



Association of Building Societies and Credit Unions

MEDIA RELEASE

26 September 2008

Mutual ADIs strong and stable

The financial strength and stability of credit unions and building societies is demonstrated in the Reserve Bank's latest Financial Stability Review.

The September 2008 review says that non-performing loan ratios for credit unions and building societies are below the level of the banking sector and capital ratios for credit unions and building societies are well above the banking sector ratio.

Building societies' aggregate capital ratio is a robust 14½ per cent and credit unions' aggregate capital ratio is an even stronger 16½ per cent, while the figure for Australian banks is a lower, but still sound, 10.6 per cent.

"In dollar terms, credit unions and building societies have a capital cushion of more than \$5.5 billion," said Louise Petschler, CEO of *Abacus – Australian Mutuals*.

"Our sector's performance as prudent and responsible lenders means we are collectively now trusted with a larger share of Australian household deposits than any bank other than the Commonwealth Bank," Ms Petschler said.

"We are highly competitive in the deposits market but we have also protected our borrowing members from the worst effects of the credit crunch by keeping home loan rates, on average, well below the major banks.

"Currently, standard variable home loan rates offered by credit unions and building societies are 36 to 38 basis points lower than the five major banks.

"It helps explain why credit unions and building societies strongly outperform banks in customer satisfaction surveys."

For more information, contact:

Louise Petschler
Chief Executive Officer
Abacus – Australian Mutuals
(02) 8299 9046; (0408) 239 226; lpetschler@abacus.org.au