



## Press Release

### **S&P Assigns Its First Rating To A Credit Union In Australia: mecu Ltd., 'BBB/A-2' With Stable Outlook**

Melbourne, Jan. 21, 2008—Standard & Poor's Ratings Services said today that it had assigned its 'BBB/A-2' issuer credit ratings to mecu Ltd. The outlook is stable.

"Based in Melbourne, mecu is the first credit union in Australia to be rated by us," Standard & Poor's credit analyst Maryanne Galea said. "The credit union's low-credit-risk lending focus, sound earnings profile, and strong capital adequacy underpin the investment-grade ratings. However, the ratings are moderated by mecu's lending concentration in traditionally low-risk residential loans and retail funding geographical concentration in Victoria, particularly in the Gippsland region."

Established after a merger between Members Australia Credit Union and Education Credit Union in 2003, mecu is Victoria's largest credit union with assets of more than A\$1.34 billion in the year ended June 30, 2007. The credit union has a modest market position nationally with approximately 3.5% of total residential-loan assets held by credit unions, and approximately 0.1% of total residential lending in Australia.

The robust asset quality reflects mecu's focus on mortgage-secured residential lending, which has an excellent history of low credit losses. In fiscal 2007, total lending was mainly residential lending (71%) and personal lending (25%). The ratio of nonperforming assets to customer loans was very low at 0.21%, underpinned by mecu's sound underwriting practices and policies, and supportive economic conditions in Australia. The credit union does not undertake any higher-credit-risk no-documentation or low-documentation lending.

The stable outlook on mecu reflects our expectation that the company's relatively lower-risk asset profile and other financial metrics will be sustained over the medium term. Due to its dependence on retail deposits, the credit union is susceptible to competitive pressures and a possible contagion effect arising from a loss of confidence in the credit union and building society industry. However, any potential impact is moderated by the high retention of members. In the medium term, we believe that mecu will continue to successfully source funding from retail deposits, maintain capitalization, and achieve satisfactory profitability levels that will support the rating.

#### Rating Definition:

An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

#### **About Standard & Poor's**

Standard & Poor's, a division of The McGraw-Hill Companies (NYSE:MHP), is the world's foremost provider of financial market intelligence, including independent credit ratings, indices, risk evaluation, investment research and data. With approximately 8,500 employees, including wholly owned affiliates, located in 21 countries and markets, Standard & Poor's is an essential part of the world's financial infrastructure and has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions. For more information, visit <http://www.standardandpoors.com.au>.

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