. Short-term benefits, post-employment and other long-term benefits represent a prorated period for FY23. Equity-based benefits include amortised value of awards granted before commencement as KMP on 14 November 2022.
13. In line with the plan rules, any unvested options and deferred share rights for Lisa Frazier remain unvested and will be tested at the original vesting dates.
14. Amounts paid to Angelo Manos in connection with his cessation of employment were within his statutory entitlements in compliance with Section 200B of the Corporations Act.

6.2 Summary of awards held by executives

Table 6.2 shows the number and value of options and Deferred Share Rights that were granted by Judo, forfeited, lapsed or vested for the Executive KMP during the year to 30 June 2024[1].

Table 6.2 Summary of awards held by executives

Name	Plan	Granted[2]	Type of equity	Held at the start of the period	Number granted during the period
Joseph Healy	FY22 Judo Grows	04-Oct-22	Deferred Share Rights	358,898	–
	FY22 Judo Grows+	02-Nov-21	Premium Priced Options[6]	2,636,986	–
	FY23 Judo Grows+	04-Oct-22	Premium Priced Options[7]	4,042,500	–
	FY23 Judo Grows	05-Oct-23	Deferred Share Rights	–	830,156
	FY24 Judo Grows+	18-Sep-23	Premium Priced Options[8]	–	4,979,166
Chris Bayliss	FY22 Judo Grows	04-Oct-22	Deferred Share Rights	163,135	–
	FY22 Judo Grows+	02-Nov-21	Premium Priced Options	1,198,630	–
	FY23 Judo Grows+	04-Oct-22	Premium Priced Options	1,875,000	–
	FY23 Judo Grows	05-Oct-23	Deferred Share Rights	–	404,296
	FY24 Judo Grows+	18-Sep-23	Premium Priced Options	–	2,306,547
	IPO Top-Up award	02-Nov-21	Premium Priced Options	1,712,328	–
	IPO Top-Up award	02-Nov-21	Deferred Share Rights	714,285	–
Andrew Leslie	FY22 Judo Grows	04-Oct-22	Deferred Share Rights	30,588	–
	FY22 Judo Grows+	02-Nov-21	Premium Priced Options	359,589	–
	FY23 Judo Grows+	04-Oct-22	Premium Priced Options	600,000	–
	FY23 Judo Grows	05-Oct-23	Deferred Share Rights	–	226,503
	FY24 Judo Grows+	18-Sep-23	Premium Priced Options	–	1,845,238
Lisa Frazier	FY22 Judo Grows	04-Oct-22	Deferred Share Rights	139,830	–
	FY22 Judo Grows+	02-Nov-21	Premium Priced Options	1,027,397	–
	FY23 Judo Grows+	04-Oct-22	Premium Priced Options	1,575,000	–
	FY23 Judo Grows	05-Oct-23	Deferred Share Rights	–	339,609
	FY24 Judo Grows+	18-Sep-23	Premium Priced Options	–	2,157,738
	IPO Top-Up award[9]	02-Nov-21	Premium Priced Options	4,280,821	–
	IPO Top-Up award	02-Nov-21	Deferred Share Rights	1,785,714	–
	LTI Option Plan (Legacy Plan)[10]	10-May-21	Options	1,500,000	–
Frank Versace	FY22 Judo Grows	04-Oct-22	Deferred Share Rights	111,864	–
	FY22 Judo Grows+	02-Nov-21	Premium Priced Options	821,917	–
	FY23 Judo Grows+	04-Oct-22	Premium Priced Options	1,300,000	–
	FY23 Judo Grows	05-Oct-23	Deferred Share Rights	–	291,991
	FY24 Judo Grows+	18-Sep-23	Premium Priced Options	–	1,619,047

1. From 1 July 2023 to 18 March 2024 for Joseph Healy.
2. Grant date shown is accounting grant date.
3. For accounting purposes, FY23 Judo Grows awards granted were valued using the closing price on 18 September 2023. FY24 Judo Grows+ Premium Priced Options were valued for accounting purposes (fair value) using a Black–Scholes valuation of $0.21 per option for the October 2023 grant.
4. For Joseph Healy, balance at the end of the period shown is at the day Joseph Healy ceased to be KMP on 18 March 2024.
5. Represents the unamortised amount of each award that will be expensed in future years beyond FY24. Most of the remaining value of the unvested awards to be retained by Lisa Frazier upon cessation of employment in FY25 has been amortised in FY24, with the remaining value (a pro rata amount from 1 July 2024 to 2 September 2024) to be amortised in FY25.
6. FY22 Judo Grows+ Premium Priced Options have an exercise price of $2.73 for all Executive KMP.
7. FY23 Judo Grows+ Premium Priced Options have an exercise price of $1.53 for all Executive KMP.
8. FY24 Judo Grows+ Premium Priced Options have an exercise price of $1.25 for all Executive KMP.
9. Lisa Frazier will forfeit all entitlements under the IPO Top Up Award at the date of her employment cessation during FY25.
10. Lisa Frazier's Legacy Plan options were granted on 10 May 2021 with an expiry date of 30 June 2031 and for accounting purposes were valued using a Black–Scholes option valuation of $0.36 per option. Tranche 2 of time-based and performance-based Legacy Plan options vested during FY24, as approved by the Board.

Fair value granted during the period ($)[3]	Exercised during the period	Forfeited or lapsed during the period	Other changes	Balance at end of the period[4]	Vested and exercisable	Unvested	Maximum value to be amortised in future years ($)[5]
–	179,449	–	–	179,449	–	179,449	–
–	–	–	–	2,636,986	–	2,636,986	–
–	–	–	–	4,042,500	–	4,042,500	–
850,910	–	–	–	830,156	–	830,156	–
1,045,625	–	–	–	4,979,166	–	4,979,166	–
				12,668,257			–
–	81,568	–	–	81,567	–	81,567	8,199
–	–	–	–	1,198,630	–	1,198,630	190,934
–	–	–	–	1,875,000	–	1,875,000	159,489
414,403	–	–	–	404,296	–	404,296	160,877
484,375	–	–	–	2,306,547	–	2,306,547	370,825
–	–	–	–	1,712,328	–	1,712,328	272,763
–	–	–	–	714,285	–	714,285	702,765
				8,292,653			1,865,852
–	30,588	–	–	–	–	–	–
–	–	–	–	359,589	–	359,589	33,803
–	–	–	–	600,000	–	600,000	51,037
232,166	–	–	–	226,503	–	226,503	90,130
387,500	–	–	–	1,845,238	–	1,845,238	296,660
				3,031,330			471,629
–	69,915	–	–	69,915	–	69,915	4,797
–	–	–	–	1,027,397	–	1,027,397	12,339
–	–	–	–	1,575,000	–	1,575,000	9,818
348,099	–	–	–	339,609	–	339,609	28,387
453,125	–	–	–	2,157,738	–	2,157,738	67,599
–	–	–	–	4,280,821	–	4,280,821	–
–	–	–	–	1,785,714	–	1,785,714	–
–	–	–	–	1,500,000	750,000	750,000	7,192
				12,736,194			130,132
–	55,932	–	–	55,932	–	55,932	5,622
–	–	–	–	821,917	–	821,917	130,926
–	–	–	–	1,300,000	–	1,300,000	110,579
299,291	–	–	–	291,991	–	291,991	116,189
340,000	–	–	–	1,619,047	–	1,619,047	260,295
				4,088,887			623,611

6.3 Executive KMP shareholdings and capital notes holdings

Table 6.3 includes all Executive KMP shareholdings and capital notes holdings, including any holdings held indirectly by a company, trust or a spouse.

Table 6.3 Movement in shareholdings and capital notes holdings held by Executive KMP during the financial year[1]

Current as at 30 June 2024	Type	Balance at start of the year	Received upon vesting/ exercise of incentive plan awards	Other changes during the year[2]	Balance at end of year[3]
Joseph Healy	Ordinary shares	34,769,393	179,449	1,095,000	36,043,842
	Capital notes	–	–	5,000	5,000
Chris Bayliss	Ordinary shares	9,520,162	81,568	(5,000,000)	4,601,730
Andrew Leslie	Ordinary shares	372,648	30,588	–	403,236
Lisa Frazier	Ordinary shares	640,350	69,915	(190,000)	520,265
Frank Versace	Ordinary shares	1,271,699	55,932	(350,000)	977,631

7. Non-Executive Director remuneration

7.1 Fee pool

The current maximum aggregate fee pool of $1.8 million per annum (inclusive of superannuation) was approved by shareholders at the 7 October 2021 AGM.

7.2 Non-Executive Director fees

The level of fees for Non-Executive Directors (NEDs) depends upon the responsibilities of the role, complexity of the business, Director skills and experience, and market benchmark data provided by independent external consultants.

Fees and fee policy were unchanged for FY24.

An increase to the Board Chair and Board NED base fee has been approved for FY25, in line with market benchmarking against relevant listed peers. There is no recommended increase to Board Committee fees and no change to the NED fee pool approved by shareholders per Section 7.1. This adjustment follows no increase to Board Chair or Board NED fees since Judo's listing in FY22.

The NED fee policy for FY24 and FY25 is provided below:

Table 7.2 NED fee policy

Fees (inclusive of superannuation)	FY24	FY25
Board base fee		
Chair	$270,000	$280,000
Non-Executive Director	$135,000	$140,000
Board committee fee (Board Audit, Board Risk, and Board Remuneration and Nominations)		
Chair	$25,000	$25,000
Member	$15,000	$15,000

The Board Chair is also a member of the Board Audit Committee, Board Risk Committee, and Board Remuneration and Nominations Committee but does not receive additional fees for these roles.

1. From 1 July 2023 to 18 March 2024 for Joseph Healy.
2. Changes resulting from purchases and sales.
3. For Joseph Healy, balance at the end of the period shown is at the day Joseph Healy ceased to be KMP on 18 March 2024.

NEDs do not participate in the Company's incentive plans and they do not receive retirement benefits other than the superannuation contributions disclosed in this Report. Directors may also be reimbursed for travel and other expenses reasonably incurred in attending to the Company's affairs. NEDs may be paid additional or special remuneration as the Directors decide is appropriate, where a NED performs extra work or services that are not in the capacity as NED of the Company or a subsidiary of the Company.

Further, to align with shareholder interests, the Board has adopted a guideline that within three years of the later of 1 July 2024 and the date of appointment, NEDs are encouraged to hold ordinary shares equal in value to the annual Chair fee for the Chair and Board base fee for all other NEDs.

The value of a NED's shareholding is based on the number of shares held by each Director and the Company share price as at the last trading day of the financial year.

8. Non-Executive KMP remuneration – outcomes FY24

8.1 Statutory disclosures

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

Table 8.1 Statutory disclosures for Non-Executive KMP

		Short-term benefits		Post-employment benefits	
Non-Executive Director	**Year**	**Cash fees $[1]**	**Non-monetary benefits[2]**	**Superannuation $[3]**	**Total $**
Current Non-Executive KMP					
Peter Hodgson	FY24	243,243	–	26,757	270,000
	FY23	244,708	–	25,292	270,000
David Hornery	FY24	148,649	–	16,351	165,000
	FY23	149,321	–	15,679	165,000
Jennifer Douglas	FY24	144,144	–	15,856	160,000
	FY23	144,796	–	15,204	160,000
John Fraser	FY24	157,658	–	17,342	175,000
	FY23	158,371	–	16,629	175,000
Malcolm McHutchison[4]	FY24	135,135	–	14,865	150,000
	FY23	102,332		10,745	113,077
Manda Trautwein	FY24	144,144	–	15,856	160,000
	FY23	144,796	–	15,204	160,000
Mette Schepers	FY24	137,500	–	27,500	165,000
	FY23	149,321	–	15,679	165,000

1. Includes base fees.
2. There were no non-monetary benefits provided to Non-Executive KMP during the period.
3. Superannuation may include contributions made by way of salary sacrifice of fees.
4. Malcolm McHutchison commenced receiving fees during FY24 with respect to his role as a Non-Executive KMP.

8.2 Non-Executive KMP shareholdings and capital notes holdings

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

Table 8.2 Movement in shareholdings and capital notes holdings of Non-Executive KMP during the financial year[1]

	Type	Balance at start of the year	Changes during the year[2]	Balance at end of the year
Peter Hodgson	Ordinary shares	2,460,260	100,000	2,560,260
	Capital notes	–	1,400	1,400
David Hornery	Ordinary shares	20,998,064	300,000	21,298,064
	Capital notes		1,500	1,500
Jennifer Douglas	Ordinary shares	73,263	–	73,263
John Fraser	Ordinary shares	4,596,754	–	4,596,754
Malcolm McHutchison	Ordinary shares	–	–	–
Manda Trautwein	Ordinary shares	449,616	105,263	554,879
Mette Schepers	Ordinary shares	202,859	–	202,859

9. Further information

9.1 Executive contracts

All Executive KMP have a written Executive Service Agreement with the Group. The key terms of these agreements are detailed in the table below.

Table 9.1 Executive KMP contracts

Name[3]	Employer-initiated notice period	Employee-initiated notice period	Contract duration	Termination payments
Chris Bayliss	12 months	12 months	Ongoing	Members of the Executive KMP are not entitled to any termination payments. A payment may be made in lieu of notice at the discretion of the Board where termination occurs other than for cause.
Andrew Leslie	6 months	6 months		
Lisa Frazier	12 months	6 months		
Frank Versace	12 months	6 months		

For all Executive KMP, the Group may terminate the service agreement immediately without notice in certain circumstances, including (but not limited to) where the relevant Executive KMP engages in a serious breach of agreement or serious misconduct.

9.2 Other transactions with KMP and their personally related entities

9.2.1 Loans to KMP

As at 30 June 2024, there are no outstanding loans to KMP and no KMP loans were in existence during FY24.

Further information can be found in Note 26 of the Financial Statements.

9.2.2 Other KMP transactions

The Group did not engage in any transactions with KMP or their related parties during FY24 other than Term Deposit investments, that have been made on terms equivalent to those that prevail in arm's-length transactions.

1. Tables include holdings in the Directors' name as well as those held by related parties.
2. Changes resulting from purchases.
3. Executive contract details for outgoing CEO, Joseph Healy, refer to the FY23 Remuneration Report, section 9.1.

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Judo Capital Holdings Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Judo Capital Holdings Limited and the entities it controlled during the period.

Sam Garland
Partner
PricewaterhouseCoopers

Melbourne
20 August 2024

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2024

	Notes	2024 $M	2023 $M
Effective interest income	3	910.3	574.2
Interest expense	3	(524.3)	(226.6)
Net interest income		**386.0**	**347.6**
Other operating income	4	10.7	5.4
Operating expenses	5	(222.3)	(190.9)
Credit impairment	11	(70.1)	(54.6)
Net profit before income tax		**104.3**	**107.5**
Income tax expense	6	(34.4)	(34.1)
Net profit after income tax		**69.9**	**73.4**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Gain/(loss) on revaluation of cash flow hedge	18(b)	7.1	(11.5)
Gain on investments measured at FVOCI		0.3	–
Other comprehensive income for the period, net of tax		**7.4**	**(11.5)**
Total comprehensive income for the period		**77.3**	**61.9**

	Notes	Cents	Cents
Earnings per share			
Basic earnings per share	7	6.3	6.6
Diluted earnings per share	7	6.1	6.4

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2024

	Notes	2024 $M	2023 $M
ASSETS			
Cash and cash equivalents	8	777.4	714.7
Investments	9	1,607.3	2,425.7
Loans and advances	10	10,619.3	8,852.4
Current tax assets	6	2.6	–
Derivative assets	14	2.7	10.0
Property, plant and equipment	19	8.6	7.8
Intangible assets	20	48.3	38.3
Deferred tax assets	6	68.3	63.9
Other assets	21	62.1	38.9
Total assets		**13,196.6**	**12,151.7**
LIABILITIES			
Deposits	12	8,226.6	5,954.4
Borrowings	13	3,134.8	4,507.4
Derivative liabilities	14	3.8	9.7
Current tax liabilities	6	–	18.5
Provisions	22	80.9	69.3
Other liabilities	23	185.2	115.3
Total liabilities		**11,631.3**	**10,674.6**
Net assets		**1,565.3**	**1,477.1**
EQUITY			
Share capital	17	1,522.1	1,518.3
Reserves	18	(18.8)	(33.3)
Retained earnings/(accumulated losses)	18	62.0	(7.9)
Total equity		**1,565.3**	**1,477.1**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2024

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

	Share capital $M	Reserves $M	Retained earnings $M	Total equity $M
Balance at 1 July 2023	**1,518.3**	**(33.3)**	**(7.9)**	**1,477.1**
Profit for the period	–	–	69.9	69.9
Other comprehensive income, net of tax	–	7.4	–	7.4
Total comprehensive income for the period	**–**	**7.4**	**69.9**	**77.3**
Transactions with owners in their capacity as owners:				
Issue of ordinary shares for employee share scheme	3.8	(3.8)	–	–
Movement in share-based payments reserve, net of tax	–	10.9	–	10.9
	3.8	7.1	–	10.9
Balance at 30 June 2024	**1,522.1**	**(18.8)**	**62.0**	**1,565.3**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2024

	Notes	2024 $M	2023 $M
Cash flows from operating activities			
Interest received		905.9	586.9
Interest paid		(459.9)	(155.6)
Payments to suppliers and employees		(205.0)	(163.3)
Fees and other income received		10.7	5.4
Income taxes paid		(62.4)	(17.5)
Cash flows from operating activities before changes in operating assets and liabilities		**189.3**	**255.9**
Changes in operating assets and liabilities			
Net increase in balance of loans and advances		(1,832.4)	(2,819.0)
Net increase in balance of deposits		2,272.1	1,863.9
Net decrease/(increase) in collateral paid on interest rate swaps		12.9	(4.8)
Net cash inflow/(outflow) from operating activities	24	**641.9**	**(704.0)**
Cash flows from investing activities			
Movement in investments			
Purchases of investments		(2,841.7)	(1,694.8)
Proceeds from investments		3,662.6	2,061.1
Payments for property, plant and equipment		(2.4)	(6.7)
Payments for intangible assets		(23.0)	(20.7)
Net cash inflow from investing activities		**795.5**	**338.9**
Cash flows from financing activities			
Proceeds from borrowings		4,219.0	3,253.4
Repayment of borrowings		(5,591.6)	(2,579.2)
Principal portion of lease payments		(2.1)	(1.5)
Net cash (outflow)/inflow from financing activities		**(1,374.7)**	**672.7**
Net increase in cash and cash equivalents		**62.7**	**307.6**
Cash and cash equivalents at the beginning of the financial year		714.7	407.1
Cash and cash equivalents at end of year	8	**777.4**	**714.7**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

INTRODUCTION

1. Summary of material accounting policy information

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Judo Capital Holdings Limited and its controlled entities.

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Corporations Act 2001* and the Australian Securities Exchange (ASX) Listing Rules. Judo Capital Holdings Limited and its controlled entities is a for-profit entity for the purpose of preparing the consolidated financial statements.

Judo Capital Holdings Limited is a company limited by shares, incorporated and domiciled in Australia.

The Financial Report was approved by the Directors as at the date of the Directors' Report. The Directors have the power to amend and reissue the consolidated financial statements.

(i) Compliance with International Financial Reporting Standards

The consolidated financial statements of the Group also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(iii) Presentation format

The Statement of Financial Position has been prepared in order of liquidity. Amounts are presented in Australian dollars, which is the Group's functional and presentation currency.

(b) Use of critical accounting judgements and estimates

The preparation of this Financial Report requires the use of critical accounting estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Except as explained below, there have been no significant changes to the accounting estimates, judgements and assumptions used in preparing the Financial Report compared to those applied in the prior year. The critical accounting judgements and estimates include:

- Expected credit losses on loans and advances
- Behavioural term of loans and advances, with reference to prepayment rates, refinances and contractual maturity
- Measurement of income taxes and uncertainty over income tax treatments
- Impairment assessment of intangible assets

Expected credit losses on loans and advances

Whilst the methodology utilised in determining the Group's expected credit losses remains consistent with the prior period, there are a number of judgements and estimates made by management in relation to the underlying assumptions that are continuously reviewed and revised on a periodic basis which include, but are not limited to:

- Probability of default, loss given default and exposure at default estimates;
- Forward-looking macroeconomic conditions; and
- Macroeconomic scenario weightings.

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

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

The Group continues to evolve and develop processes and systems to assess physical and transitional risks of climate change and its potential impact on the lending portfolio and collateral held as security. The Group's credit assessment practises and treatment of potential losses incurred as a result of climate change are addressed through the Risk Management Framework, Risk Appetite Statements and ESG Credit Risk Guidance. These accounting estimates require a significant level of judgement, where applicable, on origination as well as over the expected life of the loan. As a result, the Group has concluded that no adjustments for climate risk are required to be taken to provisions for impairment for the year ended 30 June 2024.

Behavioural term of loans and advances

When applying the effective interest method, the Group has estimated the behavioural term of loans and advances, by reference to historical prepayment rates, refinances and the contractual maturity.

Measurement of income taxes

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Uncertainty over income tax treatments

The Group estimates the amount expected to be paid to tax authorities based on its understanding and interpretation of relevant tax laws which may require the exercise of judgement.

Impairment assessment of intangible assets

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

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

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

(c) New standards and amendments

The following standards and interpretations relevant to the Group apply for the first time to financial reporting periods commencing on or after 1 January 2023:

- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2]*.

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

(d) Accounting standards issued but not yet effective

AASB 18 *Presentation and Disclosure in Financial Statements* sets out requirements for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

AASB 18 mandatorily applies to annual reporting periods commencing on or after 1 January 2027. Accordingly, the Group is in the process of assessing the impact on the presentation and disclosures within the consolidated financial statements.

(e) Going concern

The Financial Report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(f) Principles of consolidation

The consolidated financial statements are those of the consolidated entity (the Group), comprising the financial statements of the parent entity and the entities the parent controls. The Group controls an entity where it has:

- power over the entity (defined as existing rights that give it the current ability to direct the relevant activities of the entity);
- exposure or rights to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any differences in accounting policies, should they exist.

All inter-company balances and transactions, including any unrealised profits or losses are eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-recognised from the date that control ceases.

(g) Effective interest income and expense

Effective interest income and expense is calculated and recognised as it accrues using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts or payments over the expected life of the financial instrument to the gross carrying amount of the financial instrument. The calculation includes all fees paid or received that are an integral part of the effective interest rate (e.g. document preparation and establishment fees), transaction costs, upfront and trail commissions, and all other premiums or discounts which are amortised over the expected life of the financial instrument.

For financial assets classified within Stages 1 and 2 of Expected Credit Loss Provisions, interest income is calculated by applying the effective interest rate to the gross carrying amount of the assets. Interest income on financial assets in Stage 3 is recognised by applying the effective interest rate to the gross carrying amount net of provisions for impairment.

Where the Group recognises a lease liability in its capacity as a lessee, the interest expense associated with the lease liability is recognised as an interest expense.

(h) Other operating income

Fees and commissions that are not considered an integral part of the effective interest rate of a financial instrument, and thus are not included in the effective interest rate calculation, are recognised typically upon execution of a contract with a customer, at the point where the performance obligation relating to the contract has been met. These include, but are not limited to: facility fees on unused line of credit facilities, term deposit break fees, and bank guarantee service fees.

Gains or losses on the disposal of property, plant and equipment are determined through the difference between the carrying value of the asset and the proceeds received, and are recognised when control of the asset is transferred to the buyer.

Realised gains or losses on investments are recognised in the period in which they are crystalised, measured as follows:

- Amortised cost: the difference between the carrying value of the asset and the proceeds received upon disposal
- Fair value through other comprehensive income: the difference between the face value of the asset and the proceeds received upon disposal

(i) Operating expenses

Operating expenses are recognised as the relevant service is received and costs can be reliably measured. Any amounts received as a reimbursement for costs incurred are offset against the relevant expense.

(j) Capital raising transaction costs

The transaction costs of a capital raising transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the capital raising transaction. An incremental cost is defined as being an outgoing that would not have been incurred if the Group had not issued equity instruments. Indirect costs including management time, employee incentives, marketing initiatives and administrative overheads are not included as transaction costs as they are not incremental to the Group as a result of the capital raising.

Transaction costs associated with the issuance of new shares are treated as a deduction from equity, whereas costs associated with the selling of existing shares to the market and listing of existing shares onto the stock exchange are expensed as incurred as they are not transaction costs relating to the issue of equity. Transaction costs incurred are apportioned against each form undertaken to determine the value of costs capitalised as an equity deduction and expensed to the profit and loss.

(k) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

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

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

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

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

(i) Tax consolidation

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

The tax-consolidated group has entered into a Tax Funding Agreement (TFA) that sets out the funding obligations of the members of the tax-consolidated group in respect of tax amounts. Consistent with the TFA, current tax liabilities (or assets) and deferred tax assets arising in respect of tax losses, are transferred from the controlled entity to the head entity as inter-company payables or receivables.

The tax-consolidated group has also entered into a Tax Sharing Agreement to limit the liability of the controlled entities in the tax-consolidated group, in the event of default by the head entity to meet its tax payment obligations.

(l) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and funds held in trust by third-party service providers for the purposes of fulfilling loan settlements.

Interest earned on cash and cash equivalents is accrued in interest income using the effective interest rate method, with the accrued receivable recognised within other assets.

(m) Financial assets

Under AASB 9, the Group's classification of financial assets is dependent on:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset.

As a result, the financial asset classifications utilised by the Group are as follows:

- Amortised cost: financial assets with contractual cash flows that comprise solely payments of principal and interest, which are held in a business model whose objective is to collect their contractual cash flows; and
- Fair value through other comprehensive income (FVOCI): financial assets with contractual cash flows that comprise solely payments of principal and interest, which are held in a business model whose objective is to collect their contractual cash flows or to sell the assets.

The Group does not hold any assets that are classified as fair value through profit or loss.

With the exception of hedging derivatives and investments held within the Group's Hold to Collect and Sell portfolio, all other financial assets are classified and measured at amortised cost.

(i) Measurement

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

Subsequently, financial assets are measured either at amortised cost or fair value depending on their classification. Amortised cost is the amount the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of transaction costs, premiums or discounts using the effective interest method, and adjusted for any loss allowance.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(ii) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 11 details how the Group determines whether there has been a significant increase in credit risk.

(n) Property, plant and equipment

Each class of plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amount of property, plant and equipment is depreciated over its estimated useful life commencing from the time the asset is available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements at cost	10% – 58%	Straight line and diminishing value
Furniture, fittings and equipment at cost	10% – 33%	Straight line and diminishing value

The residual value and the useful life of an asset is reviewed at least at the end of each annual reporting period and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

(o) Intangible assets

Intangible assets are identifiable non-tangible, non-monetary assets. For internally generated software assets, these are recognised when the Group can:

- Demonstrate its intention to complete the development for use;
- Use the assets to generate future economic benefits;
- Reliably measure the costs of development; and
- Establish control of the asset.

Internally generated software costs incurred are categorised as either research, which may include discovery activities, formulation and design of new systems, and development, which may include construction, coding and testing. Research costs are expensed as incurred, whereas development costs are capitalised as an intangible asset where control has been established. All other development costs that cannot be reliably measured or where control cannot be established are expensed as incurred.

Software-as-a-Service

Configuration and customisation costs of a Software-as-a-Service (SaaS) arrangement are expensed as incurred or expensed over the contracted service period where control of the underlying asset has not been established. Software development costs are capitalised as an intangible asset where control of the underlying asset has been established and is amortised over the estimated useful life.

Amortisation of intangible assets

Internally generated software costs are not amortised throughout the development stage. Once software under development is ready for use management will determine a suitable amortisation rate, currently between 2 and 5 years on a straight line basis.

(p) Impairment of assets

Assets other than intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

Intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds the asset's or cash-generating unit's recoverable amount. The recoverable amount of an asset or cash-generating unit is defined as the higher of its fair value less costs to sell and value in use.

Impairment losses in respect of individual assets are recognised immediately in Profit or Loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease. Impairment losses in respect of cash-generating units are allocated first against the carrying amount of any goodwill attributed to the cash-generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash-generating unit.

(q) Leases

At the commencement date of a lease (other than leases of 12 months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

(i) Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

(ii) Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e. the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e. the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in Profit or Loss (presented as a component of interest expense). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

(iii) Leases of 12 months or less and leases of low value assets

Lease payments made in relation to leases of 12 months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

(r) Derivatives and hedging activities

Derivative financial instruments are contracts whose value is derived from an underlying price, index or other variable, and include instruments such as interest rate swaps, forward rate agreements, futures and options. All derivatives are recognised initially on the Balance Sheet at fair value and are subsequently measured at fair value through profit or loss, except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. Derivatives are presented as assets when their fair value is positive and as liabilities when their fair value is negative.

At inception of all hedge relationships, the Group documents the relationship between the hedging instrument and hedged item, the risk being hedged, the Group's risk management objective and strategy and how effectiveness will be measured throughout the hedge relationship.

The Group has designated derivatives held as effective cash flow hedges with changes in the fair value recognised in the cash flow hedge reserve within equity. Amounts accumulated in the cash flow hedge reserve are transferred to the Profit or Loss in the event the instrument expires, is sold or when hedging criteria are no longer met. The portion of the hedge that is deemed ineffective is recognised in the income statement as the ineffectiveness arises.

(s) Financial liabilities

All financial liabilities, including deposits and borrowings, are recognised by the Group initially at fair value net of any directly attributable transaction costs. Financial liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Profit or Loss over the period of the liability using the effective interest method.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Profit or Loss over the period of the borrowings using the effective interest method.

To the extent that it is probable that some or all of a loan facility will be drawn down, fees paid on the establishment of the facility are deferred until the draw-down occurs, at which point they are recognised as transaction costs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Repurchase agreements

Under repurchase agreements, the risks and rewards associated with any assets pledged as collateral remain with the Group, and therefore are included within the statement of financial position.

Subordinated debt with capital-based conversion features

Subordinated debt with capital-based conversion features are considered to contain embedded derivatives that arise because the amount of shares issued on conversion following a trigger event (i.e. Option Conversion, Loss Absorption or Acquisition Event) are subject to a cap. However, given the embedded derivative is closely related to the host contract, it is not accounted for separately.

(u) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are discounted to the present value of their expected net future cash flows except where the time value of money is not material.

(i) Trail commissions

The amount of trail commission payable is dependent on assumptions about the behavioural life of the underlying transaction generating the commission. The Group has estimated the behavioural term of each loan with reference to historical prepayment rates and contractual maturity. Costs associated with trail commissions payable are capitalised and subsequently amortised through the Profit or Loss as effective interest income applying the effective interest method.

(ii) Employee entitlements

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

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before 12 months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted by reference to the appropriate corporate bond rates. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in Profit or Loss in the periods in which the change occurs.

(v) Share-based payments

The Group operates share-based payment employee share schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares expected to vest is reviewed and adjusted at each reporting date. See Note 26 for further details.

The equity-based compensation is recorded as part of the share-based payments reserve and is calculated as the value of equity benefits provided to employees as part of their remuneration. The calculation is based on an independent valuation.

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than Ordinary Shares;
- by the weighted average number of Ordinary Shares outstanding during the financial year, adjusted for bonus elements in Ordinary Shares issued during the financial year and excluding Treasury Shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential Ordinary Shares[;] and
- the weighted average number of additional Ordinary Shares that would have been outstanding assuming the conversion of all dilutive potential Ordinary Shares.

(x) Rounding of amounts

The Company complies with ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with the instrument to the nearest hundred thousand dollars, and presented in the form of a whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars, or in certain cases, to the nearest dollar.

(y) Comparatives

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

FINANCIAL PERFORMANCE

2. Segment information

(a) Overview

For the year ended 30 June 2024, the Group's segment information is presented based on a singular reportable segment, being Small and Medium Enterprise lending, which operates solely within Australia. The Group considers the allocation of revenues and costs to a single reportable segment most aligned with the Group's current organisational structure and information that is presented to the Chief Executive Officer and KMP.

Prior period segment information has also been presented on this basis. Reportable segments are therefore consistent with the financial information presented in the financial statements and notes contained within this report.

(b) Major customers

No single customer contributes revenue greater than 10% of the Group's revenues.

3. Net interest income

	2024 $M	2023 $M
Effective interest income		
Cash and cash equivalents	37.8	17.7
Investments	84.7	48.2
Loans and advances	787.8	508.3
	910.3	**574.2**
Interest expense		
Deposits	(355.1)	(166.8)
Borrowings	(168.4)	(59.4)
Lease liabilities	(0.8)	(0.4)
	(524.3)	**(226.6)**
Net interest income	**386.0**	**347.6**

(a) Average balances and related interest

The tables below detail the key interest bearing assets and interest bearing liabilities, along with their respective interest earned or paid and associated average interest rate. The averages listed are daily averages.

	Year ended 30 June 2024		
	Average balance $M	Interest $M	Average interest %
Effective interest income			
Cash and cash equivalents	912.2	37.8	4.14
Investments	2,676.9	84.7	3.16
Loans and advances	9,661.6	787.8	8.15
	13,250.7	**910.3**	**6.87**
Interest expense			
Deposits	7,008.8	355.1	5.07
Borrowings	4,533.5	168.4	3.71
	11,542.3	**523.5**	**4.54**

	Year ended 30 June 2023		
	Average balance $M	Interest $M	Average interest %
Effective interest income			
Cash and cash equivalents	606.0	17.7	2.92
Investments	2,645.0	48.2	1.82
Loans and advances	7,366.2	508.3	6.90
	10,617.2	**574.2**	**5.41**
Interest expense			
Deposits	5,081.8	166.8	3.28
Borrowings	3,962.8	59.4	1.50
	9,044.6	**226.2**	**2.50**

4. Other operating income

	2024 $M	2023 $M
Other operating income		
Realised gains on sale of investments	0.2	–
Fee income	6.2	2.9
Other income	4.3	2.5
	10.7	**5.4**

5. Operating expenses

	2024 $M	2023 $M
Depreciation and rental expenses		
Depreciation of property, plant and equipment	1.6	1.5
Depreciation of right-of-use assets	2.7	2.4
Rental expenses	3.8	3.3
	8.1	**7.2**
Employee benefits		
Salaries, superannuation and related on-costs	102.8	93.3
Performance-based compensation	25.4	23.2
Other employee benefits	6.7	2.8
	134.9	**119.3**
Other operating expenses		
Amortisation of intangible assets	12.1	4.7
Consultants	1.6	1.9
Impairment of intangible assets	0.8	1.5
Information technology	28.5	24.6
Marketing	8.4	8.1
Professional fees	6.0	4.0
Travel and entertainment	6.3	5.8
Other	15.6	13.8
	79.3	**64.4**
Total operating expenses	**222.3**	**190.9**

6. Income tax

(a) Amounts recognised in profit or loss

	2024 $M	2023 $M
Current tax		
Current year	42.4	36.0
Income tax under provided in previous years	0.3	–
Total current tax expense	**42.7**	**36.0**
Deferred income tax		
Current year	(8.3)	(2.5)
Income tax under provided in previous years	–	0.6
Total deferred tax benefit	**(8.3)**	**(1.9)**
Income tax expense	**34.4**	**34.1**

(b) Amounts recognised directly in equity

	2024 $M	2023 $M
Deferred income tax arising in the reporting period related to items charged/(credited) directly in equity:		
Net gain/(loss) on cash flow hedges	3.0	(4.9)
Net gain on investments measured at FVOCI	0.1	–
Equity raising costs	–	(0.1)
Share-based payments	(0.7)	(0.5)
	2.4	**(5.5)**

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

	2024 $M	2023 $M
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit before income tax expense	104.3	107.5
Tax at the Australian tax rate of 30% (2023: 30%)	31.3	32.3
Add tax effect of:		
Share-based payments	1.5	1.0
Capital note interest	1.1	–
Non-deductible expenses	0.2	0.2
Income tax under provided in previous years	0.3	0.6
Income tax expense	**34.4**	**34.1**

(d) Deferred tax assets

	2024 $M	2023 $M
Deferred tax assets		
Provision for credit impairment	44.8	33.0
Employee benefits	2.6	2.1
Capital raising costs	3.3	5.4
Share-based payments	11.6	14.3
Intangibles	–	0.6
Cash flow hedges	–	3.1
Other	6.4	5.4
Total deferred tax assets	**68.7**	**63.9**
Deferred tax liabilities		
Intangibles	(0.2)	–
Other	(0.2)	–
Total deferred tax liabilities	**(0.4)**	**–**
Net deferred tax assets	**68.3**	**63.9**

(e) Current tax

	2024 $M	2023 $M
Current tax assets	2.6	–
Current tax liabilities	–	(18.5)
	2.6	**(18.5)**

The balance of the Group's franking credits available for subsequent reporting periods, based on a tax rate of 30%, is estimated to be $75.5m (2023: $36.0m). This amount is calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking account movements that will arise from the expected settlement of income tax after the end of the financial year, and those that will be utilised in franking the August 2024 AT1 Capital note distribution.

7. Earnings per share

	2024 Cents	2023 Cents
Basic earnings per share	6.3	6.6
Diluted earnings per share	6.1	6.4

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

	2024 $M	2023 $M
Net profit after tax	69.9	73.4
Total basic earnings	**69.9**	**73.4**
Earnings used in calculating basic earnings per share	69.9	73.4
Add: accretion of share-based payments expense	3.5	1.5
Total diluted earnings	**73.4**	**74.9**

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

	2024 Number	2023 Number
WANOS used in calculating basic earnings per share	**1,108,340,097**	**1,105,519,872**
Adjustments for calculation of diluted earnings per share:		
Options	101,189,691	62,016,663
Deferred share rights	2,499,999	–
WANOS used in calculating diluted earnings per share	**1,212,029,787**	**1,167,536,535**

(c) Potentially dilutive instruments

The following instruments are potentially dilutive for the reporting period:

	Dilutive	
	2024	**2023**
Premium priced options	Dilutive	Dilutive
Deferred share rights	Both dilutive and antidilutive	Antidilutive
Capital notes	Antidilutive	N/A

FINANCIAL INSTRUMENTS

8. Cash and cash equivalents

	2024 $M	2023 $M
Cash at bank	654.6	633.0
Funds held in trust	122.8	81.7
	777.4	**714.7**

Cash and cash equivalents held by the Group include funds held in trust by third-party service providers for the purposes of fulfilling loan settlements, as well as funds held by subsidiaries that are restricted for use in line with the trust waterfall mechanism. As at 30 June 2024, the total funds held in trust by third-party service providers was $122.8m (2023: $81.7m), which includes a $20m float that is accessible for general use by the Group.

9. Investments

	2024 $M	2023 $M
Hold to Maturity Portfolio **Financial assets measured at amortised cost**		
Government bonds and notes	55.9	635.5
Semi-government bonds and notes	1,003.8	1,494.4
Financial institution notes and securities	186.0	298.2
	1,245.7	**2,428.1**
Provision for credit impairment	(0.3)	(2.4)
	1,245.4	**2,425.7**
Hold to Collect and Sell Portfolio **Financial assets measured at FVOCI**		
Government bonds and notes	–	–
Semi-government bonds and notes	59.5	–
Financial institution notes and securities	302.4	–
	361.9	**–**
	1,607.3	**2,425.7**

Hold to Collect and Sell Portfolio

During the financial year, the Group established a separate investment portfolio whose business model is to hold the assets to collect their contractual cash flows or to sell the assets. This portfolio serves as an additional tool for the Treasury function to manage liquidity and overall portfolio performance. In accordance with the Financial Assets accounting policy detailed in Note 1, assets allocated to this portfolio are classified and measured at FVOCI in the table above.

Maturity profile of investments

The following table expands on the maturity profile of the entire investments portfolio, comparing the carrying value versus the balance date fair value:

30 June 2024	One year or less		One to five years		After five years		Total	
$M	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Government bonds	50.9	49.5	–	–	5.0	5.0	55.9	54.5
Semi-government bonds and notes	544.5	540.5	454.3	429.6	64.5	64.6	1,063.3	1,034.7
Financial institution notes and securities	185.4	185.4	298.2	298.6	4.8	4.9	488.4	488.9
	780.8	**775.4**	**752.5**	**728.2**	**74.3**	**74.5**	**1,607.6**	**1,578.1**
30 June 2023								
$M								
Government bonds	578.6	573.5	51.9	49.5	5.0	5.1	635.5	628.1
Semi-government bonds and notes	842.0	838.4	652.4	608.3	–	–	1,494.4	1,446.7
Financial institution notes and securities	189.9	190.8	108.3	109.1	–	–	298.2	299.9
	1,610.5	**1,602.7**	**812.6**	**766.9**	**5.0**	**5.1**	**2,428.1**	**2,374.7**

Investments pledged as collateral

The following table discloses investments pledged as collateral under repurchase agreements in the prior period. As a result of the TFF being fully repaid by 30 June 2024, there are no longer any investments pledged as collateral under repurchase agreements.

	2024 $M	**2023 $M**
Investments pledged as collateral		
Government bonds and notes	–	219.4
Semi-government bonds and notes	–	353.2
Financial institution notes and securities	–	40.2
	–	**612.8**

In the prior year, $2,251.8m of Aaa-rated self-securitisation notes were also pledged as collateral under repurchase agreements to secure funding under the TFF.

10. Loans and advances

	2024 $M	2023 $M
Business loans	8,187.1	6,807.3
Equipment loans	642.8	581.5
Line of credit	739.3	569.6
Home loans	1,142.2	949.4
Gross loans and advances	**10,711.4**	**8,907.8**
Adjusted for:		
Capitalised net transaction costs	57.0	52.1
Provision for credit impairment	(149.1)	(107.5)
	10,619.3	**8,852.4**

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

	Contractual maturity at 30 June 2024			
	Maturing 1 year or less $M	Maturing between 1 and 5 years $M	Maturing after 5 years $M	Total $M
Business loans	1,381.7	4,841.1	1,964.3	8,187.1
Equipment loans	23.7	619.1	–	642.8
Line of credit	730.8	8.5	–	739.3
Home loans	9.2	11.3	1,121.7	1,142.2
Gross loans and advances	**2,145.4**	**5,480.0**	**3,086.0**	**10,711.4**

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

Based on behavioural terms and current market conditions, the amounts expected to be repaid within 12 months of the end of the reporting period are $3,232.4m (2023:$2,654.2m).

11. Provision for credit impairment

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

For the purposes of calculating expected credit losses, the Group categorises loans into the following credit risk classifications, and calculates expected credit losses as follows:

Credit risk classification	Criteria applied by the Group	Basis of recognising allowance for credit losses	Basis for calculation of interest revenue
Stage 1: Performing	Customers that currently have a low probability of default and a strong capacity to meet contractual cash flows, or have not incurred a significant increase in credit risk since initial loan recognition date.	12 month expected credit losses assessed on a collective basis. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount.
Stage 2: Performing – Significant increase in credit risk (SICR)	Loans that are still designated as performing, but there has been a significant increase in credit risk since the initial recognition date. See below for more information on how the Group considers whether a SICR has occurred.	Full lifetime expected credit losses assessed on a collective basis.	Gross carrying amount.
Stage 3: Non-performing	Customer meets the Group's definition of default, as detailed below.	Full lifetime expected credit losses assessed on a collective basis[1].	Gross carrying amount, net of provisions for impairment.
Stage 3: Non-performing impaired assets	Customers that are non-performing and there is an identifiable concern about the recoverability of the principal.	Where there is objective evidence of impairment following the customer defaulting on their contractual obligations, expected credit loss is assessed on an individual basis.	Gross carrying amount, net of provisions for impairment.

1. An additional assessment is completed by Asset Management to ensure an appropriate provision based on realisable security.

Probability of default and credit risk classifications

The Group considers the probability of default upon origination of an exposure, and whether there has been a SICR on an ongoing basis at each reporting period. Internal credit rating grades are assigned at a customer level based on financial and non-financial information, including during annual reviews, and incorporates management credit experience and judgement leveraging available data that is reasonable and supportable forward-looking information. The following indicators are assessed in determining a SICR:

- A borrower is more than 30 days past due in making a contractual payment;
- A borrower has breached a covenant or is more than 90 days past due of being compliant;
- Actual or expected significant changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the borrower;
- Significant increases in credit risk on other financial instruments of the same borrower; and
- External credit rating – predominantly for treasury investment exposures.

Loss Given Default

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

- Time in workout – the time between default and receipt of recovery proceeds, with an assessment of potential movements in the value of collateral over that time frame; and
- Workout cost – the costs incurred by the Group to possess and sell the collateral, including any legal and agent fees.

Where the facilities are part of one of the various SME Government Guarantee Schemes, the Group will consider potential recoveries when determining expected credit losses.

Exposure at Default

The Group considers the exposure profile of the customer at point of default and considers changes in the exposure after the reporting date, including repayment of principal and interest, and expected drawdown on committed facilities.

Definition of default

A default on a financial asset is when the customer is:

- considered unlikely to pay their credit obligations in full without recourse actions such as realising security; and/or
- at least 90 days past due on their credit obligations.

Impaired status

A customer is classified as impaired status when there is objective evidence of impairment following the customer defaulting on their contractual obligations. Under these circumstances, the expected credit loss provision is assessed on an individual exposure basis and is measured by taking into account the customer's realisable collateral value, the likely cost and time to work out, and any shared loss arrangements (e.g. SME Government Guarantee Schemes) as compared to the outstanding principal. The expected credit loss provision for the customer is recognised on lifetime expected credit losses.

The Group's policy is for financial assets to be written off when there is no reasonable expectation of recovery. Where loans or receivables are written off, the Group engages in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in Profit or Loss.

Incorporation of forward-looking information and macroeconomic scenarios

In addition to considering historical experience based on a 'through-the-cycle' view of expected credit losses, the Group incorporates forward-looking information and multiple economic scenarios to determine expected credit loss. Within the Group's credit risk management processes, this is referred to as determining the 'point-in-time' view of expected credit losses. Three macroeconomic scenarios, representing base case, upside, and downside scenarios are considered for this purpose. An assessment is then performed on how the through-the-cycle PD and LGD would be expected to behave in each scenario, at a portfolio exposure-weighted level.

During the current financial year, the Group adopted a third-party PD macroeconomic model which is housed within the Credit Risk Engine. The model uses a combination of data inputs including through-the-cycle modelled PD, macroeconomic scenarios (supported by views provided by the Group's Chief Economic Advisor), as well as other external data inputs including historical default rates. Weightings are determined for each macroeconomic scenario, which in turn is applied to the portfolio using a mathematical transformation in order to derive an unbiased and probability-weighted estimate of expected losses.

The Group oversees the validation and testing of the model via the Credit Provision Model Governance Forum comprising a group of subject matter experts in credit, finance, financial modelling and economics. Processes have been established to enable the forum to monitor and further calibrate the modelled outcomes against actual experience in future reporting periods.

Assessment and calibration of the through-the-cycle modelled PD to a point-in-time PD required the use of expert judgement in previous years prior to adopting the third-party PD macroeconomic model described above. The Group's approach for deriving a point-in-time LGD remains unchanged and is consistent with prior years, where the through-the-cycle modelled LGD is adjusted to consider the Group's judgement on forward-looking macroeconomic conditions.

Oversight and governance on the modelled provision for credit impairment outcomes are performed by the Expected Credit Loss Governance Forum which includes a panel of subject matter experts, including the Chief Risk Officer and Chief Financial Officer.

Forward-looking macroeconomic scenarios

In determining the macroeconomic scenarios to be used in the probability-weighted average, assumptions are made in relation to key macroeconomic inputs that include: GDP growth rates, unemployment rates and inflation. The base case Australian macroeconomic assumptions used to measure the provision for credit impairment are as follows:

Base case Australian macroeconomic inputs	June 2025 Forecast	June 2026 Forecast
GDP growth rate (annual)	2.0%	2.0%
Unemployment rate	4.5%	4.5%
Consumer price index (annual)	2.7%	3.4%

During the period, the probability weighting for the Group's macroeconomic base case scenario increased by 5% compared to 30 June 2023, with a corresponding reduction in the upside scenario, reflecting an adjustment to the Group's forward-looking macroeconomic assumptions and resulting in an increase to the total collective provision.

Probability weightings	June 2024	June 2023
Base case	55%	50%
Upside	15%	20%
Downside	30%	30%

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

- Base case – The economy achieves a soft landing. Economic growth recovers through FY25 with real GDP reaching 2.0%. Employment levels grow, however the unemployment rate rises as a result of net migration outpacing jobs growth. Government stimulus and growth in real incomes drives demand levels such that the RBA raises the cash rate in FY25. Inflation falls in FY25, returning to the RBA's inflation target of between 2 and 3%.
- Upside – Near term, softness in domestic demand and GDP allows the RBA to reduce the cash rate to 3%, which drives a strong, sustainable pick-up in demand and GDP over the medium to longer term. Some financial distress across households and business emerges over the near term but is marginal. Most private sector balance sheets remain in good health.
- Downside – An economy that deteriorates significantly more than the upside and base case scenarios. Household spending and business activity deteriorates sharply in FY25, leading to businesses pulling back on both investment and hiring, which in turn leads to a technical recession over the first two quarters of FY25, and a sharp rise in the unemployment rate (reaching over 6%). A sharp decline in inflation pressures follows through FY25, leading to the RBA initiating a gradual rate-cutting cycle that reaches a trough of 2.5% in 2026.

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

Collective coverage	Weighted average	100% base case	100% downside
Collective provision	$108.8m	$97.2m	$145.4m
Collective provision/GLA (%)	1.02%	0.91%	1.36%

(a) Measurement and calculation of provision for credit impairment

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

	2024 $M	2023 $M
Increase in collective provision for credit impairment	22.3	37.2
Increase in specific provision for credit impairment	47.8	17.4
Credit impairment expense	**70.1**	**54.6**

The following table provides a reconciliation from the opening balance to the closing balance of the provision for credit impairment for loans and advances:

	Stage 1 collectively assessed $M	Stage 2 collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Balance at 1 July 2022	**27.2**	**22.1**	**4.2**	**1.7**	**55.2**
Net transfer between stages	1.4	(2.0)	(0.3)	0.9	–
Net remeasurement of provision	(4.5)	12.8	13.0	15.7	37.0
Increase in provision for new loans and advances	23.0	4.1	3.4	1.1	31.6
Write-back of provisions no longer required	(6.4)	(8.7)	(0.6)	(0.3)	(16.0)
Amounts written off, previously provided for	–	–	–	(0.3)	(0.3)
Balance at 30 June 2023	**40.7**	**28.3**	**19.7**	**18.8**	**107.5**
Net transfer between stages	0.6	(1.9)	(11.0)	12.3	–
Net remeasurement of provision	(4.3)	14.9	12.8	35.4	58.8
Increase in provision for new loans and advances	23.2	4.4	4.1	1.6	33.3
Write-back of provisions no longer required	(8.8)	(6.4)	(3.3)	(1.1)	(19.6)
Amounts written off, previously provided for	–	–	–	(30.9)	(30.9)
Balance at 30 June 2024	**51.4**	**39.3**	**22.3**	**36.1**	**149.1**

- **Net transfer between stages:** changes due to loans and advances recognised in the opening balance that have transferred between Stage 1, Stage 2 and Stage 3. Excludes the impact of re-measurements for stage transfers;
- **Net remeasurement of provision:** net movements in provisions for impairment recognised in the opening balance reflecting remeasurement as a result of transfers of loans and advances between stages, as well as changes in credit risk parameters, management overlays or other assumptions;
- **Increase in provision for new loans and advances:** movements in provisions for impairment due to new loans and advances originated during the period, reflecting their impairment provision at the end of the period;
- **Write-back of provisions no longer required:** derecognition of provisions for impairment on loans and advances that have matured and been repaid; and
- **Amounts written off, previously provided for:** derecognition of provisions for impairment on loans and advances that have been deemed unrecoverable and written off.

Management overlays

Management overlays are applied where model risk and other external factors emerging at an industry, geographic or segment level cannot be appropriately captured through ECL models. Management overlays are incorporated in the overall level of collective provisions held.

The Group continues to carry an economic overlay, reflective of heightened economic uncertainty, interest rate and inflationary pressures, and expected asset quality deterioration related to specific industries expected to be more adversely impacted from reduced retail discretionary consumer spending, staff shortages and higher input and energy costs.

Industries captured by the economic overlay include accommodation and food services, retail trade, manufacturing and construction, which includes services provided to construction. The Group has adopted an internal stress testing scenario and expert judgement for the identified vulnerable industries, in order to inform the measurement of the management overlay taken.

Total overlays, including the economic overlay, incorporated in the collective provision as at 30 June 2024 are $4.2m (30 June 2023: $5.0m).

12. Deposits

	2024 $M	2023 $M
Customer term deposits	5,653.5	3,930.1
Wholesale term deposits	2,573.1	2,024.3
	8,226.6	**5,954.4**

	2024 $M	2023 $M
Deposits by state		
New South Wales	3,136.3	2,429.2
Victoria	2,158.4	1,480.9
Queensland	1,304.8	926.0
Western Australia	844.8	549.9
South Australia	424.4	321.0
Australian Capital Territory	181.7	112.9
Tasmania	139.9	115.1
Northern Territory	36.3	19.4
Total deposits	**8,226.6**	**5,954.4**

13. Borrowings

	2024 $M	2023 $M
Secured		
Securitisation	2,262.3	866.5
Repurchase agreements – TFF	–	2,831.3
Repurchase agreements – other	–	169.6
	2,262.3	**3,867.4**
Unsecured		
Negotiable certificates of deposit	486.6	327.0
Senior unsecured debt	199.7	199.4
Additional Tier 1 Capital notes	71.9	–
Subordinated Tier 2 Capital notes	114.3	113.6
	872.5	**640.0**
Total borrowings	**3,134.8**	**4,507.4**

Borrowings

(a) Secured loan facilities

The secured loan facilities represent borrowings under the Group's warehouse securitisation program and repurchase agreements, comprising those with corporate counterparties and those under the TFF (fully repaid by 30 June 2024).

Securitisation

The Group's warehouse securitisation program is facilitated through several securitisation trusts. Facility limits are in place for each trust agreed with the relevant financier, with the borrowings in each trust secured by individual receivables owned by the trust (which comprises Judo Bank Pty Ltd originated loans and advances). Since these loans have been securitised but retained by the Group, the assets remain on the Balance Sheet. Borrowings are to be repaid in accordance with the trust agreement, calculated by the trustee using the cash flow waterfall calculation specific to each trust.

In addition, the Group issued its inaugural capital-relief securitisation transaction, secured by Judo Bank Pty Ltd originated loans and advances owned by the securitisation trust. Proceeds from the issuance totalled $500m, priced at a blended margin of 273 basis points over the 1 month BBSW on inception. The transaction qualifies for regulatory capital relief and is accretive to the Group's CET1 ratio. Consistent with warehouse securitisation, the loans securitised have been retained by the Group, and as such the assets remain on the Balance Sheet.

The Group's total committed capacity of debt warehouse facilities as at 30 June 2024 is $2,730m (2023: $2,500m).

(b) Unsecured loan facilities

Additional Tier 1 Capital notes

During the year, the Group issued perpetual, subordinated and unsecured capital notes that qualify as Additional Tier 1 Capital totalling $75m, priced at 650 basis points over the 3 month BBSW. The capital notes pay discretionary, non-cumulative, floating rate distributions on a quarterly basis (subject to no payment condition and the Group's absolute discretion).

The Group may elect to convert, redeem or resell all or some capital notes that are outstanding on specified dates[1], or on the occurrence of a tax event or regulatory event as specified in the capital notes prospectus. The capital notes will convert into a variable number of Ordinary Shares on 16 November 2031, provided the mandatory conversion conditions are met on that date, as specified in the prospectus. 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.

The capital notes are accounted for in accordance with the accounting policy as specific in Note 1.

Subordinated Tier 2 Capital notes

The Group has issued floating rate subordinated notes to support the Group's capital management. The notes constitute direct and unsecured subordinated obligations of the Group. These notes constitute Tier 2 Capital of the Group as defined by the Australian Prudential Regulation Authority (APRA).

Other unsecured borrowings

The Group also issues two additional unsecured funding sources, being medium-term senior unsecured bonds and Negotiable Certificates of Deposit (NCDs). NCDs are eligible to be traded and used under repurchase agreement with the RBA following the Group's achievement of an investment grade credit rating.

The Group has issued two senior unsecured bonds, one being a three-year fixed rate note priced at 265 basis points over the three-year swap rate, which matures on 25 September 2025. Proceeds from the initial bond issuance totalled $175m. An additional $25m follow on issuance of floating rate senior unsecured bonds was also issued, priced at 245 basis points over the 90 day BBSW, maturing on 4 April 2025.

1. The scheduled optional conversion, redemption or resale dates are 16 February 2029, 16 May 2029, 16 August 2029 and 16 November 2029.

14. Derivatives

The Group utilises derivative financial instruments in managing its exposure to risk. At inception of all hedge relationships, the Group documents the relationship between the hedging instrument and hedged item, the risk being hedged, the Group's risk management objective and strategy, and how effectiveness will be measured throughout the hedge relationship.

Trading derivatives are not in a qualifying hedging relationship, and as such are measured at fair value through the profit or loss. The Group has not held any instruments treated as trading derivatives for the financial year ended 30 June 2024 (2023: nil).

(a) Derivative assets and liabilities

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

			2024		2023	
			Fair value $M	Notional value $M	Fair value $M	Notional value $M
Derivative assets	**Hedging instrument**	**Risk**				
Cash flow hedges	Interest rate swaps	Interest rate	2.7	1,261.9	10.0	335.1
Derivative liabilities	**Hedging instrument**	**Risk**				
Cash flow hedges	Interest rate swaps	Interest rate	(3.8)	5,844.7	(9.7)	5,473.6

The fair values disclosed above are presented net of any collateral pledged on the derivative liabilities, or received on derivative assets. As at 30 June 2024, a total of $5.7m in collateral had been pledged (2023: $15.4m), whilst a total of $8.0m had been received (2023: $4.8m).

The weighted average fixed interest rate of interest rate swaps hedging interest rate risk as at 30 June 2024 was 4.07% (2023: 3.46%).

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

	2024				2023			
	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M
Notional amount								
Notional amount	5,197.8	1,908.8	–	7,106.6	5,330.0	478.7	–	5,808.7
Fair value								
Fair value	(2.8)	1.7	–	(1.1)	(9.7)	10.0	–	0.3

(b) Risk management strategy for hedge accounting

The Group manages interest rate risk exposure across financial instruments including term deposits, Class A warehouse notes and the TFF, as well as share capital via interest rate derivatives. The interest rate risk arises due to the mismatch of repricing on the variable lending book against repricing of the Group's liabilities and the investment term of capital, which can lead to volatility in the Group's earnings for recognition of net interest income.

Interest rate derivatives are executed and designated into a qualifying cash flow hedge relationship on inception. The gross exposures are allocated to time buckets based on expected repricing dates for each financial instrument, of which interest rate derivatives are then allocated against to hedge changes to future expected cash flows. The applicable benchmark interest rate that the Group is exposed to across the time period (1-month BBSW) is hedged as this represents the largest component of changes in future expected cash flows.

(c) Hedged items

The balance of the cash flow hedge reserve, which represents the effective portion of the movements in the hedging instrument, is presented in Note 18(b). The movements in hedging instruments recognised in other comprehensive income are reported in the Group's Statement of Profit or Loss and Other Comprehensive Income.

The following table shows the carrying amount of hedged items that are in hedged relationships, and the fair value of the hedging instruments in the hedging relationship. The Group does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amount disclosed in other notes.

	2024		2023	
	Carrying amount $M	**Fair value of hedging instruments $M**	**Carrying amount $M**	**Fair value of hedging instruments $M**
Borrowings				
Debt warehouse – variable rate	351.6	1.0	165.7	9.7
Loans and advances[1]				
Loans and advances – variable rate	6,755.0	(2.1)	5,643.0	(9.4)
	7,106.6	**(1.1)**	**5,808.7**	**0.3**

(d) Hedge ineffectiveness

The Group has designated all derivative instruments held into a highly effective hedging relationship against the hedged items as outlined above. Hedge ineffectiveness may arise where the changes in variable cash flows arising from the derivative instruments significantly differ from the changes in cash flows arising from the hedged items. Potential sources of ineffectiveness mainly relate to differences in the repricing on the variable lending book, which is based off a 5-day average reference rate against the derivative instruments which reprice on a 1-day reference rate. No hedging ineffectiveness has been recognised in the Profit or Loss for the year ended 30 June 2024 (2023: nil).

15. Financial risk management

The Group is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

- Interest rate risk;
- Credit risk; and
- Liquidity risk.

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

(a) Interest rate risk

The Group is exposed to interest rate risk in relation to its cash and cash equivalents, lending assets, investments in bonds, notes and securities, deposits and borrowings. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group manages its interest rate risk by maintaining a mix of variable rate and fixed rate borrowings, as well as the use of cash flow hedging instruments.

Although the Group does not operate a securities trading book, the business is exposed to interest rate risk due to a gap in the repricing dates for assets (predominantly loans and liquid assets held to satisfy regulatory liquidity holding requirements) and liabilities (predominantly customer deposits and debt with governments and other financial institutions). Across the financial year, the Group maintained a net asset interest rate exposed position where the balance of interest rate-sensitive assets exceeded the balance of interest rate-sensitive liabilities.

The Group's policy is to manage interest rate risk in the banking book which is set at a level reflective of the Group's current size and complexity.

1. Loans and advances are held at amortised cost and do not include fair value adjustments.

Sensitivity

The figures in the following table represent the potential changes to the Group's after tax profits due to changes in interest rates to which the Group's Balance Sheet is exposed.

	2024 $M	2023 $M
Increase of 100 basis points		
Impact on profit after tax	6.8	13.9
Impact on equity	6.8	13.9
Decrease of 100 basis points		
Impact on profit after tax	(6.8)	(14.8)
Impact on equity	(6.8)	(14.8)

(b) Credit risk

Credit risk is the risk of loss arising from a customer or counterparty failing to meet their obligations in accordance with the agreed terms of credit. The Group actively seeks credit risk to generate net interest income within the constraints of acceptable risk and appropriate return in accordance with the Group's Risk Appetite Statement and Credit Policy.

The Group takes a responsible approach to the origination of credit risk for customers and considers their character, capacity to repay, capital, and collateral. The Group only takes credit risks that are transparent, well understood and appropriately assessed. In originating loans, the Group's Relationship Bankers and credit executives apply expert judgement to consider the expected outlook for borrowers, noting that changes in inflation and rising interest rates have resulted in a dynamic operating environment where historical financials have been less valuable to predicting future performance. The Group seeks to diversify the lending portfolio to minimise customer and portfolio concentration risks. To achieve this, it records, regularly monitors, understands, and manages credit risks, including regular engagement with customers to understand their current circumstances and potential for their circumstances to change. Additionally, it considers the sustainability of the customer's business model, including expected climate-related impacts and is continuing to develop more quantitative techniques. Credit risk is also evaluated on exposures held for commitments, guarantees, and liquidity and hedging purposes.

Adherence to these credit risk principles supported by our Credit Risk Management Framework, lending guidelines and a delegated lending authority framework supports continued growth in the loan portfolio. Key metrics such as probability of default, loss given default and exposure at default are used to measure and determine whether the Group's credit risk is within appetite. Due to the Group's limited loss experience, the application of these metrics for credit assessment and calculation of expected credit losses utilises a combination of primary, Group-specific data and external information, such as third-party loss data and peer benchmarking.

For credit risk management purposes, the Group applies an internal credit rating grade to assess credit risk and assist in calculating expecting credit losses. Each grade has been assigned an associated probability of default derived using external default data given the Group's limited time of operation and loss experience.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date includes recognised financial assets, including loans and advances and treasury investments, and is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position and notes to financial statements. Off-balance sheet credit risk exposures include customer funding commitments comprising expected future loan commitments, undrawn credit facilities and bank guarantees.

The table below demonstrates the Group's maximum exposure to credit risk for on-balance sheet and off-balance sheet positions:

	2024 $M	2023 $M
Financial assets		
Cash and cash equivalents	777.4	714.7
Investments	1,607.3	2,425.7
Loans and advances	10,619.3	8,852.4
Derivative assets	2.7	10.0
Other assets	189.9	148.9
Total balance sheet exposures	**13,196.6**	**12,151.7**
Customer funding commitments	711.3	530.8
Other	135.9	89.3
Total exposures	**14,043.8**	**12,771.8**

The Group holds collateral against loans and advances to customers in the form of mortgagee interest over real property, other registered securities over assets and guarantees. To mitigate credit risk, the Group can take possession of the collateral held against the loans and advances as a result of customer default.

The Group does not have any large lending exposure, defined as greater than 10% of Tier 1 capital, to any single counterparty or group of connected counterparties under financial instruments entered into by the Group.

Measuring expected credit losses

For financial assets, which include loans and advances, guarantees and future commitments, the approach to measuring expected credit losses is overseen by a group of subject matter experts in customer, credit, modelling and economics (Credit Provision Model Governance Forum) is detailed in Note 11.

Exposure to credit risk

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

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

	Stage 1		Stage 2		Stage 3	
30 June 2024	**Carrying amount $M**	**Impairment provision $M**	**Carrying amount $M**	**Impairment provision $M**	**Carrying amount $M**	**Impairment provision $M**
Internal credit rating						
Investment	557.0	0.3	17.9	0.2	–	–
Speculative	8,295.0	51.1	1,540.5	39.0	56.0	4.6
Default	–	–	0.4	0.1	244.6	53.8
	8,852.0	**51.4**	**1,558.8**	**39.3**	**300.6**	**58.4**
30 June 2023						
Internal credit rating						
Investment	544.5	0.3	22.1	0.1	–	–
Speculative	7,139.0	40.4	1,068.2	28.2	18.0	3.9
Default	–	–	–	–	116.0	34.6
	7,683.5	**40.7**	**1,090.3**	**28.3**	**134.0**	**38.5**

Gross carrying amount at default includes loans and advances outstanding at balance date as disclosed in Note 10. The Group's maximum credit risk exposure also includes expected future loan commitments and undrawn credit facilities that are held off-balance sheet.

Climate-related risk encompasses the physical and transitional impact of climate change on the Group. This includes the impact of extreme weather events and the prolonged effects of enduring climate change on our customers, their ability to service their debts and valuations supporting collateral held as security against the loan. The Group has identified and addressed these risks in the Risk Management Framework, Risk Appetite Statement and ESG Credit Risk Guidance at the point of facility origination. As such, the impact of climate-related risk on credit risk and provision for impairment has been considered at origination and is subject to monitoring in the ordinary course of the Group's credit risk framework.

Collateral held against loans and advances

The following disclosure provides the proportion of total credit risk exposure of the Group falling within each classification of collateral held:

	2024 $M	2024 %	2023 $M	2023 %
Maximum exposure	11,552	100.0	9,656	100.0
Collateral classification:				
Fully secured	6,196	53.6	5,479	56.8
Partially secured	3,713	32.2	2,755	28.5
Balance sheet security	1,643	14.2	1,422	14.7

Collateral classification	Description
Fully secured	Fully secured by term deposit, guarantee, real property or balance sheet assets.
Partially secured	Partially secured by term deposit, guarantee, real property or balance sheet assets.
Balance sheet security	Partially secured by term deposit, guarantee, real property or balance sheet assets, where debt limits are higher. The Group takes a position on the sustainable cash flows of the borrowing group supported by security, which typically includes directors' guarantees, general security agreements and/or specific security agreement.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

(i) Maturities of financial instruments

The tables below analyse the Group's financial instruments into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities; and

(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows, allocated to time bands based on the earliest date on which the Group may be required to pay. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial instruments at 30 June 2024	Less than 6 months $M	6 – 12 months $M	Between 1 and 5 years $M	Over 5 years $M	Total contractual cash flows $M	Carrying amount assets/ (liabilities) $M
Non-derivatives						
Cash and cash equivalents	777.4	–	–	–	777.4	777.4
Investments	622.5	158.3	752.5	74.3	1,607.6	1,607.3
Loans and advances	1,204.2	941.2	5,480.0	3,086.0	10,711.4	10,619.3
Other assets	50.6	1.1	9.0	1.4	62.1	62.1
Deposits	(4,922.7)	(1,707.6)	(1,567.6)	(29.7)	(8,227.6)	(8,226.6)
Borrowings – TFF	–	–	–	–	–	–
Borrowings – Other	(741.4)	(224.2)	(1,384.4)	(793.0)	(3,143.0)	(3,134.8)
Other liabilities	(174.0)	(1.2)	(10.6)	(1.9)	(187.7)	(185.2)
Total non-derivatives	**(3,183.4)**	**(832.4)**	**3,278.9**	**2,337.1**	**1,600.2**	**1,519.5**
Derivatives						
Interest rate swaps	(0.1)	(2.7)	1.7	–	(1.1)	(1.1)
Total derivatives	**(0.1)**	**(2.7)**	**1.7**	**–**	**(1.1)**	**(1.1)**
30 June 2023						
Non-derivatives						
Cash and cash equivalents	714.7	–	–	–	714.7	714.7
Investments	522.2	1,088.3	812.6	5.0	2,428.1	2,425.7
Loans and advances	816.2	545.0	4,874.1	2,672.5	8,907.8	8,852.4
Other assets	29.1	1.1	6.4	2.3	38.9	38.9
Deposits	(3,619.6)	(1,449.8)	(885.1)	(0.8)	(5,955.3)	(5,954.4)
Borrowings – TFF	(225.3)	(2,477.4)	(129.0)	–	(2,831.7)	(2,831.3)
Borrowings – Other	(613.8)	(53.5)	(671.3)	(340.3)	(1,678.9)	(1,676.1)
Other liabilities	(106.2)	(1.2)	(7.1)	(2.9)	(117.4)	(115.3)
Total non-derivatives	**(2,482.7)**	**(2,347.5)**	**4,000.6**	**2,335.8**	**1,506.2**	**1,454.6**
Derivatives						
Interest rate swaps	(2.1)	(7.6)	10.0	–	0.3	0.3
Total derivatives	**(2.1)**	**(7.6)**	**10.0**	**–**	**0.3**	**0.3**

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

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

To provide short term liquidity, the Group issues NCDs and has access to repurchase agreements with other domestic and international banks. Additionally, the Group has committed warehouse securitisation facilities which can be utilised to generate funding.

16. Fair value measurements

(a) Fair value of financial instruments carried at amortised cost

The financial instruments detailed below are carried at amortised cost, which is the value at which the Group expects the instruments to be realised. The table below details the respective fair values of each financial instrument at period end:

	30 June 2024		30 June 2023	
	Carrying amount $M	Fair value $M	Carrying amount $M	Fair value $M
Financial assets				
Cash and cash equivalents	777.4	777.4	714.7	714.7
Investments	1,245.4	1,216.2	2,425.7	2,374.7
Loans and advances	10,619.3	10,584.0	8,852.4	8,804.6
	12,642.1	**12,577.6**	**11,992.8**	**11,894.0**
Financial liabilities				
Deposits	(8,226.6)	(8,209.9)	(5,954.4)	(5,919.1)
Borrowings	(3,134.8)	(3,134.8)	(4,507.4)	(4,507.4)
	(11,361.4)	**(11,344.7)**	**(10,461.8)**	**(10,426.5)**

(b) Fair value hierarchy

To provide an indication of the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. Each level is explained below.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Financial assets and liabilities carried at fair value

The table below details financial instruments carried at fair value, by classification per the Statement of Financial Position and hierarchy level:

At 30 June 2024	Notes	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets					
Investments	9	–	361.9	–	361.9
Derivatives – interest rate swaps	14	–	2.7	–	2.7
Total financial assets		**–**	**364.6**	**–**	**364.6**
Financial liabilities					
Derivatives – interest rate swaps	14	–	(3.8)	–	(3.8)
Total financial liabilities		**–**	**(3.8)**	**–**	**(3.8)**

At 30 June 2023	Notes	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets					
Investments	9	–	–	–	–
Derivatives – interest rate swaps	14	–	10.0	–	10.0
Total financial assets		**–**	**10.0**	**–**	**10.0**
Financial liabilities					
Derivatives – interest rate swaps	14	–	(9.7)	–	(9.7)
Total financial liabilities		**–**	**(9.7)**	**–**	**(9.7)**

There were no transfers between levels for recurring fair value measurements during the year.

The Group's policy is to recognise any transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Financial assets and liabilities carried at amortised cost

The table below details the fair value of financial instruments carried at amortised cost, by classification per the Statement of Financial Position and hierarchy level:

At 30 June 2024	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets				
Cash and cash equivalents	–	777.4	–	777.4
Investments	–	1,216.2	–	1,216.2
Loans and advances	–	–	10,584.0	10,584.0
Total financial assets	**–**	**1,993.6**	**10,584.0**	**12,577.6**
Financial liabilities				
Deposits	–	–	(8,209.9)	(8,209.9)
Borrowings	–	–	(3,134.8)	(3,134.8)
Total financial liabilities	**–**	**–**	**(11,344.7)**	**(11,344.7)**
At 30 June 2023				
Financial assets				
Cash and cash equivalents	–	714.7	–	714.7
Investments	–	2,374.7	–	2,374.7
Loans and advances	–	–	8,804.6	8,804.6
Total financial assets	**–**	**3,089.4**	**8,804.6**	**11,894.0**
Financial liabilities				
Deposits	–	–	(5,919.1)	(5,919.1)
Borrowings	–	–	(4,507.4)	(4,507.4)
Total financial liabilities	**–**	**–**	**(10,426.5)**	**(10,426.5)**

(c) Valuation techniques used to determine fair value

Valuation techniques used to value financial instruments carried at fair value include:

- for investments – the fair values are based on quoted closing market prices at balance date; and
- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves.

Valuation techniques used to value financial instruments carried at amortised cost include:

- for cash and cash equivalents – the carrying value is considered a reasonable approximation of fair value, as they are short-term in nature and receivable on demand;
- for investments – the fair values are based on quoted closing market prices at balance date;
- for loans and advances – the carrying value net of provisions for impairment and capitalised transaction costs for loans and advances that are priced based on a variable rate, with no contractual repricing tenor, is considered a reasonable approximation of fair value. For loans and advances that are priced based on a fixed rate, the use of a discounted cash flow analysis is adopted;
- for deposits – the carrying value net of capitalised transaction costs for deposits is considered a reasonable approximation of fair value, except where the use of discounted cash flow analysis is adopted; and
- for borrowings – the carrying value net of capitalised transaction costs for borrowings that are priced based on a variable rate, with no contractual repricing tenor, is considered a reasonable approximation of fair value. The carrying value of borrowings related to the TFF is considered to approximate fair value due to the unique features of the facility, and unavailability of an appropriate comparable discount rate.

CAPITAL MANAGEMENT

17. Share capital

(a) Share capital

	2024 Shares	2024 $M	2023 Shares	2023 $M
Issued capital				
Ordinary Shares paid in full	1,109,300,833	1,537.9	1,105,519,872	1,534.1
Equity raising costs	–	(15.8)	–	(15.8)
Total share capital	**1,109,300,833**	**1,522.1**	**1,105,519,872**	**1,518.3**

(i) Ordinary Shares

	2024		2023	
	Number of shares (millions)	Total $M	Number of shares (millions)	Total $M
Balance at beginning of year	1,105.5	1,534.1	1,105.5	1,534.1
Employee share scheme issues	3.8	3.8	–	–
Balance at end of year	**1,109.3**	**1,537.9**	**1,105.5**	**1,534.1**

Nature of issued capital

The Company has one class of capital on issue as at year end:

- Ordinary Shares – which have been issued to third party investors and which qualify for treatment as Common Equity Tier 1 regulatory capital under Prudential Standard APS 111 Capital Adequacy: Measurement of Capital (CET1). Ordinary Shares are fully paid and entitle the holder to one vote at a shareholder meeting and to participate in dividends.

Dividends paid

All dividends paid in respect of Ordinary Shares are paid at the absolute discretion of the Directors of the Company.

During the 2024 financial year, no dividends were paid (2023: nil).

Capital adequacy

The Group maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors, and provide an adequate return to its shareholders. The Group's shareholders equity includes issued Ordinary Shares, retained earnings and reserves.

Regulatory capital is divided into Common Equity Tier 1 (CET1), Additional Tier 1 Capital and Tier 2 Capital. CET1 primarily consists of shareholder's equity, less deferred tax assets, costs incurred on internally generated software and other prescribed adjustments. Additional Tier 1 Capital is high quality capital providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors and provided for fully discretionary capital distributions. Tier 1 Capital is the aggregate of CET1 and Additional Tier 1 Capital. Tier 2 Capital is hybrid and debt instruments that fall short of necessary conditions to qualify as Additional Tier 1 to APRA. Total Capital is the aggregate of Tier 1 and Tier 2 Capital.

Capital adequacy is measured by means of risk-based capital ratios. The capital ratios reflect capital (CET1, Additional Tier 1, Tier 2 and Total Capital) as a percentage of total Risk Weighted Assets (RWA). RWA represents an allocation of risks associated with the Group's assets and other related exposures. The Group's capital position is monitored on a continuous basis and reported monthly to the Executive Committee, Asset and Liability Committee and the Board.

The Group's capital ratios throughout the year were in compliance with both APRA minimum capital adequacy requirements and the Board approved minimums. The Group is required to inform APRA immediately of any breach or potential breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken.

Capital management

The Group's capital management strategy is focused on adequacy, efficiency and flexibility.

- The capital adequacy objective seeks to ensure sufficient capital is held in excess of internal risk based required capital assessments and regulatory requirements and is within the Group's Balance Sheet risk appetite.
- The efficiency objective seeks to ensure capital is deployed as efficiently as possible and surplus is kept to a minimum.
- The flexibility objective ensures the Group is able to adapt the capital structure to the environment the Group is operating in, including in response to changing RWA profiles and prudential capital ratio requirements.

Loan capital

As at 30 June 2024, the Group has issued $75m in Additional Tier 1 Capital securities in the form of subordinated capital notes. These securities qualify as Additional Tier 1 Capital of the Group under the Basel III requirements as implemented by APRA.

In addition, the Group had issued $115m in Tier 2 Capital securities issued in the form of subordinated notes. These securities qualify as Tier 2 Capital of the Group under the Basel III requirements as implemented by APRA.

18. Retained earnings and reserves

(a) Retained earnings

	2024 $M	2023 $M
Accumulated losses at beginning of period	(7.9)	(81.3)
Net profit	69.9	73.4
	62.0	**(7.9)**

(b) Reserves

	2024 $M	2023 $M
Cash flow hedges	(0.1)	(7.2)
FVOCI reserve	0.3	–
Share-based payments	(19.0)	(26.1)
	(18.8)	**(33.3)**

Cash flow hedge reserve

The cash flow hedge reserve comprises gains or losses arising from the change in fair value of the effective portion of designated cash flow hedging instruments, net of tax. All cumulative movements over the life of the hedging instrument will net to nil upon maturity.

The unrealised gain on revaluation of cash flow hedges recognised through other comprehensive income for the 2024 financial year was $7.1m (2023: $11.5m loss). See the table below for a reconciliation of reserve movements:

	2024 $M	2023 $M
Balance at beginning of the year	(7.2)	4.3
Net hedging gains/(losses) recognised through other comprehensive income	10.1	(16.4)
Tax effect on hedging recognised through other comprehensive income	(3.0)	4.9
Balance at end of the year	**(0.1)**	**(7.2)**

FVOCI reserve

The FVOCI reserve comprises gains or losses arising from the change in fair value of investments that are measured at fair value through other comprehensive income, net of tax. The cumulative amount recognised in the reserve is transferred to Profit or Loss when the related asset is derecognised.

Share-based payments reserve

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

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

OTHER ASSETS AND LIABILITIES

19. Property, plant and equipment

	Furniture, fittings and equipment $M	Leasehold improvements $M	Total $M
At 1 July 2022			
Cost	1.0	3.9	4.9
Accumulated depreciation	(0.4)	(1.9)	(2.3)
Net book value	0.6	2.0	2.6
Year ended 30 June 2023			
Additions	0.1	6.6	6.7
Depreciation charge	(0.5)	(1.0)	(1.5)
Closing net book value	0.2	7.6	7.8
At 30 June 2023			
Cost	0.4	9.1	9.5
Accumulated depreciation	(0.2)	(1.5)	(1.7)
Net book value	0.2	7.6	7.8
Year ended 30 June 2024			
Additions	0.1	2.3	2.4
Depreciation charge	(0.1)	(1.5)	(1.6)
Closing net book value	0.2	8.4	8.6
At 30 June 2024			
Cost	0.5	11.4	11.9
Accumulated depreciation	(0.3)	(3.0)	(3.3)
Net book value	0.2	8.4	8.6

20. Intangible assets

Internally generated software	Work in progress $M	In use $M	Total $M
At 1 July 2022			
Cost	10.4	19.7	30.1
Accumulated amortisation	–	(6.3)	(6.3)
Net book amount	10.4	13.4	23.8
Year ended 30 June 2023			
Additions	20.7	–	20.7
Transfer to In Use	(16.6)	16.6	–
Amortisation charge	–	(4.7)	(4.7)
Impairment	(1.5)	–	(1.5)
Closing book amount	13.0	25.3	38.3
At 30 June 2023			
Cost	13.0	34.3	47.3
Accumulated amortisation	–	(9.0)	(9.0)
Net book amount	13.0	25.3	38.3
Year ended 30 June 2024			
Additions	22.9	–	22.9
Transfer to In Use	(13.8)	13.8	–
Amortisation charge	–	(12.1)	(12.1)
Impairment	(0.8)	–	(0.8)
Closing book amount	21.3	27.0	48.3
At 30 June 2024			
Cost	21.3	38.3	59.6
Accumulated amortisation	–	(11.3)	(11.3)
Net book amount	21.3	27.0	48.3

Internally generated software includes costs incurred in the development of software that supports the Group's core banking and treasury operations, customer experience, data and risk management processes. Configuration and customisation costs incurred under a SaaS arrangement are capitalised where control of the underlying software is established in accordance with AASB 138 *Intangible Assets*. Where control cannot be established, costs are either recognised as a prepaid service and amortised over the life of the contract, or expensed directly to the Profit or Loss.

Impairment assessment of intangible assets

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

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

During the year, the Group determined that the implementation of a work in progress asset development would no longer proceed, and it was not sufficiently probable that any future economic benefits would be derived by the Group as a result of the existing development. On this basis, a $0.8m impairment charge was recognised directly through the Profit or Loss.

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

The Group's five-year forecast approved by management has been utilised to determine the cash flow projections, which is based on past experience and management's expectations of future conditions. A discount rate of 12.4% reflects the market determined, risk-adjusted, post-tax discount rate derived from publicly available data associated with Australian businesses displaying similar characteristics, and has been used to discount estimated future cash flows to their present value. A price-to-earnings multiple of 10x has been adopted to calculate terminal value, representing the present value of cash flows beyond the forecast period. Costs of disposal have been estimated at 2.0% of the fair value of the CGU, based on management's historical market experience.

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

The FVLCOD estimates are sensitive to assumptions about cash flow projections, post-tax discount rates and terminal value price-to-earnings multiples. As at 30 June 2024, a reasonable possible change in the terminal value price-to-earnings multiple to 8x, when moving in isolation while other assumptions are held constant, would result in an indication of impairment and erode headroom to nil.

21. Other assets

	2024 $M	2023 $M
Accrued interest receivable	20.5	16.0
Prepayments – SaaS licensing and development	23.8	7.3
Prepayments – Other	2.9	3.4
Other receivables	2.1	1.3
Right-of-use assets	12.8	10.9
	62.1	**38.9**

22. Provisions

	2024 $M	2023 $M
Employee entitlements	22.8	19.5
Make good provision	1.6	1.4
Trail commission	54.4	47.4
Other provisions	2.1	1.0
	80.9	**69.3**
Current	39.3	33.3
Non-current	41.6	36.0

(a) Movements in provisions

	2024 $M	2023 $M
Make good		
Opening balance	1.4	–
Additional provision recognised	0.4	1.8
Amounts utilised during the year	(0.1)	(0.4)
Unused amounts reversed	(0.1)	–
Closing balance	**1.6**	**1.4**
Trail commission		
Opening balance	47.4	32.1
Additional provision recognised	23.8	28.4
Amounts utilised during the year	(16.8)	(13.1)
Closing balance	**54.4**	**47.4**
Other provisions		
Opening balance	1.0	–
Additional provision recognised	3.4	1.0
Amounts utilised during the year	(2.3)	–
Closing balance	**2.1**	**1.0**

(b) Information about individual provisions

Employee entitlements

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

Make good provision

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

Trail commission

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

Other provisions

Other provisions relate to estimated costs to be incurred following the formal termination of IT licence contracts prior to the contracted end date, as well as outstanding costs associated with the organisational restructure undertaken by the Group during the period. As these liabilities are expected to be settled within 12 months following the end of the reporting period, no discounting has been applied to the liability.

23. Other liabilities

	2024 $M	2023 $M
Accrued interest payable	156.8	92.7
Trade creditors and accruals	15.9	12.4
Lease liabilities	12.5	10.2
	185.2	**115.3**

OTHER DISCLOSURES

24. Cash flow information

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

	Notes	2024 $M	2023 $M
Profit for the period		69.9	73.4
Adjustments for:			
Depreciation, amortisation and impairment of fixed assets	5	17.4	10.1
Charges for impairment on financial assets held at amortised cost		70.1	54.6
Performance-based compensation		10.2	9.9
Accrued interest income		(4.4)	12.7
Accrued interest expense		64.2	71.0
Changes in operating assets and liabilities:			
Increase in loans and advances		(1,839.4)	(2,835.2)
Increase in prepayments and other receivables		(16.5)	(0.8)
Increase in income taxes payable		(21.1)	18.5
Increase in deferred tax assets through profit or loss		(6.9)	(1.8)
Increase in customer deposits		2,272.1	1,863.9
Increase/(decrease) in trade creditors and accruals		3.5	(2.9)
Increase/(decrease) in derivatives		11.4	(4.8)
Increase in provisions		11.4	27.4
Net cash inflow/(outflow) from operating activities		**641.9**	**(704.0)**

25. Leases

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

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

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

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

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

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

During the year, the Group commenced a lease on a new Sydney office for a seven year term. Upon inception, a $4.3m lease liability was recognised as well as a $0.4m provision for estimated make good costs. A corresponding right-of-use asset was recognised for $4.7m, to be depreciated over the life of the lease.

(b) Amounts recognised in the statement of financial position

	2024 $M	2023 $M
Right-of-use assets		
Property leases – buildings	16.3	14.4
Accumulated depreciation	(3.5)	(3.5)
	12.8	**10.9**
Lease liabilities		
Property leases – buildings	12.5	10.2
Provisions		
Make good provision	1.6	1.4

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

	2024 $M	2023 $M
Depreciation expense on right-of-use assets	2.7	2.4
Interest expense on lease liabilities	0.8	0.4
	3.5	**2.8**
Expense relating to lease payments made for leases of low value assets (for which a lease asset and a lease liability has not been recognised)	3.5	4.1
Total expenses in relation to leases	**7.0**	**6.9**

(d) Amounts recognised in the statement of cash flows

	2024 $M	2023 $M
Total cash outflow in relation to leases	**6.4**	**6.0**

26. Share-based payment plans

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

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

(i) Long Term Incentive Plan

The Group's Long Term Incentive Plan (LTIP) allowed for the vesting of options issued under the plan (with minor exceptions) in the event of an exit event, which subsequently occurred through the IPO completed on 1 November 2021.

For instruments that maintained a vesting period beyond 1 November 2021, the associated costs amortised through the Profit or Loss in current year totalled $0.1m (2023: $0.4m), with a corresponding charge to the Share-based payments reserve.

(ii) Judo Grows

Judo Grows is an annual incentive program designed specifically for the Group's broad base of employees and executives. Participants in the Judo Grows program will be granted Deferred Share Rights and/or cash awards, subject to meeting relevant annual performance metrics, service conditions and risk, values and conduct gateway requirements.

In relation to the Deferred Share Rights granted to Executive Committee members during the 2024 financial year, all instruments are scheduled to vest on the second anniversary of the date of grant of the awards. For all other employees, the Deferred Share Rights are scheduled to vest on the first anniversary of the date of grant of the awards. Vesting is subject to service conditions being met (subject to the good leaver provisions) and to the Group's risk, values and conduct requirements being met. Cash awards are scheduled to vest following the end of the performance period.

During the year ended 30 June 2024, a total of 10,377,121 Deferred Share Rights were granted under the program, with an assessed fair value at grant date of $10.6m and a weighted average fair value per instrument of $1.03. A total expense of $5.2m (2023: $5.8m) was recognised through the Profit or Loss in relation to the accrual of Deferred Share Rights, with a corresponding charge to the Share-based payments reserve.

(iii) Judo Grows+

Judo Grows+ is a long-term incentive program designed specifically for the Executive Committee and senior leaders. Participants in the Judo Grows+ program will be granted Premium Priced Options, with an exercise price set at a 30% premium to the 10-day volume weighted average share price following the annual results announcement, or equivalent Share Appreciation Options. Vesting is subject to service conditions being met (subject to the good leaver provisions) and to the Group's risk, values and conduct requirements being met. Participants granted Premium Priced Options may request to settle the options through a cashless exercise, however the Group has the discretion to reject the participant's request, in which case they must complete a cash exercise.

A total of 45,184,297 Options were granted during the 2024 financial year under the program, with an assessed fair value at grant date of $9.5m and a weighted average fair value per instrument of $0.21. The Options granted during the year are scheduled to vest on 5 October 2027 with the value of the Options amortised over the vesting period (unless they are retained in accordance with good leaver provisions, in which case they are amortised over the employee's service period). The charge to the Profit or Loss for the year ended 30 June 2024 was $5.9m (2023: $2.1m) with a corresponding increase in the Share-based payments reserve.

(iv) IPO Top-Up Award

The IPO Top-Up Award is a program designed specifically for two Executive Committee members. Awards are scheduled to vest on the fifth anniversary of the grant date provided the participants remain engaged with the Group at that date and subject to meeting the Group's risk, values and conduct requirements. Participants may request to settle the options through a cashless exercise, however the Group has the discretion to reject the participant's request, in which case they must complete a cash exercise.

As at 30 June 2024, the plan consists of 5,993,149 Premium Priced Options with an assessed fair value at grant date of $0.6m and 2,499,999 Deferred Share Rights with an assessed fair value at grant date of $1.5m, each granted on 22 October 2021. 4,280,821 Premium Priced Options and 1,785,714 Deferred Share Rights will lapse in 2025 as the service condition will become unable to be satisfied.

The value of the Options and Deferred Share Rights is amortised over the vesting period. The charge to the Profit or Loss for the year ended 30 June 2024 is a write back of ($1.3m) (2023: $1.5m expense) as a result of the awards that will lapse in 2025, resulting in a corresponding decrease to the Share-based payments reserve.

(v) Other grants

The Group also engages in additional issues of Premium Priced Options and Deferred Share Rights to senior leaders. These awards are scheduled to vest on the second anniversary of the grant date, with vesting subject to service-based vesting conditions (subject to the good leaver provisions) and the Group's risk, values and conduct requirements being met.

A total of 352,549 Deferred Share Rights were granted during the year with an assessed fair value at grant date of $0.4m and a weighted average fair value per instrument of $1.18.

The value of the Options and Deferred Share Rights is amortised over the vesting period, with the charge to the Profit or Loss for the year ended 30 June 2024 of $0.3m (2023: $0.3m) resulting in a corresponding increase to the Share-based payments reserve.

(vi) Summary of details under the various plans

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

	2024 No.	2024 WAEP($)	2023 No.	2023 WAEP($)
Deferred share rights				
Outstanding at beginning of the year	7,237,823	–	2,499,999	–
Granted	10,729,670	–	5,027,864	–
Forfeited	(568,624)	–	(290,040)	–
Exercised	(3,766,036)	–	–	–
Outstanding at year end	**13,632,833**	**–**	**7,237,823**	**–**
Exercisable at year end	**–**	**–**	**–**	**–**

	2024 No.	2024 WAEP($)	2023 No.	2023 WAEP($)
Options				
Outstanding at beginning of the year	69,686,707	1.92	37,431,777	2.32
Granted	45,184,297	1.24	37,040,193	1.53
Forfeited	(4,330,896)	1.69	(4,785,263)	2.13
Exercised	–	–	–	–
Outstanding at year end	**110,540,108**	**1.65**	**69,686,707**	**1.92**
Exercisable at year end	**10,974,060**	**1.46**	**10,079,908**	**1.44**

Summary of key components of options	**Other Grants**	**Judo Grows+**	**IPO Top-Up**	**LTIP**
Exercise price – range ($)	$1.53	$1.25 – $2.73	$2.73	$1.40 – $1.75
Expiry date	5 October 2032	22 October 2031 – 5 October 2033	22 October 2031	20 December 2029 – 29 July 2031
Weighted average remaining life (years)	8.3	8.6	7.3	6.1

(vii) Fair value methodology

The cost of the employee services received in exchange for shares, rights or options granted is recognised in the Profit or Loss over the period during which the employee provides the services. The overall cost of the award is calculated using the number of shares, rights or options expected to vest and the fair value of the shares, rights or options at the grant date.

The Black-Scholes valuation method was utilised to determine the fair value of options granted during the period. The following inputs have been used in the models:

	Options	Options
Fair value inputs	25 March 2024	18 September 2023
Underlying share price at grant date	$1.33	$1.03
Exercise price	$1.25	$1.25
Expected life (years)	4.0	4.5
Expected volatility (%)	25%	25%
Risk-free interest rate (%)	3.66%	3.94%
Dividend yield (%)	Nil	Nil

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

27. Remuneration of auditors

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

	2024 $'000	2023 $'000
Audit, review and assurance services		
Audit and review services		
Audit and review of the financial report	1,441	1,236
Assurance services		
Other statutory assurance services	225	144
Other assurance services	–	107
Total remuneration for audit, review and assurance services	**1,666**	**1,487**
Other non-audit services		
Other services	523	580
Total remuneration for audit, review, assurance and other services	**2,189**	**2,067**

Other statutory assurance services relate to engagements required under prudential standards and other legislative or regulatory requirements. Other assurance services include assurance services such as APRA's CPS 234 Tripartite review and investigative accounting work completed on prospectuses.

Other non-audit services include review and industry benchmarking of equity incentive plans, advice received regarding the accounting and regulatory treatment of transactions completed during the period and IT system integration review services.

28. Related party transactions

(a) Subsidiaries

Judo Capital Holdings Limited (the Company) undertakes transactions with controlled entities which are eliminated in the Group's consolidated financial statements. Transactions between the Company and its controlled entities are funded through intercompany loans with no fixed repayments dates, no interest charged and are repayable on demand.

Details of interests in controlled entities are included in Note 29.

The table below shows the aggregate amounts receivable by the Company from its controlled entities as at year end:

	2024 $'000	2023 $'000
Balance at beginning of the year	27,997	3,157
Net (inflows)/outflows	(16,470)	24,840
Balance at end of the year	**11,527**	**27,997**

The primary drivers of the current year net movement in amounts receivable from controlled entities are the transfer of employee share-based payments costs from the Company to Judo Bank Pty Ltd, which is partially offset by income tax payments made by Judo Bank Pty Ltd on behalf of the Company. In addition to the aggregate amounts receivable as disclosed above, during the financial year Judo Bank Pty Ltd issued $75m of AT1 Capital notes to the Company, under terms which mirror those for AT1 Capital notes as disclosed in Note 13.

(b) Key management personnel

The Group's KMP are considered to comprise all Non-Executive Directors and Executives who have authority and responsibility for planning, directing and controlling the activities of the Group as defined in section 2 of the Remuneration Report within the Directors' Report, as well as their related parties.

(i) Compensation

Remuneration of KMP is included within total employee benefits detailed in Note 5. The table below details, on an aggregated basis, total KMP compensation:

	2024 $'000	2023 $'000
Short-term benefits	8,030	5,935
Post-employment benefits	272	246
Equity-based payments	3,539	3,777
Other long-term benefits	147	113
Total KMP compensation	**11,988**	**10,071**

Performance rights and shareholdings of KMP are set out in the Remuneration Report.

(ii) Other financial instrument transactions

The Group may engage in other financial instrument transactions with KMP and their related parties arising from the acceptance of funds on deposit or the granting of loans. Related parties of KMP are considered to comprise close members of their family, and any entities over which the person has significant influence or provides KMP services to. Loans and advances provided to, or deposits accepted from, KMP and their related parties are on an arm's length basis.

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

	2024 $'000	2023 $'000
Deposits outstanding at the beginning of the year	1,725	4,709
Deposits outstanding at the end of the year	2,280	1,725
Interest paid or payable	147	58

29. Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2024 are set out below. Unless otherwise stated, the companies listed have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The trusts listed have units consisting solely of units that are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Principal place of business	Parent entity's interest	
		2024 %	2023 %
Judo Bank Pty Ltd	Australia	100	100
Judo Securitisation Warehouse Trust 2020 – 1	Australia	100	100
Judo Securitisation Trust 2020 – 2	Australia	100	100
Judo Securitisation Trust 1R	Australia	100	100
Judo Securitisation Trust 2022 – 1	Australia	100	100
Judo Securitisation Trust 2023 – 1	Australia	100	100
Judo Securitisation Trust 2023 – 2	Australia	100	100
Judo Capital Markets Trust 2023 – 1	Australia	100	100
Judo Capital Holdings Limited Employee Share Trust	Australia	100	100

Judo Capital Securitisation Trust 2018-3 was closed during the current period, and as such there will be no balances recognised for this entity in the consolidated financial statements of subsequent periods.

30. Parent entity financial information

(a) Summary financial information

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

(i) Statement of financial position

	2024 $M	2023 $M
Net assets		
Total assets	1,577.6	1,510.1
Total liabilities	(88.2)	(32.2)
Net assets	**1,489.4**	**1,477.9**
Shareholders' equity		
Issued capital	1,522.1	1,518.3
Reserves		
Share-based payments	(19.0)	(26.1)
Accumulated losses	(13.7)	(14.3)
Total equity	**1,489.4**	**1,477.9**

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

	2024 $M	2023 $M
Profit/(loss) for the year	0.6	(0.6)

31. Commitments and contingencies

(a) Commitments

	2024 $M	2023 $M
Customer funding commitments	711.3	530.8
Bank guarantees and performance-related contingencies	135.9	89.3
	847.2	**620.1**

In the normal course of business, the Group makes commitments to extend credit to its customers. Credit risk is accounted for as part of the expected loss calculation in Note 15. The credit risks and associated provision for credit impairment is assessed on the same basis as gross loans and advances for both undrawn line of credit facilities and accepted but not settled loans and advances.

(b) Contingent liabilities

From time to time the Group is exposed to contingent risks and liabilities arising from the conduct of its business including claims on income taxes and the amount expected to be paid to tax authorities. Such matters require the exercise of judgement and can be uncertain.

Contingent tax risk

The tax affairs of the Group are subject to regular reviews by the Australian Taxation Office as well as the Revenue Offices of the various Australian States and Territories. The Group continues to respond to any notices and requests for information it receives from relevant tax authorities. The potential outcome and total costs associated with these activities remain uncertain until finalised. There are no current disputes or claims made against the Group by tax authorities.

32. Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

33. Entity details

The registered office of the Group is:

Judo Capital Holdings Limited
376-390 Collins Street
Melbourne VIC 3000

Consolidated Entity Disclosure Statement

Judo Capital Holdings Limited as at 30 June 2024

		Body corporates		Tax residency	
Entity name	**Entity type**	**Place incorporated**	**% of share capital held**	**Australian or foreign**	**Foreign jurisdiction**
Judo Capital Holdings Limited	Body corporate	Australia	N/A	Australian	N/A
Judo Bank Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Judo Securitisation Warehouse Trust 2020 – 1	Trust	N/A	N/A	Australian	N/A
Judo Securitisation Trust 2020 – 2	Trust	N/A	N/A	Australian	N/A
Judo Securitisation Trust 1R	Trust	N/A	N/A	Australian	N/A
Judo Securitisation Trust 2022 – 1	Trust	N/A	N/A	Australian	N/A
Judo Securitisation Trust 2023 – 1	Trust	N/A	N/A	Australian	N/A
Judo Securitisation Trust 2023 – 2	Trust	N/A	N/A	Australian	N/A
Judo Capital Markets Trust 2023 – 1	Trust	N/A	N/A	Australian	N/A
Judo Capital Holdings Limited Employee Share Trust	Trust	N/A	N/A	Australian	N/A

Directors' Declaration

In the Directors' opinion:

(a) the consolidated financial statements and notes set out on pages 90 to 139 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) the consolidated entity disclosure statement set out on page 140 is true and correct as at 30 June 2024.

Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* for the year ended 30 June 2024.

This declaration is made in accordance with a resolution of the Directors.

Peter Hodgson
Chair

20 August 2024

Manda Trautwein
Director

20 August 2024

pwc

Independent auditor's report

To the members of Judo Capital Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Judo Capital Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the consolidated statement of financial position as at 30 June 2024
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information
- the consolidated entity disclosure statement as at 30 June 2024
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Audit Scope

Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

In designing the scope of our audit, we considered the structure of the Group and the nature of its operations. The principal activities of the Group consist of the provision of finance and credit to Small and Medium-sized Enterprises ('SMEs'), throughout Australia. Funding is obtained through a variety of sources, including customer deposits.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Group's Board Audit Committee.

Key audit matter	*How our audit addressed the key audit matter*
Provision for Expected Credit Losses (ECL) on Loans and Advances **(Refer to notes 1(b), 11 and 15(b))** AASB 9 Financial Instruments requires the recognition of a provision for expected credit losses (ECL) against the gross carrying value of loans and other receivables, the measurement of which is required to incorporate reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.	Our procedures included developing an understanding of the processes and controls relevant to our audit of the Group's provision for ECL and assessing whether they were appropriately designed and implemented. We tested the operating effectiveness of certain control activities, including: • Review and approval of annual updates to credit risk grades; • Review and approval of macroeconomic scenarios and their associated weights and the Group's total ECL by the Group's Credit Provision Model Governance Forum; and • Approval of management overlays by the CRO and CFO.

pwc

Key audit matter	How our audit addressed the key audit matter
The Group utilised a collective provision model and performed individual assessments for impaired exposures to estimate the provision for ECL. The Group has limited historical loss data on which to base its collective provision model, due to the high proportion of loans originated in recent years as the Group has grown. We considered the provision for ECL to be a key audit matter due to the inherent estimation uncertainty in its determination. In particular: • Models used to calculate ECL are inherently complex, and judgment is required in determining the appropriate method and historical data used in constructing the model. During the year, the Group implemented a model developed by an expert third-party, which utilised external loss data; • Multiple assumptions are made concerning the inputs to the ECL model, including the estimation and use of forward-looking macroeconomic scenarios (MES) and the application of associated weightings; • Judgement is involved in identifying and calculating adjustment to the ECL model output (overlays); and • Judgement is involved in determining the amount of specifically assessed provisions. Additional subjectivity and judgement has been introduced into the measurement of ECL for the year ended 30 June 2024 due to the heightened uncertainty associated with the impact of the current economic outlook. This includes the impact of these factors to internal credit ratings, forward-looking information including macroeconomic scenarios and their associated weightings, and the use of model adjustments and overlays in the calculation of ECL.	In addition to controls testing we, along with PwC credit risk modelling experts and PwC economics experts, performed the following substantive procedures, amongst others: • Assessed the appropriateness of the Group's ECL methodology, and its implementation within ECL models; • Assessed, with reference to the Group's own assessment, the appropriateness of the data and method applied by the third-party expert and its relevance to the Group's loan portfolio; • Assessed the appropriateness of macroeconomic scenarios considered by the Group, the significant assumptions under each scenario, and the weightings assigned to the scenarios; • Recalculated ECL and certain model adjustments to assess the accuracy of the modelled outputs for the Group's loan portfolios; • Tested, on a sample basis, the appropriate staging classifications applied to exposures in line with the Group's credit risk classifications; • Tested the accuracy of data elements used as inputs to the ECL models by agreeing, on a sample basis, to relevant source documentation or systems; • Tested, on a sample basis, the inputs to customer risk gradings used as an input to the ECL models to relevant source documents and reperformed, on a sample basis, the application of customer risk grades with reference to the Group's credit rating policy; • Assessed a selection of overlays identified by the Group, including the appropriateness of the methodology and significant assumptions utilised; and • Examined a sample of specific provisions by assessing the appropriateness of assumptions and data used in expected cash flow calculations, including valuation of collateral.

Key audit matter	How our audit addressed the key audit matter
	Where applicable, we considered the competency, capabilities, objectivity and nature of the work of experts used by the Group to assist in the development of the method and significant assumptions used in determining the Provision for ECL. We assessed the reasonableness of the related disclosures in the financial report against the requirements of Australian Accounting Standards.
Operation of financial reporting Information Technology General Controls (ITGCs) The Group's operations and financial reporting are dependent on its IT systems for the processing and recording of a significant volume of transactions and, in certain instances, automated controls relevant to financial reporting. A key component of IT systems and controls is the Group's Information Technology General Controls (ITGCs) over key financial IT systems including: • Overall IT governance, including policies and procedures; • Access controls over programs and data; • Change management controls; and • IT operation controls (e.g. system monitoring and backups). User access management controls are intended to ensure access to IT systems is appropriately provisioned, monitored and revoked to mitigate the potential for fraud or error through user or administrator level system access. Change management controls support that changes to IT systems and data are	For material financial statement balances, we developed an understanding of the IT systems, associated IT application controls and, where relevant, IT dependencies in manual controls that support the generation and recording of these balances. Our procedures included assessing whether certain IT general control activities relevant to our audit were appropriately designed and implemented and, for certain controls, were operating effectively throughout the year. We also carried out tests, on a sample basis, of certain IT application controls and IT dependencies in manual controls that were key to our audit testing in order to assess the accuracy of certain system calculations and the generation of certain reports relevant to our audit. Where we identified design or operating effectiveness deficiencies in ITGCs relevant to our audit, we performed alternative audit procedures to assess whether reliance could be placed on IT application controls or IT dependent manual controls relevant to our audit. We also considered compensating controls, where necessary, in order to respond to the impact on our overall audit approach.

Key audit matter	How our audit addressed the key audit matter
appropriately initiated, tested, approved and implemented. Due to the Group's reliance on and key financial IT dependencies, and the extent of our audit effort applied to understanding, evaluating and testing ITGCs we considered the operation of IT general controls over relevant IT systems to be a key audit matter.	

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2024 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001, including* giving a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2024.

In our opinion, the remuneration report of Judo Capital Holdings Limited for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Sam Garland
Partner

Melbourne
20 August 2024

Shareholding details

Twenty largest registered fully paid ordinary shareholders of the Company as at 5 August 2024

	Number of shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	351,337,314	31.67%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	162,069,321	14.61%
CITICORP NOMINEES PTY LIMITED	128,574,738	11.59%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING A/C>	37,975,892	3.42%
CAMBOOYA PTY LTD	36,998,486	3.34%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	34,888,349	3.15%
COMPUTERSHARE TRUST COMPANY OF CANADA <OPTRUST ASIA HOLDINGS VI>	32,337,983	2.92%
NATIONAL NOMINEES LIMITED	24,671,531	2.22%
MIRACLE RESOURCE CO. LIMITED	20,000,000	1.80%
SGE PTY LTD <THE BGSE TRUST A/C>	18,146,781	1.64%
TIKEHAU CAPITAL UK LIMITED	13,714,286	1.24%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	12,212,520	1.10%
TIKEHAU INVESTMENT MANAGEMENT ASIA PTE LTD <TIKEHAU ASIA OPPORTUNITIES>	10,527,653	0.95%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	9,996,216	0.90%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	9,945,398	0.90%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	8,388,392	0.76%
CHRYSTOBEL PTY LTD <MALCOLM HISCOCK FAMILY TRUST>	7,356,803	0.66%
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	4,904,594	0.44%
CHRISTOPHER BAYLISS	4,601,730	0.41%
BNP PARIBAS NOMS (NZ) LTD	4,440,532	0.40%
Total	**933,088,519**	**84.12%**

Substantial shareholders

As at 5 August 2024, the organisations listed below are substantial shareholders in the Company, per the meaning within the *Corporations Act 2001*. The number of shares in which each has an interest as disclosed in substantial shareholder notices given to the Company were:

	Number of shares	%
Prince Issuer Designated Activity Company	103,898,782	9.37%
GIC Private Limited (GIC), Sing Glow Investments Pte Ltd (Sing Glow), GIC (Ventures) Private Limited (GIC Ventures) and GIC Special Investments Pte Ltd (GIC SI)	77,728,137	7.01%
FIL Limited	83,101,900	7.49%

Distribution of fully paid ordinary shareholding as at 5 August 2024:

Range (number)	Number of holders	Number of shares	% of shares
1 to 1,000	1,810	1,095,639	0.10%
1,001 to 5,000	2,194	6,041,199	0.54%
5,001 to 10,000	922	7,123,757	0.64%
10,001 to 100,000	1,328	40,525,581	3.65%
100,001 and over	246	1,054,514,657	95.07%
Total	**6,500**	**1,109,300,833**	**100%**

Voting rights

Ordinary Shares are fully paid and entitle the holder to one vote at a shareholder meeting and to participate in dividends.

Shareholder information

Share registry

Locked Bag A14
Sydney South NSW 1235

Australia: 1800 754 866
info@linkmarketservices.com.au

Company details

Judo Bank Pty Ltd
ABN 11 615 995 581

Judo Capital Holdings Limited
ABN 71 612 862 727

13 JUDO (13 58 36)

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

www.judo.bank

Investor relations

investor@judo.bank

Key shareholder dates

Financial full year end:
30 June 2024

Full year results:
20 August 2024

Annual General Meeting:
25 October 2024

Appendices

Glossary

Term	Meaning
$	Dollar amounts (in Australian dollars or AUD unless stated otherwise)
AASB	Australian Accounting Standards Board
Additional Tier 1 Capital	As defined by APRA
ADI	Authorised deposit-taking institution
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691)
Awards	The awards made under Judo Grows, Judo Grows+ or IPO Top-up Award, as the context requires
BBSW	Bank Bill Swap Rate
Board or Board of Directors	The Board of Directors of the Company
Board Audit Committee	The sub-committee of the Board that has membership, key responsibilities and duties set out in the Corporate Governance section of this Report
Board Remuneration and Nominations Committee	The sub-committee of the Board that has membership, key responsibilities and duties set out in the Corporate Governance section of this Report
Board Risk Committee	The sub-committee of the Board that has membership, key responsibilities and duties set out in the Corporate Governance section of this Report
bps	Basis points (bps) refers to a unit of measure for interest rates and other percentages. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001
CEO	Chief Executive Officer
CET1	Common Equity Tier 1 capital
CET1 ratio	Common Equity Tier 1 capital divided by total RWAs
Company	Judo Capital Holdings Limited (ACN 612 862 727)
Corporations Act or Corporations Act 2001	*Corporations Act 2001* (Cth)
Cost-to-income ratio or CTI ratio	Total expenses divided by net banking income
CRO	Chief Risk Officer
CTI	Cost-to-income
CVP	Customer value proposition
Deferred Share Right	A Deferred Share Right, being a right to acquire one Share subject to the satisfaction of any vesting conditions outlined in an invitation to a participant
ECL	Expected credit losses
ESG	Environmental, social and governance
Executive KMP	KMP who are part of Judo's executive management team
FTE	Full-time equivalent
FY	Financial year
FY21	Financial year ended 30 June 2021
FY22	Financial year ended 30 June 2022
FY23	Financial year ended 30 June 2023
FY24	Financial year ended 30 June 2024
FY25	Financial year ended 30 June 2025
GHG	Greenhouse gas
GLA	Gross loans and advances
HoH	Half on half
IE&D	Inclusion, equity and diversity
IFRS	International Financial Reporting Standards
IPO	Initial public offering
Judo, Judo Bank, JCHL, Judo Group or Group	Judo Capital Holdings Limited (ACN 612 862 727) and its controlled entities including Judo Bank Pty Ltd (ACN 615 995 581), and where the context requires, the business conducted by those entities, unless otherwise stated
Judo Grows	Judo's short-term incentive plan

Term	Meaning
Judo Grows+	Judo's long-term incentive plan
KMP	Key Management Personnel
Losses ratio	Losses ratio is the write-off expense experienced over a period, divided by the average GLA of the period
LTI	Long term incentive plan
Management Board	As described in the Corporate Governance section and Directors' Report in this Report
Malus Event	As described in the Remuneration Report in this Report
MLH	Minimum Liquidity Holdings under the Minimum Liquidity Holdings regime where APRA requires Judo to hold a minimum buffer in cash and eligible securities
NM	Not meaningful
NCDs	Negotiable certificates of deposit
NIM	Net interest margin is net interest income divided by the average of the month-end closing balance of interest-earning assets
Non-Executive Director	A member of the Board who does not form part of the Company's management
NPAT	Net profit after tax
NPS	Net promoter score
Option	An option to acquire Shares subject to satisfaction of any vesting conditions as outlined in an invitation to a participant and payment of the exercise price
Participant	A participant under either the MIP, MMIP, Judo Grows, Judo Grows+ or IPO Top-up Award, as the context requires
PBT	Profit before tax
Premium priced options	An option granted under the Judo Grows+ program or IPO Top-up Award, which carries an exercise price set at a 30% premium to the value of the underlying Shares at the time of the grant
Preserved TFF	The component of Judo's allocation of the RBA Term Funding Facility that is collateralised with eligible treasury investments. It is intended that the preserved component will be replaced with additional self-securitisation notes as they are generated through new loans and advances to customers
RAS	Risk Appetite Statement
RBA	Reserve Bank of Australia
RMF	Risk Management Framework
RMS	Risk Management Strategy
ROE	Return on equity
RWA	Risk-weighted asset
Share or Ordinary Share	A fully paid ordinary share in the capital of the Company
Share Registry	Link Market Services Limited (ACN 083 214 537)
Shareholder	A registered holder of a Share
SME	Small and medium enterprise
SME customer	A customer who has a lending product with Judo
SMSF	Self-managed super fund
STI	Short-term incentive
Tenor	The length of time that will be taken by the borrower to repay the loan along with the interest
TFF	Term Funding Facility
Tier 2 Capital	As defined by APRA
Total capital ratio	Total regulatory capital including CET1 Capital, Additional Tier 1 Capital and Tier 2 Capital, divided by total RWAs
Total provision coverage ratio	Total impairment provision balance divided by the end-of-period loan book
Underlying NIM	Net interest margin adjusted to remove the impact of the Judo's preservation strategy with respect to the RBA's Term Funding Facility
VWAP	Volume weighted average price
Warehouse Facility	A revolving credit facility extended by a financial institution to a loan originator for the funding of loans
YoY	Year on year

Judo Bank

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