

ING

and its
History



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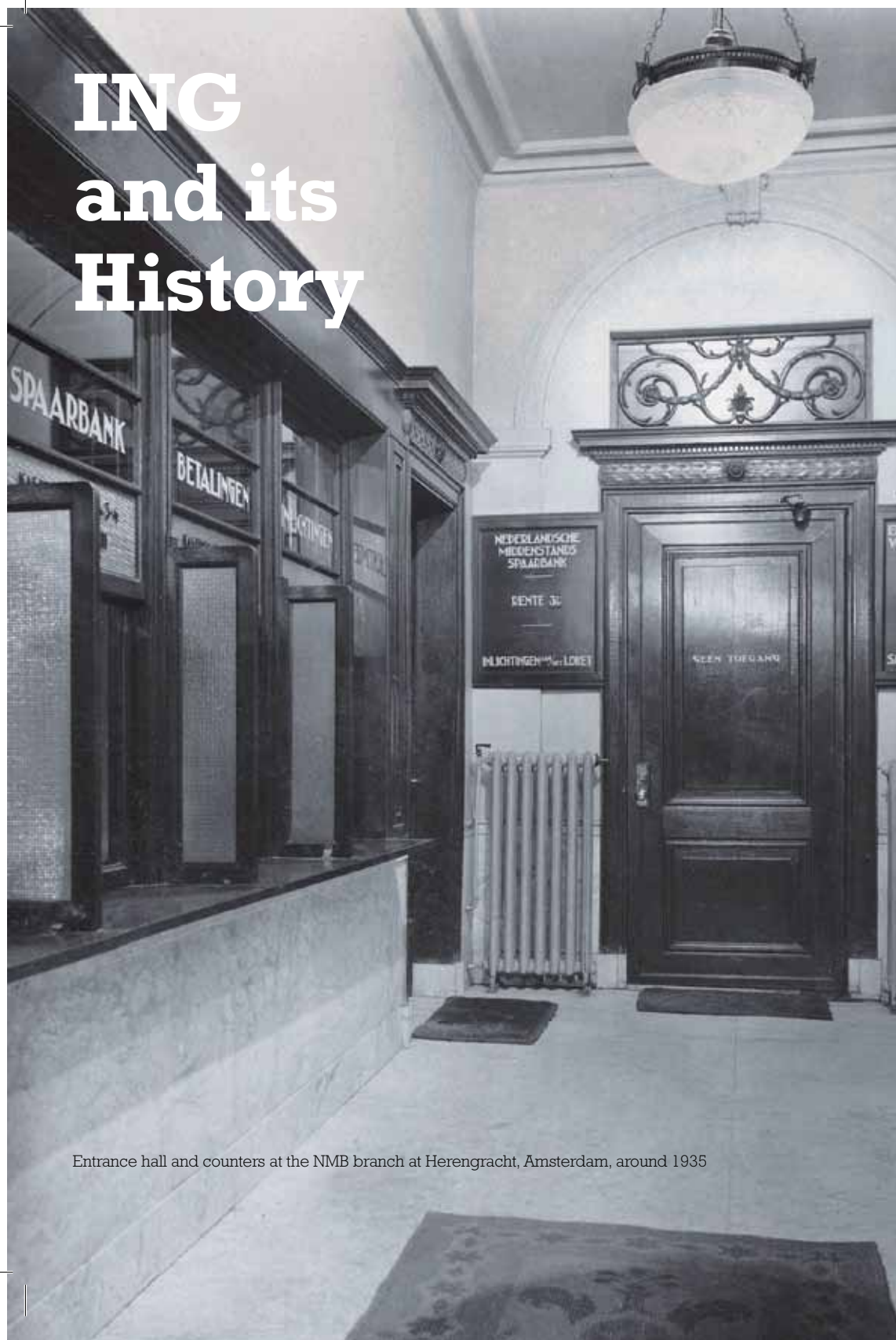
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Entrance hall and counters at the NMB branch at Herengracht, Amsterdam, around 1935

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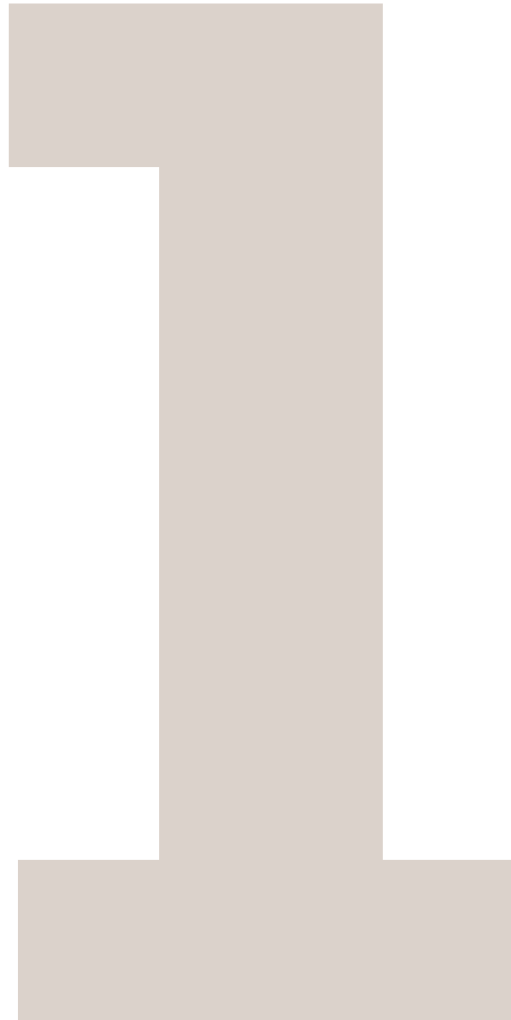
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Introduction

In 2009 Postbank and ING Bank merged into a single new bank, named ING. This historical overview describes the banking history of ING by tracing the origins and evolution of these two former banks. Postbank, which was born from the Rijkspostspaarbank (1881) and the Postcheque- en Girodienst (1918), is discussed in chapter 1. Next, chapter 2 is devoted to ING Bank which originated from the Nederlandsche Middenstandsbank (1927). Chapter 3 covers the mergers of 1989 and 1991 when the two banks first amalgamated into NMB Postbank Group and then linked up with Nationale-Nederlanden to form the ING Group. The emphasis in this chapter is on the developments at Postbank and ING Bank until 2009 when they genuinely merge into a single bank. Finally, we take a brief look at the most recent developments at ING.

Postbank



1.1 Rijkspostspaarbank

1.1.1 Origins of the Rijkspostspaarbank

The first savings banks originated in the early 19th century on the initiative of a partnership for the public good called Maatschappij tot Nut van 't Algemeen. The purpose of these public savings banks was to help labourers put aside savings and get a better grip on their spending. This was an impossible task for private savings banks as the large majority of Dutch people lived in extreme poverty in those days. Towards the end of the nineteenth century, the growing perception that government was responsible for the well-being of the population led to the introduction of social legislation.

But these steps were still not sufficient to give every 'poor citizen' a chance to save. And so the idea arose to set up a kind of post office savings bank, as had already been successfully done in Great Britain. In 1876 this initiative culminated in an arrangement under which post offices were to accept savings on behalf of savings banks. Though not a success, this arrangement can be seen as the precursor of savings banks with state involvement and, ultimately, of the Rijkspostspaarbank.

On 1 April 1881 the 'Wet tot instelling van een Rijkspostspaarbank' ('Act for

the Foundation of a State Savings Bank') led to the creation of the Rijkspostspaarbank (RPS) whose task was 'to create opportunities to save'. The Ministers of Public Works and Finance were responsible for the general and financial policy of the RPS.

1.1.2 The First Years, 1881-1940

The Rijkspostspaarbank had its central office in Amsterdam; this was laid down by law. The public had little to do with these central administrative headquarters, as the savings activities were mainly conducted by the local post offices, where the customers could make deposits and withdrawals. By the end of 1881 there were already 809 post offices, branches, sub-branches and agencies that provided RPS services; by 1930 this number had risen to 1727.

Interest was credited annually to the savers at the headquarters in Amsterdam, where all the administrative records were kept. The interest rate was fixed and could only be changed by law. This happened for the first time in 1931!

The Rijkspostspaarbank was a great success. The number of savings books soared from 23,000 at the end of 1881 to almost 2.2 million in 1931. The number of civil servants in the bank's employment showed a corresponding



RPS savings book, 1895

increase, rising from five in 1881 to four hundred in 1931. The bank soon outgrew its premises. In 1897 land was purchased at the Van Baerlestraat (then on the outskirts of Amsterdam) to build a new head office. The building, which was designed by the Government Architect D.E.C. Knuttel, was inaugurated 1901. A new wing was added on the Jan Luykenstraat and taken into use in 1914.

Savers at the Rijkspostspaarbank were bound to certain restrictions, including a minimum deposit and a maximum interest-earning balance. These amounts could only be increased by law. The introduction of the public debt book in 1907 gave savers the opportunity to put their money into interest-earning investments.

After the foundation of the Postcheque- en Girodienst in 1918, the RPS soon started to work together with



RPS Head office, Van Baerlestraat, Amsterdam, 1903

this newcomer: money could be transferred from a postal account to a savings book and vice versa. In addition, besides its own capital, the RPS also invested the funds of the Postcheque- en Girodienst. Later, the cooperation between these two state banks was further intensified. The economic malaise during the crisis in the 1930s also hit the RPS to a certain extent. Falling interest rates and stagnation of investment opportunities confronted the bank with great difficulties. Fortunately, however, interest rates recovered and the mandatory measures that had been considered were not necessary.

1.1.3 The Second World War, 1940-1945

Public confidence in the RPS declined during the German occupation. As a state institution, people understandably feared that the occupier might use its funds for their own purposes. This was one reason why the savings behaviour of the public changed: more money was withdrawn than deposited. The Bank Moratorium of 1940 was introduced to halt this trend: withdrawals were limited to a maximum of fifty guilders a week per savings book.

The reverse pattern occurred in the course of 1943 when a German Decree rendered five hundred and

one thousand guilder banknotes null and void; the general confidence in other banknotes also evaporated as a result of this measure. Many people had large savings because of the limited spending opportunities during the war; but they now wanted to get rid of their banknotes and vast quantities of banknotes of all denominations were handed in to the Rijkspostspaarbank. Things stabilised somewhat in 1944 but the savings front remained unsettled. In 1945 deposits at the RPS peaked at 1.8 billion guilders.



Investing at RPS poster, 1942

The war brought about major organisational changes at the RPS. In 1942 the RPS was placed as a separate branch under the control of the Chief Executive Board of the PTT. It thus lost its independent legal personality, and all its assets, rights and obligations were transferred to the PTT. The director of the savings bank was given less power and the Supervisory Board was replaced with an Advisory Committee.

The RPS suffered little material damage during the war. A shortage of resources made it difficult for many



Savings counter at Zaandam post office, 1952

employees to carry out their work properly. However, they did enjoy various benefits that were provided by the PTT, such as the daily hot meals that they received from 1943. Moreover, their status as civil servants exempted them from compulsory forced labour in Germany. Sadly, all Jewish employees were dismissed on the orders of the Germans and at least eleven died in concentration camps. A memorial for the victims was unveiled after the war.

1.1.4 After the War, 1945-1955

The Dutch economy was devastated by the war and after the liberation enormous investments were necessary to get the country back on its feet. One measure to raise reconstruction funds involved the adoption of the Savings Act in 1947. This Act provided for the creation of a National Savings Council to promote savings for the benefit of the economy and individual savers alike. The Rijkspostspaarbank had a seat on this council, together with the Boerenleenbank and the Nederlandsche Spaarbankbond.

The RPS was thus given an additional objective, namely to "promote the savings propensity for the benefit of the individual and the community". Propaganda campaigns were launched to encourage people to save. This was initially done with the aid of the PTT



Children's' savings campaign poster, RPS, 1957

Press and Publicity Department. New forms of saving were introduced, such as School Savings, Group Savings and Company Savings. The National Savings Council was disbanded in 1953 because of the "satisfactory progress of the savings figures", but the Rijkspostspaarbank continued its own propaganda policy with its own advertising department.

Despite all these measures the Rijkspostspaarbank failed to keep

pace with the growth of the private savings banks. One important cause was perceived to be the low maximum interest-earning balance that had not been increased since 1931. This interest-earning maximum was not raised until 1954 when the new Postal Savings Act was introduced. As a result of this Act, the RPS also regained its independent legal personality, though the PTT remained in charge of its management.

1.2 Postcheque- en Girodienst

1.2.1 Origins of the Postcheque- en Girodienst

In the second half of the 19th century government was increasingly pressed to pursue a more active social and economic policy. The creation of the Rijkspostspaarbank was one example of increased government intervention. Around 1900, the volume of giro transactions was still limited, particularly in the provincial areas. Small businesses and households never used banks and settled all their bills in cash. This group basically had no access to the giro payment system, but there was definitely a demand for these services. In the absence of private initiatives, the government made the first move to set up a giro institution for the public.

In 1904 several Chambers of Commerce and Factories advocated the creation of a giro system via the post offices. The Chief Executive of the Postal Services (PTT) took the matter under consideration. Not everyone was in favour. Commercial banks and the members of the Association of Money and Securities Traders, for instance, opposed the idea. Due to this resistance, the Act for the creation of a government giro service was not adopted until 1916, after which the Postcheque- en Girodienst (Postal Cheque and Giro Service / PCGD) was officially founded on 16 January

1918. Its task was to set up a national giro payment system with universal access via the post offices. The Postcheque- en Girodienst formed part of the PTT, with the responsibility for the general and financial policy falling to the Ministers of Public Works and Finance.

1.2.2 The First Years, 1918-1924

The Postcheque- en Girodienst was a decentralised organisation, with central headquarters in The Hague (initially situated at Zuid Binnensingel and from 1922 at Spaarneplein). The decentralised set-up entailed that the post offices (370 in 1922) basically acted like giro branches. Each post office kept the entire administrative records for all account holders in its service area. This decentralised system had significant disadvantages, namely the need for complicated and time-consuming checking, the voluminous exchange of bookkeeping documents between post offices, and high costs.

To overcome these disadvantages, the PCGD soon decided to centralise all postal accounts in The Hague. At the same time, a new administrative system involving the use of punch-card equipment was introduced on the advice of the Bureau voor Mechanische Administratieve Bedrijfsorganisatie. On 24 August

1923, the accounts were centralised and the new administrative system was introduced from one day to the next. The result was chaos. Errors were rife and backlogs mounted. The situation became so serious that the giro service was forced to close temporarily on 4 October 1923. It would take almost a year to set things right.

In October 1924 the service started re-opening for business. The fiasco was evaluated by an external committee chaired by A. Tak,

Advocate-General at the Supreme Court. The punch-card system was taken out of service and sold. Due to this disastrous experience with early mechanisation, the PCGD was to continue operating on a manual basis for many years to come.

In 1917 Amsterdam set up its own municipal giro organisation, the Girokantoor der Gemeente Amsterdam, in order to settle its incoming and outgoing payments by giro. From 1918 private individuals



PCGD Head Office, Spaarneplein, The Hague, around 1938

were also able to open a municipal giro account. The Amsterdam Giro Service developed in parallel with the PCGD, and handled the majority of giro payments in Amsterdam and environs for many years. Other municipalities followed suit and set up their own giro systems, but these were on a much smaller scale.

1.2.3 Years of Growth, 1925-1940

Despite facing tough economic conditions and strong competition, the Postcheque- en Girodienst grew both in terms of number of account holders as well as giro balances in this

period. Thanks to an effective lobby of the commercial banks, the interest paid by the PCGD was abolished in 1924. Nevertheless, the savings banks continued to maintain their accounts at the postal giro bank so that they could easily transfer money to each other. This was one reason why the development of giro funds stagnated at the commercial banks between 1928 and 1940, while the funds at the giro bank showed a strong increase. Though it was no longer able to pay interest, the PCGD ended the 1930s in good shape. The number of giro accounts had increased from 113,000 in 1925 to 365,000 in 1939.



Municipal Giro manual, Amsterdam 1923

The creation of numerous municipal giro services threatened to fragment the giro system. The Giro Act was introduced in 1936 to call a halt to this proliferation of local giro services. In laying down more stringent requirements for municipal giro services, this Act helped to prevent the creation of new giro services and stimulate the abolition of non-viable giro services.

1.2.4 The Second World War, 1940-1945

The war dramatically altered the political landscape. The Minister

of Internal Affairs, who had been responsible for the PTT and hence also for the PCGD since 1933, fled with the entire government to London in 1940. The Ministry that remained behind in the Netherlands had to adhere to the dictates of the Germans, including their decrees relating to the giro payment system. International giro payments thus came to an end on 10 May 1940 and, with the exception of payments to and from Germany, were not resumed until after the war. In addition, the PCGD was given independent legal personality in 1940, partly so that government bonds could be used as collateral for loans at the



PCGD Current Account back office, 1935

Nederlandsche Bank (Dutch Central Bank / DNB).

The war inflicted virtually no material damage on the PCGD, but the human price was high: here, as elsewhere, the Jewish employees were dismissed on the orders of the Germans and many died in concentration camps. After the war a memorial was unveiled for 34 employees.

During the war, the work was impeded by shortages of all sorts of resources. Unlike their colleagues at the RPS, employees of the PCGD were sent to Germany to work as forced labourers. Due to the resulting shortage of competent and expert staff, the administrative department was no longer able to cope. Restrictions were therefore imposed on the opening of new postal accounts in 1943. Nevertheless, despite the challenging

wartime conditions, the number of accounts and entry instructions continued to increase year on year.

1.2.5 After the War, 1945-1955

Immediately after the war, the PCGD was in relatively good shape. However, the reawakening of the economy led to an increase in the volume of giro payments. This, combined with severe staff shortages, caused large processing backlogs. The post-war monetary reforms forced the PCGD to close for a month, thus giving the organisation a period of respite to clear the backlogs. The restriction on the opening of new accounts which was introduced in 1943 remained in force, however.

After the liberation several other special measures were taken. These

were intended to undo the German measures. The meaning of the term 'enemy assets' was also reversed. In addition, a decree was introduced to facilitate the restitution of legal rights and various Acts were adopted to enable the implementation of austerity measures.

To remedy the chronic backlogs, a study was carried out to enhance the operational efficiency of the PCGD. This resulted in a reorganisation involving the appointment of a new executive board. In addition, the organisation was divided into support and specialised departments. Opportunities for decentralisation were also studied in a bid to address the perpetual staff shortages.

1.2.6 Decentralisation and Automation, 1955-1968

The Postcheque- en Girodienst underwent constant expansion but lacked the staff required to process the increased volume of giro transactions. A general freeze on new accounts was therefore introduced from 1955 to 1958 and from 1961 to 1963. The restrictive measure imposed in 1943 also remained in force, even during these freeze periods, but was eventually lifted in 1963.

After the decision to decentralise was taken in 1954, a giro office was opened

in Arnhem in 1956. The reasons for selecting this city were the ample availability of suitable staff and the good postal transportation facilities. A batch of postal accounts in the name of account holders with economic and geographical ties with Arnhem were transferred to the new location. The new office was also entrusted with the administrative processing of postal accounts. From 1968 it was also made responsible for the administrative processing of the giro savings accounts that were linked to these postal accounts. After Arnhem, a second giro office was opened in The Hague

Despite these moves, a discrepancy remained between the number of staff and the expansion of the operations. It became clear that the problem could only be solved by introducing automated processing and creating a better working climate.

The PCGD was not a popular employer. Employees were expected to work hard and under great time pressure. Because of the one-day processing, many had to work through the night. Almost all the current accounts were administered manually. Opportunities for automation were studied from 1953 to 1958, initially by a study group of the PTT and later under the auspices of the PCGD's own Committee for Large-Scale



PCGD cheque book, 1950



PCGD Giro Administration Office, Rijnkade, Arnhem, around 1959

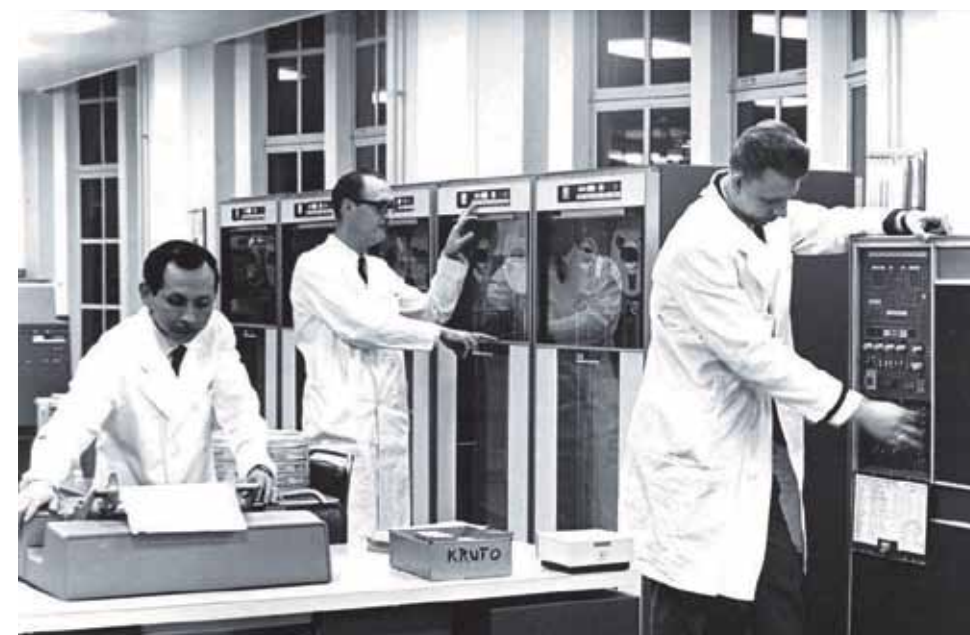
Administrative Automation. The conclusion was that the company lacked the expertise and resources to manage this operation on its own and to design the necessary equipment without outside help. In 1958 the first steps towards automated administrative processing were made with medium-sized IBM computers and punch cards which finally gained acceptance as transfer forms in 1960. In 1965 the last batch of giro accounts was entered into the computer.

Automation made it possible to introduce innovative products and

services, including pre-printed deposit forms, automated direct debits, standing orders and machine-readable instruction forms.

Initially, jobs were also lost as a result of automation. Before long, however, the volume of giro transactions grew to such vast proportions that new jobs were created.

In 1971 the third giro office was opened in Leeuwarden. This office was entrusted with the responsibility for the accounts database and for safeguarding the legal rights of account holders.



PCGD computer room, 1964

1.3 Evolution into Postbank, 1970-1985

1.3.1 Changing Competitive Environment in Financial Services

For a long period, the commercial banks, agricultural credit institutions, savings banks, mortgage banks and the two state-owned banks (i.e. the Rijkspostspaarbank and the Postcheque- en Girodienst) operated side by side in the private market. Towards the end of the 1950s, however, the banking environment changed as the boundaries between the diverse segments became more and more blurred. As a result, the various players started to compete more directly with each other.

From 1957 the merchant banks also started to attract savings, which led to increasingly intense competition in the savings market. Banks, for their part, wanted to tap the large market of wage and salary earners whose weekly or monthly pay check was transferred by giro to the PCCGD. As a consequence, these employees kept no money in a bank account. The merchant banks, agricultural credit institutions and the savings banks also decided to start offering giro transfer facilities in order to attract savings. Three instruments were developed for receiving and retaining giro funds: interest-earning salary accounts, guaranteed payment cheques and the Automated Clearing Centre.

The various financial institutions thus increasingly encroached upon each other's territory, so that the differences between the various players diminished. In addition, consumers increasingly wanted to arrange all their banking at one and the same institution. In the mid-1960s the merchant banks and agricultural credit institutions became the first providers to respond to this demand by developing systematic service packages. Other banking institutions soon followed suit with increasingly comprehensive financial services

packages for personal customers (retail banking) and business customers (wholesale banking). Due to the statutory restrictions and their statutory objective to serve the public good, the RPS and the PCCGD struggled to keep up with these developments.

1.3.2 Consequences for the RPS and the PCCGD

Owing to this intensified competition, the RPS was confronted with a sharp decline in its market share while the total market share of the commercial



PCCGD giro payment card, 1973



RPS Investment account poster, 1969

banks grew in the same period. The main problem for the RPS was that statutory regulations prevented it from taking an active stance in the market. For one thing, it needed ministerial approval to change its savings interest rates. Another restricting factor was that its balance sheet structure differed strongly from that of the commercial banks. Under the guidelines of the Investment Act, the RPS had always been required to invest in long-term fixed-rate instruments (mainly government bonds) and was forbidden to invest in products based on money market rates. The banks were able to do this, which gave them a considerable advantage – because in the 1970s the unusual situation occurred that the money market interest rates were often higher than the capital market interest rates. The banks were thus able to offer customers a higher rate of interest than the RPS.

The advent of the Automated Clearing Centre was a major competitive threat for the PCGD, even though it had retail account holders while the banks did not. In introducing the automated clearing service, the banks were seeking to lure retail customers. As an extra enticement, they started issuing payment cheques which were guaranteed up to fifty guilders. Customers could use these cheques to pay in shops. In response the

PCGD introduced the 'kascheque'. However, this cheque could only be used to withdraw cash at post offices and was not guaranteed. Finally the free "Girobetaalkaart" cheque was launched in 1969. This could be used in shops and was guaranteed up to one hundred guilders.

The PCGD lost the battle for the giro salary accounts. It simply could not compete with the banks who were able to pay interest on the salaries that were paid into their accounts via the now universal giro system. To compound its woes, the banks started opening their doors in the evening hours, which the post offices were not allowed to do.

All these developments left the RPS and the PCGD with no choice other than to expand their range of services in order to strengthen their market share. An alliance or even an integration of the two banks was a potential solution, as they could complement each other very well in the retail market. One major obstacle, however, was that the RPS was an independent legal entity, while the PCGD formed part of the PTT. This meant that statutory amendments were necessary to enable any moves in this direction.

In a first attempt to ward off the emerging competition from the banks, the RPS adopted an interest rate differentiation policy. In 1961 an

amendment to the Postbank Decision paved the way for the introduction of the Investment Account which, among other things, offered a higher rate of interest than the ordinary savings account.

Next, the RPS and the PCGD jointly launched the Interest Account in 1968 to compete with the interest-earning salary account of the banks. With the introduction of the Interest Account, the savings market and the payment market were linked together for the first time. It was basically a giro account linked to a savings account. The Interest Account was an RPS product, but to the public it looked like a giro product. Herewith the RPS reached a broader public. With this addition to its product range, the PCGD hoped to make itself just as appealing as the banks. For this reason, the landmark step was also taken in 1970 to pay direct interest on giro balances, thus ending a long-standing practice that had endured since 1924.

More combined savings products followed. Examples are Beleggingsbewijs (1974), Plusrekening (1975) and Sterrekening (1976).

1.3.3 Cooperation and Integration

The Interest Account effectively formed the foundation for the commercial cooperation of the RPS and the PCGD which kept them attractive for the consumer. The two organisations found that there was an increasing need to coordinate their policies. The groundwork was laid for this in 1972 when the RPS and the PCGD were lifted out of the Chief Executive Board of Financial and Economic Affairs of the PTT and placed under a new Chief



Postal Giro/RPS advertisement, 1977

Executive Board for Money Services. From now onwards, a single executive board would be responsible for the day-to-day management, though the two institutions remained separate.

In 1973 the RPS started negotiating a merger with a group of associated savings banks ('Bondsspaarbanken') without the PCGD. But these savings banks were not enthusiastic about a merger and the talks were broken off. The obvious alternative was to intensify the cooperation between the RPS and the PCGD and expand their shared range of services. An integration into a 'Postal Giro Bank' would consolidate and strengthen the competitive position of both institutions. As a result, mortgage loans were added to their services. A demand for this had already arisen at the end of the 1960s. Mortgage lending to consumers was perceived to be key to improving their position in the retail market. The required approval from the Central Investment Council was finally obtained in 1973. The RPS was also given permission to provide consumer loans.

In 1974 the Minister of Finance set up an interdepartmental committee under the direction of C.J. Oort. Its task was to draw up a statutory arrangement for developing and expanding the RPS and the PCGD into a retail bank. This proposal was adopted in 1977 after

extensive parliamentary debate. Towards the end of 1977 the required restructuring of the RPS and the PCGD was brought about with the aid of the government, including the integration of the central support services of both institutions. From now onwards, the two institutions presented themselves as Postgiro/Rijkspostspaarbank: a single market party under a single logo.

In the late 1960s the giro bank had already started targeting young people with special advertising campaigns. The slogan 'Giroblauw past bij jou' (Giro Blue Suits You) marked the start of a hugely successful campaign of the Postgiro/Rijkspostspaarbank (Postgiro/RPS). 'Giro Blue' became a household word and blue would long remain the company's signature colour. In 1978 a new giro office was opened in Amsterdam for processing funds transfer instructions and administering savings accounts and mortgage loans. There were now giro offices in The Hague, Arnhem, Leeuwarden and Amsterdam. Meanwhile, the RPS had outgrown the head office at the Van Baerlestraat and had purchased several buildings on the Haarlemmerweg. These were converted and refurbished to serve as the head office of the new Postgiro/RPS.

On 1 January 1979 the PCGD merged with the municipal giro organisation

of Amsterdam ('Gemeentegiro Amsterdam') to promote efficiency and the joint public interest.

One persistent problem was that the post offices were unable to match the quality of service provided by the banks. The solution was found in 1978. The post offices would continue to be used as cash receipt and withdrawal branches, but the other contacts with customers would largely take place by telephone and letter. From now on,

the accountholder would be able to arrange all his money matters from home: the Postgiro/RPS became the home bank.

1.3.4 Merger and Privatisation

After this initial restructuring, there were plans to go a step further and set up a state-owned Postbank. However, a bill for the integration and expansion of the two banking institutions into a Postbank never made it to the Lower

House. Instead, it was decided that the possibility of privatising the two institutions should be explored further.

In 1983 the government under Prime Minister Lubbers came up with an entirely new bill for the integration of the Postgiro and the RPS into a banking institution with a somewhat enlarged range of services for both the retail and the business market. The separation of this Postbank from the PTT and the setting up of the new institution as a public limited company was seen as the best guarantee for achieving a financial institution that could compete equally as a fully-fledged market party in its own right. On 27 April 1984 the bill for the creation of the Postbank was submitted to the Lower House. On 27 June 1985 the Lower House approved the Postbank Act and on 10 September 1985 the bill was also adopted by the Upper House. Postbank N.V. thus became a reality on 1 January 1986. After the privatisation, the Postbank was the biggest party in the payments

market, performing almost half of all giro payments in the Netherlands. Five million accountholders had free access to cash and POS machines with their giro bank card. The new bank also had a strong position in the savings and mortgage markets. In 1987 the Postbank launched Girotel which enabled customers to make use of electronic home banking.

As a branch network the Postbank continued to make use of the post offices – which was not just a well-established tradition but also a statutory requirement. In 1989, when the PTT was also privatised, the two parties entered into a joint venture named Postkantoren BV. But the Postbank wanted to become a more universal bank and expand its services with a large business banking division. The fact that the state was the sole shareholder of Postbank meant that this dream would long remain a distant prospect. The time was now ripe to search for a merger partner.



Postbank announcement poster, 1986

ING Bank



2.1 Origins of ING Bank, 1908-1927

Since 1850 the banking landscape had been a motley patchwork consisting of many different types of banking institutions such as guaranteed loan banks, savings and loans associations, custodian banks and major banks. Each business customer could find a lender of his choosing. These small local banks operated alongside the major banks and played a vital role in serving less well-off customers who

were not lucrative enough for the big players. But this situation changed due to various causes. The first was the concentration and expansion of the large banks such as the Rotterdamsche Bank-vereniging, the Twentsche Bank and the Amsterdamsche Bank. Numerous local banks were swallowed up by these large banks. As a result, the financial services they provided to smaller businesses disappeared



Advertisement for Middenstandsbank, Dordrecht, January 1921

because the large banks did not consider these activities sufficiently profitable.

The second cause of the radical change in the lending market for small and medium-sized businesses was the outbreak of the First World War. The entire financial environment was in upheaval and the mass withdrawal of deposits forced the financial institutions to call in loans. The stagnation in the lending market put retailers in a predicament and created the need for a dedicated lending bank for the retail and small business sector. The organised retailers and small businesses came to the conclusion that they needed to set up their own lending banks. Initially, these banks would reflect the strict segregation between Catholics, Protestants and Neutrals which permeated Dutch society. These retail and small business banks, which would later go on to form the Nederlandsche Middenstandsbank, are discussed below.

2.1.1 The Catholic Banks

After their incorporation between 1909 and 1910 the Roman Catholic 'Hanze' banks, like the other retail and small business banks, were a great success, mainly thanks to the concentration and expansion wave in the banking industry and the outbreak of the First

World War. The Hanze was a central bank with affiliated local banks. The three Hanze banks (Den Bosch, Utrecht and Delft) received strong support from the Roman Catholic church, whose priests even urged the catholic retailers and small businesses from the pulpit to use the services of the Hanze bank. However, the initial years of rapid growth were followed by a difficult period for the Hanze banks. The credit risks in those days were considerable and the collateral cover provided by the reserve fund was uncertain.

The Hanze bank in Den Bosch was the worst affected, but its problems infected the other Hanze banks. In the end, the capital losses were so severe that both Den Bosch and Utrecht were forced to request suspension of payments in 1923. A subsequent inquiry by the liquidators showed that the failure of these two Hanze banks was mainly caused by the incompetent, and in some cases even wrongful, actions of the management, including an incorrect dividend policy, injudicious lending and losses due to speculation and ill-judged equity participation in small businesses. The strong and intrusive influence of the Roman Catholic church also contributed to the demise of the Hanze banks. The bankruptcy of the Hanze Bank in Den Bosch ultimately led to the collapse of all Hanze banks in the Netherlands.

The Catholic Maastrichtsche Centrale Middenstands Credietbank was founded in 1915, and was soon afterwards renamed as Middenstandsbank voor Limburg in 1917. Its objective was to extend loans to retailers and small businesses. The first years brought steady expansion and by 1920 there were 38 branches in the province of Limburg alongside the head office in Maastricht. The Nederlandsche Bank and the Algemeene Nederlandsche Centrale Middenstandsbank were the most important financing institutes. The members of the Supervisory Board mainly came from prominent medium-sized businesses. Barring some tense times in 1921, the banking crisis in the 1920s initially appeared to bypass the bank. But the bankruptcy of the Hanze banks also had dramatic consequences for the Limburg bank. Retailers and small businesses lost their confidence and abandoned the bank in large numbers. This ultimately prompted the bank to join forces with the Algemeene Centrale and the Boaz banks to form the Nederlandsche Middenstandsbank in 1928.

2.1.2 The Protestant Banks

In 1914 the Executive Board of the Dutch Employers Association 'Boaz' took the initiative to set up the Protestant Central Boaz Bank. This central bank had local affiliates in

the form of cooperative Boaz banks which were predominantly situated in the north of the Netherlands. By 1915 there were fifteen affiliated banks, a number which had risen to 59 by the end of 1922. The organisation was not strong from the outset. It lacked vision and leadership, the articles of association were not complied with, the Supervisory Board was divided and the members of the Executive Board and the Supervisory Board mistrusted one another. Ultimately, the Boaz banks went under due to the unlimited liability, the direct lending to companies, and the weak organisation. However, the bankruptcy of the Hanze banks was another contributing factor: the credit customers simply lost confidence in the banking system. Partly due to pressure from the Nederlandsche Bank, the Central Boaz Bank linked up with the Algemeene Centrale Bankvereniging voor den Middenstand to create a new bank for retailers and small businesses with effect from 1 July 1927.

2.1.3 The Neutral Banks

The Algemeene Nederlandsche Centrale Middenstandsbank was set up on 19 September 1914. Its objectives were to unify the retail and small business lending sector and to act as a source of credit for the affiliated institutions. This desire for unity was reflected in the fact

BOAZ-SPAARBANK

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Rente-Vergoeding momenteel 4½%

*Absolute geheimhouding.
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Geen belegging in Effecten.*

4½
PROCENT

Boaz Spaarbank, Utrecht, advertisement card, around 1920

that the Board consisted of members from the three main sections of Dutch society: Catholics, Protestants and Neutrals. This bank did not extend loans directly to businesses, but through affiliated banks (Middenstandscredietbanken, Spaar- en Voorschotbanken and Coöperatieve Middenstandsverenigingen). The Algemeene Nederlandsche Centrale Middenstandsbank had a state guarantee for one million guilders for its credit at the Nederlandsche Bank (Dutch Central Bank); in addition, there was a government commitment for a subsidy of 50,000 guilders. Due to an overly generous pricing policy, an inefficient organisation and a weak capital structure, the bank got off to a bad start. The threat of losing the trust of the Nederlandsche Bank prompted a reorganisation in order to reinforce the capital structure, improve the organisation and strengthen the cooperation with the affiliated banks.

The 'new' Central bank was a success in the first years and many banks joined the organisation. But it was not long before the religious groups had second thoughts and decided to go their own way. The Central bank was left behind in disarray. After changing its name to Algemeene Centrale Bankvereniging voor den Middenstand in 1918, the association received support from the government and narrowly escaped going under. Business went well for a few years and the bank grew, but the economic crisis in the 1920s ushered in a fresh period of malaise and compelled renewed restructuring. This culminated in a merger with the Boaz banks and the Middenstandsbank voor Limburg in 1927.

2.2 De Nederlandsche Middenstandsbank

2.2.1 The First Years, 1927-1940

Responding to the problems surrounding the retail and small business lending banks, the government set up a special committee chaired by A. van Doorninck with a view to bringing about a full-scale reorganisation of the retail and small business banking sector. The Van Doorninck Committee concluded that a single central lending institution was necessary to bring an end to the competition in the retail and small business banking sector. This central institution was to be linked to all existing institutions and, besides its central discounting and

control functions, would also act as a lending bank with various branches throughout the country. Loans were only allowed to be extended to small and medium-sized retail, industrial and agricultural businesses. Various existing banks (i.e. the Algemeene Centrale Bankvereniging voor den Middenstand, the Middenstandsbank voor Limburg and the Boaz banks) each contributed 400,000 guilders and the bank also received a state guarantee for 6.5 million guilders. The Nederlandsche Middenstandsbank N.V. was thus created on 12 November 1927.

The Nederlandsche Middenstandsbank immediately

set to work to fulfil its various tasks as described by the Van Doorninck Committee, namely to close unprofitable branches, set up new viable branches and take over independent retail banks. In 1928 the bank made a modest profit of 33,000 guilders, but the results in the years thereafter were insufficient to operate at a profit as envisaged when it was set up. The bank suffered severe setbacks as a result of the losses on the loan portfolios of the merged banks and was stretched to the limit to make sufficient provision for these bad loans.

The situation for retailers and small businesses remained worrying

during the crisis that followed the stock exchange crash in 1929. A bill was approved in 1934 in which the state undertook to guarantee losses. The Middenstandsbank was the only bank in the Netherlands to provide guaranteed credit. This made it possible to extend state-guaranteed loans to viable retailers and small businesses who had insufficient collateral to qualify for a bank loan. In this way, small businesses were given the same opportunities as large companies. However, due to the outflow of credit balances and the expanding loan portfolio, the bank was forced to draw on state-guaranteed funding in 1935. When the worst of



NMB head office during restoration, Herengracht, Amsterdam, 1937



NMB office, Rotterdam, in ruins, May 1940

the economic crisis had passed in 1937 and the number of creditors started to increase again, the debt to the state disappeared from the balance sheet. Apart from its banking activities, the bank also engaged in many social activities, such as the reorganisation of weak retail banks, the extension of small loans and the provision of information to small businesses and retailers. In this way, the Middenstandsbank also played an important social role, particularly in the political arena. But there was still no reason for celebration: international trade had not yet fully recovered and political tensions were mounting.

2.2.2 During the Second World War, 1940-1945

Even before the outbreak of the Second World War in 1940, customers had started withdrawing money from their accounts, causing a sharp decrease in savings, deposits and current account balances. When this process continued in the first days of the war, a bank moratorium was imposed on 10 May 1940 in a bid to call a halt to this outflow of money. Public confidence was quickly restored, however, so that the moratorium could be lifted not long afterwards in June. In fact, the deposits and borrowed funds at the Nederlandsche Middenstandsbank were actually higher at the end of 1940 than in 1939.

The bank succeeded in gaining the mandate to implement the government's banking measures, which greatly increased the volume of its activities. This concerned loans for repairing war damage and replacing house contents, the financing of distribution measures, restocking loans, the payment of income support benefits and so on. Due to these developments, the bank became the main financial centre for small businesses and retailers. To cope with the heightened volume of work, it actually needed to recruit more staff and temporarily open extra sub-branches.

The appointment of Rost van Tonningen, a prominent member of the Dutch National Socialist Movement, as president of De Nederlandsche Bank (the Dutch Central Bank), was to have disastrous consequences, not just for the Netherlands, but also for the Middenstandsbank.

In an amendment to the Articles of Association of 27 July 1941, which was pushed through by Rost van Tonningen, the state guarantee scheme was replaced with a state equity participation scheme and the state acquired a majority of the preference shares. In this way the bank was forced to accept the state as a shareholder who had a say in the appointment of members of the executive and supervisory boards. The consequence was that three supervisory board

members and one director were appointed from the ranks of the national socialists.

As the war progressed, the money in circulation and the government debt also increased. The state was required to issue bank paper and the Middenstandsbank, together with other banks, had to make its branches available to facilitate this process. The circulation of bank paper grew enormously and food and other basic

necessities fetched exorbitant prices on the black market. As a result, vast sums of cash flowed into the hands of retailers and small businesses and these largely ended up at the Middenstandsbank in the form of current account balances and deposits.

Even before the end of the war, the government already started taking measures to repair the war damage and reconstruct the country as quickly as possible. These efforts were vigorously



NMB Business equipment loan folder, around 1952

continued after the war and the banks were also involved in the implementation of such measures as monetary reform, recovery loans and compensation for damaged house contents.

2.2.3. After the War, 1945-1950

The bank actually came out of the war stronger than it was before 1940. The credit balances and deposits, funds entrusted, outstanding loans and the distributable profits all grew. Barring the destruction of several branches due to acts of war, such as in Rotterdam, Venlo and Roermond, the bank had suffered little material damage. Some employees, however, did fall victim to the German occupation. The Middenstandsbank was enlisted to assist with the implementation of the monetary reforms and the extension of loans to repair the war damage. This additional work necessitated a considerable expansion of the workforce. The number of employees rose from 450 in 1927 to 1555 in January 1947. Similarly, the number of branches increased from 80 in 1927 to 120 in 1956.

It took until 1950 before the Netherlands - partly thanks to the Marshall Plan - managed to wrestle free from the legacy of the war, complete its monetary reforms and get the reconstruction process well underway. The definite end of the

war also heralded a new era for the Middenstandsbank. The demand for loans accelerated and the bank adjusted, renewed and expanded the types of loans that it offered in order to accommodate the changed needs of a country under reconstruction: special construction and home loans were introduced and the number of guaranteed loans was expanded. However, the general gradual recovery suffered a major setback when war broke out in Korea. With memories of the German occupation still fresh, this ignited fears of yet another world war among the public and businesses alike – the recovery stalled and many people once again found themselves in straitened financial circumstances.

In that same period efforts were undertaken to make up the backlogs in tax collection and this impacted on the cash flow of many companies. Thanks to an expansion of the recovery loan scheme, the bank was able to help companies through these financially-strapped times. After this turbulent period, the economy started to get in its stride and the Middenstandsbank enjoyed vigorous growth, not least thanks to the growing prosperity of small businesses and retailers.

2.2.4 Years of Growth, 1950-1975

Lending was not the only line of banking business that grew in the

1950s. International payments, the domestic money market, the insurance business and the securities business all gained greater prominence in the bank's services. Takeovers of various banks, such as the Noord-Frische Middenstandsbank N.V. in 1956 and the Crediet- en Effectenbank in 1966, also contributed to the growth of the Middenstandsbank. Thanks to the foundation of financing companies such as the Nederlandsche Middenstands Financieringsbank N.V. and the Nederlandsche Middenstands Financierings Maatschappij voor Bedrijfsobjecten (MBO) in, respectively, 1956 and 1961, the Middenstandsbank became a major player in the financing of movable and immovable property in the Netherlands. One weakness, however, was the lack of liabilities. This funding problem put the bank at a disadvantage compared to its competitors which enjoyed ample funding thanks to the large amount of savings that their customers entrusted to them. Retailers and small businesses, by contrast, lacked the resources to save and their loans tended to exceed their credit balances. Consequently, the Middenstandsbank had to pay a high price for its funding.

The bank also started to focus increasingly on providing advisory and information services to the small and medium-sized business sector.

A special department was set up to provide information and advice as well as to publish articles on such subjects as the economy, investing, imports and exports, commerce and shopping centres.

2.2.5 In and Out of the Crisis, 1975-1989

Due to technological advances in Japan and the United States and the growth in industry in low-wage countries, industrial employment stagnated in the Netherlands towards the end of the 1970s. The services sector, which was the bank's primary market, remained reasonably stable. Even so, the recession of the 1980s had repercussions for the Middenstandsbank in the form of reduced growth in domestic lending and hence lower profit growth. In order to contribute to the economic recovery, the bank started investing venture capital in business start-ups. The property crisis landed the bank in severe difficulties, but it survived this challenging period thanks to the aid that it received from the Nederlandsche Bank (Dutch Central Bank) and the state.

Despite the high nationwide unemployment, the number of staff at the bank remained fairly stable across the board. This was due to the larger number of part-time

jobs, acquisitions and the rise in the number of employees abroad. Starting from the early 1980s the foreign operations grew exponentially and the Nederlandsche Middenstandsbank rapidly developed into an international bank with a prominent position in international trade and commodity finance. After opening its first foreign branch in New York in 1973, the bank already operated 28 branches across the world by 1986.

As the economy started to stage a slow recovery from the mid-1980s, the banks saw a gradual rise in the demand for consumer and mortgage loans. But the competition in the financial market continued to intensify.

To be successful in the market, the bank needed to offer a broad range of services. The Middenstandsbank, however, concentrated mainly on business lending and did not have a comprehensive range of services for consumers. As such, it had no real policy for retail banking and was reluctant to venture into this market, partly also because its branches were not properly equipped for this task. The breakthrough only came in 1987 when the Middenstandsbank decided to convert its branches and make them suitable for retail banking by adopting the Fitch retail design concept. 1987 was also the year in which the bank opened its new head office in



NMB branch in New York, around 1975

the Bijlmer District on the outskirts of Amsterdam; this eye-catching office building, which was designed according to organic principles by the Architect Ton Alberts, became the bank's prestigious calling card.

Besides retail banking, the bank also started to focus on large corporate clients who could improve the bank's profitability. Due to this shift in focus, the bank's traditional emphasis

on retailers and SMEs gradually diminished. This was emphasised when the bank changed its name to NMB Bank, thus eliminating the original explicit reference to its traditional target group. Despite all these changes, funding remained expensive for the bank. A merger with another bank was therefore the obvious next step, particularly in view of the merger fever that was sweeping the world at that time.



NMB head office, Amsterdamse Poort, 1987

Mergers and Further Developments



3.1 NMB Postbank Group, 1989

In September 1988 the NMB Bank and the Postbank announced their intention to explore the possibility and desirability of a merger between the two parties. The NMB Bank's main reason for entering into a merger with the former state-owned bank was the latter's strong position in the consumer market. With six million account holders, the Postbank was the biggest player in the national payments system. The advantage of a merger for the Postbank was that this would end the various statutory restrictions on its operations, as laid down in its articles of association; a merger would free the way for also offering securities and insurance services to its customers. After the results of the exploratory study were announced during a press conference in February 1989, the negotiations with the trade unions and works councils were started up. On 4 October 1989 the merger contract was signed by the Minister of Finance, the NMB Bank and the Postbank. The State thus transferred

its shares in the Postbank to the NMB Bank and, in return, received the same number of shares and share purchase warrants that were outstanding at that time. The Executive Boards of the two organisations were merged, after which the articles of association were approved in the shareholders' meeting.

NMB Postbank Groep N.V. was now a reality. With a balance sheet total of 163 billion guilders, 8 million savings accounts, 400 bank branches, 2600 Post Offices, 41 foreign offices and 23,000 employees, the NMB Postbank Group ranked among the three largest banks of the Netherlands. The NMB Postbank Group was now able to offer all financial services, just like the other Dutch banks. The restrictions impeding the Postbank from providing the business market with services such as securities intermediation were lifted. The NMB Bank, for its part, could now absorb funding shortfalls with the reserves of the Postbank.

3.2 Internationale Nederlanden Group, 1991-2011

In 1991 the NMB Postbank Group merged with the insurer Nationale-Nederlanden into the Internationale Nederlanden Group, a marriage that created some confusion in the financial world. One of the main reasons for this merger was to achieve optimal synergy between the banking and insurance activities. The increased expertise and financial strength of the combined companies would make it possible to secure a stronger market position in Europe and the international

markets. The acquisition of the British merchant bank Barings in 1995 and the Belgian Bank Brussel Lambert in 1997 were good examples of this.

ING Group was a holding company that consisted of two legal entities, ING Bank NV and ING Verzekeringen NV. Under this holding company, there were business units which were responsible for carrying out all the national and international activities. The two merger partners continued

to provide their services under their own name. ING soon grew into a major financial group with a strong international reputation. The combination of banking, insurance and investing was the result of the close cooperation between many companies and business units. In 1997 ING Direct was set up in Canada to provide online savings services. Based on the direct marketing concept of the Postbank, this online savings formula was a great success and was replicated in several other countries.

In 2001 ING celebrated its tenth anniversary. The internationalisation process continued until the beginning of the new century with a string of acquisitions. Starting from 2002 all international business units were rebranded as ING and the original company names disappeared.

The financial crisis that engulfed the world in 2007 also had an impact on the ING Group. Severe losses in 2008, particularly in the United States, compelled the ING Group to take out a large loan with the Dutch State. The European Commission, which held the opinion that the ING had grown too big, subsequently forced the group to separate into a bank and an insurer.

After the merger the Postbank and the NMB Bank continued to operate independently under their own name, though the NMB Bank changed its name to ING Bank in 1992. It was not until 2009 that the banks continued their operations under a single common name.



Flotation of ING Group NYSE, 1997



Penniemaat piggy bank, Postbank, 2000

3.3 Progress and Development

3.3.1 1 Postbank, 1989-2008

The Postbank remained a strong full service provider for consumers via its trademark direct marketing concept. The accountholders were able to make use of the home banking services which were increasingly expanded, not least thanks to the launch of the computer-based 'Girotel' service. In 1991 the 'HypoInfo' telephone service was inaugurated, enabling customers to calculate their maximum mortgage with the help of a computer. The number of Postbank cash machines grew steadily and from 1992 Postbank customers were also permitted to use ING Bank cash machines free of charge. The introduction of automated image processing meant that data could be processed with electronic images, thus making transfer forms redundant.

The Postbank continued to target young people and students who formed a large part of the new customer group. Retaining these customers was also vital for the future. The introduction of the automated 'Girofoon' telephone service in 1993 gave accountholders instant access to account information and within a year more than one million customers had made use of this automated telephone service.

In 1993 Postkantoren BV was set up in partnership with PTT Post. This provided customers with the convenience of a dedicated Postbank Service Desk in post offices where they could now get answers to specific Postbank questions, such as about mortgages. In 1995 the Postbank held 15 per cent of the savings market and was the largest player in the payments market with 6.1 million account holders. Its insurance arm – Postbank Verzekeren – grew steadily; apart from the life insurance premiums, the non-life insurance business also showed robust growth in 1995. The new year-long travel insurance product (Blue Travel Polis) was a huge success. But the Postbank was less successful with its electronic purse (the Chipper) which was brought onto the market in 1997 after the combined banks had already launched their own electronic purse (the Chipknip). The market was too small for two virtually identical e-purses and several years later the Postbank decided to replace the Chipper with the Chipknip.

The cooperation with ING Bank was put on a more permanent organisational footing by placing the Postbank operations under ING Retail Netherlands – a move designed to reduce the costs and improve the results through closer cooperation between the marketing activities and back-offices.

In 2003 the Postbank launched a personalised mortgage service. This proved to be a great success and led to considerable growth in the mortgage portfolio. Online banking also took off, with Mijn Postbank.nl already boasting 2.7 million online customers in 2006.

3.3.2 ING Bank, 1989-2008

In 1991 the NMB Bank was given a new organisational structure with a stronger focus on the customer. Relationship managers were appointed to act as the customer's first point of contact, while specialists were engaged to provide more expert information and advice. The new Fitch retail concept that was introduced in the bank branches in 1987 perfectly matched this new strategy: a personalised approach to provide a more efficient service to the customer.

In 1992 the NMB Bank changed its name to ING Bank. The number of foreign branches rose steadily to 64 representative offices in 38 countries. ING Bank financed large infrastructure projects, with an emphasis on environment-related projects such as wind farms and Combined Heat and Power Plants. In the business market, advisory services were provided in cooperation with the Postbank. The launch of a new software package

which enabled business customers to prepare direct debits on the computer was another joint action. In 1993 the Private Banking package was introduced for entrepreneurs and the upper end of the consumer market.

In 1995 the proposed cooperation with the new merger partner Nationale-Nederlanden resulted in a series of products for the consumer market. Sales took place via the bank branches and the banking organisation was redesigned specifically for this purpose. In addition, the bank started a trial involving Saturday opening and extended weekday opening hours; customers were also able to make an appointment outside opening hours. From 1993 ING Bank customers were also given free access to the Postbank cash machines. Customer convenience became increasingly important.

The ING Bank started to shift its focus back to retailers and small businesses, i.e. its original target group when it was still the Nederlandsche Middenstandsbank. Special SME departments were set up to develop specific products for retailers and small and medium-sized businesses. In addition, a joint venture was started up with the SME industry organisation MKB Nederland. By now, ING Bank already held a ten per cent share in the mortgage market.



Euro poster, ING Bank, 2001

3.4 A New Bank

In 1996 ING Bank developed a new strategy for its customers. These were categorised into customer groups to enable more targeted marketing. The organisation also changed along with the Segmentation Project. This project subdivided the services into six market segments, making the bank even better able to respond to the specific needs of its customers.

The introduction of the euro in 2002 was largely problem-free, partly because the preparations had been started several years in advance. As a result, the systems were not only made euro-compliant but also more efficient.

ING Bank continued to focus on customer satisfaction and increasing the productivity per branch.

ING Bank and Postbank each served their own customer groups: the Postbank had a rock-solid image in the retail market, ING Bank was an important sales organisation with an emphasis on the business market. But due to the major changes in the new century, the growing competition and the arrival of non-bank providers of

financial services, customers started to become more and more demanding. In response, ING Group decided in 2007 to merge the two Dutch banks; in January 2009 the name of the Postbank and its familiar blue livery disappeared. The new bank continued under the name ING, without the word bank and with an orange livery.

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Inside the NMB branch in Lisse, 1991





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