

APRA BASEL III

Pillar 3 Disclosures

Quarter ended 30 June 2020

Overview

This report has been prepared by Judo Bank Pty Ltd to meet its disclosure requirements under the Australian Prudential Regulation Authority's (APRA) Prudential Standard APS 330: Public Disclosure. It has been prepared using quarter ended 30 June 2020 data at the consolidated Judo Group level (level 2) including the authorised Non-Operating Holding Company, Judo Capital Holdings Limited.

Sections included:

Capital Structure

Table 1: Capital Disclosure Template

Reconciliation between the Consolidated Balance Sheet and the Regulatory Balance Sheet

Table 2: Main features of capital instruments

Table 3: Capital adequacy

Table 4: Credit risk

Table 5: Securitisation

Capital Structure

	June 2020 \$m	March 2020 \$m
Common Equity Tier 1 Capital		
Paid-up ordinary shares	644.9	539.3
Reserves	0.5	0.4
Regulatory retained earning including current year earnings	(105.9)	(88.6)
Total Common Equity Tier 1 Capital	539.5	451.1
Regulatory Adjustments		
Goodwill and Intangibles	(5.4)	(4.2)
Deferred expenditure	(3.6)	(19.5)
Other deductions	(1.8)	(0.9)
Total regulatory adjustments	(10.8)	(24.6)
Net common equity Tier 1 Capital	528.7	426.5
Total Tier 1 Capital	528.7	426.5
Tier 2 Capital		
Tier 2 Capital instruments	0.0	0.0
General Reserve for Credit Losses	14.5	12.9
Total Tier 2 Capital	14.5	12.9
Total Capital	543.2	439.4

Table 1: Capital Disclosure Template

Common Equity Tier 1 capital (CET1): Instruments and Reserves		\$m	Ref
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	644.9	A
2	Retained earnings	(105.9)	B
3	Accumulated other comprehensive income (and other reserves)	0.5	C
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	539.5	
Common Equity Tier 1 capital: regulatory adjustments		\$m	Ref
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	5.4	H
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	0.1	D
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit superannuation fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage service rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	<i>of which: significant investments in the ordinary shares of financial entities</i>	-	
24	<i>of which: mortgage servicing rights</i>	-	
25	<i>of which: deferred tax assets arising from temporary differences</i>	-	
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	5.3	
26a	<i>of which: treasury shares</i>	-	
26b	<i>of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI</i>	-	
26c	<i>of which: deferred fee income</i>	(1.6)	E
26d	<i>of which: equity investments in financial institutions not reported in rows 18, 19 and 23</i>	-	

Common Equity Tier 1 capital: regulatory adjustments (continued)		A\$m	Ref
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	-	
26f	of which: capitalised expenses	5.2	F+G
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	-	
26h	of which: covered bonds in excess of asset cover in pools	-	
26i	of which: undercapitalisation of a non-consolidated subsidiary	-	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	1.7	I
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common Equity Tier 1	10.8	
29	Common Equity Tier 1 Capital (CET1)	528.7	
Additional Tier 1 Capital: instruments		A\$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 Capital before regulatory adjustments	-	
Additional Tier 1 Capital: regulatory adjustments		A\$m	Ref
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-	
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 Capital (T1=CET1+AT1)	528.7	

Tier 2 Capital: instruments and provisions		A\$m	Ref
46	Directly issued qualifying Tier 2 instruments	-	
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	14.5	J+K
51	Tier 2 Capital before regulatory adjustments	14.5	
Tier 2 Capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	-	
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-	
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	14.5	
59	Total capital (TC=T1+T2)	543.2	
60	Total risk-weighted assets based on APRA standards	2,286.6	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	23.1%	
62	Tier 1 (as a percentage of risk-weighted assets)	23.1%	
63	Total capital (as a percentage of risk-weighted assets)	23.8%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.0%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: ADI-specific countercyclical buffer requirements	-	
67	of which: G-SIB buffer requirement (not applicable)	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	16.1%	
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	
71	National total capital minimum ratio (if different from Basel III minimum)	-	

Amount below thresholds for deductions (not risk-weighted)		A\$m	Ref
72	Non-significant investments in the capital of other financial entities	-	
73	Significant investments in the ordinary shares of financial entities	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	14.5	J+K
77	Cap on inclusion of provisions in Tier 2 under standardised approach	25.9	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	-	
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	-	
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	-	
83	<i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	-	
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	-	

Reconciliation between the Consolidated Balance Sheet and the Regulatory Balance Sheet

June 20	Group Balance Sheet \$m	Adjustments \$m	Level 2 Regulatory Balance Sheet \$m	Reconciliation Reference
ASSETS				
Cash and cash equivalents	210.1	0.0	210.1	
Investments	452.9	0.0	452.9	
Loans and advances at amortised cost	1,763.4	0.0	1,763.4	
<i>of which: provisions</i>	(10.9)	0.0	(10.9)	J
<i>of which: deferred fee income</i>	(1.6)	0.0	(1.6)	E
<i>of which: other regulatory adjustments</i>	1.7	0.0	1.7	I
Other assets	4.0	0.0	4.0	
<i>of which: capitalised expenses</i>	1.6	0.0	1.6	G
Property, plant and equipment	2.2	0.0	2.2	
Right-of-use assets	3.6	0.0	3.6	
Intangible assets	5.4	0.0	5.4	H
Amounts due from controlled entities	2,441.7	0.0	2,441.7	
LIABILITIES				
Deposits	1,386.3	0.0	1,386.3	
Derivative financial instruments	0.1	0.0	0.1	
Accounts payable and other liabilities	11.0	0.0	11.0	
Lease liabilities	4.1	0.0	4.1	
Provisions	1.9	0.0	1.9	
Borrowings	495.3	0.0	495.3	
<i>of which: capitalised borrowing costs</i>	(3.7)	0.0	(3.7)	F
Total Liabilities	1,898.6	0.0	1,898.6	
Net Assets	543.0	0.0	543.0	
EQUITY				
Issued Capital	644.9	0.0	644.9	A
Reserves	0.4	3.6	4.0	
<i>of which: Provisions (GCRL) Equity component of GRCL in tier 2 capital)</i>	0.0	3.6	3.6	K
<i>of which: Cash-flow hedge reserve</i>	(0.1)	0.0	(0.1)	D
<i>of which: Other reserves included in CET 1 - Equity shared based loans</i>	0.5	0.0	0.5	C
Retained profits	(102.3)	(3.6)	(105.9)	B
Total Equity	543.0	0.0	543.0	

Main Features of Capital Instruments.

Judo Bank's main features of capital instruments are updated on an ongoing basis and are available at the Regulatory Disclosures section of the judo.bank website at the following address <https://www.judo.bank/regulatory-disclosures>

Capital Adequacy

Risk Weighted Assets Level 2.	June 2020 \$m	March 2020 \$m
Subject to the Standardised Approach		
Government	0.0	0.0
Bank	120.4	98.0
Residential Mortgages	445.0	343.8
Other retail	0.0	0.0
Corporate (1)	1,483.6	1,220.1
Other	24.1	9.3
Total On and Off-Balance Sheet Exposures	2,073.0	1,671.2
Securitisation Exposures	0.0	0.0
Market Risk Exposures	0.0	0.0
Operational Risk Exposures	213.6	153.8
Total Risk Weighted Assets	2,286.6	1,825.0
Notes		
(1) Includes commercial lending and leasing		
Capital Ratios Level 2		
Common Equity Tier 1	23.1%	23.4%
Tier 1	23.1%	23.4%
Total Capital	23.8%	24.1%

Credit Risk

Exposure Type	Gross Credit Exposure June 2020 \$m	Average Gross Credit Exposure June Quarter \$m	Gross Credit Exposure March 2020 \$m	Average Gross Credit Exposure March Quarter \$m
Cash and cash equivalents	210.1	152.8	133.1	185.5
Investments	452.9	438.0	409.7	359.3
Loans and advances	1788.0	1,670.8	1,415.2	1,250.3
Off-balance sheet exposures for derivatives	0.5	0.2	0.0	0.0
Other off-balance sheet exposures (note 1)	320.6	289.4	288.7	329.2
Other	11.2	8.2	9.3	11.5
Total Exposures	2,783.3	2,559.4	2,256.0	2,135.8

Note 1: Largely relate to customer commitments.

Portfolios Subject to Standardised Approach	Gross Credit Exposure June 2020 \$m	Average Gross Credit Exposure June Quarter \$m	Gross Credit Exposure March 2020 \$m	Average Gross Credit Exposure March Quarter \$m
Government	105.4	106.6	110.3	75.1
Bank	542.2	478.5	432.5	469.6
Residential mortgage	550.6	515.1	429.4	386.6
Other retail	0.0	0.0	0.0	0.0
Corporate	1,558.1	1,445.1	1,274.5	1,193.0
Other	27.0	14.1	9.3	11.5
Total Exposures	2,783.3	2,559.4	2,256.0	2,135.8

Credit Risk

June 2020 Portfolios Subject to the Standardised Approach	Impaired Loans \$m	Past Due Loans > 90 Days \$m	Specific Provision Balance \$m	Charges for Specific Provision \$m	Write- Offs \$m
Government	0.0	0.0	0.0	0.0	0.0
Bank	0.0	0.0	0.0	0.0	0.0
Residential Mortgages	0.0	0.0	0.0	0.0	0.0
Other retail	0.0	0.0	0.0	0.0	0.0
Corporate	8.2	0.0	2.2	1.1	0.0
Other	0.0	0.0	0.0	0.0	0.0
Additional regulatory specific provision			12.3		
Total regulatory specific provision			14.5		
General reserve for credit losses			14.5		

Credit Risk

March 2020 Portfolios Subject to the Standardised Approach	Impaired Loans \$m	Past Due Loans > 90 Days \$m	Specific Provision Balance \$m	Charges for Specific Provision \$m	Write- Offs \$m
Government	0.0	0.0	0.0	0.0	0.0
Bank	0.0	0.0	0.0	0.0	0.0
Residential Mortgages	0.0	0.0	0.0	0.0	0.0
Other retail	0.0	0.0	0.0	0.0	0.0
Corporate	3.7	0.0	1.1	1.1	0.0
Other	0.0	0.0	0.0	0.0	0.0
Additional regulatory specific provision			11.0		
Total regulatory specific provision			12.1		
General reserve for credit losses			12.9		

Securitisation

Securitisation	June Quarter securitisation activity \$m	Gain or Loss on Sale \$m	March Quarter securitisation activity \$m	Gain or Loss on Sale \$m
Residential Mortgage	14.3	0.0	3.6	0.0
Other retail	0.0	0.0	0.0	0.0
Corporate	434.5	0.0	33.5	0.0
Total	448.8	0.0	37.1	0.0

Securitisation Exposures	June 2020 \$m	March 2020 \$m
On-balance sheet securitisation exposure retained or purchased:		
Liquidity funding facility (drawn)	3.4	4.2
Securities held in the banking book	245.6	73.4
Off-balance sheet securitisation exposure:		
Liquidity funding facility (drawn)	0.0	0.0
Securities held in the banking book	0.0	0.0

The bank treats all securitisation as funding-only in accordance with APS 120. The underlying lending exposures in the securitisation trusts are included in the bank's calculation of risk weighted assets. The Securitisation Exposures disclosed above are exposures of the bank to the trusts for facilities and funding provided. They are not included in the calculation of risk weighted assets in accordance with APS 120.