

MEDIA RELEASE

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Credit Unions and Building Societies Welcome Government Deposit Guarantee

Credit unions and mutual building societies welcomed today's decision by the Government to guarantee deposits with all of Australia's credit unions, banks and building societies.

"The Government is reassuring Australians that their credit union, building society or bank is a safe haven for their savings," said Ms Louise Petschler, CEO of Abacus – Australian Mutuals, the industry body for credit unions and mutual building societies.

"We're pleased with the Government's strong and decisive move, which is supported by the soundness of our financial system," said Ms Petschler.

"The guarantee removes any worry for Australians and means that every deposit with a credit union, bank or building society has full Government support."

All deposits with deposit-taking institutions will be treated the same way, covering credit unions, building societies and banks equally for the next three years. Abacus, the industry body for mutual banking institutions, has been in close consultation with the Government on its plans. Abacus also endorsed the Government's decision to remove any "cap" for deposit guarantees, saying this provided the best outcome for confidence and stability.

"Mutual banking institutions offer conservative, strong and member-focused banking to more than four and a half million Australians."

"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 on capital, liquidity and credit risk," Ms Petschler said.

"Our sector's performance as prudent and responsible ADIs means that we collectively hold a larger share of Australian household deposits than any bank other than the CBA."

"Our deposit books continue to grow as Australians continue to choose mutual banking institutions to look after their hard earned savings, and provide their banking needs."

"Australians choose credit unions and mutual building societies for their better rates, fairer fees, responsible lending practices and outstanding member service," said Ms Petschler.

The Government's announcement backs up its statements that the Australian banking system is sound and will further improve confidence in our local banking institutions.

Abacus has also backed the Government's move to support term facilities for Australian ADIs, and called for close consultation with the mutual banking sector to ensure access.

"It's critical that credit unions and building societies – now the main competitors to the big banks – are able to benefit from these measures to continue our vital competitive role."

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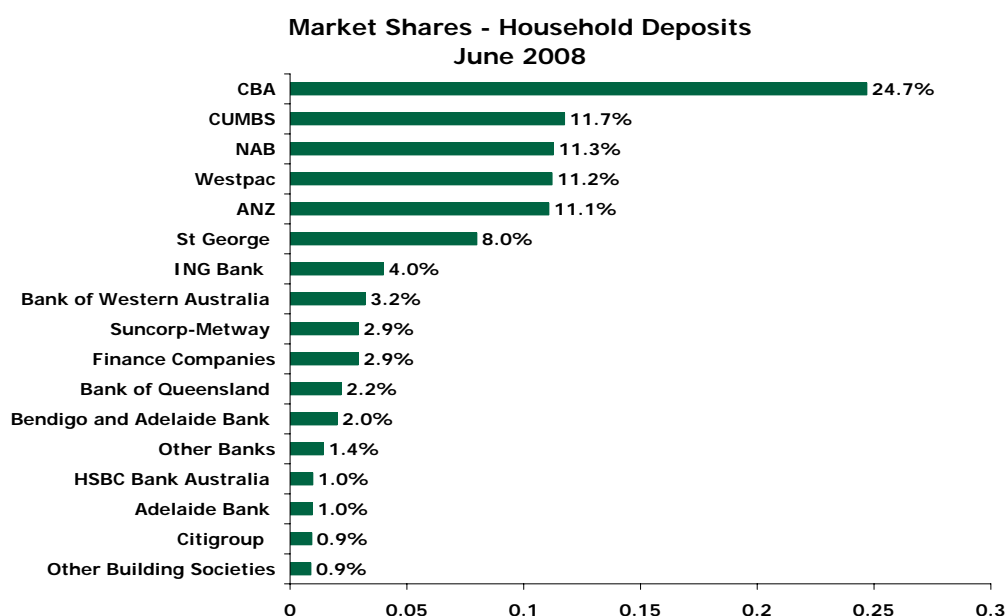
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For a full list of Abacus members around Australia go to www.abacus.org.au

FACT SHEET

Prudential standing of Credit Unions and Building Societies

- Credit unions and mutual building societies, like banks, are Authorised Deposit-taking Institutions (ADIs) regulated by the Australian Prudential Regulation Authority (APRA) under the Commonwealth *Banking Act 1959*.
- All ADIs are subject to exactly the same prudential standards and depositor protection provisions of the Banking Act 1959. The depositor priority provisions of the Banking Act give depositors priority over all other creditors in the extremely unlikely event that an ADI fails.
- All ADIs must meet strict standards on capital, liquidity and risk management to ensure that they can repay their depositors.
- Credit unions and mutual building societies have excellent liquidity, strong capital and no exposure to the toxic lending practices that have crippled the United States financial system and disrupted global financial markets. Credit unions fund the majority of their activities from household deposits and are not exposed to complex wholesale securities that funded sub-prime lending.
- The Reserve Bank's latest Financial Stability Report confirmed that building societies' aggregate capital is a robust 14.5 per cent and credit unions' aggregate capital ratio is an even stronger 16.5 per cent - higher than the very sound figure for Australian banks of 10.6 per cent.
- Mutual ADIs, collectively, hold more of Australia's household deposits than any bank other than the Commonwealth Bank, with nearly 12% of the retail household deposit market (see CUMBS listing below).



- Credit unions and mutual building societies have collective assets in excess of \$65 billion.

For more information, see www.abacus.org.au.