

# Changes in Shaping the Banking Environment

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**Abstract.** The goal of this article is to show the changes in shaping the banking environment. The analysis of these changes caused by the technological development aims at illustrating which banking functions have lost their original meaning or vanished, and which functions developed from scratch. The research method is based primarily on the selected examples from existing banks in cities, as well as on the analysis of source materials, i.e. scientific literature. The process of computerization and automation of banking operations becomes an important issue. The rapid development of technologies is mirrored in the bank and client relationship. This development affects not only the way of shaping the interior, but also the operations performed and appearance of banks. New technologies have fundamentally transformed both buildings design and the whole financial services sector. Electronic banking, which definitely has many advantages, is the most popular type of banking. It leads to wider savings and also helps to reduce the need to open traditional branches of banks. Now, the percentage of the financial and banking operations conducted via electronic means is increasing and clients are also supported by ATM machines and retail offices.

**Keywords:** Banking environment · Banking space · Bank building

## 1 Introduction

Ever since the creation of the first bank buildings, the interiors with a certain spatial organization were shaped. This was due to the specificity of banks and their specific needs. It resulted also from the specific need within the relation between the banker and the client. Originally, simple banking operations did not require sophisticated interior. Over the centuries, the gradual broadening of the bank functions, and then the change triggered by technological development, influenced the changes in the objects' functionalities. Since the beginning of banking history, the most important area of the bank was the banking hall. However, banks combined also many different functions. In the recent years, we can observe the gradual vanishing of banking halls. Daniel M. Abramson [1] argues that this is the most unexpected feature of the contemporary banking architecture. The traditional functions of banks are preserved only in some modern buildings of medium-sized banks, mostly in regional offices. Another crucial issue is the appearance of automation and computerization of banking transactions. It is necessary to add that banks excel in the use of most modern achievements of technology. Currently, a growing percentage of banking and financial transactions are conducted virtually, by electronic means, but the client is also supported by ATMs and

retail branches. Computer and information technology have radically changed the functional needs of bank architecture to the extent that transactions can now take place through terminals in the wall. The introduction of self-service and work automation was the source of revolution in banking as well as in shaping bank architecture.

In the middle of the 20th century, banks began to change their appearance from closed fortresses symbolizing wealth to open institutions attracting clients. They are meant to represent hospitality and safety. Their clients must be sure that their money is and will be well kept safely. It is commonly considered that the architecture of banks should send a visual message confirming that a bank is a trustworthy institution.

## 2 Historical Context

Buildings of banks are objects with rich and long history. The oldest historical trace of the existence of banks dates from Babylonia, where a bank house existed in the 6th century B.C. The House of Egibi were a mercantile Babylonian family whose financial activities are known. It is necessary to mention that the lively commercial exchange in the Near East, in the Mediterranean area, resulted in the need of crediting of mercantile transactions and the invention of money. The bank house mentioned above accepted deposits for safekeeping, for which it paid interest. It also mediated in purchase and laid out part of the money from its own funds [2].

The first bank offices designed and built concerning the needs of merchants and bankers appeared at the beginning of the 15th century. They were stock exchanges. Their buildings were simple structures, something between a market hall and a guildhall, a single space hall with or without aisles. The demand for buildings of this kind did not change remarkably from their beginnings. Private houses and residences of great bank dynasties were the most characteristic buildings. Big palaces of bank families in Florence are considered to be the initiation of the growth of the power of money and the status of bankers.

Palaces in Florence performed various functions, they were presentable housing residences and workplaces at the same time, from which bankers and merchants managed their businesses. Among the most important ones is the Medici-Ricardi Palace, the construction of which was started in 1444 by Michelozzo. The Palace was built for Cosimo I de' Medici. Thanks to its owner and his influences, the structure became a pattern for other palazzos not only in Florence, but also in Italy and, later on, throughout the world. The Rucellai Palace and the Strozzi Palace are among other impressive residences in Florence worth mentioning.

With time, the activity of Italian bankers broadened and banks started to appear in England, France and Spain. The first bank building as a separate institution was erected in Barcelona in 1401. It was the Tabula di Cambi.

The second half of the 17th century and the 18th century involved the invention of paper money and the creation of central banks. The Bank of England, the first bank to have its own headquarters, was an exemplar for others. Sir John Soane became its architect in 1788. It was extended in later years, finally occupying almost a whole quarter of 1, 3 hectare. In the following decades, in the 19th century to be more specific, banks (and other types of public architecture buildings) often reached for

ancient patterns. In the second half of the 19th century, the Bank of England created a network of regional branches. The buildings were to symbolize reliability and confidence. How vast was the influence of the Bank of England can be proved by the creation of the first bank building in the United States [3], i.e. that of the First Bank of the United States (1791) in Philadelphia. The bank was designed by Samuel Blodgett in the classical order. The interiors were quite simple and functional, the banking hall was decorated with a Corinthian colonnade and a conference room was designed upstairs.

In Poland, the first bank houses were created in Cracow at the end of Middle Ages.

The first key-realizations mentioned above, the milestones of the bank domain, as they can be called, developed and evolved. They became the foundations of modern banking. At the end of the 20th century, the high-tech style, a technological variety of international modernism, became the favorite fashion of contemporary institutions, including banks of course, wishing to emphasize their modernity and progressive attitude to reality. The bank began to transform from a traditional, sound public building into a universal, corporate one.

### 3 The Evolution of Bank Spaces

Historic buildings of banks were reflections of societies which created them. Contemporary bank structures are projections of economic as well as social processes. Bank architecture has nowadays become a commercial tool, the building has become a machine that makes functioning of the institution easier and more efficient.

The traditional bank building of the 19th and the 20th century had a few distinctive features: it had a public space for the realization of its basic function, i.e. financial transactions, the so called banking hall, and a safe space for storing money – the vault.

Furthermore, as Majewski [4] describes, the bank building usually combines many various functions. Traditionally, it is:

- a public building
- a financial operations center
- a place to meet and exchange information
- an office building
- a place to store money and valuables
- a centre of modern technologies

Banks usually bring all of the above functions together in a single building or in a complex of buildings. Today, we can observe a tendency to split the functions of banks and to transfer them into separate objects: bank headquarters take the form of an office building, often inaccessible for customers. Retail points take over the function of customer service. Electronic centers of data processing and storage, the so called data centers (most often doubled for the sake of data safety) are situated (also for the sake of safety) as separate and most diligently guarded buildings. Similarly, banks more and more often build separate structures for storing and distribution of money: central vaults and distribution centers.

The factor that determines the current stage of banking architecture and banking space development is automation of the banking industry. The interaction between

human and computer has a special meaning here. The introduction of automation and computerization of banking processes has become a trigger for the revolution in banking industry, as well as in modern banking architecture. Today, as a result of automation, credit cards usage and accessibility of the electronic operations, the amount of cash in the banking transactions is steadily decreasing. Cash has been replaced by electronic money. There are fewer customers physically coming to banks, the traditional division for cashiers, administrators and counselors is steadily disappearing. The most characteristic area in banks, i.e. banking hall, is disappearing as well, together with the traditional cash desk-treasury relation. The number of cash transactions is decreasing and will continue to decline.

Machines facilitate paying cash in and out. ATMs and other automated facilities have significantly influenced the shape of bank branches, which had to create the so called night zones – self-service, twenty-four-hour spaces enabling safe cash banking. The first ATM (Automatic Teller Machine) in the world was activated in a branch of Barclays Bank in Enfield Town, northern London, on June 27, 1967. It is estimated that over 2 million ATMs operate currently throughout the world, yet the number will rise up to 3 million towards the end of 2015. The rate of ATM network development is different depending on the region of the world but the highest number of these machines is to be found in Asia, Pacific islands and the USA [5]. The invention of the ATM initiated a further development of automated banking devices: automatic cashier machines, safes and multi-safes, electronic depositories, payment and withdrawal terminals, counting machines, assorting machines, etc. Yet it was the development and popularization of electronic devices that brought a true revolution in banking itself and changed (and is still changing) the outlook and planning of bank offices. The need to rebuild already existing structures also appeared. Unfortunately, there are many difficulties to overcome when trying to adapt historic interiors to the demands of contemporary banking technology. It is in Poland, however, that the oldest historic banks, i.e. the former Commercial Bank (*Bank Handlowy*) (Fig. 1) and the former Russian State Bank, both dating back to the beginnings of the 20th century, now Bank PKO BP and the National Bank of Poland and operate in renovated historic interiors. They are examples of beautiful, impressive spaces which, on the other hand, are expensive to maintain. Their banking halls with well-preserved, attractive and rich decorations have a typical bank character. They are among the most beautiful banking halls in Poland, which makes efforts to preserve the originals so reasonable. In the banks, there are also other fine and well equipped rooms, such as the president's offices, boardrooms, etc.

Nowadays banks have ceased to be strongholds, financial bastions. Bars and massive counters no longer separate clients from bank employees. More and more often, the arrangement of banking halls has the character of unconstrained, informal space full of light and color. Clients are attended in a sitting position. Friends can be met here, you can talk to your financial consultant.

Technology had freed bank architecture from traditional role: huge, imposing halls have been replaced by banking suites and tellers behind computer screens, rather than behind counters; back-rooms full of clerks have been replaced by telephone banking centres in anonymous out-of-town locations; bustling, high maintenance dealing floors at heart of the city by trades at terminals in lower rent offices on the outskirts.



**Fig. 1.** The banking hall in the historic building of the former Commercial Bank (*Bank Handlowy*) in Lodz, preserved until today. Currently Bank PKO BP. (photo by author)



**Fig. 2.** A banking service point of Cooperative Bank (*Bank Spółdzielczy*), situated in the building of the Revenue Office in Lodz. (photo by author)

New technologies have also been the reason of growing competitiveness. Companies and key clients are attended electronically and are able to conduct their financial operations online, practically from every corner of the world. A growing number of banking and financial operations is realized virtually, without participation of money. The individual client is served by a network of ATMs and retail branches (Fig. 2). The automation of collecting, processing and transforming data has contributed to a substantial reduction of costs and personnel.

It can be observed in Poland that many bank buildings have been put up for sale while networks of retail branches expand significantly. The most dynamic development of such networks fell on the nineties of the previous century. At present, a tendency to verify networks and to optimize branch locations can be observed. Their number in Poland is not growing any more, the number of personnel is decreasing.

## **4 Forms of Banking**

Electronic banking is currently the most popular form of banking. Banks are developing its telephonic forms, i.e. access through ordinary or mobile phones, call centers, Short Message Service or WAP technology. Electronic banking is being intensively developed by most banks all over the world. Separate divisions are created to meet the needs of this kind of customer service.

Internet banking (access through a computer, a web browser and the Internet) and home banking (access through a computer, a dedicated communication link and specialized software on the client's side) are becoming increasingly popular. It is worth mentioning that in 1998, in Germany, the world's first virtual bank came into being. NetBank had neither any branches nor a call center. Internet banks are also being established by non-banking institutions. For example, Prudential, a British insurance company, has founded an Internet banking service called Egg.

Individual banking, traditionally playing a subordinate role in comparison with corporate banking, has completely changed its face through last decades and has become a spontaneous, attractive field of banking activity. Even banks which traditionally served corporate clients, such as Goldman Sachs, Morgan Stanley in the USA or CitiBank in Poland, are now investing in the development of retail networks. It is worth mentioning that Goldman Sachs and Morgan Stanley opened their offices in Warsaw a few years ago.

Currently, only buildings of bank branches have preserved characteristics typical for banks. The other types are no longer banks. Headquarters buildings are standard, contemporary corporate office structures. Bank retail branches are usual commercial places. Interestingly, the following functional conditions were included into the architectural competition for the European Central Bank: according to the plans, the building should have enabled the realization of various users' demands, support and strengthen contacts between users in order to eliminate organizational barriers and favor group work. It should have maximized the probability of meetings and personal interactions above the organizational network of internal hierarchy.

## **5 The Influence of Changes on Perceiving Bank Architecture in the City**

Bank buildings have always occupied an important place in the hierarchy of architectural structures. They have often been exposed within the tissue of the city, being a significant element of the tissue at the same time.

It is necessary to notice that changes in banking are very fast, which sometimes compels selling historic banks or gaining new function. It can even apply to new banks

which have not been able to operate for a longer time. Of course, it is not a rule, the examples (mentioned above) of which can be the former Commercial Bank (*Bank Handlowy*) and the Russian Bank of State (*rosyjski Bank Państwa*) in Lodz, which operate in well-kept, historic interiors. Occupying presentable locations along one of the main city streets, they are situated on street corners, which makes them exposed from both sides. There is no doubt they still remind of the splendor of banks as financial institutions.

New bank buildings, on the other hand, are becoming increasingly universal, cosmopolitan and anonymous. There is a symbol of new times in it, a new approach to architecture that should serve the human being, not just to be presentable. Such architecture is a result of a complete change of understanding the form of financial institutions. Contemporary banks, without large vaults, without classic cash desks (replaced with cash automats), are office-like structures. With time, we can observe changes in the hierarchical arrangement of city objects, changes concerning the size and scale of the object. Banks are often engaged into office activities, their buildings being strongly marked within the city profile. So, the significance of office buildings has risen much recently.

The fact that big cities have banking districts, also called financial districts, cannot be omitted. Frankfurt, Germany, with the most important institutions of Commerzbank and the European Central Bank, is one of such cities. The buildings prevail the city skyline, they are easily recognizable, they even became symbols [6].

Commerzbank headquarters (architect Foster Associates) is still one of the most modern facilities of its kind. The building is undoubtedly the pride of the city and a dominant part of the landscape, which is why it is easily remembered by the observer. By 2003, the bank was the highest building in Europe (it is 298 m high).

It can be noticed that the biggest banks are taking part in a race to build the highest, the most expensive and the most technologically advanced premises to emphasize their significance. Heathcode notices [7] that the German financial capital has fought hard to assert itself as the new financial capital of a united Europe. London has traditionally been the banking centre of Europe and Frankfurt has struggled to usurp London's dominance of international money markets. A major component of the effort a credible new financial capital in competition with London has been the construction of Commerzbank building, DG Bank and recently the European Central Bank on a huge scale. To define Frankfurt's new character, one cannot omit bank architecture. Yet, it is not the banks that have to dominate with the height of their buildings to become characteristic objects in the city. The original premises of the former BreBank (nowadays mBank) are a perfect example of a bank that became the flagship of the city of Bydgoszcz, Poland. The building creates characteristic landscape of the Brda River waterside recalling the commercial identity of the city.

K. Lynch, an American urban planner, pointed out the image-creating role of a city forum. He distinguished two features of urban landscape: clarity and imaginability [8]. According to Lynch, clarity is the ease with which different parts of the city are recognized and organized into a coherent whole. Clear city is a place where individual areas, neighborhoods and distinctive buildings are easily identified and merged into an overall arrangement. The physiognomy of a city and the form of development affect the identification of a place. The space of a city, which contains informative and aesthetic



values, is very important in creating the indicative and cultural basis. Such distinctive buildings can be contrasted with small retail branches, which have originated so numerously in recent years, on ground floors of accidental buildings, with advertising so aggressive that one can talk about littering of the space.

It must be stated that the process of architecture unification and standardization, the disposal of its identity, either local or typological, is characteristic not only for bank architecture, but also for other cotemporary buildings. Yet banks that have become characteristic elements of the city outline can still influence the city's image.

## 6 Conclusion

Taking into account the process of globalization, it should be noticed that it is the development of technology that determines the direction of bank spaces development. Furthermore, new forms of banking, which make the relations between the client and the bank easier, lead to further evolution of the building.

Banks undergo constant changes as a result of reactions to innovation in the world of technology. This is accompanied by erecting new objects since adaptations do not always rise the occasion.

The perspectives of bank space development in the present world are difficult to foresee. It can be stated for sure that banks need a flexible architectural model for the growth of banking services. The psychological aspect, indispensable for ensuring the feeling of safety of the client, must be taken into account as well.

Despite the technical revolution, bank headquarters still exist. Banks are continuously adapting to the changing requirements of modern world, still being a crucial element of the city space. The power of banks is immeasurable and modern technocratic societies would collapse instantaneously without them.

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