

# Digital-first strategy proves winner for defence lender

MAX MADDISON

Australian Military Bank CEO John Ford is feeling confident about the future, although the mutual bank's jump in interim earnings is only half the story.

The "big" decision in 2017 to invest in its digital-first strategy, combined with pro-competition initiatives introduced by the government, have begun to pay off for the 60-year-old niche bank.

AMB begins the decade with loan growth almost twice the industry average and net member growth just shy of 5 per cent. Interest margins were holding steady in an ultra-low rate market.

The bank has a lending book of \$1.425bn. Interim earnings were not disclosed, but Mr Ford said

## AMB lending book



Source: The company

they came in at 125 per cent of budget.

"We took a big decision to invest in our digital platform because we understood the cost to serve and the cost to originate would be transformed by modern

technology," Mr Ford told *The Australian*. "Today we're seeing the results: less than 0.7 per cent of all member-initiated transactions occur in a branch; 65 per cent of saving accounts were opened on-line, real-time, using straight-through processing with no human intervention.

"It's very hard for legacy banks to change their systems, but we've committed to a digital-first strategy, and that's starting to pay dividends for us."

Combined with the fallout from the Hayne royal commission findings, the initiatives have pushed a younger "tech-savvy" demographic towards the 60-year-old niche bank, which counts 80 per cent of its customer base as Australian Defence personnel and their families.

**'Technology has never been cheaper'**

JOHN FORD  
AMB CHIEF EXECUTIVE

Mr Ford said almost 5 per cent net member growth indicated AMB was benefiting from the big four's tighter lending restrictions.

"We serve a credit-hungry demographic, who are looking to purchase their first home," he said. "We have very good quality credit, there are fewer risks, which means our lending approach has probably been about right.

"What really matters for consumers is 'time to yes': how long it takes a financial institution to make a decision, yes or no."

Mr Ford, who steps down at the end of next month after seven years in the role, believes pro-competition initiatives introduced in 2018 by the Coalition government — combined with the 2019 mutual reforms bill — means the future looks bright for smaller banks. "I'm feeling confident, and I'm feeling confident for mutual banks as well," he said.

"Technology has never been cheaper. The government initiatives which are pro-competition: comprehensive credit reporting has come into place over the past couple of years, and open banking is just around the corner. So I think there's good reason to be confident about the future."

Mr Ford will be replaced by Darlene Mattiske-Wood in March.