



Association of Building Societies and Credit Unions

MEDIA RELEASE

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Credit Unions, Building Societies welcome rate cut: relief for borrowers

Australia's mutual banking sector, which collectively serves more than 4.5 million members nation-wide, has today welcomed the RBA's move to reduce interest rates by 1%.

"Credit unions and mutual building societies welcome the RBA's big move on rates, which will help to reduce pressure on families struggling with mortgages and bills," said Louise Petschler, CEO of the industry body Abacus – Australian Mutuals.

"In the current market upheaval, mutual banking institutions offer a conservative, strong and member-focused banking service to more than four and a half million Australians."

Abacus noted that each of Australia's 138 member owned banking institutions – credit unions and mutual building societies – will be reviewing their loan rates in view of the RBA's significant reduction in cash rates, along with overall funding costs for institutions.

"Mutual ADIs will be reviewing their pricing in light of the RBA's move," said Ms Petschler. "As mutuals, we focus on delivering the maximum possible benefit to our members and this will be reflected in our services and pricing."

Credit unions and mutual building societies continue to offer competitive rates. Abacus estimates that average Standard Variable Loan rates for mutuals were already around 30bps lower than the average rates for banks prior to today's announcement¹.

Credit unions and mutual building societies are strong and stable banking institutions and a safe haven from international market upheaval, said Abacus.

"Credit unions and mutual building societies have no exposure to sub-prime loans. As Authorised Deposit-taking Institutions, credit unions and building societies meet exactly the same strong regulatory framework as banks under the *Banking Act 1959*, including strict prudential standards set by APRA on capital, liquidity and risk," Ms Petschler said.

The financial strength and stability of the mutual banking sector was confirmed in the RBA's latest *Financial Stability Review* report, which showed that the capital ratios for credit unions and building societies are very strong. Building societies' aggregate capital ratio is a robust 14½ per cent and credit unions' aggregate capital ratio is an even stronger 16½ per cent, higher than the very sound figure for Australian banks of 10.6 per cent.

"Our focus is on member benefit, and we offer a safe and highly competitive banking option," said Ms Petschler.

For more information, contact:

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Abacus – Australian Mutuals is the industry association for Australian credit unions, mutual building societies and friendly societies. For more information, see www.abacus.org.au.

¹ Estimate based on Abacus review of CANNEX data 3 October 2008, SVL rates averaged for CUs, BS and Banks.