



**Abacus**  
Australian Mutuals

Association of Building Societies and Credit Unions

## MEDIA RELEASE

Thursday, July 15

### Moody's upgrades outlook for credit unions

A report on Australian credit unions released today by ratings agency Moody's has indicated the mutual business model of credit unions is stable and sustainable.

"Moody's report notes that our sector's strength and stability is underlined by low-risk loan books, conservative business models and our loyal customer base," said Abacus Acting CEO Mark Degotardi.

The report also states how credit unions as mutuals – member-owned institutions that don't pay dividends to external shareholders – continue to deliver strong customer service and competitive pricing to their members:

"Being mutuals, credit unions are not under the same pressure as listed institutions, given the absence of shareholders pressing for returns. This allows sector companies to maintain their non-profit-maximising business models and focus on providing strong service and competitive pricing to their customers.<sup>1</sup>"

The report notes some challenges for the sector include tight funding conditions and margin compression as well as intense competition:

"Intense competition, predominantly for deposits, is driving up funding costs and will remain one of the key challenges for credit unions with limited alternative funding sources due to the reduced demand in the RMBS market.<sup>2</sup>"

"Credit unions remain competitive in the deposit space and offer some of the best rates around. Depositors with credit unions are the big winners from this competition," said Mr Degotardi.

"The lack of competition is a huge issue in retail banking. The housing loan growth data in the report<sup>3</sup> illustrates starkly that the only lenders in the marketplace who are actively lending and offering consumers an alternative to the big four banks, are credit unions and building societies.

"Credit unions will continue to offer better banking choices to Australians.

"The Moody's report confirms the soundness of our simple banking model – where our customers' needs always come first," said Mr Degotardi.

*Australians looking for a member-owned banking alternative can find a credit union or building society near them at [www.comesbacktoyou.com.au](http://www.comesbacktoyou.com.au)*

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**For more information, please contact:**

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**Abacus – Australian Mutuals is the industry body for credit unions, mutual building societies and friendly societies - see [www.abacus.org.au](http://www.abacus.org.au)**

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<sup>1</sup> Moody's *Industry Outlook: Australian Credit Unions*, pg 2

<sup>2</sup> ibid

<sup>3</sup> Australian ADI Sector: Housing Loan Growth graph, figure 2, pg 4.