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CUSTOMER OWNED BANKING ASSOCIATION

Assessment of the impact of customer-owned banks in Australia

2026

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1 Introduction

Customer-owned banks are fundamentally driven by a customer-first philosophy. They differ from shareholder-owned banks primarily in their ownership structure, as they are owned by their members rather than external investors. This ownership model typically shifts emphasis towards maximising benefits to the members, influencing pricing, service models, and strategic priorities. As a result, these institutions may offer comparatively competitive fees and interest rates, alongside a focus on customer service and relationship-based banking. Their product offerings and advisory approaches are often designed to support members' financial needs over time, reflecting a longer-term orientation in customer engagement.

In addition, customer-owned banks often emphasise community engagement. Beyond their economic role, customer-owned banks contribute to Australia's social and community development by reinvesting a significant portion of their profits into local communities, supporting charities, regional development, and financial inclusion initiatives. They also tend to maintain a presence in regional or underserved areas, contributing to access and service diversity within the broader banking system. Despite representing a smaller share of the market, they play an important role in enhancing competition and broadening the range of banking models available in Australia.

In Australia, the Customer Owned Banking Association (COBA) is the industry body for Australia's customer-owned banking institutions such as mutual banks, credit unions and building societies. As of July 2026, there were 48 customer-owned banks in the Australian market.

COBA has commissioned EY to evaluate the financial and economic impact of the customer-owned banking sector, as well as its effects on members, employees, and the broader community. The report aims to outline the sector's contribution to Australia's economic, social, and environmental wellbeing. It also portrays the role played by customer-owned banks in fostering competition within the banking industry and in achieving improved outcomes for Australians.

2 Market overview

2.1 Size and shape of the mutual sector in Australia

Customer-owned banks own approximately $196 billion in assets[1] and have more than 5.4 million members,[1] playing a critical role in supporting under-served communities. The mutual sector has shown 6.3% annual growth in assets[1] compared to ~3% for the overall banking sector in 2025.[1] The December 2025 quarter had the highest quarterly growth for customer-owned banks since September 2020 with a growth rate of 3.2% compared to 0.7% the prior quarter.[1] Between 2024-2025, total lending by customer-owned banks grew by 9.8%, compared to 5.4% for major banks.[1] Moreover, home loans by customer-owned banks grew by 11% in 2025 compared to 4.8% for major banks in the same period , registering the highest annual growth since 2011. From a deposit's perspective, total deposits showed an annual growth of 8.9%, vs 5.6% for the major banks in 2025.[1]

1 APRA statistics (Jun 2025, Dec 2025, and Feb 2026), COBA internal data

Customer-owned banks play an important role in the Australian economy. When considering household deposits, Australian customer-owned banks collectively are the 5th largest bank.[1] Additionally, 95% of their lending is made up of home loans with 80% comprising of owner-occupied mortgages and 20% comprising of investments, compared to 68% owner-occupied and 32% investment properties for the major banks.[1]

In Australia, customer-owned banks differ across several dimensions, such as ownership structure, profits, pricing, size & scale, service model, product range as well as community & social focus. These differences influence how different banks operate, with customer-owned banks generally focusing on member benefits and community values.

SNAPSHOT

Customer-owned banks[1]

$196 Billion in assets

6th largest collectively in assets

4% of total assets of Australian ADIs

5th largest holder of household deposits collectively

8% of household deposit market

5% of total home lending in Australia

5.47 Million Australians bank with customer-owned banks

Nearly **12,000** employees across Australia

14% of all B-Corp certified banks globally are Australian customer-owned banks

Ownership structure

Members play a dual role as both users and owners of the institution. Members collectively own the organisation, typically have voting rights to elect the Board and influence key decisions, and benefit from profits being reinvested into better rates, lower fees, and improved services. Each member typically has one vote regardless of account size, and this ownership model ensures the bank operates in the interests of members, shaping its strategy and priorities accordingly.

By contrast, shareholder-owned banks in Australia (e.g. Commonwealth Bank, Westpac, ANZ and NAB) are owned by external investors and public shareholders, with governance and strategic decisions primarily focused on delivering shareholder returns and maximising profitability. Profits are typically distributed through dividends and share price growth, while management and Boards are accountable to shareholders rather than customers. Shareholder-owned banks operate under the same APRA regulatory framework as customer-owned institutions, however shareholder-owned banks' operating model are generally more commercially driven, with greater emphasis on growth, capital returns, and market competitiveness.

"Having someone close by to be able to approve your own loan or to be able to make decisions about the pricing or whatever conditions of your banking, having that closeness of those decision makers is helpful. So you get good service which is defined by quick and effective answers straight away. Hence the membership structure makes for a truly member-centric decision making"

- Chief Member & Community Officer of a customer-owned bank[2]

2 Interviews conducted with senior leadership of customer-owned banks, in May 2026

Profits and pricing

Customer-owned banks operate on a mutual model where profits are reinvested back into the organisation without the need to deliver shareholder returns. This allows them to offer lower fees, more competitive loan and deposit rates, with simpler product structures. For example, in May 2026, the big 4 Australian banks offered basic variable home loan rates that started in the range of 5.99% - 7.24%, compared to basic variable home loan rates of 5.74% - 6.19%[3] for the top 25 customer-owned banks. This is also reflected in customer perception, where 42% customers of customer-owned banks feel the key differentiator of customer-owned banks is rates and pricing.[4]

While customer-owned must remain financially sustainable and meet regulatory capital requirements, they are focused on exercising flexibility to return value directly to customers through pricing and service outcomes rather than shareholder distributions.

Size and scale

The differences in size and scale between shareholder-owned and customer-owned banks in Australia are partly driven by their ownership structures, access to capital, and growth models. Shareholder-owned banks, particularly the big 4 banks, operate at significantly larger scale, with extensive national and international operations, broader product suites, larger customer bases, and greater access to external capital markets to fund growth, acquisitions, and technology investment. This scale enables substantial investment in digital capabilities, distribution networks, and operational infrastructure.

By contrast, customer-owned banks are generally smaller and more domestically focused, often serving specific communities, industries, or regions. As mutual organisations, they have limited access to external equity capital because they do not issue shares to public investors, which can constrain their ability to scale at pace. While many customer-owned banks compete strongly on customer service and pricing, increasing regulatory, technology, and cyber-security costs have driven greater focus on achieving scale efficiencies and industry consolidation in recent years. In addition, due to their size and scale, despite delivering core retail banking well, customer-owned banks are challenged in competing with shareholder-owned banks in institutional banking and product breadth to accommodate larger corporates and multinationals.

To illustrate customer-owned banks size and scale constraints, while the largest customer-owned bank, People First Bank, had $25.3 billion in assets at the end of FY25, this translated to just 1.9% of the total assets of Commonwealth Bank (CBA), Australia's largest bank.

3 Big 4 banks and top 25 customer-owned banks websites, accessed on May 20, 2026

4 Survey conducted on behalf of COBA on 1,020 Australians over the age of 18 in May 2026

Service model

Customer-owned banks generally operate with a relationship-focused and community-oriented service model, often emphasising personalised service, customer trust, and local engagement. In the last 20 years, customer-owned banks have consistently maintained their customer satisfaction above 80%.[5] Additionally, customer-owned banks often provide local/regional economic support and tend to have higher staff longevity (often double the national average[6]), leading to consistent, knowledgeable, and long-term relationships with members. While many customer-owned banks increasingly invest in digital capabilities, they are typically smaller in scale and often differentiate themselves through customer experience and member service rather than breadth of product or technology sophistication. As member expectations continue to rise, many customer-owned banks are investing further in digital and service capabilities to remain competitive while preserving their member-centric approach.

5 The Roy Morgan Customer Satisfaction Consumer Banking in Australia 2024
6 COBA internal data

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Product range

The product ranges of customer-owned banks in Australia are driven by their scale, customer focus, and strategic objectives.

For customer-owned banks, housing loans comprise major part of loans (94.7%), followed by term loans (4.5%). Meanwhile, for major banks, housing loans comprise of 63.1% of the total loans, followed by 31.2% of term loans.[7]

Customer-owned banks offer focused and simplified product ranges centred on core retail banking needs such as deposits, home loans, personal loans, and everyday banking services. Many customer-owned banks prioritise straightforward, value-driven products designed to meet the needs of their member base rather than maximising product breadth or cross-selling opportunities. They have a strong focus on retail banking, and a large portion of their lending is in home loans. However, some also offer business lending products such as commercial loans, which are often used for expansion and working capital.

7 APRA quarterly statistics as of December 2025

Community and social focus

Customer-owned banks are community-oriented by design, with profits reinvested to benefit members and local communities. Customer-owned banks place significant importance on community and social focus, with 32% of customer-owned bank customers strongly associating their bank with supporting local communities.[8] An analysis of the top 10 customer-owned banks indicates 5.5% profits were reinvested back to communities in 2025.[9] Many customer-owned banks have strong ties to specific regions, industries, or customer groups, and often place greater emphasis on local decision-making, community support, financial wellbeing, and customer trust. By contrast, shareholder-owned banks typically approach community investment through corporate social responsibility programs, sustainability initiatives, and broader ESG commitments, balancing these objectives alongside shareholder return expectations and commercial performance.

The mutual structure of customer-owned banks naturally aligns community outcomes with member interests, making social value and member benefit a central part of their operating model. For example, IMB Bank has been providing grants since 1999. These grants benefit communities in the Illawarra, NSW South Coast, Canberra, Southern Highlands, Greater Sydney, Newcastle and Melbourne regions. The IMB Community Foundation provides funding across social, environmental, cultural, educational, community development and community connection themes. In June 2026, IMB Bank reported that they have funded over 1,100[10] community projects and pledged over $13 million to community projects since they started in 1999.[10]

8 Survey conducted on behalf of COBA on 1,020 Australians over the age of 18 in May 2026
9 Calculations based on social contribution and profits mentioned by top 10 customer-owned banks by assets (comprising 74% of assets)
10 IMB Bank website, accessed on 06 July, 2026

2.2 Differentiated value proposition of customer-owned banks

Despite being smaller than major banks, customer-owned banks in Australia differentiate themselves through a value proposition centred on member benefit, personalised service, and community focus. Five key propositions differentiate the value of customer-owned banks:

Supporting first-home buyers across the loan lifecycle

Customer-owned banks have been observed to differentiate in home lending by supporting first-home buyers across the loan lifecycle. This includes linking customers to relevant government schemes, bundling features such as offset accounts, and providing guidance that simplifies decisions and reduces drop-off.

For example, Bank of Us has provided several options to choose from through its Home Equity Scheme, which is offered in partnership with the Tasmanian State Government.[11] This initiative is designed to help eligible homebuyers enter the property market sooner by reducing the size of the loan required. Under the scheme, the government contributes a portion of the property's value, allowing participants to secure a home with a smaller deposit and potentially lower ongoing repayments. Applicants can select from different contribution structures and repayment pathways based on their financial situation and long-term goals. Overall, this collaboration aims to make homeownership more accessible while providing flexibility and support to buyers navigating rising housing costs.

11 COBA Internal Data

Tailoring their propositions around professions with shared needs

Beyond regional presence, customer-owned banks build propositions around professions with shared needs, strong identity and stable income dynamics. This supports sharper underwriting, tailored service design and lasting loyalty, improving lifetime value and lowering member acquisition costs. For example, Teachers Mutual Bank operates a profession-led multi-brand model, which includes Teachers Mutual Bank, Firefighters Mutual Bank, Health Professionals Bank and UniBank.

Targeting remote customer cohorts with diverse cultural needs

Additionally, a defining differentiator for the sector comes from reaching customer cohorts which are often under served due to high cost to serve, remoteness, or cultural barriers. Traditional Credit Union delivers culturally appropriate banking, remote access, and financial capability support to Aboriginal and Torres Strait Islander members in remote Northern Territory communities. Its model addresses structural exclusion from mainstream banking rather than simply offering modified products.

Embedding sustainability initiatives into loan products

Customer-owned banks also increasingly compete by embedding **sustainability initiatives into loan products**. They do this through targeted products such as green mortgages and home upgrade loans that reduce household energy costs and emissions while strengthening brand trust. As of March 2026, 8 customer-owned banks are certified B Corp; Australian Mutual Bank, Summerland Bank, Teachers Mutual Bank, Great Southern Bank, Bank Australia, Beyond Bank, BankVic, and People First Bank. They are the only B Corp certified deposit-taking institutions in Australia. Moreover, Australian customer-owned banks represent a disproportionately large share (13%) of the B Corp certified banks globally.[13]

"It was actually easier than we thought it was going to be. Our first appointment was meant to be for an hour, but we went for two hours… Jo went through every single detail – answered every question we had. She was amazing…When I first saw the house I knew it. I was like, 'That's our home. We just hope more people are able to access support through the MyHome program"[12]

- Jarrod Ebdon and Billy Harding, for whom the MyHome program made it possible to buy their first home, five years earlier than they planned

"We're proud to be part of MyHome, which is making a big difference for hundreds of customers like Ellie"[12]

-CEO, Bank of Us

12 Bank of us website, accessed on May 20, 2026
13 COBA internal data

Supporting regional communities with employment opportunities and banking services

With almost three quarters of customer-owned banks headquartered outside of Sydney and Melbourne, they offer banking services and valuable employment opportunities in the regions.[14] Many customer-owned banks have a presence in remote areas which enables customer-owned banks to create local employment opportunities, allowing employees to remain in their hometowns while contributing to and supporting their communities. Regional Australia Bank, for example, positions itself as a pure play regional network located across regional New South Wales, spanning multiple regions and reaching remote towns.[15]

14 COBA internal data
15 Regional Australia Bank website, accessed on May 20, 2026

2.3 Pressures impacting customer-owned banks

Customer-owned banks in Australia are facing increasing pressure from rising regulatory costs, digital transformation requirements, intensifying competition, and growing scale disadvantages relative to the major banks. Regulatory expectations across compliance, operational resilience, cyber security, and consumer protection have increased, disproportionately impacting smaller mutual institutions with more limited resources. At the same time, customer expectations for seamless digital banking experiences are forcing substantial investment in technology, data, and cyber capabilities to remain competitive.

The main challenges impacting customer-owned banks are:

1. Rising regulatory and compliance burden:
Customer-owned banks are facing increasing regulatory and compliance obligations (e.g. CPS230) as APRA and ASIC continue to strengthen expectations across governance, operational resilience, cyber security, and consumer protection. Smaller institutions are often disproportionately impacted due to limited scale and resources over which to spread fixed regulatory costs.

2. Technology and digital investment pressure:
Rapidly evolving member expectations are requiring customer-owned banks to invest heavily in digital banking experiences, data capabilities, and technology modernisation. Maintaining competitive and secure digital offerings has become increasingly important. However, the scale of required investment is placing significant pressure on smaller institutions with constrained technology budgets and legacy systems.

3. **Scale and cost efficiency challenges:** Customer-owned banks are facing growing structural cost pressures as inflation, rising vendor costs, and increasing capability requirements continue to elevate the cost of operating sustainably. Smaller institutions often have less ability to absorb these rising fixed costs efficiently, driving greater focus on achieving scale benefits through consolidation, strategic partnerships, and operating model transformation. At the same time, APRA continues to calibrate capital and liquidity frameworks in response to the risk environment, meaning compliance and balance sheet strategy must keep evolving, often at a fixed cost that is harder to absorb for smaller banks.[16]

4. **Heightened competitive pressure:** Competition across the banking sector continues to intensify, particularly in mortgage lending, deposits, and digital customer acquisition. Customer-owned banks are competing not only against the major banks, but also digital challengers and specialist lenders with significant scale, marketing reach, and technology investment capacity. This is placing pressure on margins, growth, and the ability to maintain differentiation in an increasingly competitive market.

These challenges are increasing pressure to achieve greater scale, strengthen capabilities, and improve operating efficiency to remain sustainable and competitive. As a result, many institutions are pursuing strategic partnerships, and operating model transformation to better absorb rising regulatory, technology, and operational costs while continuing to deliver strong member outcomes and preserve their customer-owned value proposition.

16 APRA's roadmap for capital and liquidity reforms for ADIs (March 2026), APRA's plans to support small and medium sized banks (August 2025)

3 Changing customer needs and the evolving role of customer-owned banks

Consumer expectations for customer-owned banks are increasingly converging with those of major banks, particularly around digital experience, speed, and convenience. Customers now expect customer-owned banks to provide seamless mobile banking, fast onboarding, real-time servicing, strong cyber security, and intuitive digital experiences comparable to those offered by major banks and fintechs. This is raising the bar for customer-owned institutions, despite their smaller scale and limited investment capacity.

At the same time, customer-owned banks are still expected to differentiate through the traditional strengths of the customer-owned model, including personalised service, trust, community connection, and customer value. As a result, customer expectations are becoming multi-dimensional with members increasingly wanting digital sophistication and convenience, while still expecting the relationship-based service and member focus that distinguishes customer-owned banks. This creates a need to modernise and invest in capability uplift without compromising their customer-owned identity and value proposition.

> "The average customer age of our Essential Worker Home loan is 41 years. We are focusing on attracting and retaining younger members as well"
>
> -General Manager, Impact & Sustainability of a customer-owned bank[17]

> "With the changing needs and expectations of customers, and the future of sector increasingly digital, we need to continuously invest in technology and digital capabilities for security, scams & fraud prevention, and on seamless transactions"
>
> -Chief Customer Officer at one of the largest customer-owned banks in Australia[17]

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17 Interviews conducted with senior leadership of customer-owned banks, in May 2026

Enhanced customer experience and personalisation

Banks are focusing on delivering more personalised, intuitive, and responsive customer interactions through improved service models, data-driven insights, and simplified banking experiences. Customers increasingly demand interactions that are intuitive, contextual, and tailored to their financial needs, with 72% of banking consumers stating that personalisation influences their choice of bank.[18] This reflects a broader transition from transactional banking to relationship-driven engagement, where institutions must anticipate needs rather than react to them. For example, Goulburn Murray Credit Union offers tailored home loan solutions, particularly within its regional operating footprint in Victoria and it provides more flexible lending criteria for lifestyle blocks, acreage, and rural properties.[19]

18 Accenture Banking Consumer Study, 2025
19 Interviews conducted with senior leadership of customer-owned banks, in May 2026

Strategic enhancements to operating models

Customers are shifting to digital banking for 24/7 access, personalised insights, and fast transactions. Physical locations remain important for some customers for complex needs, cash access and relationship-based service, particularly for some customer groups and regional communities, even as routine banking activities continue shifting to digital. According to COBA Sector Market Research, the most important feature in a main bank is an easy-to-use App with 55% of the respondents rating this as most critical. Additionally, 26% of the respondents believed availability of an online channel to be the most important feature/qualities in a main bank.[20] As per a recent COBA survey, 49% of customers in customer-owned banks prefer a combination of digital and human-support based banking experience.[21]

Many institutions are pursuing strategic partnerships and operating model simplification to improve efficiency and better absorb rising technology and regulatory costs. These are expected to translate into more reliable, consistent, and cost-effective banking experiences. For example, at Goulburn Murray Credit Union, work is underway to consider a future operating model where members can choose how they engage, whether through a relationship manager in the community, a physical location, the local Member Care Centre, online via digital channels or a combination. Together, this reflects GMCU's intent to deliver a flexible, sustainable service model that maintains strong local presence while remaining responsive to member needs into the future.[22]

20 COBA Sector Market Research (Data source: n=400, Australians aged 18-54, Qualifying criteria: non-rejectors of Customer Owned Banks)
21 Survey conducted on behalf of COBA on 1,020 Australians over the age of 18 in May 2026
22 Interviews conducted with senior leadership of customer-owned banks, in May 2026

Preserving member-centric differentiation

While modernising, customer-owned banks are seeking to maintain their traditional strengths of personalised service, trust, transparency, and community connection that continue to differentiate them from other banking sector players.

Beyond Bank offers flexible KYC, translation services for non-English speakers, and accessibility focused service design for its customers.[22] Beyond Bank also uses digital, automated technology for smoother identity verification and provides access to interpreter services for over 150 languages which can be arranged via phone or in person for customers. This tailored approach ensures that the identity verification process satisfies legal benchmarks without creating unnecessary barriers for diverse or marginalised communities, making essential banking services more accessible to everyone.

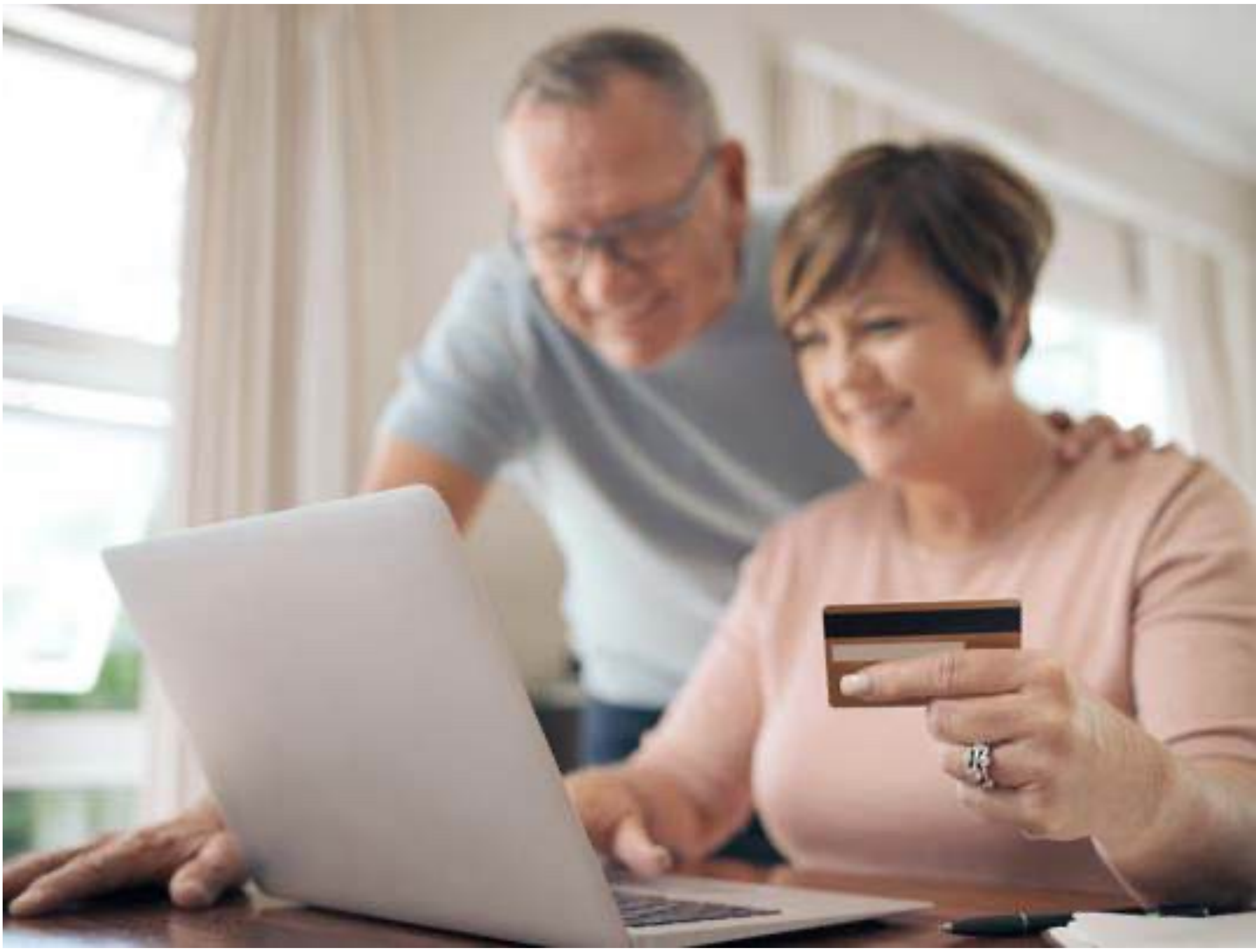
Providing transparency & customer satisfaction

While expectations of customer-owned banks continue to rise, consumers still demand the core authenticity and integrity that have always defined the sector's value proposition. According to COBA Sector Market Research,[23] 35% of respondents believed transparency to be the most important feature in a main bank. The only factors scoring higher were savings interest rates, fees & charges and ease of app usage. Another 21% of respondents believed reputation of great customer service to be the most important factor.

This deep-seated consumer demand for transparency and integrity is directly codified through the Customer Owned Banking Code of Practice (the Code). The Code is a public expression of the level of support that subscribers will provide to their customers, and the standards by which they will be held accountable. It establishes higher standards than the law requires and reflects the customer owned banking sector's commitment to serving the interests of its customers.

The Code compliance ecosystem for customer-owned banks is institutionalised through an independent monitoring committee (Customer Owned Banking Code Compliance Committee or COBCCC) and AFCA code monitoring support to ensure that integrity and transparency is at the heart of how they operate and are governed.

23 COBA Sector Market Research (Data source: n=400, Australians aged 18-54, Qualifying criteria: non-rejectors of Customer Owned Banks)



4 Economic impact of customer-owned banks

4.1 Financial impact

Customer-owned banks make a meaningful economic and financial contribution to Australia despite representing a relatively small share of the overall banking system. The sector contributes approximately $2.6 billion[25] annually to the Australian economy through wages, taxes, and profits, while serving more than 5.4 million customers nationally.[26] Customer-owned banks account for around 5% of home lending[24] and employ nearly 12,000 people, with a particularly strong presence in regional and rural communities.

At the end of 2025, Australia's customer-owned banking sector generated $4.24 billion in operating income and $615 million in net profit after tax.[24] The sector contributed significantly to the economy through $253 million in taxes and $1.76 billion in personnel costs, while total operating expenses reached $3.35 billion.[24] Interest expenses totalled $5.6 billion, primarily driven by deposit funding costs of $4.8 billion.[24] Unlike shareholder-owned banks who often reinvest their profits outside of Australia, profits which customer-owned banks generate often remain within Australia.

The sector plays an important role in supporting competition within Australia's concentrated banking market. Customer-owned banks provide competitive pricing, with basic variable home loan starting rates of the top 25 customer-owned banks approximately 0.25-1.05 percentage points lower than the majors,[26] generating meaningful savings for Australian borrowers. Customer-owned banks operate predominantly in the home lending space with 95% of all loans and advances made up of home loans, accounting for approximately $153 billion in loans and advances.[24]

From a profitability perspective, the customer-owned banking sector operates with relatively modest profitability metrics, generating a profit margin of 14.5%, operating income to assets of 2.2%, and a post-tax return on assets of 0.3%.[24] Despite this, customer-owned banks have demonstrated strong loan growth, with average loan receivable growth of 7.3% between FY22–FY25.[24]

24 APRA Quarterly statistics as of December 2025
25 COBA internal data
26 Big 4 banks and top 25 customer-owned banks websites, accessed on May 20, 2026

4.2 Employment

Customer-owned banks make a significant contribution to employment and regional economic activity across Australia, despite representing a relatively small share of the overall banking system. The sector employs nearly 12,000 people[27] nationally, with a disproportionately strong presence across regional and rural communities. People First Bank is the largest customer-owned bank and employs approximately 2,100 employees. However, the workforce of People First Bank still represents ~4% of that of Commonwealth Bank, Australia's largest shareholder-owned bank.[28]

Approximately 40% of customer-owned banks[27] are headquartered outside metropolitan areas, supporting skilled white-collar employment in towns and regional centres including Toowoomba, Newcastle, Wollongong, Lismore, Shepparton and Townsville. This regional employment footprint is particularly important because it sustains local economic activity, preserves professional career pathways in regional Australia and reduced economic concentration in the major Australian cities.

Moreover, customer-owned banks go beyond providing direct employment to serve the community. For example, Beyond Bank has partnered with organisations supporting women impacted by domestic violence. The bank delivers employability programs, including resume coaching and mock interviews, via HR training sessions and cross-functional staff participation. These initiatives not only build job readiness but also create employment pathways, with some participants securing roles within the bank.[29]

Despite their impact on employment across Australia, the pressure that rising regulatory, technology, and operating costs are placing on customer-owned banks to modernise and achieve scale may be detrimental to preserving their existing operating models.

27 COBA internal data
28 People First Bank Customer Report 2025
29 Interviews conducted with senior leadership of customer-owned banks, in May 2026

5 Social impact of customer-owned banks

5.1 Community and charity contributions

Alongside shareholder-owned banks, customer-owned banks play a significant role in supporting community development and charitable initiatives, as their structure encourages a strong focus on local well-being and social responsibility. Many customer-owned banks reinvest profits into the communities they serve by funding education programs, supporting small businesses, and contributing to local infrastructure projects. They often partner with non-profit organisations, sponsor community events, and provide financial assistance to vulnerable groups during times of crisis. Through initiatives such as financial literacy programs and affordable lending schemes, customer-owned banks help promote economic inclusion and stability. For example, Bank Australia is a lender for the Australian Government's Help to Buy Scheme, aiming to make home ownership more achievable for more Australians. Eligible buyers can purchase or build a home with as little as a 2% deposit and receive a government contribution of up to 40% for new homes or 30% for existing homes.[30]

Overall, their commitment to community and charity reflects their core mission of serving members while fostering long-term social and economic growth. Additionally, customer-owned banks contribute a sizeable portion (5-10%)[30] of their profits towards community support. An analysis of the top 10 customer-owned banks (by assets) shows that these banks (which account for 74% of the sector's assets), contributed more than $23 million to communities, and reinvested 5.5% of their profits back to communities.

Unity Bank along with many other customer-owned banks partner with the Australian Mutuals Foundation (AMF-CUFA) to drive much of its community and social impact work, operating across two primary streams.[30] The first stream focuses on local support through its collaboration with Barnardo's Australia, where the bank helps address issues affecting disadvantaged and at-risk children, families, and individuals impacted by domestic violence. Staff play an active role through volunteer days and participation in joint fundraising initiatives.

The second stream centres on disaster response, using an AMF disaster portal to coordinate support during events such as floods and bushfires in regions where the bank operates, with notable involvement in major flood relief efforts. Beyond immediate support, Unity Bank contributes to building stronger financial ecosystems within communities by supporting cooperative and mutual-based financing approaches. This includes helping communities improve access to financial services and strengthening local financial capabilities. Bank staff have also been involved in facilitating training and development programs in partnership with the Asian

30 Interviews conducted with senior leadership of customer-owned banks, in May 2026

Confederation of Credit Unions, demonstrating an ongoing commitment to knowledge sharing and international cooperation. At a regional level, the bank manages local community funds that provide targeted support to grassroots initiatives. Grants can range from small contributions, such as a few hundred dollars to support school equipment, to larger amounts for not-for-profit organisations working within local communities.

Teachers Mutual Bank focuses its social impact on strengthening education and supporting vulnerable communities.[31] A key pillar of its approach is sponsoring teacher development programs, such as the Bell Shakespeare initiative, which helps educators, especially those in under-resourced areas, build confidence and teach with greater passion and effectiveness, particularly in English. These programs are designed to broadly engage teachers who may need additional support, ultimately improving learning outcomes for students. The bank also supports organisations like Stewart House, which provide care and wellbeing services for disadvantaged children and their caregivers. This reflects a broader commitment to improving the health, safety, and overall wellbeing of children in less privileged communities, alongside supporting those responsible for their care.

Bank Australia partners with Environment Victoria to support household electrification, including ~30 community events teaching residents to switch to electric appliances, access rebates, and reduce bills. Environment Victoria is an independent charity with over 200,000 supporters and 40 grassroots member

31 Interviews conducted with senior leadership of customer-owned banks, in May 2026

groups. They campaign to solve the climate crisis and build a thriving, sustainable society that protects and values nature.[32]

These initiatives play a pivotal role in strengthening communities and supporting charitable causes due to their unique structure and values. They do so, not only through financial donations but also by fostering inclusion, supporting local growth, and promoting socially responsible banking practices.

5.2 Inclusive service, unlocking value across diverse cohorts

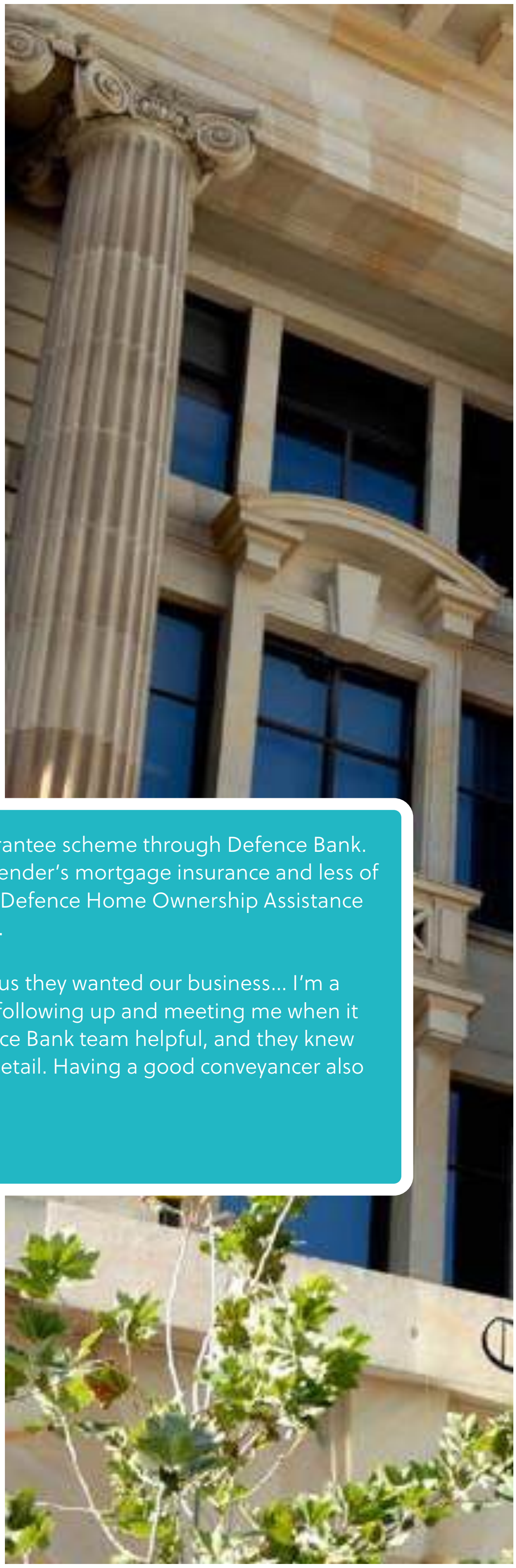
Customer-owned banks serve several diverse cohorts of the population such as immigrants, essential workers, low-income householders, specific regional populations and first-time homebuyers with unique services. These cohorts often face structural challenges including language barriers, irregular work hours, limited access to digital or financial infrastructure, and heightened exposure to economic risks. As a result, traditional service delivery models may fail to reach or adequately support them. Customer-owned banks work on targeted strategies to enhance engagement, trust, and effectiveness in serving these essential yet often marginalised groups.

Dnister Bank focuses on Ukrainian and Latvian communities in Australia, and actively support through partnerships, events, and initiatives that strengthen connection and cultural identity. The bank provides a range of support initiatives beyond traditional banking, including educational seminars for new arrivals, community programs, and ongoing support for schools and cultural organisations. In recent years, the support has included supporting individuals and families displaced from Ukraine due to the war.[33]

> "We also support members who are new to Australia, including those displaced by conflict, by providing practical guidance to help them establish themselves and navigate the financial system with confidence."
>
> -Dnister Bank CEO

32 Bank Australia Impact Report 2025
33 Case studies received by COBA from customer-owned banks, 2024-2026

Unity Bank offers Essential Worker Home Loans[34] for key worker groups such as public sector workers, healthcare workers, teachers, paramedics, nurses, prison officers, and firefighters. The product gives them access to competitive interest rates, reduced fees, and flexible repayment options tailored to the unique financial circumstances of essential workers. In many cases, it may also include benefits such as lower deposit requirements, faster approval processes, and personalised service to recognise the vital contributions of these individuals to the community. By making home financing more accessible and affordable, Unity Bank aims to reward and empower essential workers with a stable pathway to owning their own homes. The bank has financed $158 million across 272 essential worker home loans, majority of these were provided to teachers (33%), nurses (22%), and paramedics (10%). Moreover, 76% of these customers have been new to the bank.



"We first found out about the housing guarantee scheme through Defence Bank. It definitely added some flexibility with no lender's mortgage insurance and less of a deposit... We were also able to access the Defence Home Ownership Assistance Scheme and that really got things moving...

Defence Bank was really strong in showing us they wanted our business... I'm a shift worker and they were really helpful in following up and meeting me when it was convenient... We found our local Defence Bank team helpful, and they knew all about the scheme and were across the detail. Having a good conveyancer also helped us too."

-Jayden, a first-time home buyer[36]

Similarly, Defence Bank supports first-time home buyers[35] by offering tailored financial solutions, competitive interest rates, and guidance throughout the home loan process. Understanding that buying a first home can be a complex and sometimes overwhelming process, the bank provides clear communication, responsive service, and dedicated support to simplify each step (from application to settlement). Defence Bank also helps eligible customers access government schemes and benefits, such as first home buyer grants and defence-specific assistance programs, ensuring they maximise available support.

34 Interviews conducted with senior leadership of customer-owned banks, in May 2026
35 Case studies received by COBA from customer-owned banks, 2024-2026
36 Defence Bank website, accessed on May 20, 2026

Unity Bank is currently participating in the Queensland Government's Boost to Buy Home Ownership Scheme,[37] a shared equity initiative designed to improve access to home ownership for first-home buyers in Queensland. Unity Bank currently acts as the exclusive lender on the panel, playing a key role in delivering the scheme to eligible applicants who meet strict criteria, including income caps and property value limits. Shared equity schemes like Boost to Buy are increasingly being used to address housing affordability pressures by helping individuals with steady incomes but limited savings enter the property market sooner, while also sharing both the risks and benefits of property ownership between the buyer and the government.

Bank Australia offers an Impact Fund, which supports initiatives that create positive outcomes for people and the planet. They commit up to 4% of their annual after-tax profits to it, and prioritise projects across four impact areas; climate action, nature and biodiversity, First Nations Recognition and respect and affordable and accessible housing.[37]

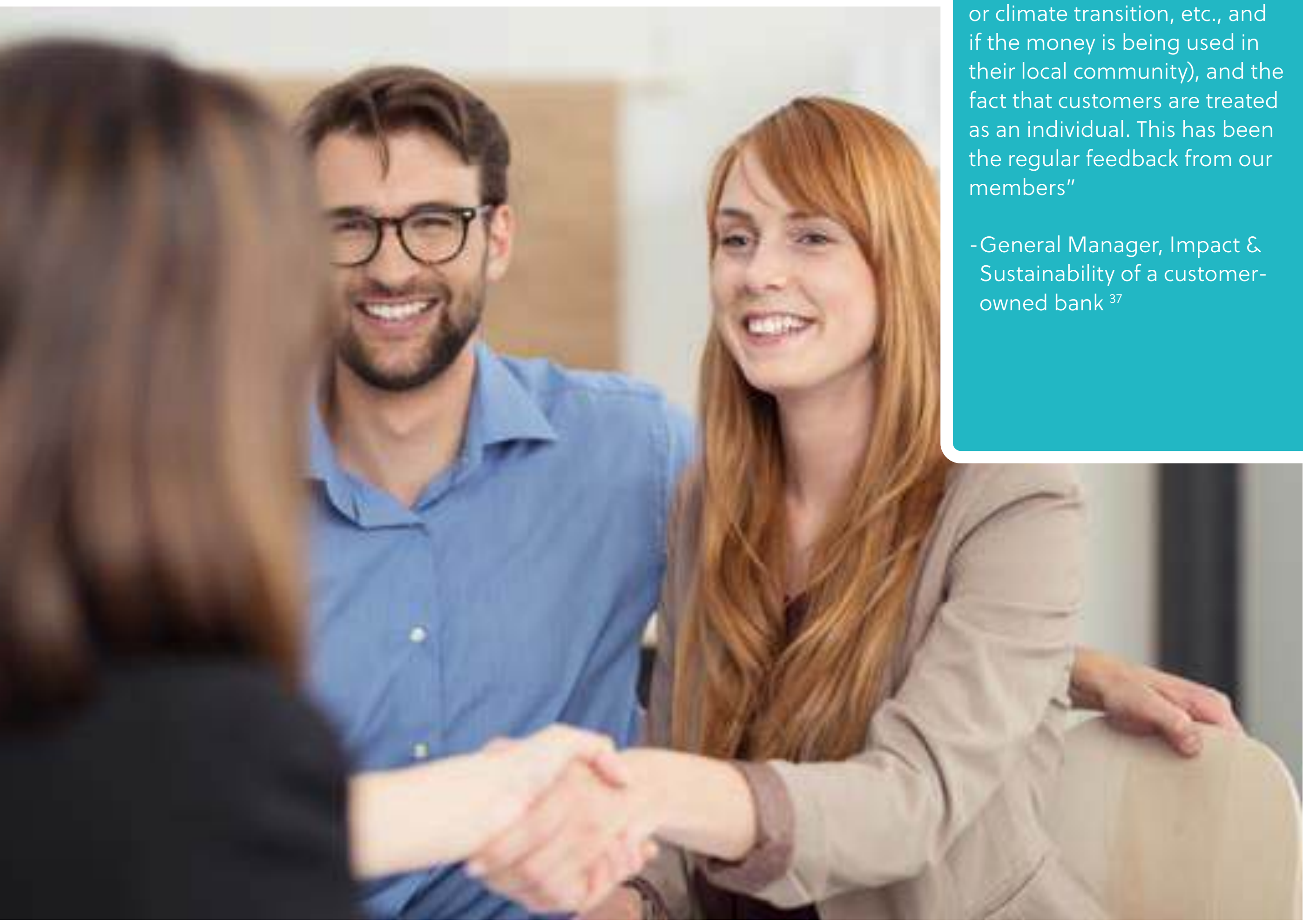
Customer-owned institutions leverage their structure to offer competitive pricing with lower interest rates on loans and higher returns on deposits for specific cohorts.

For example, products from Teachers Mutual Bank have slightly different credit assessment parameters compared to major banks.[37] They consider factors such as salary packaging and casual employment arrangements, allowing for a more nuanced evaluation of various income

37 Interviews conducted with senior leadership of customer-owned banks, in May 2026

"Customers prefer customer-owned banks compared to majors, due to values alignment (they want to know what happens with that money in terms of if the bank is funding fossil fuel industry or climate transition, etc., and if the money is being used in their local community), and the fact that customers are treated as an individual. This has been the regular feedback from our members"

-General Manager, Impact & Sustainability of a customer-owned bank [37]



components. They generally offer lower fees and more competitive interest rates. This helps them support groups which are usually underserved by other players in the banking sector. Teachers Mutual Bank also reinvests all of its profits back into the organisation, effectively returning all profits to members, not as direct payouts, but through ongoing improvements in products, services, and capabilities that are delivered incrementally year after year.

Hence, customer-owned banks are uniquely positioned to build customer trust by delivering inclusive, customer-centric services that recognise the diverse needs of different cohorts. By prioritising accessibility, transparent lending practices, and tailored solutions, they not only support individuals traditionally underserved by mainstream finance but also strengthen long-term relationships grounded in fairness and community values. This trust driven approach enables customer-owned banks to unlock value across a broad customer base, fostering financial inclusion while enhancing customer loyalty, portfolio resilience, and sustainable growth.

5.3 Local community focused innovation

Customer-owned banks in Australia are increasingly focusing on developing innovative approaches to deliver more personalised, and community-focused banking experiences. They are innovating in areas such as green finance and socially responsible lending, aligning products with customer values, such as offering discounted loans for electric vehicles or energy-efficient homes. Sustainability is highly valued and based on the South Pole consumer research undertaken in 2025, 76% of Australian's consider sustainability in their purchasing decisions, while 63% factor it into their choice of financial institution.[38] The focus on sustainable innovation for customer-owned banks in Australia is comparatively higher. For example, Bank Australia has invested over $440 million in green, social and sustainable bonds, 36% of which are allocated to clean energy and water projects.[39]

Customer-owned banks in Australia tend to adopt community-embedded and participatory approaches to giving back, while the major banks typically leverage large-scale, structured corporate social responsibility programs. Innovation by customer-owned banks lies in co-creation with communities, where customers have a direct say in how funds are used. In contrast, major banks leverage their scale to deliver nationwide/global initiatives, such as major disaster relief funds, multi-million-dollar social impact investments, and partnerships with NGOs or governments. Their innovation is often driven by technology, scale, and strategic partnerships, such as digital platforms for charitable giving or structured sustainability and ESG commitments.

Bank Australia offers a range of innovative, eco-friendly financial products, such as bank cards made with recycled plastic, discounted car loans for EVs, and green loans for

38 South Pole consumer research 2025
39 Bank Australia website, accessed on May 20, 2026

sustainable homes.[40] The bank also encourages cleaner transportation by providing discounted car loans specifically for electric vehicles, making it more affordable for customers to make environmentally conscious choices. In 2025, they offered customers two reduced interest rate Clean Energy Home Loan options; 'New Build' for newly built all-electric homes with a NatHERS rating of 7.5-stars or higher and rooftop solar; and 'Renovate' for customers who made eligible upgrades to an existing, all-electric home.[41] The bank's Eco Pause gives customers the option to redirect funds towards environmental home upgrades as part of their home loan. The Impact Term Deposit supports lending across specific environmental and social impact areas. These funds are used to finance or refinance lending across social and environmental asset categories that contribute to positive outcomes for people and the planet. Additionally, they may support projects such as building or upgrading green and energy efficient homes, improving supply and access to affordable and accessible housing for people in need, and land conservation and restoration.

The bank's Clean Energy Home Loan offers incentives for customers who buy or build green homes, with a reduced variable rate for 5 years or a reduced fixed rate for 3 years. This helps customers decarbonise their homes. Their customers also have free access to the BOOM! Power Electrify Your Home tool for customers in Victoria, New South Wales, Queensland, Tasmania, the ACT and Greater Adelaide, enabling them to create a customised electrification plan and connect with BOOM! Power's network of trusted installers.[42]

Unity Bank recently launched a Green Car Loan and Green Upgrades Loan[42] to help members reduce emissions, save on energy costs, and improve their environmental impact. The Green Car loan features a competitive fixed interest rate and reduced fees to support the purchase of eligible hybrid or electric vehicles. This makes lower-emissions transport more accessible for members ready to make the switch. The Green Upgrades Loan is a personal loan offering a competitive variable interest rate and reduced fees to help members invest in energy efficient home improvements such as solar panels, insulation, efficient heating and cooling systems, and rainwater tanks.[43]

40 Case studies received by COBA from customer-owned banks, 2024-2026
41 Bank Australia 2025 Impact Report
42 Interviews conducted with senior leadership of customer-owned banks, in May 2026
43 Unity Bank website, accessed on May 20, 2026

5.4 Driving value through deeply personalised service

Customer-owned banks are demonstrating their impact through concrete, community-focused actions that prioritise member value, and put the communities and members they serve at the top. In rural and under-served areas, customer-owned banks often lead financial inclusion initiatives by providing microloans to small farmers, self-employed individuals, and local entrepreneurs who may be overlooked by traditional banks. During times of crisis, such as natural disasters or economic downturns, these institutions are known to offer flexible repayment options, emergency credit lines, or fee waivers to support their members. Additionally, several credit unions invest directly in community development projects, such as affordable housing or local infrastructure, ensuring that financial growth translates into tangible social and economic benefits for the very communities they serve.

Customer-owned banks deliver meaningful impact by providing deeply personalised, supportive, and trust-driven services that empower customers to achieve life-changing goals, as seen in multiple cases. For example, a customer of Great Southern Bank experienced more than just a transaction for home ownership.[47] They received tailored guidance, education, and genuine care from their lending specialist, who helped them navigate complex market conditions, understand financial commitments, and build confidence as a first home buyer. This member-first approach enabled them to overcome barriers such as a highly competitive housing market and financial uncertainty, ultimately securing their first home and strengthening their financial independence.

"Nikka really moved mountains for me. She was approachable, flexible and supportive; she guided me through the process like a fairy godmother presenting different options and putting everything in place. I couldn't have done it without her...Nikka went into the detail to make sure I was looking at the right properties for me. We spoke about market conditions, areas to buy in, she helped identify homes in flood prone areas and we had discussions on all the financial aspects of home ownership – not just repayments but all other costs to consider...The information she shared and her reassurance was so helpful and I appreciate it so much. Like many first home buyers, I had a fear that I would be overextended financially, but Nikka gave me confidence in myself...I knew I was in the right place getting my home loan with Great Southern Bank, the genuine care in the guidance through the process was so personal. As a first home buyer I definitely appreciated it."

-Girlie, immigrant from Philippines (became Australian citizen in 2023) and a registered nurse, who was searching for a home and was referred by a colleague[44]

44 Case studies received by COBA from customer-owned banks, 2024-2026

5.5 'Human-centric' approach

Customer-owned banks adopt a more inherently human-centric approach because their customers are also their owners. This structure aligns incentives around member wellbeing rather than profit maximisation, leading to decisions that emphasise fairness, personalised service, and long-term financial health. Their governance model is more democratic and they typically focus on relationship banking, community development, and financial inclusion. As a result, their products and pricing are often designed to be accessible and supportive, especially for underserved or financially vulnerable groups. For example, 29% of issuance at Great Southern Bank supported first home buyers, which equates to an additional $1.24 billion loans in 2025 to this segment.

In 2022, 6 customer-owned banks in the flood devastated town of Lismore came together to deliver a new banking hub at the Southern Cross University, to provide banking services to the community in response to the severe impact of the floods in the Northern Rivers.[45] With no physical banking options available due to damaged infrastructure and mobile services, people in those communities still needed to have access to their funds. In response, Summerland Bank set up a space in the local university with all 6 customer-owned banks representatives present to support customers if they needed replacement cards, documentation, and other services.

These examples indicate how customer-owned banks go out of their way to focus on their customers, placing human needs at the centre of their decision-making and prioritising long-term member outcomes over short-term gains. This results in more empathetic, flexible solutions that reflect real customer challenges and aspirations.

45 Interviews conducted with senior leadership of customer-owned banks, in May 2026

5.6 Employee value proposition

Customer-owned banks attract and retain employees due to their purpose-led positioning, strong workplace culture, and collaborative environments, compared to larger institutions. This supports consistent retention outcomes and long-term workforce stability.

The sector demonstrates a clear commitment to investing in people, both through employment opportunities and capability development. In regional and community settings, customer-owned banks maintain a local presence, enabling continued service delivery, supporting local employment, and fostering long-standing relationships. This approach not only strengthens community ties but also promotes employee retention by providing meaningful roles and opportunities to build diverse skillsets over time. Traditional Credit Union provides a strong example of this model, going beyond providing financial services and providing training and employment opportunities for First Nations people across the Northern Territory. Approximately 85% of Traditional Credit Union's employees are First Nations Australians, and over the last 30 years, they have trained and employed approximately 1,000 people.[46]

"People are attracted to work in this sector as it's purpose-led, with genuine focus on customer outcomes. The work culture is much more positive. The sector offers a good value proposition in that respect, and that's the reason the sector has good employee retention."

-Executive Team Member of a top 10 customer-owned bank, focused on serving professional communities[47]

"I feel proud to work for a financial institution that provides important services to remote communities. I enjoy talking with members and community members, helping them with their banking needs, and just having a yarn with them. My dad was an employee here for over ten years, so he was the one who inspired me to get a role here before he retired."

-A 33-year old Torres Strait Islander who has been working with a customer-owned bank since Jan 2025 [47]

Beyond Bank recognises that its predominantly female workforce may be personally affected by domestic and financial abuse, either directly or through supporting loved ones. The bank proactively strengthened its internal support systems and introduced an employee care fund to assist employees experiencing domestic violence.

Customer-owned banks have a strong employee value proposition which breeds loyalty. For example, the Unity Bank CEO has completed 30 years with the bank and has transitioned up through several different roles within the bank to where she is today as Chief Executive.[48]

46 Traditional Credit Union annual report 2025
47 Case studies received by COBA from customer-owned banks, 2024-2026
48 Interviews conducted with senior leadership of customer-owned banks, in May 2026

6 Future outlook for customer-owned banks

Customer-owned banks in Australia are embarking on a transformation journey, shaped by both structural advantages and evolving market pressures. The sector is increasingly focusing on digital transformation, leveraging trust, and providing personalised offerings. The customer-first model, which prioritises member value over shareholder returns, continues to resonate with consumers seeking ethical banking, transparent pricing, and community engagement. As trust in large financial institutions fluctuates, mutuals have an opportunity to differentiate themselves through relationship banking, local knowledge, and strong service orientation. Additionally, digital transformation is opening new pathways for mutual banks to expand their reach beyond traditional geographic footprints, allowing them to compete more effectively with larger banks in everyday banking services.

While customer-owned banks in Australia continue to thrive, navigating the path forward requires strategic focus and adaptability. Building greater scale remains a key priority for many mutual banks while smaller capital bases can make major investments in technolog, cybersecurity, and regulatory systems more resource intensive compared to tier-one banks. Managing complex prudential and compliance requirements does require careful resource allocation, but it ultimately strengthens the robust governance that members trust. Furthermore, the push to deliver seamless digital experiences alongside competitive services creates an exciting opportunity to modernise rapidly without losing the high-touch, member-focused ethos that defines the sector. To capture these efficiencies and bolster long-term resilience, strategic collaboration, digital innovation and selective consolidation will continue to play a natural role in ensuring customer-owned banks remain highly competitive.

In conclusion, customer-owned banks in Australia hold a unique and valuable position within the financial services landscape, underpinned by their customer-owned structure and community-focused approach. While they face mounting pressures from scale restraints, regulatory demands, and rapid digital disruption, their strong trust capital and customer-centric ethos provide a solid foundation for continued relevance. The sector's ability to adapt, through strategic collaborations, digital innovation, and selective consolidation, will be key to sustaining competitiveness. Ultimately, customer-owned banks that successfully balance their traditional values with modern capabilities are likely to remain an important alternative to larger commercial banks, contributing to greater diversity and resilience in Australia's banking system.

"Key challenges include keeping up with the level of investment required and needing to generate capital and particularly to invest in continuously changing regulatory requirements, and investing in technology and digital capabilities for security, scams, prevention, fraud, etc., and on seamless transactions"

-Chief Customer Officer of a customer-owned bank[49]

"It's about striking that balance between offering personalised competitive offerings, and also doing the right thing from a governance and from a strategic point of view."

-General Manager, Impact & Sustainability of a customer-owned bank committed to serving the needs of government employees and the regional communities within which it operates[49]

"Over the last six or twelve months, there's a shift towards alternatives. It is the norm, and there's a trend that people are looking for something else because they're not happy with how they've been served and how their needs as well as needs of the communities in which they are operating are being neglected. So that's the biggest opportunity for mutual banks as they are a natural alternative. However, that is going to be difficult if the sector is unable to communicate the tangible value that it can provide. The sector can work together to deliver the kind of digital banking experiences that people expect today"

-Chief Member & Community Officer of a customer-owned bank[49]

"I think the collective impact that member-owned banks can come together in terms of the community work they're doing, and if there was collaboration in that space, I think that could make our impact as member-owned banks larger"

-Operations Manager at a customer-owned bank[49]

49 Interviews conducted with senior leadership of customer-owned banks, in May 2026

CUSTOMER OWNED BANKING ASSOCIATION