

## MEDIA STATEMENT

11 November 2008

### BUILDING SOCIETIES & CREDIT UNIONS: KPMG HAILS "STRONG" RESULT

Building societies and credit unions produced a "strong" profit result in 2007-08, according to KPMG's annual survey. This was a "very sound result" considering, for example, the 22.5 per cent decrease in profit after tax experienced by the major banks, KPMG said.

"Despite all the turmoil in financial markets, building societies and credit unions produced similar levels of profits to the prior year," KPMG reports in its performance survey.

KPMG attributed the result to the nature of the business of the building society and credit union sector:

- they are not reliant on funding from overseas markets;
- they are generally not exposed to the corporate market or large corporate failures;
- they have "stuck to their knitting" amid an Australian economy that continued to grow, albeit at slower rates.

"The traditional focus of the mutuals on customer deposits has placed them in a strong position to weather the global credit crisis and is reflected in the strong results for the sector overall," KPMG said.

*Abacus – Australian Mutuals* welcomes recognition of our sector's continuing performance as the most responsible lenders in the market.

"The KPMG report confirms that we are prudent and responsible lenders. That's why credit unions and mutual building societies are trusted with more of Australia's household deposits than any institution other than the Commonwealth Bank," said Abacus Head of Public Affairs, Mark Degotardi.

KPMG noted that the ratio of bad debts expense to average gross receivables for building societies was stable at 0.02 per cent and for credit unions it was stable at 0.09 per cent. This was much lower than the same ratio for major banks which has climbed above 0.20 per cent.

"Whilst larger lenders are experiencing declining asset quality, bad debts expense for building societies and credit unions has remained stable due primarily to differences in their asset mix," KPMG said.

KPMG noted that the capital adequacy ratio for building societies and credit unions increased from 16.7 per cent in 2007 to 16.8 per cent in 2008 and "compares favourably to that of major banks at 11 per cent."

"This places them in a strong position to deal with continuing volatility in financial markets and increasing likelihood of a decline in asset quality," KPMG said.

#### For more information, contact:

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