

MEDIA RELEASE

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Savings silver medal for mutual ADIs

Official figures released by APRA show that customer-owned Authorised Deposit-taking Institutions (mutual ADIs) hold a bigger share of the household deposits market than three of the four major banks.

"Collectively, the mutual ADI sector – credit unions and mutual building societies – is in second spot on the household deposits table, ranking ahead of NAB, Westpac and ANZ," said Adrian Lovney, CEO of Abacus – Australian Mutuals (the industry association for credit unions and mutual building societies).

Credit unions and mutual building societies hold \$47 billion in household deposits, second only to the emphatic market leader, CBA at \$92.6 billion. Westpac is ranked third with \$44.6 billion, followed by NAB (\$44.4 billion) and ANZ (\$35.5 billion).

Mutual ADIs' share of the household deposits market is 12.4 per cent (*refer accompanying chart, pg 2*).

"The strong performance of credit unions and mutual building societies in the household savings market demonstrates the trust our sector has earned from working Australians," Mr Lovney said.

"The capacity of customer-owned ADIs to draw on a large pool of secure and stable household deposits to fund their lending is reassuring for their borrowers.

"Borrowers with loans from non-ADIs are confronting volatility in interest rates as their lenders grapple with a rising cost of funds due to the US sub-prime crisis. Borrowing members of credit unions and mutual building societies have more protection from this volatility," Mr Lovney said.

The Reserve Bank noted in its latest *Statement on Monetary Policy* that turbulence in capital markets has increased funding costs over and beyond the effect of the higher official cash rate.

"On average, with spreads at current levels, it has caused intermediaries' funding costs to rise by about 10–15 basis points. Institutions that rely heavily on capital markets to fund their lending (such as mortgage originators and some regional banks) have been more affected than the major banks, credit unions and building societies which have large deposit bases."

Meanwhile, Abacus has welcomed policy proposals announced in the election campaign by the major parties to introduce tax measures to encourage saving for home loan deposits.

"Deposits are heavily taxed compared to shares and superannuation," Mr Lovney said.

The April 2006 Warburton-Hendy report *International Comparison of Australia's Taxes* published by Treasury found that Australia's top overall tax rate on interest income from ordinary ADI accounts (48.5%) is the highest in the OECD-10 and is around 11 percentage points above the average (37.1%).

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Market Share - Household Deposits September 2007

