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The Monday Interview

Ralph Hamers, ING chief executive: Digital but down-to-earth

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Ralph Hamers likes to mention his recent trip to Silicon Valley, using it the same way many bank CEOs do, as evidence that he is in command of the technological upheaval in his industry. But the ING boss goes further than most rivals.

He recalls a meeting with US financial technology start-ups, including Wealthfront, Metromile and Kaggle, over dinner in a plush Menlo Park steakhouse two years ago, shortly before he took over as head of the biggest Dutch bank by assets.

Mr Hamers says he questioned the Californian entrepreneurs on how they planned to build a sustainable business, who then turned the tables in flattering fashion. "They said, 'It is interesting that you asked because this is exactly what we want to hear from you'," he recalls, suggesting that they saw ING as a fellow digital disrupter.

This boastful tone is rare for the 49-year-old career banker, who normally oozes modesty and caution, such as when he admits to being "surprised, grateful and honoured" at being promoted from relative obscurity to take charge in 2013.

Mr Hamers joined ING in 1991 after a brief spell as an accountant in Canada and a couple of years working for Dutch rival ABN Amro. His smooth rise up the ranks has been low-key. Even a spell in film finance was "not sexy", he says, as he never met movie stars or went to glamorous parties.

When at home during weekends with his wife and their twins, he often volunteers to be linesman at his son's football matches rather than taking charge as referee.

His management style is built on his Christian beliefs. "The way I live my life as a private person is how I live my life as a CEO," he says. "People don't have to earn my

'People don't have to earn my trust': Ralph Hamers is quietly building a reputation as an effective manager

trust. I trust them from the beginning. They can only lose it."

This down-to-earth approach has not stopped Mr Hamers winning over investors. ING shares have almost doubled since he took over in the midst of a drastic restructuring imposed after the bank's €10bn bailout by the Dutch government in 2008.

Now many analysts list ING, which reports second-quarter results on Wednesday, among their top picks of European banks. A crucial factor in its recovery has been the ability to generate growth and healthy profit margins in markets where others have struggled, such as Germany and Spain, thanks in large part to its digital focus.

ING pioneered digital banking long before smartphones revolutionised the way most people interact with their lenders. For almost two decades it has been offering high-interest savings accounts to online customers.

It built large online businesses under its ING Direct brand in the US, Canada and the UK, which it was forced to sell when the financial crisis hit in 2008, leaving it with heavy losses on mortgage securities.

But its remaining operations in countries including Germany, Spain and Australia, were also built almost from scratch and have continued to grow rapidly by taking market share from local rivals. This offset recession-mired Benelux markets.

"If you have the right model and deliver in the right way your services, you can actually grow your number of clients and grow your assets, and that is what we are proving to the market," he says.

Many European banks are shrinking, but last year ING added 1.2m new clients, taking its total to 32m. Underlying profits from its core banking operation have increased 40 per cent in two years to €3.4bn last year.

Mr Hamers talks of doing things "the ING way". For example, it is trialling an algorithmic credit scoring system in Spain that mimics the automated systems of peer-to-peer lenders to lend money to small businesses without face-to-face contact. In Germany, it recently won approval from the regulator to allow customers to open an account by internet video link using face-recognition technology.

"What we are focusing on is not developing different products catering to the same need, but how you deliver that product," he says. "Banking products haven't changed for decades — a savings account is a savings account, a mortgage is a mortgage."

When fingerprint identification was added to smartphones last year, ING was quick to add this capability to its mobile banking application in its main markets.

"We all have to recognise that technology is what banks do," he insists. To instil this digital-focused culture in his staff, Mr Hamers has ordered a complete redesign of its squat, red brick headquarters in an industrial suburb of Amsterdam.

Part of one floor has already been converted into a "laboratory" for staff to test out. The traditional corridors and offices have been replaced by an open-plan layout featuring bean bags, swing chairs and white boards with colourful Post-it notes.

Mr Hamers argues that banks have plenty in common with technology, media and telecommunication companies. "Banking is immaterial. Our products are immaterial. I give you a mortgage and it is important to you, but it is nothing more than a digital number because you don't see the money or even the paper any more," he says.

He is also changing the way staff work. Instead of separate marketing, technology and product teams, he is setting up multidisciplinary units to focus on specific functions, such as account opening. The idea, influenced by the Scrum methodology popular in software development, is copied from the digital music group Spotify.

As well as adapting to the rapid technological changes in banking, Mr Hamers has also been busy with a profound financial restructuring, which included making 10,000 job cuts mostly in its core Benelux markets.

Under the terms of its government bailout, ING was forced to dispose of its global insurance operations. This freed it from an EU ban on doing acquisitions or being the price leader in any market outside its home country. ING promptly entered exclusive talks to buy HSBC's Turkish operation to double the size of its business in the country.

Late last year the bank repaid the last of its state aid and Mr Hamers estimates that overall the Dutch taxpayer made a profit of about €5bn — in contrast to its rival ABN, which the government still owns 100 per cent.

"You owe it to the taxpayer that the moment you can prepay you should, as they are not a natural shareholder," he says. "You are obliged to out of gratitude. It is also an important milestone."

Repaying the government has allowed it to restart the payment of dividends to shareholders as well as bonuses for top executives, even if these are restricted under Dutch law to a fifth of their salary.

Mr Hamers was paid €1.27m last year — a fraction of what the heads of most similar-sized rivals received. He says the bonus issue was not a big driver in repaying state aid, adding that "you come to work anyway".

But he says "it does create an unlevel playing field and from that perspective you have a competitive disadvantage", compared to non-Dutch rivals.

Two years into his time as chief executive, Mr Hamers is quietly building a reputation as an effective manager of one of the best-positioned banks for the digital revolution sweeping the sector.

His long-term ambition is, however, typically modest. "It is not easy for a bank to have fans, right? If as a banking industry we can get back to having a group of clients who are truly fans of our business, that is what I strive for at ING."

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