



Abacus
Australian Mutuals

Association of Building Societies and Credit Unions

MEDIA RELEASE

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Credit Unions, Building Societies have no exposure to toxic US loans

Credit unions and building societies are strong and stable banking institutions and a safe haven from international market upheaval, said Abacus, the industry body for mutuals today.

"Credit unions and mutual building societies have no exposure to the toxic loans that have crippled lenders in the USA," said Louise Petschler, CEO of 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."

The financial strength and stability of credit unions and building societies was confirmed in the Reserve Bank's latest *Financial Stability Review* report. The RBA's September 2008 review showed that non-performing loan ratios for credit unions and building societies are below the banks and 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, even higher than the very sound figure for Australian banks of 10.6 per cent.

"As Authorised Deposit-taking Institutions, credit unions and building societies meet exactly the same strong regulatory framework as banks under the Commonwealth *Banking Act 1959*, including strict prudential standards on capital, liquidity and credit risk," Ms Petschler said.

"In dollar terms, credit unions and building societies have a capital cushion of more than \$5.5 billion, and assets over \$65 billion" said Ms Petschler.

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

"This strong deposit base has helped cushion our members from the sharp impacts of market changes, and allowed us to continue to offer the best rates and service in the market."

"Credit unions and building societies do not engage in sub-prime lending and do not invest in securities based on sub-prime loans. As mutuals, our focus is on member benefit, a safe and highly competitive banking option."

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Abacus is the industry association for Australian credit unions and mutual building societies. There are 138 credit unions and mutual building societies around Australia with more than four and a half million members. For more information see www.abacus.org.au.