

Credit before all else in Equipment Finance

(27 October 2008 – Australia) Credit is now the most important attribute for businesses when sourcing equipment finance, according to businesses interviewed for the biennial East & Partners' review of Australian Equipment Finance Markets.

In this latest review, credit has overtaken after sales service as the most important aspect for businesses when it comes to equipment finance. However, the performance of lenders on credit requirements continues to fall well short of customer expectations, rating very poorly relative to all other attributes in terms of satisfaction.

"This elevation in the importance of credit is symptomatic of current market conditions. The dislocation of global credit markets has altered dynamics within the Australian equipment finance markets, specifically a shift in the balance of power between equipment finance lenders and intermediaries", said East & Partners' general manager advisory services, Alan Blake.

"The unrelenting pursuit of volume by lenders which prevailed until recently has been supplanted by a focus on deal quality and margin. All lenders have tightened their credit standards and lifted margins over the past 6 months", Blake said.

"The change in emphasis by lenders, away from transacting high volumes at low margin, has combined with the withdrawal of a number of lenders from the third party channel to change the status quo. In what is traditionally a heavily intermediated market, finance brokers have become less powerful in their relationships with funders, and less able to dictate pricing and terms as they were previously", Blake added.

An encouraging development since the last review was the lift in overall satisfaction posted by most individual providers, measured across ten attributes. On overall satisfaction, National Australia Bank nudged Bank of Queensland out of top spot, by the narrowest of margins.

"Notwithstanding the changes over the last two years, these remain highly competitive markets. The challenge for the industry is whether lenders can maintain their newfound discipline on deal quality and margin. It will only take one of the major players to break ranks in pursuit of volume to lead us back to the downward pricing spiral which prevailed until recently", Blake concluded.

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About East & Partners' Australian Equipment Finance Markets Review

East & Partners' latest Australian Equipment Finance Markets Review is an extensive biennial examination of the equipment finance markets. The review combines a survey of 1,250 business customers across core customer segments of Micro, SME, Corporate and Institutional, with an exploration of the supply side of the markets. The supply side exploration encompasses findings from interviews with major lenders, finance companies and third party originators.

The review provides a range of relevant analytics, including a comparison of measures from October 2006 and now. The review addresses the following key areas; market size and segmentation, market share, mind share and wallet share, importance ratings, customer satisfaction ratings, performance maps, buying decisions, lead product potential, distribution and origination structures, third party originators, credit models and asset quality, switching intentions and growth expectations.

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