



**Abacus**  
Australian Mutuals

Association of Building Societies and Credit Unions

## MEDIA RELEASE

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### Moody's report notes positive outlook for building societies

In a report out today, Moody's Investors Service said there is a positive and stable outlook for Australian building societies, reflecting sound prospects for the Australian economy.

The report, *Australian Building Societies – Industry Outlook*, states, "Moody's industry outlook for Australia's building society sector is stable, reflecting sound prospects for the Australian economy, which will support asset quality metrics."

Abacus – Australian Mutuals CEO Louise Petschler welcomed the report, stating that mutual building societies in Australia – like credit unions – are based on the sound mutual structure, which does not access wholesale overseas money markets, but instead fund their loans from their deposit book.

"The report notes that building societies are generally conservative business models that have weathered the global financial crisis. This is true because most building societies – like credit unions – are mutuals, so they don't pay dividends to external shareholders but rather put their profits back into outstanding service, excellent products, and competitive rates for their members," said Ms Petschler.

The report said, "As the sector is composed predominantly of mutuals, it is not under the same pressure as listed institutions, given the absence of shareholders pressing for returns. This allows the building societies to maintain their non-profit maximizing business models and focus on providing strong service and competitive pricing to their customers."

Other key elements that contributed to a promising outlook included:

- A dependable deposit base, reflecting the sector's strong regional franchises and close community ties;
- Competitively priced deposit product offerings;
- Rising consumer confidence, which is flowing through to higher household consumption and demand for credit.

Some positive rating factors for the sector isolated in the report included:

- The sector's low-risk loan books;
- Solid home market franchises;
- Conservative business models and mutual status; and
- Very limited exposure to complex structured securities.

"As well as recognising the sector's non-performing loans are so low as to be still below historical standards, the report also noted that sector's challenges include higher funding costs and competition.

"The Moody's report shows that building societies are performing well and providing important choice and competition in retail banking," said Ms Petschler.

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