judobank

ASX Announcement.

1 May 2025

Judo update on financial performance

Judo Capital Holdings Limited (ASX:JDO) ("Judo Bank", "Judo" or "bank") today provided an update on its year-to-date trading performance and outlook.

Judo is executing its clear and simple strategy and remains on track to achieve significant operating leverage in 2H25 and beyond as it progresses towards its at-scale ROE in the low-to-mid teens.

In the near term, in response to heightened volatility in the operating environment, Judo is focused on achieving an appropriate balance between growth and economics. Judo has updated its FY25 guidance to reflect these near-term impacts, discussed in more detail below.

The bank has achieved several operational highlights over the March quarter. The bank has continued to attract and recruit highly experienced relationship bankers and expand into new regions. As at 31 March, the bank had 158 relationship bankers in 27 locations, on track with its target for 31 locations nationally by 30 June. Judo's relationship-led customer value proposition continues to resonate with SMEs, demonstrated by a market-leading net promoter score of +51 and supported by a ratio of 29 customers per banker, well below industry average.

In March, Judo completed its migration to a new core deposit platform, which provides significantly greater flexibility to broaden the bank's deposit product suite. This completes a 12-month program of work which now sees all the bank's core technology systems re-platformed to enterprise-grade, scalable solutions.

Financial performance

Gross loans and advances (GLA) at 31 March were $11.7bn. Net growth for Q3 was subdued reflecting normal seasonality, as well as higher run-off primarily due to the residual impacts of proactive portfolio management undertaken during 1H25.

Margins on new lending in Q3 remained strong at 4.6%, contributing to an improved Q3 blended lending margin of 4.3%.

The bank's AAA lending pipeline (applications, approved and accepted) has grown significantly since December, to now stand at $1.6bn with an average margin in the mid-400bps over 1m BBSW.

Term deposit (TD) balances grew to $9.2bn as at 31 March. The blended cost of deposits in Q3 was consistent with Judo's expected through-the-cycle range of 80-90bps over 1m BBSW.

As a result of blended lending and funding margins, and tight liquidity management, net interest margin (NIM) for Q3 was within the targeted 2H25 range of 2.90 – 3.00%.

In contrast to most of Q3, the significant volatility in the operating environment in recent weeks is driving a disconnect between swap rates and headline term deposit rates. As a result, the margin for new TDs is currently above the bank's through-the-cycle range. TD margins are expected to normalise over time, noting some headline pricing reductions have already occurred.

Operating expenses continued to be well managed in Q3, with cost growth slowing from 1H25 as expected.

Cost of risk in Q3 was impacted by an increase in specific provisioning for a small number of exposures in vulnerable sectors. As at 31 March, 90 days past due and impaired loans were 2.46% of GLA, a moderate increase compared to 2.30% in December 2024.

Judo continues to maintain a strong capital position with a CET1 ratio of 13.8% as at 31 March.

Outlook

In light of current market conditions, Judo now expects GLA at 30 June 2025 to be between $12.4bn and $12.6bn. Growth is expected to be lower than guidance provided at the 1H25 result, given market uncertainty impacting customers, the slower initial ramp up of warehouse lending, and balancing growth and economics.

The bank continues to target NIM in 2H25 at the upper end of 2.90 - 3.00%. In addition, and as previously flagged, Judo is targeting an exit NIM of 3%. As discussed in the 1H25 result, further cash rate reductions before 30 June will impact Judo's exit NIM. The impact will be largely temporary as all of Judo's lending and deposit products will reprice over time.

As a result of disciplined expense management, the bank now expects FY25 CTI to be lower than FY24.

Following the completion of the bank's major investments in core systems and operations in FY25, expense growth in FY26 is expected to be driven by wage inflation, including heightened competition for front line employees, amortisation of intangible assets, and incremental growth-related investments.

Due to the increase in specific provisioning in Q3, Judo now expects its FY25 cost of risk expense to be higher than FY24.

Overall, noting the operating environment remains volatile, Judo continues to target FY25 PBT growth of 15% vs FY24[1].

In FY26, assuming stable economic conditions, Judo is aiming to deliver 50% PBT growth as the bank benefits from significant operating leverage.

Conference call

Chief Executive Officer, Chris Bayliss, and Chief Financial Officer, Andrew Leslie, will host a conference call at 4.30pm AEST on 1 May 2025.

To join this call and/or ask a question, pre-register using the link below:
https://s1.c-conf.com/diamondpass/10047156-gh7y6t.html

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Authorised for release by the Judo Board.

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[1] On an underlying basis, excluding non-recurring costs in FY24