

- Judo Bank in partnership with East & Partners:

SME Banking Insights 2021

Mid Year Report

Volume 4 | September 2021



First the shock, then the rebound, and now – eighteen months into the pandemic – the sobering reality that SME businesses have had to pick themselves up off the floor once again to navigate the impacts of further lockdowns across much of the nation.

But as our research shows, Australian SME businesses are highly resilient and, despite the challenges, are focused on growth and investment.



Given the dynamics of 2021, we felt that it was important to undertake another comprehensive health check of the SME economy six months on from the last report.

This mid-year report reveals that one in two SME businesses (with a turnover of \$1 million to \$50 million) are in a growth/expansion phase, whilst one in two also attempted to access new funding in the last six months.

Sadly, this report shows that some things never change, particularly when it comes to the major banks. With unmet funding needs and significant delays in accessing funding even when successful, the SME business sector is often slow walked by the major banks. Stifling the full potential of SME businesses and their role in economic recovery.

The findings also show that the fortunes of SMEs are often highly dependent on where they operate – painting a clear picture of a multi-speed economy. Where the country is split along State and industry sector lines, between the Haves (Queensland and Western Australia) and the Have Nots (Victoria and South Australia).

Despite the vast amount of Government stimulus and support offered to the banks, this report finds that over one in four SMEs are being knocked back from accessing new funding. This has direct implications for business investment and employment, with the report revealing that over one in four of those SMEs refused a loan were in effect, stopped from employing on average three additional staff members.

And adding insult to injury, the report shows that banks are taking on average 42 days to discharge loans when an SME switches lender. These unnecessary loan transfer delays by the banks inhibit fast access to funding at a time when SMEs need it most.

Australian SMEs deserve better – and that's where Judo Bank comes in.

Built with a purpose to be Australia's most trusted SME business bank, at Judo we are bringing back the craft of relationship banking. Banking as it used to be, banking as it should be.

Our strong growth since inception, including accelerated growth during the pandemic means we are reaching more and more SMEs nationwide, providing them the funding they need, when they need it most, with the level of service they deserve.

Angelo Manos

Chief Relationship Officer
Judo Bank

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• Key Market Insights

Following the success of the Judo Bank Annual SME Banking Insights thought leadership program and conversations with Judo Bank, East & Partners developed a research-based deep dive into the SME Funding Gap.

In the 2021 SME Banking Insights report released in February 2021 the SME funding gap was identified as A\$94.3 billion for SME businesses with annual turnover of \$1-20 million and A\$119.2 billion for SME businesses with annual turnover of A\$1-50 million.

This widening gap in SME funding needs has significant consequences for Australia's economic recovery and future growth outlook.

What could SMEs have achieved if they had the funding they needed in the last year? What can they achieve over the coming year(s)? Access to funding and reducing the current funding gap is critical to ensuring sustained structural growth and a strong economic future.

The core objective of this mid-year deep dive is to further explore the SME funding gap identified in the Judo Bank SME Banking Insights program. This deep dive will act as a mid-way touch point between the annual program to engage Australian businesses, Banks, government and the business media, and will inform Judo Bank as it continues to

grow and support Australian SME businesses with the funding they need and the service they deserve.

The scope of the research addresses the SME funding gap with granular state and industry views, continuing to showcase the group's valuable knowledge and understanding of the SME market.

This customer-centric, demand side view delves deeper into what the near future could hold for SMEs and the broader economy if their funding needs are met across areas such as employment, cashflow, capital expenditure, business expansion or potential closure.

Key Market Insights



Demographic SME Customer Profile

- The Judo Bank SME Funding Gap Deep Dive applied an interview screen to ensure only enterprises with debt facilities in place were captured, matching the methodology used for the SME Insights Annual reporting conducted continuously since 2018.
- 2,782 enterprises were approached to fill the final qualified sample of 1,751 SMEs with turnover of A\$1 to 50 million, resulting in a 'rejection rate' of 37.1 percent predominantly confined to smaller sized enterprises (A\$1-10 million) relative to Medium sized and Lower Corporate enterprises (A\$10-50 million).
- Across the qualified sample with debt facilities in place, 1,048 enterprises reported turnover of A\$1-10 million with the remaining 703 registering turnover of A\$10-50 million.
- The natural representative sample set is split nationally across NSW (47.3 percent), Victoria (24.2 percent), QLD (12.5 percent), WA (7.7 percent), SA (4.2 percent), and ACT/NT/Tas (4.1 percent).
- Business owners represented 56 percent of interviewees, with 17 percent the company accountant/financial controller, 17 percent in a defined CFO role, six percent Corporate Treasurer and five percent other.

- SMEs are currently managing debt facilities of A\$3.3 million on average, ranging from A\$1.1 million for small businesses to A\$6.6 million for medium sized enterprises.
- Key decision makers hold on average 15 years of experience managing corporate treasury and associated business banking interactions, ranging from 13 years for the A\$1-10 million segment to 17 years for the A\$10-50 million segment.
- SMEs are characterised by a full-time employee count (FTE) average of 127, dispersed from 36 for small businesses to 261 for medium sized enterprises.
- The average SME business was established as recently as 2010. Smaller sized businesses have been in operation for seven years on average while medium sized enterprises have been running for 16 years.
- SMEs maintain a relationship with their primary lender for six years on average, with most small businesses sticking with their initial lender since their inception (5.2 years) whereas medium sized enterprises have in most instances switched credit facilities to a new bank or non-bank lender at least once (8.3 years).
- Over three out of four SMEs nominated a Big Four bank as their primary lender (77.2 percent), split by NAB (27.8 percent), CBA (21.3 percent), Westpac (15.9 percent) and ANZ (12.2 percent). Additional subsidiary share was recorded for CBA through BankWest (2.6 percent) and Westpac for StGeorge (3.9 percent).
- According to the Australian Bureau of Statistics (ABS), of the 2.422 million actively trading enterprises in the economy in the 2019/20 financial year. 93 percent had turnover of sub A\$2 million.
- In 2019/20 there was a 14.5 percent entry rate (344,472) against a 12.5 percent exit rate (297,821) for a net two percent increase in the number of enterprises (46,651).
- Five industries accounted for more than 70 percent of growth in new enterprises with turnover between A\$5 million and A\$10 million, including construction, retail, financial, rental/hiring/real estate services and professional/scientific/technical services.
- In Q2 and Q3 2020, business exits were lower than the same periods in the past three years, with new business start-ups falling to their lowest levels recorded for Q2 in the last three years, and down nine percent year-on-year.

Key Market Insights

"Seeing a bounce out of COVID at the moment; might not last but it's looking good at the moment."

Finance Director,
A\$40m, NSW Wholesale Distributor

SME Growth Profile

What phase is your business in currently?

- 46.1 percent of SMEs currently define themselves in a growth phase, up marginally from the 2021 SME Insight Report figure of 45.2 percent. The larger the business, the greater the weighting towards outright growth and expansion. 39.2 percent of the A\$1-10 million segment are currently in an expansion phase compared to 56.3 percent of the A\$10-50 million segment.
- QLD (50.7 percent) narrowly outperforms NSW (49.9 percent) and WA (49.3 percent) for outright growth sentiment noting the timing of the research concluding 28 June 2021 overlapping briefly with the current Greater Sydney lock down measures, regional NSW restrictions and state border closures. Variance by sector is relatively limited noting Retail falls well below the average (at 42.9 percent).
- One in ten SMEs are stuck in a contracting business phase (11.7 percent) while one in four are exiting outright (26.1 percent), interestingly highest in ACT/NT/Tas (43.7 percent) and WA (31.3 percent) and within Construction (30.4 percent) and Wholesale (28.2 percent) sectors.

- Over one in ten SMEs are unable to determine what business phase they are currently in (12.2 percent). Although there is minimum variance by business size, significant variance exists by state and sector. The prevalence of SA enterprises that are unsure or hold no view over their current business phase is twice as high as the national average (23 percent) while West Australian enterprises are almost half the national average (7.5 percent).
- Services (19.4 percent) and Other enterprises (15.6 percent) are characterised by a high number of uncertain enterprises relative to the Construction (6.2 percent) and Wholesale (8.1 percent) sectors.
- Smaller businesses have disproportionately carried the weight of the COVID pandemic, evidenced by a similar proportion of A\$1-10 million sized firms currently classifying themselves in a growth phase (39.2 percent) to those who are exiting (30.4 percent).

"Our input costs have exploded, especially our imported materials, and we're struggling to price in a way which delivers profit; it's time to crystallise and move on."

Owner, A\$28m, WA Building Contractor

SME Investment

In accessing new funding in the last six months, were you successful, partially successful or unsuccessful?

Note: Percentages based on proportion of SMEs who attempted to access new funding in the last six months (N: 842)

Market wide, just under one in two SMEs applied for new funding in the last six months (48.1 percent/N = 842), with the majority of those comprised of small enterprises (59.7 percent) compared to medium enterprises (40.3 percent).

- Of these firms, only one in two were successful accessing the full amount of new borrowings in H1 2021 (50.4 percent). A further one in five were partially successful (22.0 percent) and one in four were unsuccessful (27.7 percent).
- Borrowing success increases significantly with business size, noting twice as many A\$1-10 million sized enterprises were unsuccessful (35.6 percent) accessing new funding in the last six months relative to A\$10-50 million sized enterprises (15.9 percent).
- Twice as many Victorian enterprises were unsuccessful acquiring new funds relative to NSW based firms at 45.6 percent and 21.3 percent, respectively. Almost two out of three QLD based SMEs were successful accessing new capital (60.7 percent) with a further one in four partially successful (25.8 percent).
- Difficulty accessing new funding is four times more pronounced in retail compared to construction, with 44.4 percent of retailers unable to secure new funding compared to a mere 8.6 percent of builders.
- Although the proportion of SMEs seeking new funding lifted since the February 2021 report from 45.4 percent to 48.1 percent, only three out

of four of those are either fully successful (50.4 percent) or partially successfully (22.0 percent) in accessing new funds.

- A high level of variance exists by geography and sector vertical, exemplifying the disparate impact COVID has had on SMEs dependent on how well they have adapted to lockdowns, supply restrictions and the shift to work from home arrangements.

What was your full/partial new funding allocated to?

Note: Percentages based on proportion of SMEs who were either fully (N = 424) or partially (N = 185) successful accessing new funding in the last six months (N = 609)

- Among SMEs who successfully sourced new funding in full or partially in the last six months (72.3 percent/N = 609), the funds were primarily allocated to cashflow/working capital requirements (91.1 percent), investment in new plant and equipment (48.1 percent) and COVID related provisions such as bridging finance or managing business closure (45.6 percent).
- One in four SMEs applied newly sourced capital to hiring staff (25.9 percent), on average employing seven new staff members ranging from three employees in the A\$1-10 million segment to 11 employees in the A\$10-50 million segment. Victoria was clearly impacted by recent lock downs with a lower proportion hiring new staff (18.3 percent) and only two new workers hired among those firms on average.

“COVID really knocked our team about; had to lose 60% of our casual labour who couldn’t get to work anyway. We’re using this new funding to rebuild – positively but carefully.”

CFO, A\$44.5m, QLD, Retail Chain

Key Market Insights

"We would have used the additional funding to recruit, even though we're finding staff hard to get and would have needed to pay more."

Owner, A\$10m, VIC, Agri Business

- Similarly, Retail has also felt the brunt of COVID induced lockdowns and disruptions with only 19 percent of firms borrowing new funds to help hire new staff and on average bringing on two new staff members.
- SMEs are primarily borrowing for working capital, investment in new plant and equipment and COVID related provisions with relatively consistent proportions by state and sector exhibited.

What would your unsuccessful funding have been allocated to?

Note: Percentages based on proportion of SMEs who were unsuccessful accessing new funding in the last six months (N = 233)

- Of the SMEs who were unsuccessful sourcing new funding (27.7 percent/N = 233), a similar breakdown of funding allocation was exhibited ranked by working capital/cashflow requirements (92.7 percent), new plant and equipment (49.8 percent), COVID provisions (45.9 percent) and hiring new staff (28.8 percent) with a view to employing three new full-time employees (FTE) on average.
- State and sector disparities are limited with the same factors ranked in importance for those firms who were unable to access new funding when compared to those who did. Namely to support their requirements for working capital, purchasing new assets and equipment or COVID related provisions.

- The research highlights that a lack of funding has consequently impacted employment levels in the broader economy, with those SME businesses unsuccessful in securing funding unable to support their hiring plans.

Based on your experience with your current lender during the COVID-19 pandemic, for the following please state which option you are more likely to pursue in the next six months?

- Overall one in two SMEs display borrowing intentions for H2 2021 (50.3 percent), an increase from the proportion of SMEs who attempted to access funding in the last six months (48.1 percent).
- 50.5 percent of the A\$1-10 million segment and 48.6 percent of the A\$10-50 million segment reported no new borrowing intentions for the next six months, a marked reduction on the February 2021 Judo Bank SME Insights round of reporting where 55.4 percent of SMEs did not plan to source new borrowings in the next 12 months. This overall figure was split by 64.7 percent for the A\$1-10 million segment and 41.5 percent for the A\$10-50 million segment. This comparison to the prior report indicates robust growth in demand for business credit within the SME segment.

"JobKeeper helped but we're finding ourselves back in much the same situation as the early days of COVID; keen to chase post-COVID opportunities that are popping up with some new lines of credit though."

**Finance Director, A\$12.5m, NSW,
Professional Services Partnership**

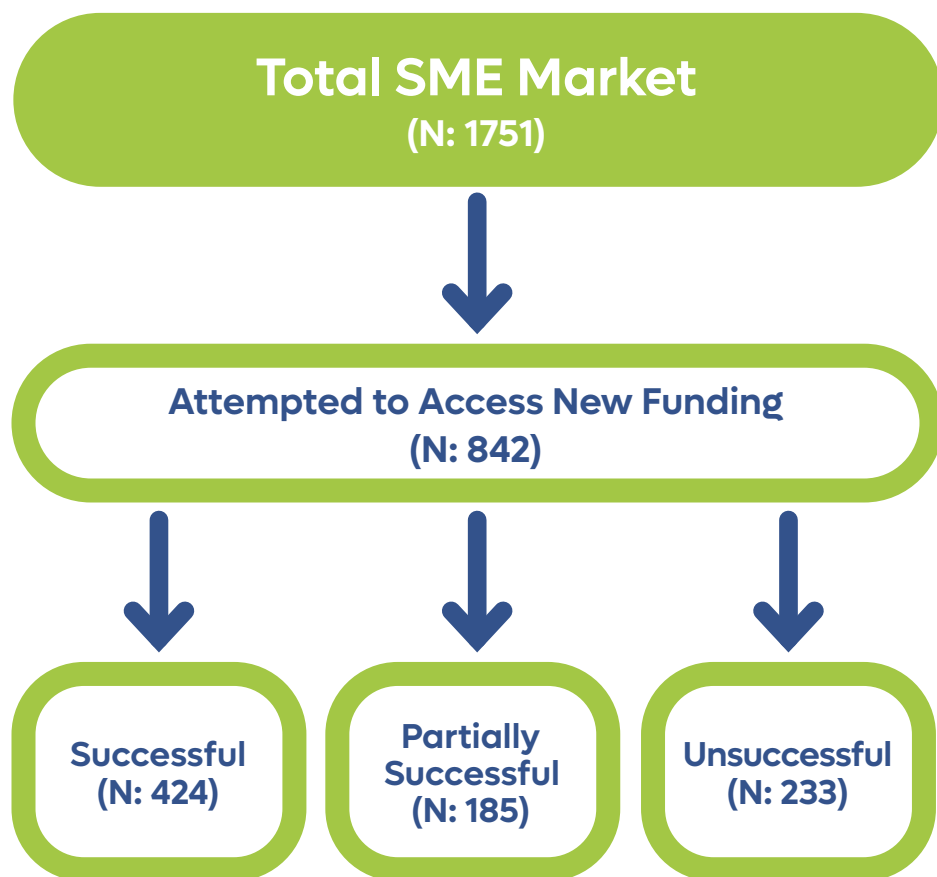
- One in three SMEs plan to apply for a new loan in H2 2021 (34.4 percent) while a further 15.9 percent are reviewing their books and refinancing existing debt facilities. Decision making over sourcing finance from a new or existing lender is evenly split, with one in four seeking a new lender (23.4 percent) and a similar proportion turning to their current lender (26.8 percent).
- The larger the business, the greater the likelihood of using an existing lender, registering 32.4 percent of \$10-50 million enterprises compared to 23.1 percent of A\$1-10 million small sized enterprises.
- SMEs are more likely to borrow from the Big Four (34.4 percent) than a non-major (6.6 percent) or non-bank (9.2 percent). Noting non-bank financing preference is significantly more prevalent among smaller sized SMEs (11.3 percent) than larger sized (6.1 percent).
- Borrowing intentions are split relatively evenly by State with the exception of WA where a much higher 61.9 percent display new borrowing intentions in H2 2021 and a higher level of demand for new credit facilities compared to other states.
- The construction (29.8 per cent) and retail (26.6 per cent) sectors are the most inclined to source new borrowings from a different lender whereas the manufacturing (33.5 per cent) and wholesale (32.6 per cent) sectors generally prefer to source new lending and refinance with their existing lender.
- While the SME sector is split evenly for borrowing intentions towards lenders, preferences for sourcing new loans or refinancing existing debt and bank choice varies significantly by turnover, state and sector.

"Our bank, whom we've been with for over 20 years, just couldn't make the lend decision; after 4 months we had a look at alternatives and had our new loan package done within a week and with a non-bank – unbelievable!"

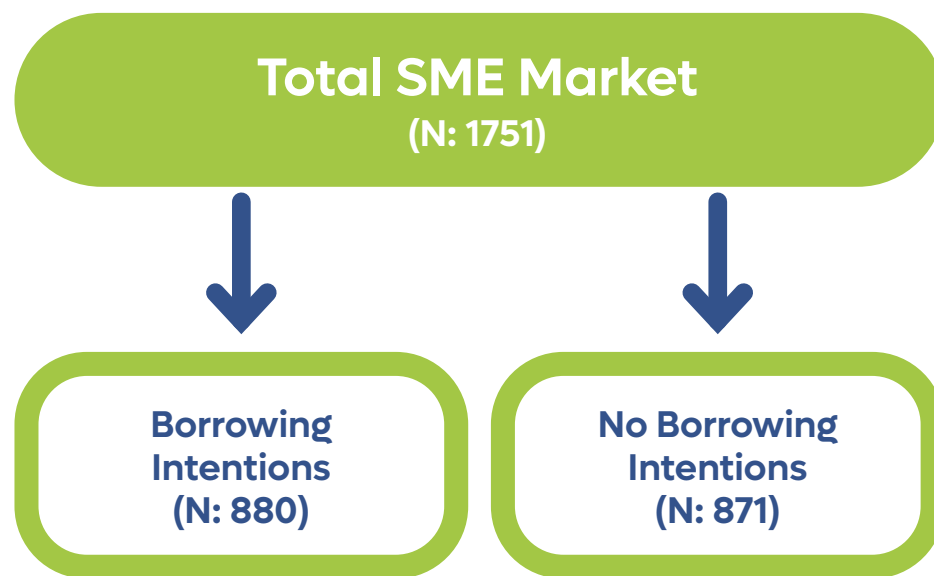
Owner, A\$7.5m, QLD, Mining Services Business

Key Market Insights

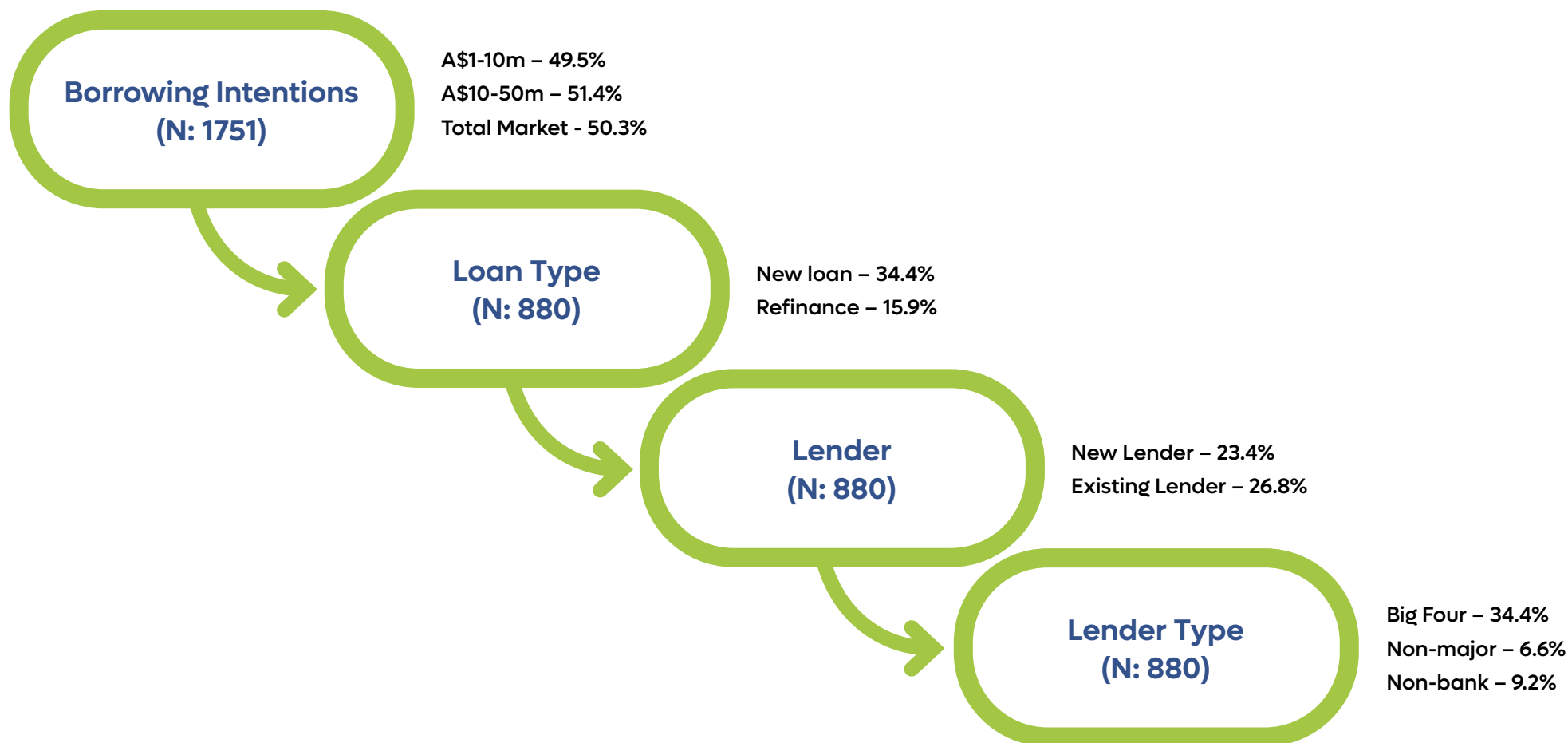
SME Funding Breakdown – Last Six Months



SME Funding Breakdown – Next Six Months



Lending Options Pursued



Note: percentages based against full SME population (N: 1751). Refer to Appendix I for population breakdown by borrowing intention next six months.

Key Market Insights

Expectation Gap on Settlement Delays

For your loan/s application/s in the last six months, how long did it take your lender to discharge your existing loans if you changed lender, approve or reject your loan application or settle the facility(ies) if successful?

- In the last six months it took lenders on average 42 days to discharge SMEs existing loans when they change lender, 23 days to approve or reject a loan application/s and 20 days to settle the facility if successful.
- A\$10-50 million enterprises report even longer durations for discharging existing loans when switching provider of up to 44 days, while A\$1-10 million enterprises encounter extended wait times of 27 days for loan approval and 24 days for settlement.
- Loan approval and settlement durations are relatively uniform by state with the exception of faster turnaround times for approvals in QLD at 17.9 days. Settlement times are markedly lower in NSW and WA also at 17.6 days and 17.7 days, respectively.

"Even though we've been a perfect customer for the 10 years we've been with them, our Bank took 3 months of pretty deep checking to then decline us completely; they'd told us it would take a couple of weeks at the start. We're now looking at other lenders and getting a great reception."

Owner, A\$10.0m, NSW, Distributor/Assembler

- The manufacturing sector is characterised by considerable lags on discharging loans when switching lender (47 days), loan approval (32.5 days) and settlement (24 days) relative to the market average. Conversely the wholesale sector enjoys sharper turnaround times for switching (35.8 days), approval (18.8 days) and settlement (20.5 days).

What is your expected timeframe in days to discharge your existing loans if you changed lender, approve or reject your loan application or settle the facility(ies) if successful?

- SMEs expect their loan to be discharged when swapping lenders within 5 days, loan approval or rejection within 11 days and settlement within 5 days.
- Smaller sized SMEs are generally more accommodating in terms of overall expectations relative to larger sized SMEs that demand existing loan discharge when switching within 3 days, approval within 8 days and settlement within 4 days.
- State based expectations for loan approval and settlements display minimal variance, with all state average falling within 2 days of the overall market average.
- Sector based variance is also limited, suggesting expectations are strongly held across the SME sector at large regardless of business size, location or sector vertical.
- The 'gap' from reality to expectation is enormous for loan switching, approval and settlement, totalling 37 days for switching, 12 days for approval and 15 days for settlement. Major banks are falling well behind customer expectations, and this is likely to lead to elevated levels of customer switching, dissatisfaction and reduced trust as recorded in previous rounds of the Judo Bank SME Insights research.

• Key Go-to-Market Themes

- Despite rolling COVID lockdowns and uncertainty over the speed of the vaccination roll out, 46.1 percent of SMEs classify themselves in a growth business phase.
- This finding is a testament to the strong level of resilience and adaptability the SME business sector possesses. However, it must be asked how much strain small businesses are under and how much the ingrained funding issues the sector faces are holding back the economy from a broad-based recovery.
- Despite the significant level of stimulus funding, JobKeeper income support and loan deferral provisions extended to the SME segment by Federal and State governments and Banks, an astonishing one in four SMEs continue to be rejected from accessing new funding.
- Only half of the SME businesses surveyed who applied for funding were fully successful in accessing new funds while one in five were partially successful. This underfunding is holding back growth aspirations and denting plans for working capital, capital expenditure on new plant and equipment and hiring new staff.
- While one in four SMEs borrowing new funds did so to hire staff, on average seven new FTE, over one in four SMEs who were refused a loan were prevented from employing new staff, on average three new FTE.
- One in two SME's have intentions to seek new or refinance existing lending in the next six months. Preferences towards sourcing new loans or refinancing existing debt and bank choice varies by business turnover, state, and sector.
- Only one in three SME's intends to seek lending or refinance with a major bank, this proportion rising based on business size with SME businesses with turnover under \$10 million less likely to favour the major banks.
- WA based SME businesses are the most bullish in terms of new borrowing intentions, with almost two in three seeking new lending or refinance in the next six months. Lending intentions are largely even across sectors, with slightly greater than one in two manufacturing businesses intending to seek new lending or refinance. The construction, retail and services sectors are the most likely to switch away from their current lender for both new borrowings and refinancing.
- A significant gap exists between loan approval and settlement with client expectations. Swapping lenders takes 37 days longer than what customers desire, while loan decisions run 12 days over and settlement 15 days.

• Detailed Data Analysis

SME Growth Profile

Exhibit 1

Current Business Phase – By Segment

% of Total

	A\$1-10m (N: 1048)	A\$10-50m (N: 703)	Total Market (N: 1751)
Start-up	6.2	0.7	4.0
Growth/Expansion	39.2	56.3	46.1
Contracting	11.7	11.5	11.7
Exiting	30.4	19.6	26.1
Unsure/no view	12.4	11.8	12.2
TOTAL	100.0	100.0	100.0

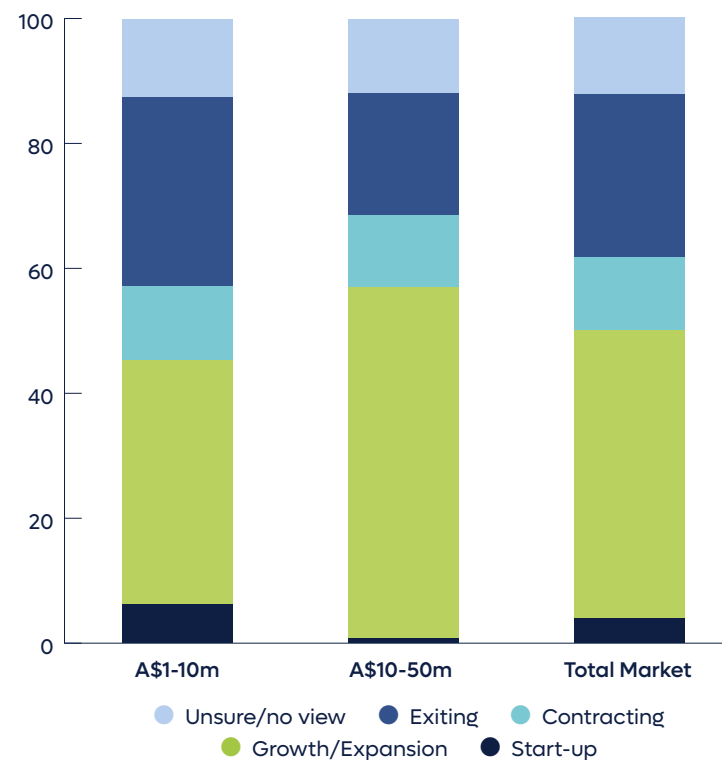
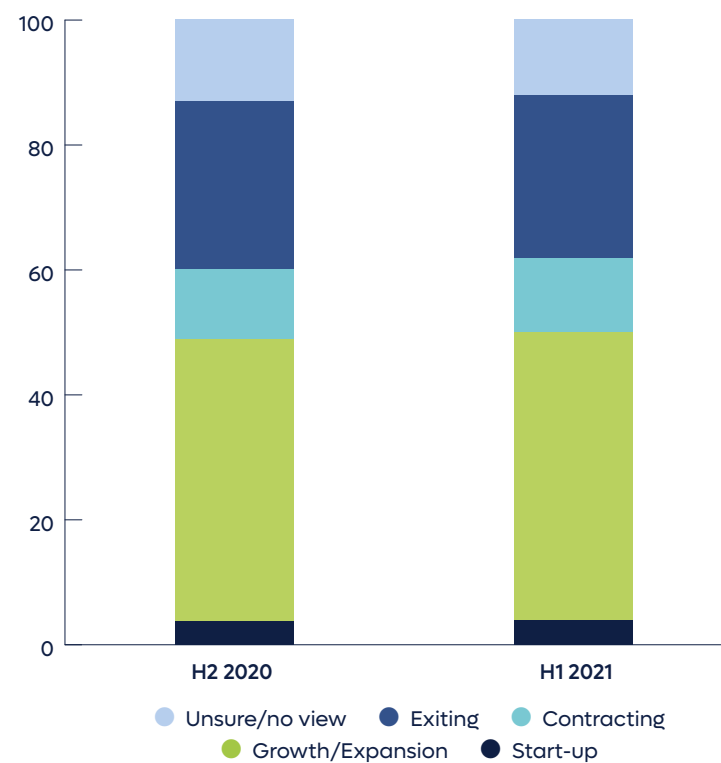


Exhibit 2

Current Business Phase – Historical Trend

% of Total

	February 2021 Report	September 2021 Report
	H2 2020 (N: 1753)	H1 2021 (N: 1751)
Start-up	3.7	4.0
Growth/Expansion	45.2	46.1
Contracting	11.2	11.7
Exiting	26.9	26.1
Unsure/no view	13.1	12.2
TOTAL	100.0	100.0



Detailed Data Analysis

Exhibit 3

Current Business Phase – By State

% of Total

	NSW (N: 829)	VIC (N: 424)	QLD (N: 219)	SA (N: 74)	WA (N: 134)	Other (ACT/NT/TAS) (N: 71)	Total Market (N: 1751)
Start-up	4.9	2.6	6.4	1.4	1.5	1.4	4.0
Growth/Expansion	49.9	40.6	50.7	29.7	49.3	31.0	46.1
Contracting	8.4	18.6	7.3	18.9	10.4	15.5	11.7
Exiting	27.4	21.0	21.9	27.0	31.3	43.7	26.1
Unsure/no view	9.3	17.2	13.7	23.0	7.5	8.5	12.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

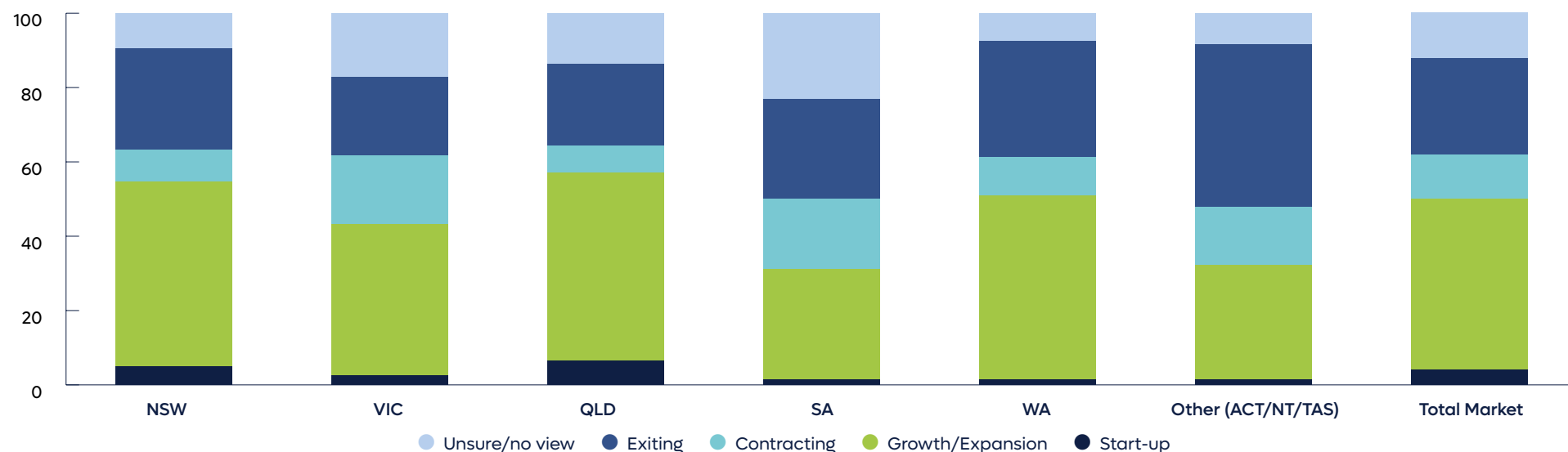
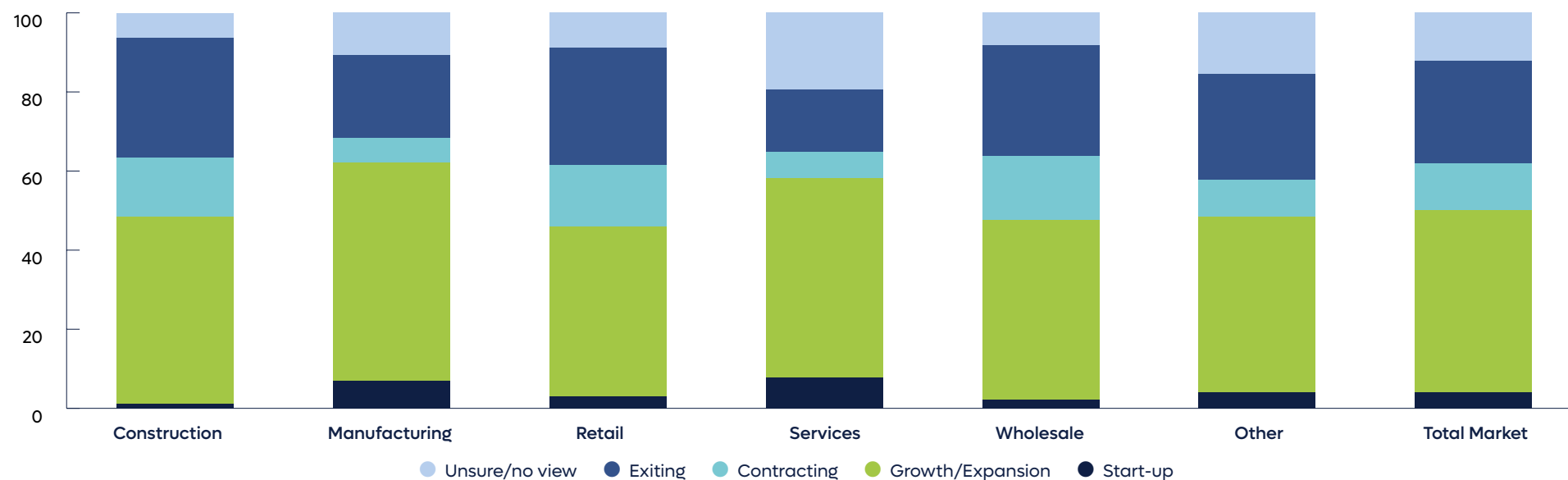


Exhibit 4

Current Business Phase – By Industry

% of Total

	Construction (N: 161)	Manufacturing (N: 158)	Retail (N: 354)	Services (N: 196)	Wholesale (N: 273)	Other (N: 609)	Total Market (N: 1751)
Start-up	1.2	7.0	3.1	7.7	2.2	4.1	4.0
Growth/Expansion	47.2	55.1	42.9	50.5	45.4	44.2	46.1
Contracting	14.9	6.3	15.5	6.6	16.1	9.5	11.7
Exiting	30.4	20.9	29.7	15.8	28.2	26.6	26.1
Unsure/no view	6.2	10.8	8.8	19.4	8.1	15.6	12.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0



Detailed Data Analysis

SME Investment

Exhibit 5

Funding Application Success – By Segment

% of Total

	A\$1-10m (N: 503)	A\$10-50m (N: 339)	Total Market (N: 842)
Successful	44.9	58.4	50.4
Partially Successful	19.5	25.7	22.0
Unsuccessful	35.6	15.9	27.7
TOTAL	100.0	100.0	100.0

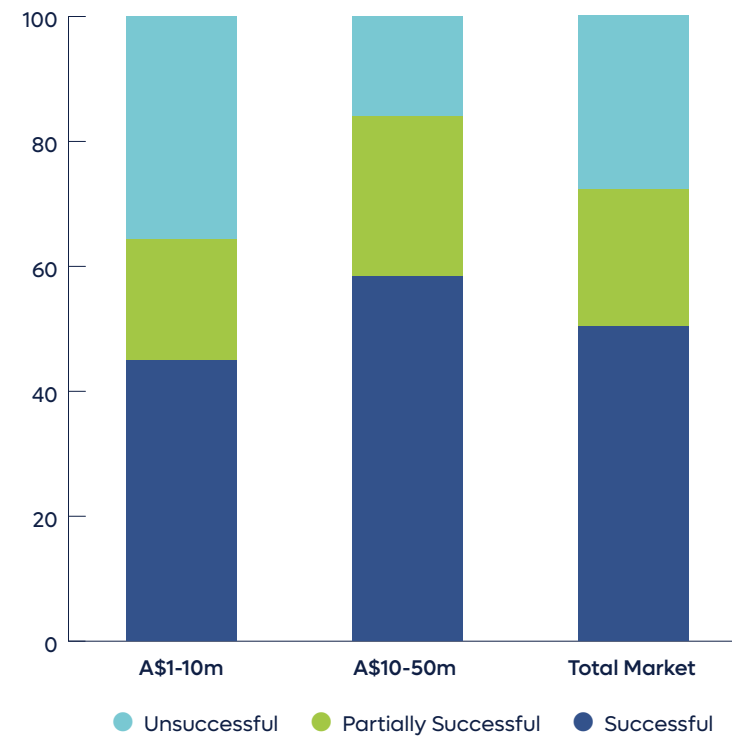
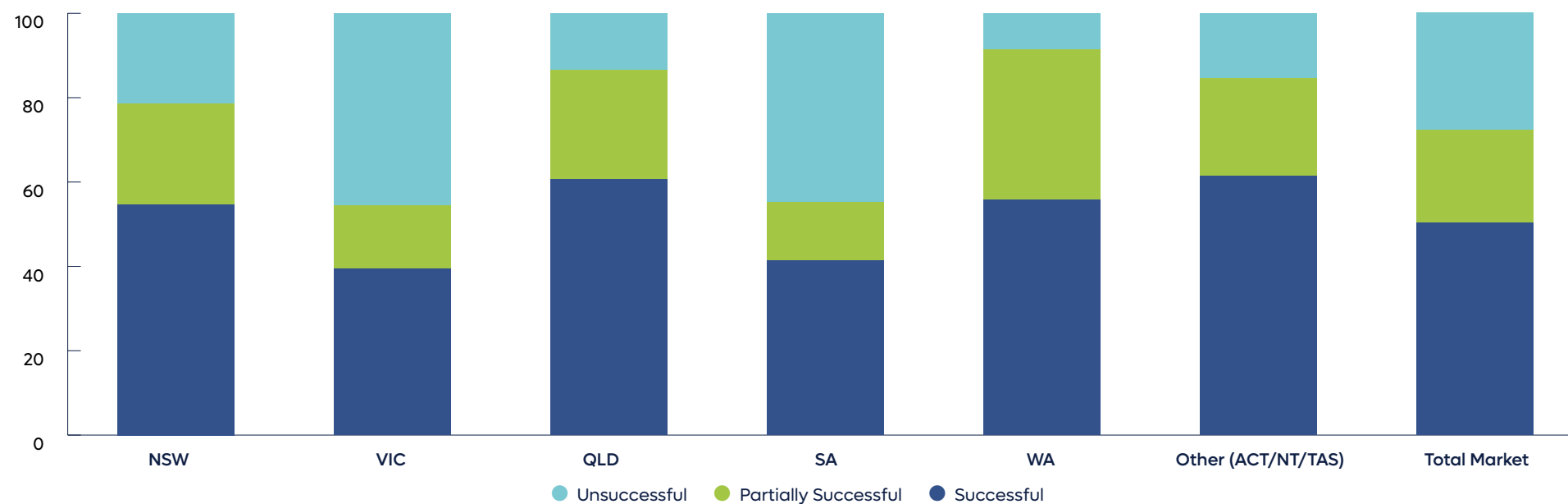


Exhibit 6

Funding Application Success – By State

% of Total

	NSW (N: 380)	VIC (N: 261)	QLD (N: 89)	SA (N: 29)	WA (N: 70)	Other (ACT/NT/TAS) (N: 13)	Total Market (N: 842)
Successful	54.7	39.5	60.7	41.4	55.7	61.5	50.4
Partially Successful	23.9	14.9	25.8	13.8	35.7	23.1	22.0
Unsuccessful	21.3	45.6	13.5	44.8	8.6	15.4	27.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0



Detailed Data Analysis

Exhibit 7

Funding Application Success – By Industry

% of Total

	Construction (N: 93)	Manufacturing (N: 84)	Retail (N: 151)	Services (N: 81)	Wholesale (N: 146)	Other (N: 287)	Total Market (N: 842)
Successful	60.2	59.5	35.8	49.4	43.2	56.1	50.4
Partially Successful	31.2	34.5	19.9	34.6	18.5	14.6	22.0
Unsuccessful	8.6	6.0	44.4	16.0	38.4	29.3	27.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

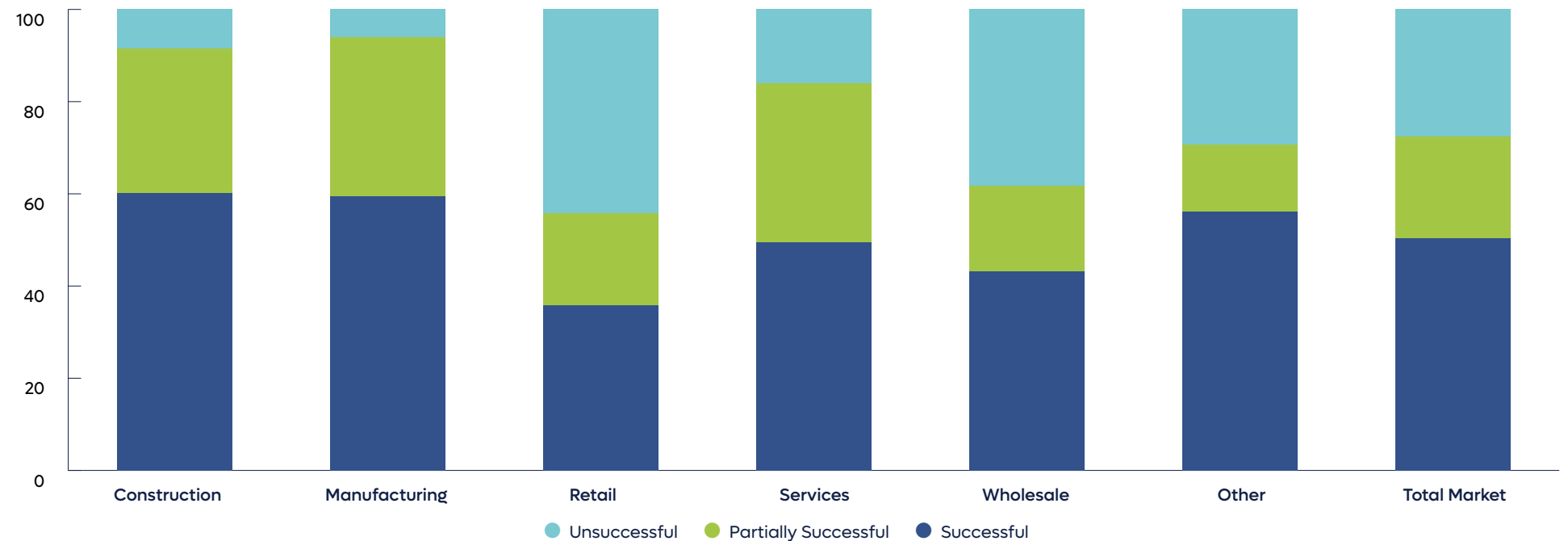


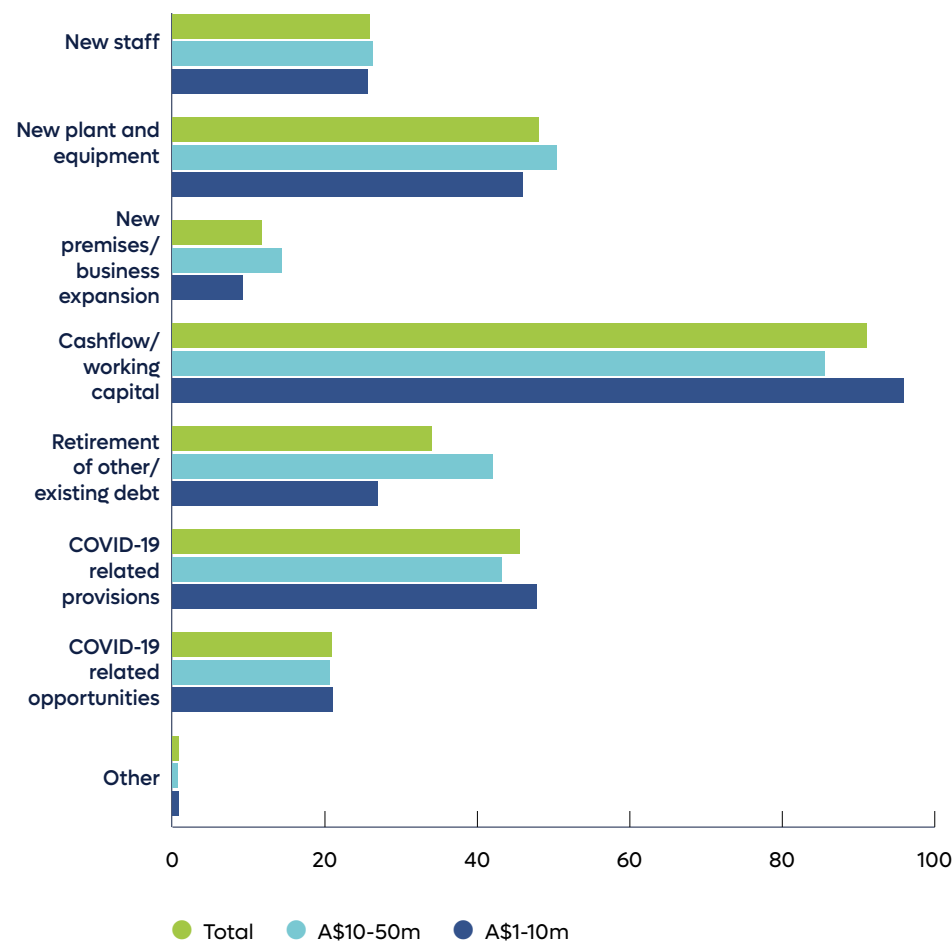
Exhibit 8

Successful Funding Allocation – By Segment

% of Total

	A\$1-10m (N: 324)	A\$10-50m (N: 285)	Total Market (N: 609)
New staff	25.6	26.3	25.9
Average number of new staff	3.0	11.0	6.7
New plant and equipment	46.0	50.5	48.1
New premises/business expansion	9.3	14.4	11.7
Cashflow/working capital	96.0	85.6	91.1
Retirement of other/existing debt	26.9	42.1	34.0
COVID-19 related provisions (bridging finance, business closure)	47.8	43.2	45.6
COVID-19 related opportunities (operations, growth, business purchase)	21.0	20.7	20.9
Other	0.9	0.7	0.8

Note: sums to over N count due to multiple responding enabled.



Detailed Data Analysis

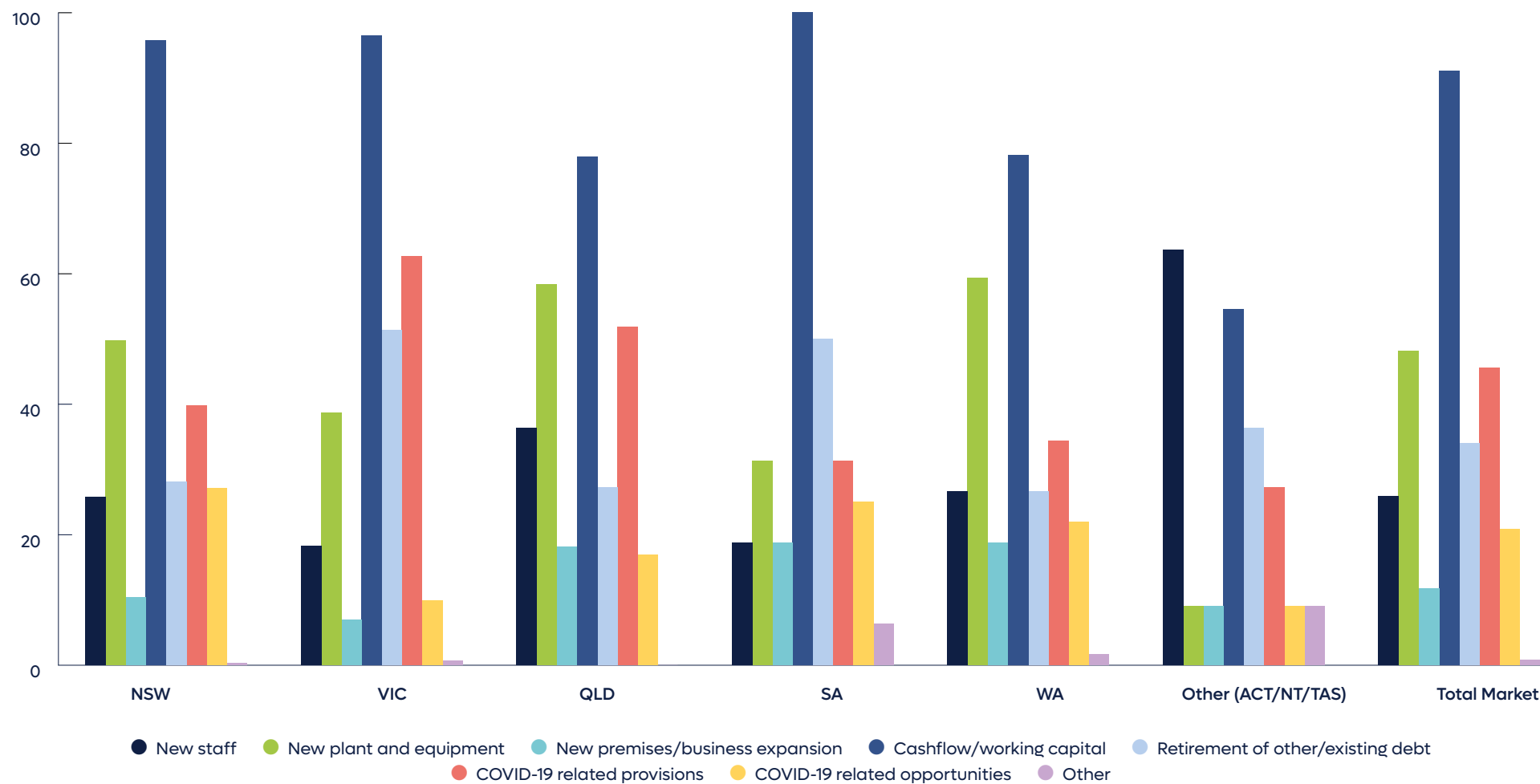
Exhibit 9

Successful Funding Allocation – By State

% of Total

	NSW (N: 299)	VIC (N: 142)	QLD (N: 77)	SA (N: 16)	WA (N: 64)	Other (ACT/NT/TAS) (N: 11)	Total Market (N: 609)
New staff	25.8	18.3	36.4	18.8	26.6	63.6	25.9
Average number of new staff	7.0	2.2	7.7	6.0	7.2	3.4	6.7
New plant and equipment	49.8	38.7	58.4	31.3	59.4	9.1	48.1
New premises/business expansion	10.4	7.0	18.2	18.8	18.8	9.1	11.7
Cashflow/working capital	95.7	96.5	77.9	100.0	78.1	54.5	91.1
Retirement of other/existing debt	28.1	51.4	27.3	50.0	26.6	36.4	34.0
COVID-19 related provisions (bridging finance, business closure)	39.8	62.7	51.9	31.3	34.4	27.3	45.6
COVID-19 related opportunities (operations, growth, business purchase)	27.1	9.9	16.9	25.0	21.9	9.1	20.9
Other	0.3	0.7	0.0	6.3	1.6	9.1	0.8

Note: sums to over N count due to multiple responding enabled. Caution applied to low N counts in selected states.



Detailed Data Analysis

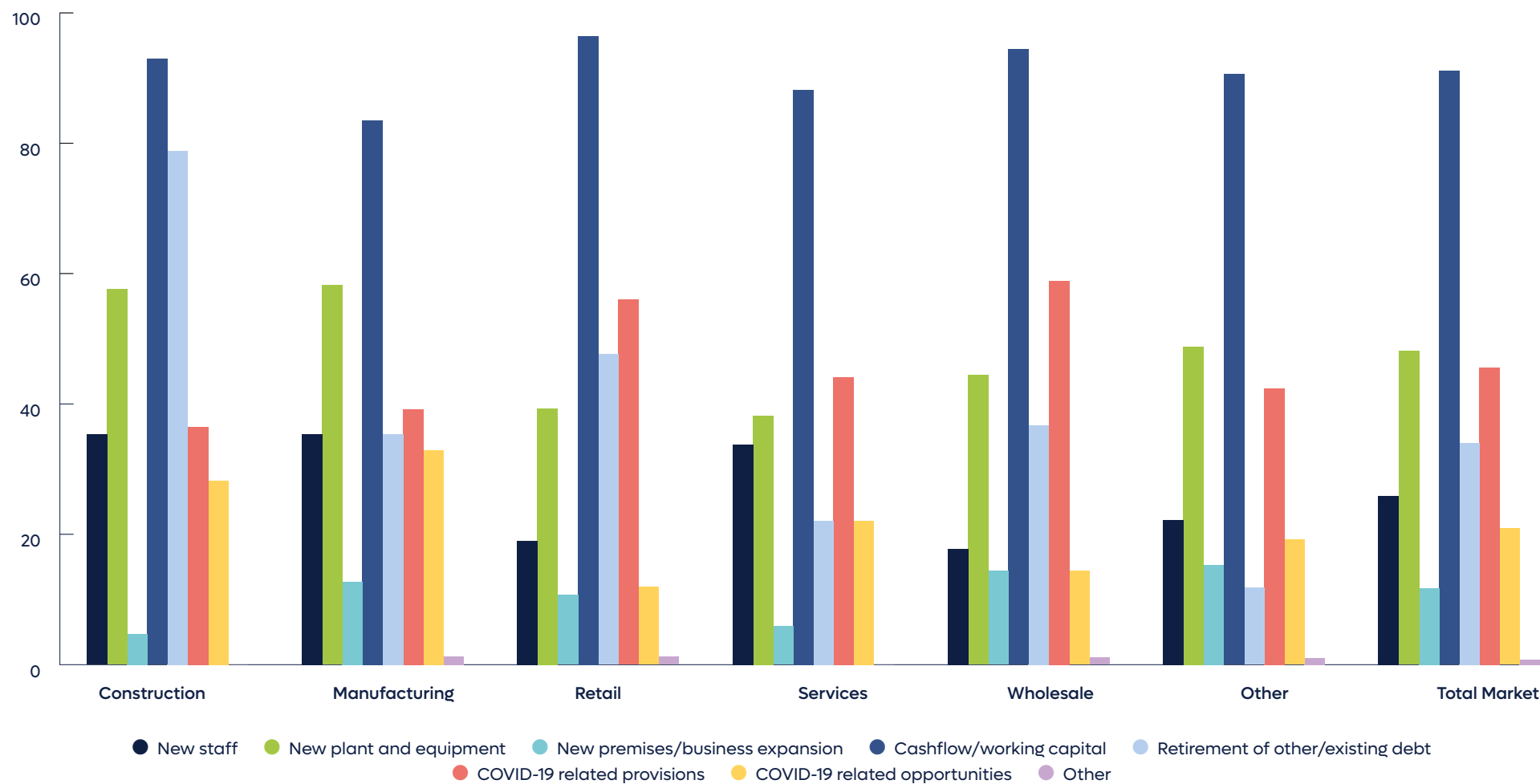
Exhibit 10

Successful Funding Allocation – By Industry

% of Total

	Construction (N: 85)	Manufacturing (N: 79)	Retail (N: 84)	Services (N: 68)	Wholesale (N: 90)	Other (N: 203)	Total Market (N: 609)
New staff	35.3	35.4	19.0	33.8	17.8	22.2	25.9
Average number of new staff	7.1	6.9	1.9	6.5	4.4	8.9	–
New plant and equipment	57.6	58.2	39.3	38.2	44.4	48.8	48.1
New premises/business expansion	4.7	12.7	10.7	5.9	14.4	15.3	11.7
Cashflow/working capital	92.9	83.5	96.4	88.2	94.4	90.6	91.1
Retirement of other/existing debt	78.8	35.4	47.6	22.1	36.7	11.8	34.0
COVID-19 related provisions (bridging finance, business closure)	36.5	39.2	56.0	44.1	58.9	42.4	45.6
COVID-19 related opportunities (operations, growth, business purchase)	28.2	32.9	11.9	22.1	14.4	19.2	20.9
Other	–	1.3	1.2	–	1.1	1.0	0.8

Note: sums to over N count due to multiple responding enabled.



Detailed Data Analysis

Exhibit 11

Unsuccessful Funding Allocation – By Segment

% of Total

	A\$1-10m (N: 179)	A\$10-50m (N: 54)	Total Market (N: 233)
New staff	26.3	37.0	28.8
Average number of new staff	2.0	5.0	3.4
New plant and equipment	48.0	55.6	49.8
New premises/business expansion	6.1	9.3	6.9
Cashflow/working capital	97.8	75.9	92.7
Retirement of other/existing debt	25.7	33.3	27.5
COVID-19 related provisions (bridging finance, business closure)	49.2	35.2	45.9
COVID-19 related opportunities (operations, growth, business purchase)	25.1	29.6	26.2
Other	1.1	3.7	1.7

Note: sums to over N count due to multiple responding enabled.

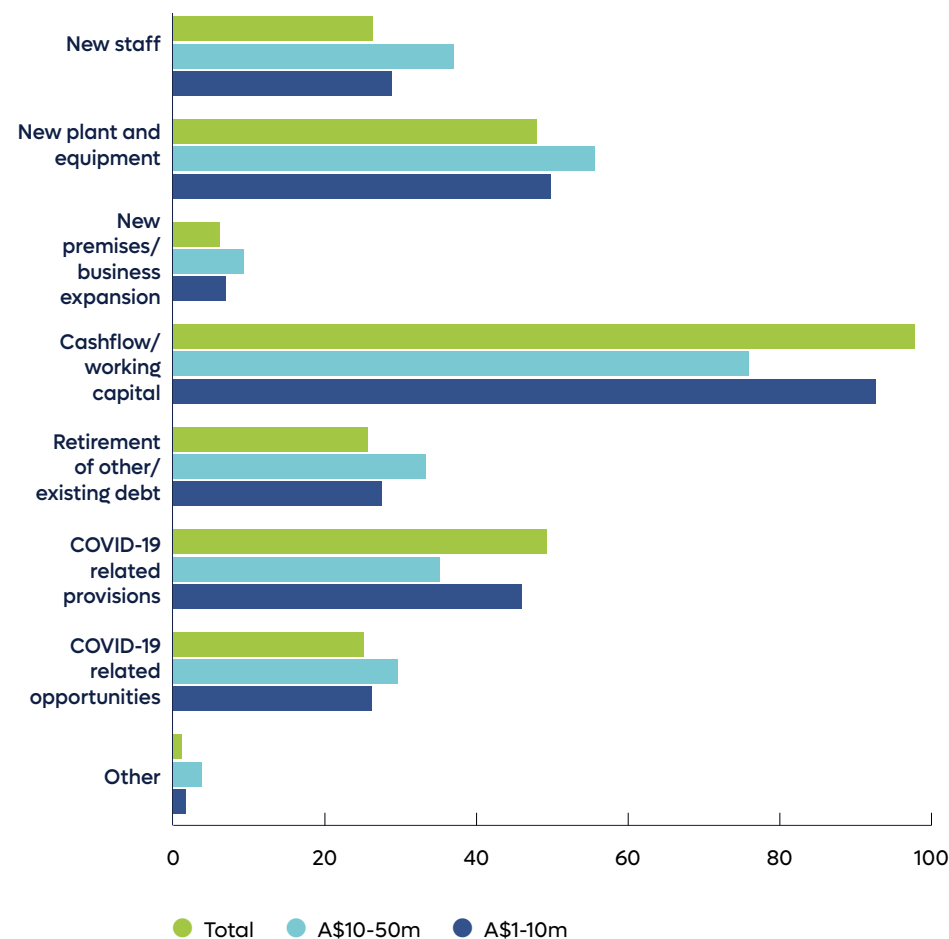


Exhibit 12

Unsuccessful Funding Allocation – By State

% of Total

	NSW (N: 81)	VIC (N: 119)	QLD (N: 12)	SA (N: 13)	WA (N: 6)	Other (ACT/NT/TAS) (N: 2)	Total Market (N: 233)
New staff	59.3	7.6	25.0	23.1	50.0	50.0	28.8
Average number of new staff	4.0	2.1	3.6	2.0	3.4	3.3	3.4
New plant and equipment	74.1	33.6	91.7	23.1	16.7	50.0	49.8
New premises/business expansion	6.2	0.8	41.7	7.7	66.7	–	6.9
Cashflow/working capital	100.0	96.6	50.0	76.9	33.3	100.0	92.7
Retirement of other/existing debt	27.2	20.2	75.0	38.5	33.3	100.0	27.5
COVID-19 related provisions (bridging finance, business closure)	48.1	41.2	100.0	15.4	50.0	100.0	45.9
COVID-19 related opportunities (operations, growth, business purchase)	44.4	5.9	83.3	7.7	100.0	50.0	26.2
Other	–	1.7	–	7.7	16.7	–	1.7

Note: sums to over N count due to multiple responding enabled. Caution applied to low N counts in selected states.

Detailed Data Analysis

Exhibit 12

Unsuccessful Funding Allocation – By State

% of Total

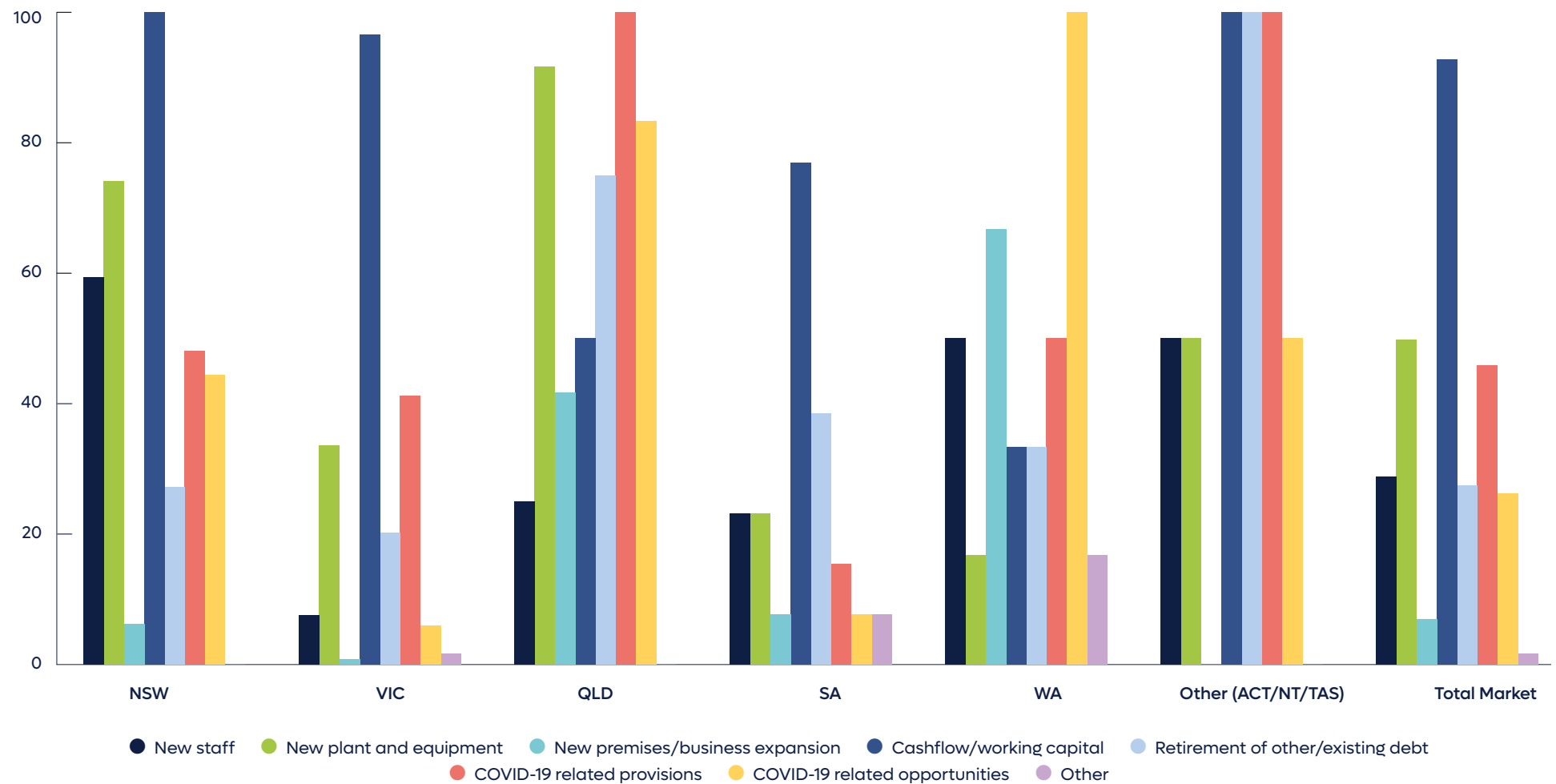


Exhibit 13

Unsuccessful Funding Allocation – By Industry

% of Total

	Construction (N: 8)	Manufacturing (N: 5)	Retail (N: 67)	Services (N: 13)	Wholesale (N: 56)	Other (N: 84)	Total Market (N: 233)
New staff	50.0	60.0	16.4	61.5	21.4	34.5	28.8
Average number of new staff	4.0	3.8	1.9	3.4	2.0	4.4	3.4
New plant and equipment	50.0	60.0	44.8	38.5	50.0	54.8	49.8
New premises/business expansion	–	40.0	3.0	7.7	7.1	8.3	6.9
Cashflow/working capital	75.0	60.0	97.0	100.0	96.4	89.3	92.7
Retirement of other/existing debt	25.0	20.0	34.3	15.4	37.5	17.9	27.5
COVID-19 related provisions (bridging finance, business closure)	25.0	40.0	62.7	15.4	57.1	32.1	45.9
COVID-19 related opportunities (operations, growth, business purchase)	50.0	80.0	11.9	46.2	12.5	38.1	26.2
Other	–	20.0	1.5	–	1.8	1.2	1.7

Note: sums to over N count due to multiple responding enabled. Caution applied to low N counts in selected states.

Detailed Data Analysis

Exhibit 13

Unsuccessful Funding Allocation – By Industry

% of Total

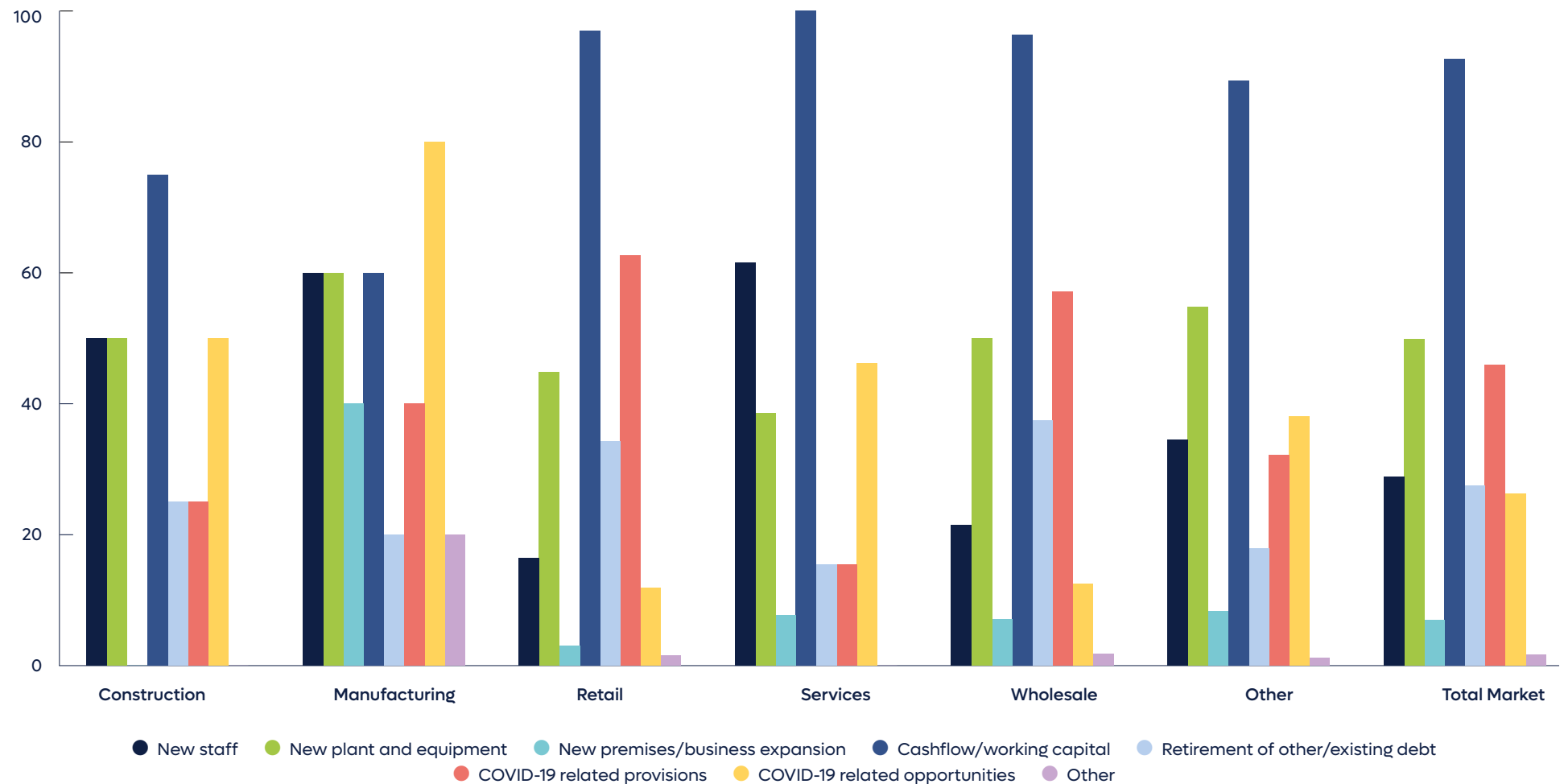


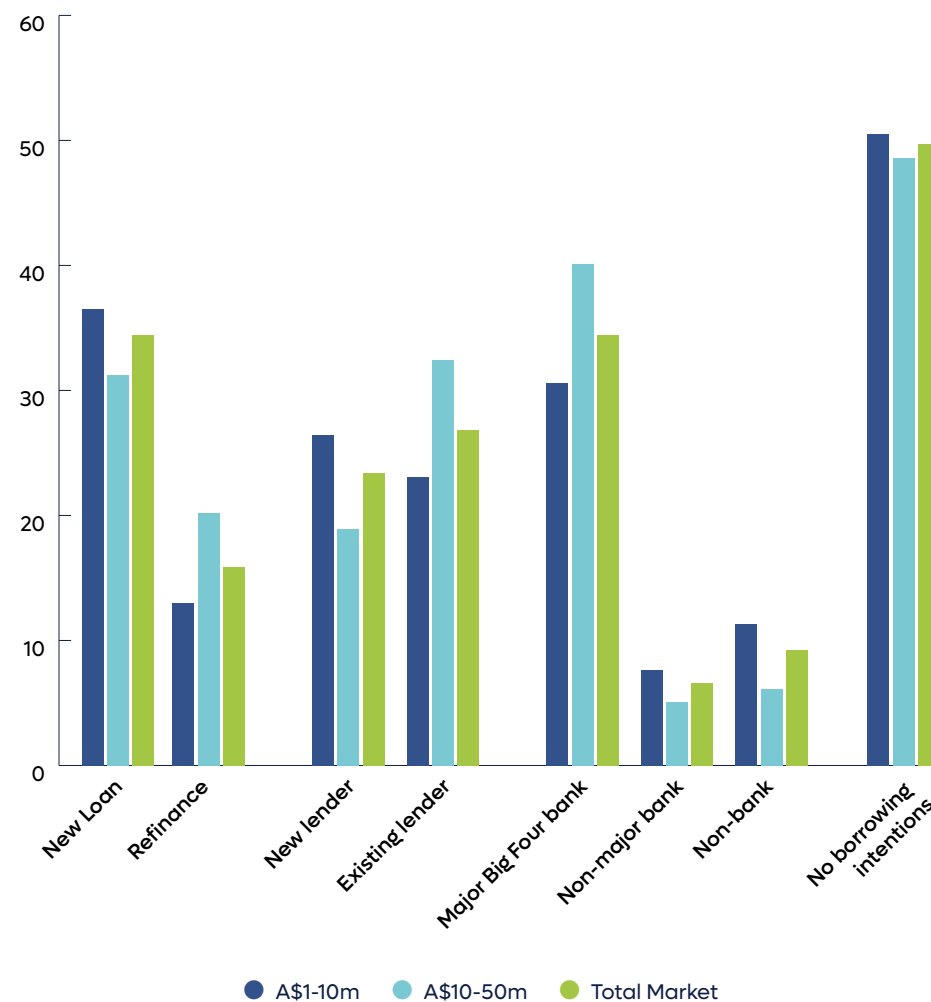
Exhibit 14

Lending Intentions and Options Pursued Next Six Months – By Segment

% of Total

	A\$1-10m (N: 1048)	A\$10-50m (N: 703)	Total Market (N: 1751)
New Loan	36.5	31.2	34.4
Refinance	13.0	20.2	15.9
New lender	26.4	18.9	23.4
Existing lender	23.1	32.4	26.8
Major Big Four bank	30.6	40.1	34.4
Non-major bank	7.6	5.1	6.6
Non-bank	11.3	6.1	9.2
No borrowing intentions	50.5	48.6	49.7

Note: sums to over N count due to multiple responding enabled.



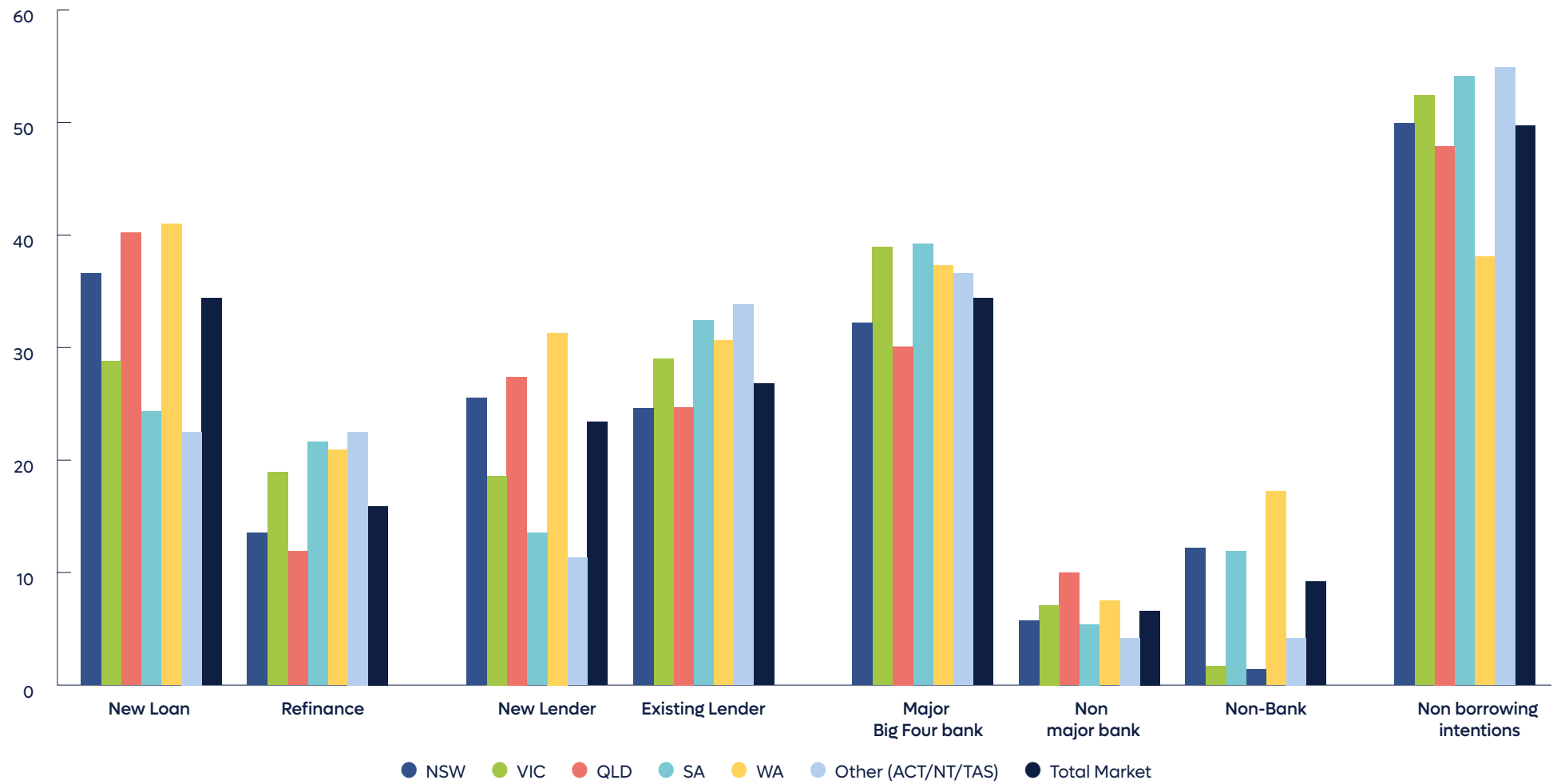
Detailed Data Analysis

Exhibit 15

Lending Intentions and Options Pursued Next Six Months – By State

% of Total

	NSW (N: 829)	VIC (N: 424)	QLD (N: 219)	SA (N: 74)	WA (N: 134)	Other (ACT/NT/TAS) (N: 71)	Total Market (N: 1751)
New Loan	36.6	28.8	40.2	24.3	41.0	22.5	34.4
Refinance	13.5	18.9	11.9	21.6	20.9	22.5	15.9
New lender	25.5	18.6	27.4	13.5	31.3	11.3	23.4
Existing lender	24.6	29.0	24.7	32.4	30.6	33.8	26.8
Major Big Four bank	32.2	38.9	30.1	39.2	37.3	36.6	34.4
Non-major bank	5.7	7.1	10.0	5.4	7.5	4.2	6.6
Non-bank	12.2	1.7	11.9	1.4	17.2	4.2	9.2
No borrowing intentions	49.9	52.4	47.9	54.1	38.1	54.9	49.7



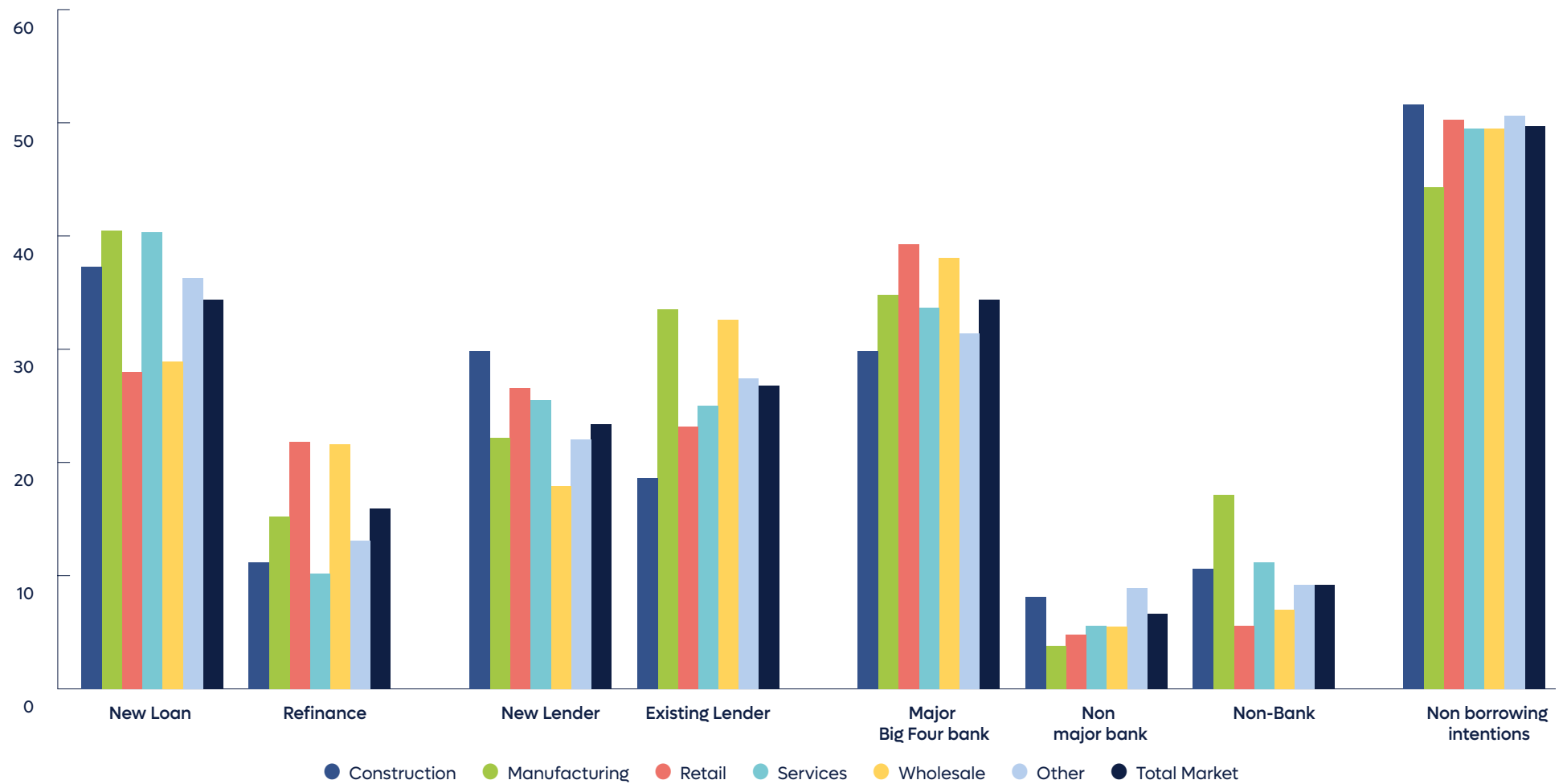
Detailed Data Analysis

Exhibit 16

Lending Intentions and Options Pursued Next Six Months – By Industry

% of Total

	Construction (N:161)	Manufacturing (N:158)	Retail (N: 354)	Services (N: 196)	Wholesale (N: 273)	Other (N: 609)	Total Market (N: 1751)
New Loan	37.3	40.5	28.0	40.3	28.9	36.3	34.4
Refinance	11.2	15.2	21.8	10.2	21.6	13.1	15.9
New lender	29.8	22.2	26.6	25.5	17.9	22.0	23.4
Existing lender	18.6	33.5	23.2	25.0	32.6	27.4	26.8
Major Big Four bank	29.8	34.8	39.3	33.7	38.1	31.4	34.4
Non-major bank	8.1	3.8	4.8	5.6	5.5	8.9	6.6
Non-bank	10.6	17.1	5.6	11.2	7.0	9.2	9.2
No borrowing intentions	51.6	44.3	50.3	49.5	49.5	50.6	49.7



Detailed Data Analysis

Expectation Gap on Settlement Delays

Exhibit 17

Time Taken to Complete Loan Processes – By Segment

Average Days Taken

	A\$1-10m (N: 503)	A\$10-50m (N: 339)	Total Market (N: 842)
Approve or reject your loan application	26.6	17.2	22.8
Settle the facility(ies) if successful	24.0	15.6	20.0
Discharge your existing loans if you changed lender	38.7	44.4	41.8

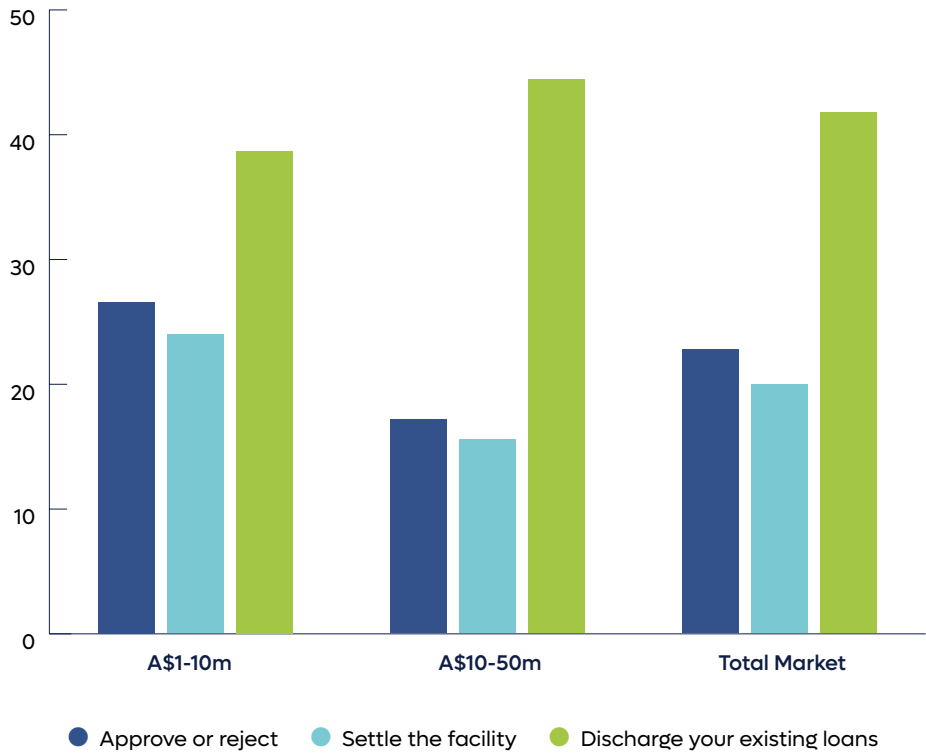
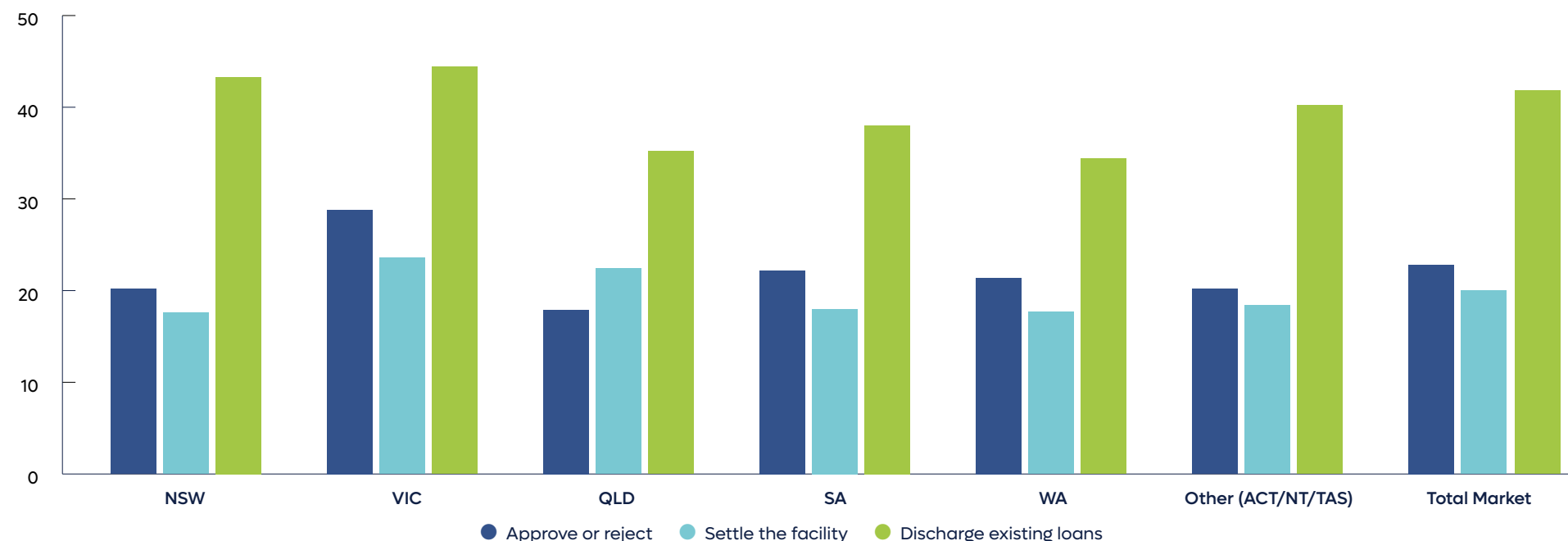


Exhibit 18

Time Taken to Complete Loan Processes – By State

Average Days Taken

	NSW (N: 380)	VIC (N: 261)	QLD (N: 89)	SA (N: 29)	WA (N: 70)	Other (ACT/NT/TAS) (N: 13)	Total Market (N: 842)
Approve or reject your loan application	20.2	28.8	17.9	22.2	21.4	20.2	22.8
Settle the facility(ies) if successful	17.6	23.6	22.4	18.0	17.7	18.4	20.0
Discharge your existing loans if you changed lender	43.3	44.4	35.2	38.0	34.4	40.2	41.8



Detailed Data Analysis

Exhibit 19

Time Taken to Complete Loan Processes – By Industry

Average Days Taken

	Construction (N: 93)	Manufacturing (N:84)	Retail (N: 151)	Services (N: 81)	Wholesale (N: 146)	Other (N: 287)	Total Market (N: 842)
Approve or reject your loan application	27.6	32.5	19.0	21.1	18.8	22.9	22.8
Settle the facility(ies) if successful	18.2	24.0	22.3	18.0	20.5	27.0	20.0
Discharge your existing loans if you changed lender	44.4	47.0	37.7	42.2	35.8	26.6	41.8

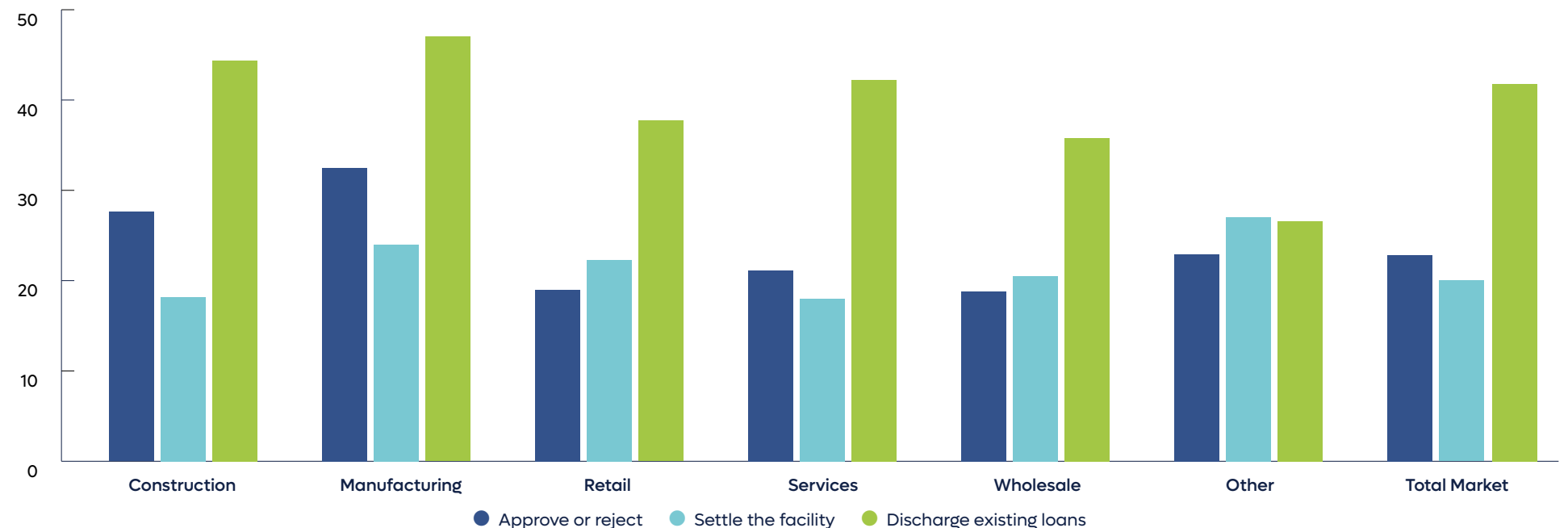


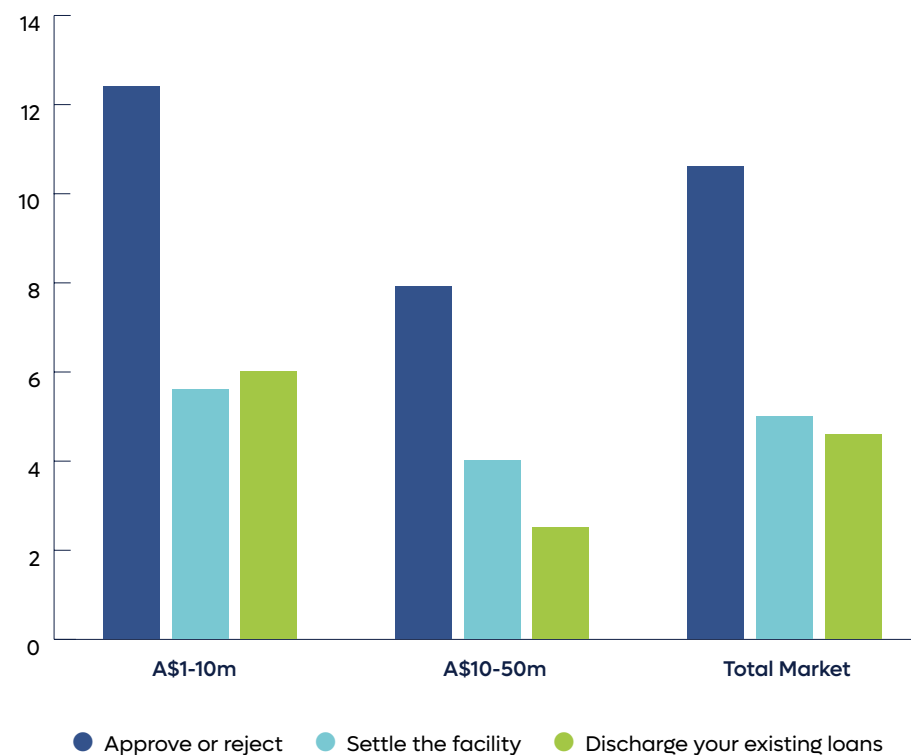
Exhibit 20

Expected Time to Complete Loan Processes – By Segment

Average Days Expected

	A\$1-10m (N: 1048)	A\$10-50m (N: 703)	Total Market (N: 1751)
Approve or reject your loan application	12.4	7.9	10.6
Settle the facility(ies) if successful	5.6	4.0	5.0
Discharge your existing loans if you changed lender	6.0	2.5	4.6

Note: settlement responses based on time taken post the discharged of any existing loan.



Detailed Data Analysis

Exhibit 21

Expected Time to Complete Loan Processes – By State

Average Days Expected

	NSW (N: 829)	VIC (N: 424)	QLD (N: 219)	SA (N: 74)	WA (N: 134)	Other (ACT/NT/TAS) (N: 71)	Total Market (N: 1751)
Approve or reject your loan application	9.9	10.3	12.2	14.5	11.1	10.3	10.6
Settle the facility(ies) if successful	4.0	7.0	4.5	6.6	4.8	4.6	5.0
Discharge your existing loans if you changed lender	3.8	5.9	5.0	4.5	5.0	4.2	4.6

Note: settlement responses based on time taken post the discharged of any existing loan

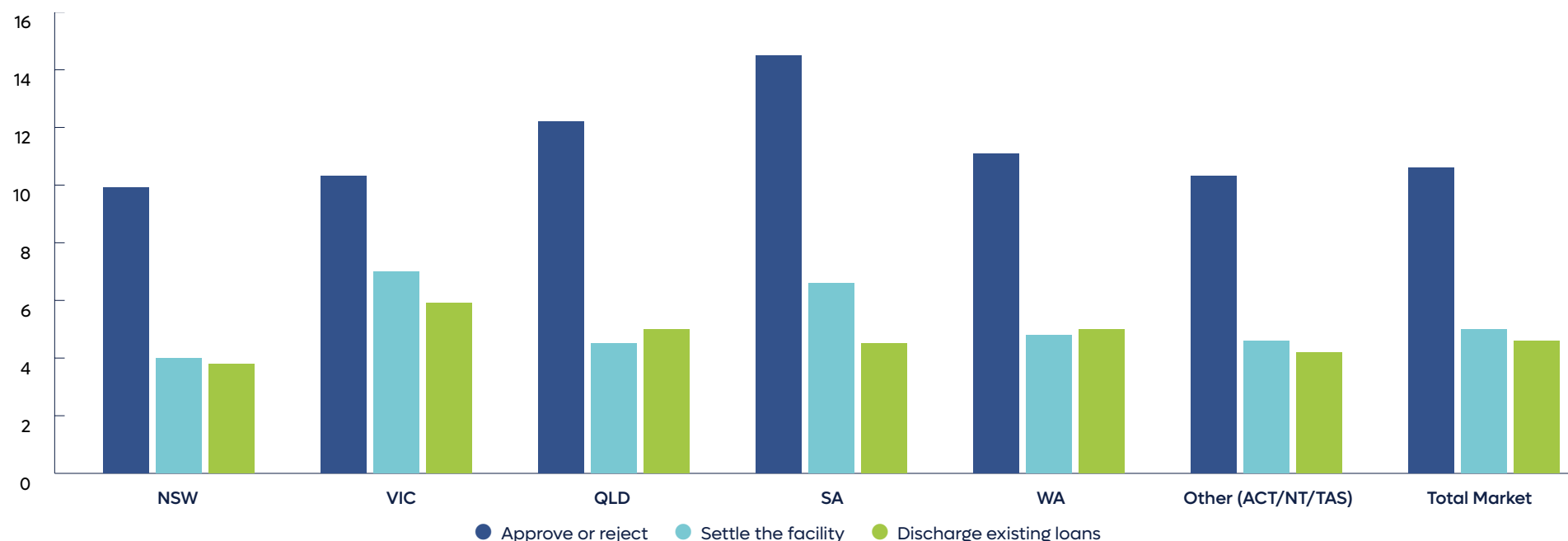


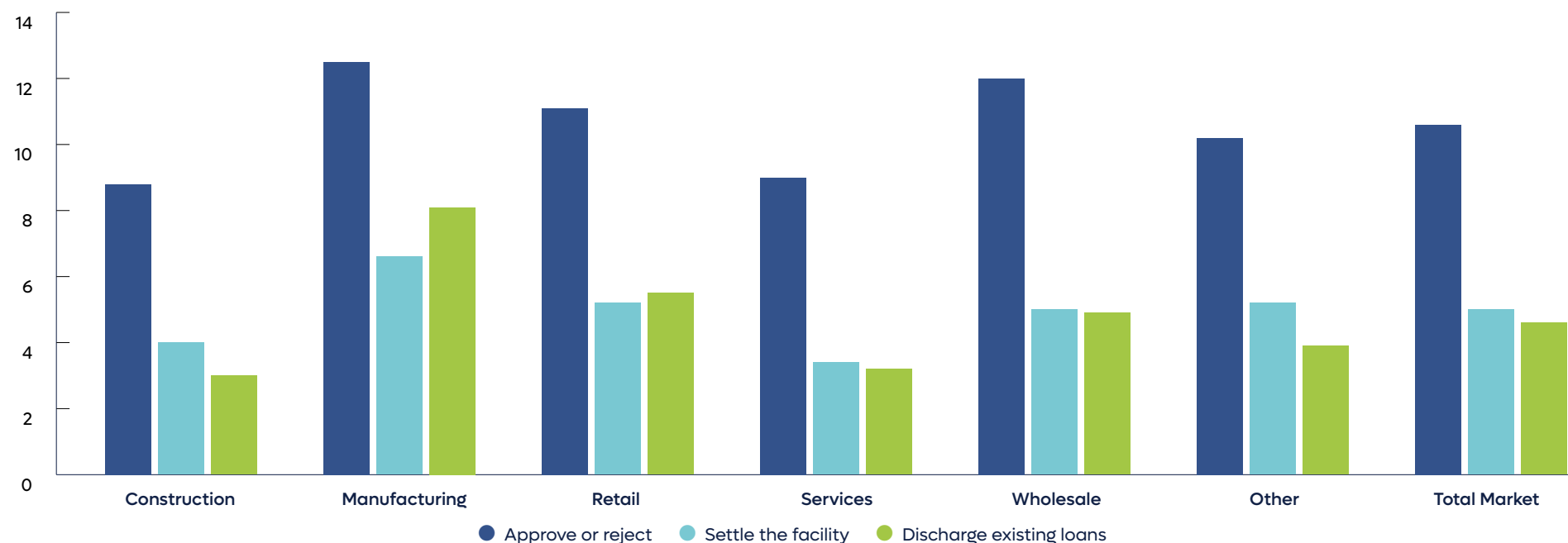
Exhibit 22

Expected Time to Complete Loan Processes – By Industry

Average Days Expected

	Construction (N:161)	Manufacturing (N:158)	Retail (N: 354)	Services (N: 196)	Wholesale (N: 273)	Other (N: 609)	Total Market (N: 1751)
Approve or reject your loan application	8.8	12.5	11.1	9.0	12.0	10.2	10.6
Settle the facility(ies) if successful	4.0	6.6	5.2	3.4	5.0	5.2	5.0
Discharge your existing loans if you changed lender	3.0	8.1	5.5	3.2	4.9	3.9	4.6

Note: settlement responses based on time taken post the discharged of any existing loan



● Appendix I

Research Methodology

East & Partners is Australia's leading independent financial services research firm and has been successfully researching the Institutional, Corporate and SME Business markets in Australia and Asia Pacific for 31 years. The research for this program has focused on E&P conducting interviews within the following parameters:

- A sample size of 1,751. This sampling will be structured to match the national distribution of SMEs by state and industry sector. E&P will ensure that 100 percent of the sample size is achieved.
- Interviews have been conducted with companies with an annual turnover of A\$1–50 million, with results reported in two segments: A\$1-10 million (small sized SMEs) and A\$10–50 million (medium sized SMEs)
- Interviews have been conducted directly with the individual inside the SME holding primary responsibility for the business banking relationship across all industry sectors, in accordance with the ANZSIC primary classifications.
- Interviews have been conducted directly using the structured interview questionnaire developed together with Judo Bank.
- Select anecdotal/verbatim feedback to be captured.

The interview questionnaire has been designed collaboratively with Judo Bank. The questionnaire consists of six core questions and a supplementary demographics questionnaire. Research fieldwork was executed over the four week period ending 28 June 2021.

The key design driver for the final interview questionnaire is the generation of “turnkey” analytics and commentary of compelling and unique appeal to the markets, customers, internal and other external stakeholders and inform Judo Bank as it continues to grow and support Australian SME businesses.

Exhibit 23

Customer Segment Distribution

% of Total

	June 2021 (N: 1751)
A\$1-10m turnover segment (Small Enterprise)	59.9
A\$10-50m turnover segment (Medium Enterprise)	40.1
TOTAL (SME Segment)	100.0

Exhibit 24

Geographical Distribution

% of Total

	June 2021 (N: 1751)
NSW	47.3
VIC	24.2
QLD	12.5
SA	4.2
WA	7.7
Other (ACT, NT, TAS)	4.1
TOTAL	100.0

Appendix I

All enterprises were interviewed on a direct basis using the structured Interview Questionnaire, reproduced here as Appendix II, through the individual holding primary responsibility for decision making over the organisation's trade banking relationships, profiled below in Table 24.

Exhibit 25

Interviewee Distribution

% of Total

	June 2021 (N: 1751)
CFO	16.6
Corporate Treasurer	5.5
Company Accountant/Financial Controller	17.3
Business Owner	55.8
Other	4.8
TOTAL	100.0

Industry sector distribution of the enterprises interviewed directly reflects the distribution of Australia's commercial population/universe based on Australian Bureau of Statistics census data.

Exhibit 26

Industry Sector Distribution

% of Total

	June 2021 (N: 1751)
Agriculture, Forestry, Fishing	4.2
Mining	4.6
Manufacturing	9.1
Electricity, Gas, Water and Waste Services	0.8
Construction	9.0
Wholesale Trade	15.5
Retail trade	20.0
Accommodation and Food Services	2.1
Transport, Postal and Warehousing	5.0
Information, Media and Telecommunications	2.6
Financial and Insurance Services	2.2
Rental, Hiring and Real Estate Services	4.1
Professional, Scientific and Technical Services	3.9
Administrative and Support Services	0.7
Public Administration and Safety	0.5
Education and Training	1.5
Health Care and Social Assistance	2.4
Arts and Recreation Services	0.6
Other Services	11.4
TOTAL	100.0

Exhibit 27

Business/Financial/Management Experience of Interviewee

Average Number Reported

	A\$1-10m (N: 1048)	A\$10-50m (N: 703)	Total Market (N: 1751)
Average Years' Experience	12.9	16.9	14.5

Note: no statistical variation by state, sector or lender.

Exhibit 28

Annual Enterprise Turnover

Average Number Reported

	A\$1-10m (N: 1048)	A\$10-50m (N: 703)	Total Market (N: 1751)
Average	5.1	19.4	10.8

Note: no statistical variation by state, sector or lender.

Exhibit 29

Enterprise FTE/Headcount

Average Number Reported

	A\$1-10m (N: 1048)	A\$10-50m (N: 703)	Total Market (N: 1751)
Average	36.0	261.3	126.5

Note: no statistical variation by state, sector or lender.

Exhibit 30

Age of Enterprise

Average Number Reported

	A\$1-10m (N: 1048)	A\$10-50m (N: 703)	Total Market (N: 1751)
Average Years Established	7.4	15.8	10.8

Note: no statistical variation by state, sector or lender.

Exhibit 31

Value of Current Debt Facilities

% of Total

	A\$1-10m (N: 1763)	A\$10-50m (N: 1019)	Total Market (N: 2782)
No debt facilities being used	40.6	31.0	37.1
Debt facilities in place	59.4	69.0	62.9
Average Value (A\$m)	1.1	6.6	3.3

Note: no statistical variation by state, sector or lender.

Appendix I

Exhibit 32

Current Primary Lender

% of Total

	A\$1-10m (N: 1048)	A\$10-50m (N: 703)	Total Market (N: 1751)
ANZ	9.4	16.4	12.2
BankWest	3.7	0.9	2.6
Bendigo Adelaide Bank	1.2	0.3	0.9
BOQ	6.6	3.7	5.4
CBA	23.1	18.6	21.3
HSBC	0.3	2.0	1.0
NAB	20.4	38.7	27.8
St George	5.1	2.1	3.9
Suncorp	3.0	1.3	2.3
Westpac	18.4	12.2	15.9
Other	8.8	3.8	6.8
TOTAL	100.0	100.0	100.0

Note: no statistical variation by state, sector or lender.

Exhibit 33

Age of Primary Lending Relationship

Average Number Reported

	A\$1-10m (N: 1048)	A\$10-50m (N: 703)	Total Market (N: 1751)
Average Years	5.2	8.3	6.4

Note: no statistical variation by state, sector or lender.

● Appendix II

Interview Questionnaire

• Judo Bank SME Funding Gap Deep Dive

June 2021

Interview Questionnaire

(A\$1–50 million turnover accounts)

Organisation

Mailing Address

Phone Fax

Website

Interviewee

Title (Owner/Corporate Treasurer/CFO)

Email

Age

Financial Management Experience (in years)

Principal Industry Sector

Current Annual Turnover

Number of Full Time Staff

Year Business Established

Screening Question

Value of current Debt Facilities A\$
(Interviewer note: if no debt facilities terminate interview)

Current Primary Lender

Length of Relationship (Years)

SME Growth Profile

1. What Phase is your business in currently?
(2020 Annual report repeat)

- ☐ Start-up
- ☐ Growth/expansion
- ☐ Contracting
- ☐ Exiting
- ☐ Unsure/no view

SME Investment

2. In accessing new funding in the last six months, were you?

- ☐ Successful
- ☐ Partially successful
- ☐ Unsuccessful

3. **What was** your full/partial new funding allocated to and **what would** your unsuccessful funding have been allocated to?

	What was	What would
<input type="checkbox"/> New Staff (state Number)
<input type="checkbox"/> New plant and equipment	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> New premises/business expansion	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Cashflow/working capital	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Exporting/offshore business development	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Retirement of other/existing debt	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> COVID-19 related provisions (JobKeeper bridging finance, business closure)	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> COVID-19 related opportunities (operations, growth, business purchase)	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other – please state	<input type="checkbox"/>	<input type="checkbox"/>

4. Based on your experience with your current lender during the COVID-19 pandemic, for the following please state which option you are more likely to pursue in the next six months:

☐ New Loan or,

☐ Refinance

.....

☐ New lender or,

☐ Existing Lender

.....

☐ Major Big Four bank, or

☐ Non-major bank, or

☐ Non-bank

.....

☐ Not applying for funding in the next six months

Expectation Gap on Settlement Delays

5. For your loan/s application/s in the last six months, how long did it take your lender to (in days):

Approve or reject your loan application?

Settle the facility(ies) if successful?

Discharge your existing loans if you changed lender?

6. What is your expected timeline for the following (in days):

Approve or reject your loan application?

Settle the facility(ies) if successful?

Discharge your existing loans if you changed lender?



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