



Abacus
Australian Mutuals

Association of Building Societies and Credit Unions

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Stronger mutual banking sector = stronger regions

The mutual banking sector welcomes the new focus on regional Australia in the wake of the August 21 election and the pivotal role of the three independent regional MPs.

"Credit unions and mutual building societies are part of the fabric of regional Australia," said Abacus CEO Louise Petschler.

"Around half of mutual banking institutions are based outside capital cities and in some regions more than three-quarters of the population are members of a credit union or building society. Our sector has more branches than the Commonwealth Bank and 697 of these 1172 branches are outside metropolitan areas.

"Credit unions and building societies based in regional areas ensure that local capital is reinvested in local communities. Regional banking institutions connect their communities to global payments systems but they keep local capital working at home. Decisions by regional banking institutions about lending, pricing of loans and deposits, and location of branches and ATMs are made locally, not in Sydney or Melbourne.

"Last year's Federal Parliamentary inquiry into the impact of the global financial crisis on regional Australia observed that: 'Given the degree to which regional Australia relies on mutual ADIs, the Committee is concerned about the potential for decreased competition in the regional banking sector.'

"This year the big four banks are on track to deliver a record \$21 billion in profits and, unbelievably, apparently this is not enough because there is speculation the big banks are planning to raise interest rates.

"The mutual banking sector is more important than ever for competition and choice.

"The next Federal Government should support competition and choice by promoting public understanding of the prudential regulatory framework, including the Financial Claims Scheme that guarantees deposits of up to \$1 million in credit unions, building societies and banks.

"A more competitive mutual banking sector means stronger regional communities. Credit unions and building societies strengthen the fabric of their communities in many ways beyond their business activities, including support for schools, hospitals, sporting clubs, charities, and community projects," Petschler said.

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