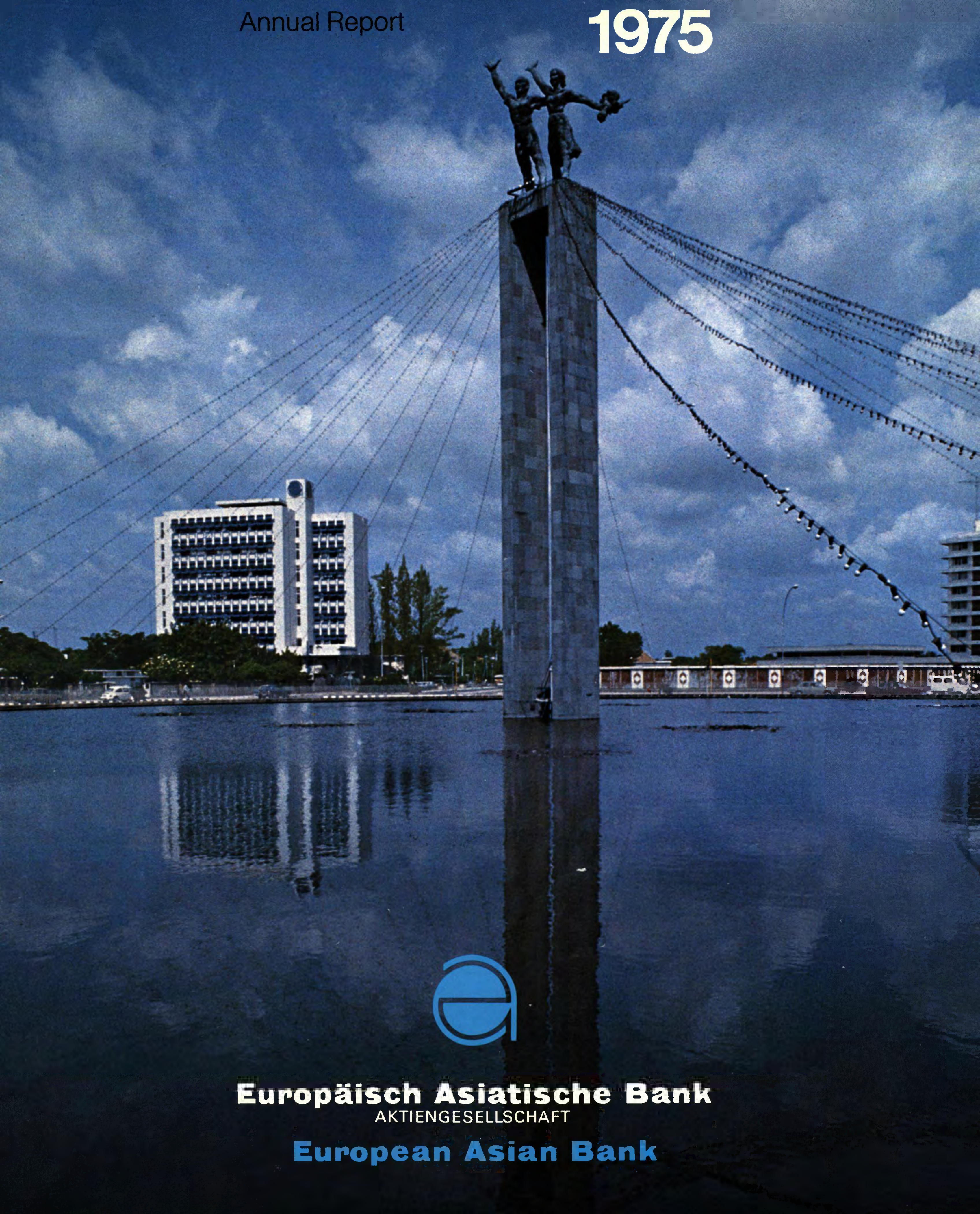
Annual Report 1975



Europäisch Asiatische Bank
AKTIENGESELLSCHAFT

European Asian Bank

Cover photograph:
view of
the Eurasbank Branch Building
in Jakarta, located at one of the
Indonesian capital's busiest
squares.

Jakarta Branch:
the new main hall. More space
for our customers.

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Report for the Year 1975

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AKTIENGESELLSCHAFT
European Asian Bank

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Manila/Makati – Ranking as the country's leading commercial, business, finance and banking centre, Makati is the headquarters of a significant number of the Philippines' top 1,000 companies. One of the municipality's main thoroughfares is Ayala Avenue, location of Eurasbank's Regional Office, opened in late 1975.

South-East Asia in 1975 — Development and Prospects

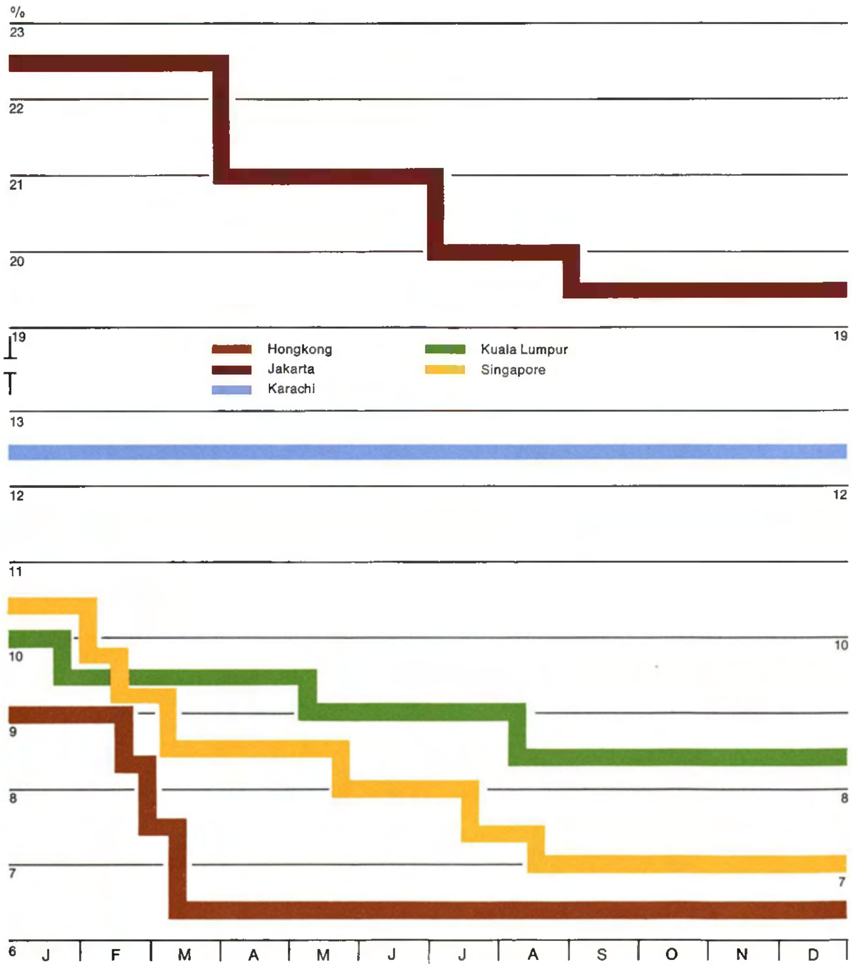
For South-East Asia 1975 was a year of momentous change. For one thing, the end of the Vietnam war and the worldwide recession set a new political and economic stage, with a scenario whose outlines are only slowly beginning to emerge. Within the ASEAN Group (Indonesia, Malaysia, the Philippines, Singapore and Thailand) there were clear signs of increased regional co-operation. However agreement on the proposed establishment of a free trade zone has not yet been attained. This zone would give the region, which today has a potential of 250 million consumers, added attraction as an investment area. The increasing co-operation among these states can also be seen as the most important contribution towards securing the political stability of South-East Asia.

What is common to all the countries of South-East Asia, and has not been lessened in any way by the latest economic reverse, is their passion for development, relying on a wealth of manpower, agricultural commodities and minerals, including oil, as its solid foundation. In 1975, however, after almost a decade and a half of growth above the world average, the region had to content itself with relatively modest progress, the balance of payments of each country bearing the scars of a further deterioration in its terms of trade and of a reduced inflow of foreign investment capital.

Official reserves, boosted by the preceding boom in world commodity prices, were less than adequate to take the strain on their balance of payments with which nearly all the countries found themselves confronted. Foreign loans, mostly from banking consortia in Western Europe, the US and Japan, had to be mobilized — albeit at the cost of a further increase in external debts — to bridge the gap. The inflow of Arab oil funds, however, was still negligible in 1975, the region's main beneficiary of bilateral OPEC aid continuing to be Pakistan.

For all that, the economies of South-East Asia gave

Development of prime lending rates during 1975



renewed proof of the strength they have now attained. While their three principal trading partners – the US, Japan and Western Europe – showed negative or only marginal growth throughout, the ASEAN member states still succeeded in notching up real growth rates ranging from 2 % to 5 %, not least because the planned efforts made during the past five to ten years by their governments, going out of their way to enlist the participation of foreign investors, had greatly strengthened their countries' economic structure.

Rapidly decelerating inflation and a continuing fall in interest rates have been the first auguries of better times in 1976. Being so closely tied up with the rest of the world, much will depend for the region's next round of expansion on the duration and strength of economic recovery in Japan and the US. Once business activity there, and in Western Europe, is again firmly set on an upward path, the countries of South-East Asia will again be able to make the most of their opportunities.

Hongkong

To a greater extent than any other country in East and South-East Asia, Hongkong is directly dependent on markets in North America and Western Europe, by whose fortunes those of its own export-intensive industry are largely governed. The Crown Colony was thus one of the first to feel the effects of the world recession, and should now also, by the same token, be one of the first to shake them off. In fact, signs of an *economic revival,* highlighted by a sharp recovery in the volume of new orders, have been multiplying in recent months.

In 1975 our Bank participated in two big syndicated loans to the Mass Transit Railway Corporation in Hongkong. The Crown Colony's first underground railway will bring relief to one of the world's most crowded urban areas. Heinz Wiens (left), Manager of Eurasbank Hongkong, is pictured with Norman Thompson, MTR Corporation Chairman, in front of a model of the initial construction stage.

Already in the second quarter of 1975, the end of the de-stocking movement and the resurgence of US consumer demand led to much higher use of capacity in industry, which by now has returned to something like 80 %. As orders improved, employers, who in 1974 and even early in 1975 had been retrenching workers, began rebuilding their labour force, the biggest increases in employment being in the clothing, plastic toy and electronic industries.

Exports of manufactured goods started picking up in September; by October they were already running over 25 % ahead of the same month of the previous year, although the cumulative total for the year was slightly lower. Hongkong's biggest market last year, for the first time, was Western Europe – ahead of North America. Manufacturers of clocks and watches, the only industry to escape from the recession virtually unscathed, had an outstandingly good year, whereas the growth record of the electronics industry was, if only temporarily, tarnished.

The Crown Colony's inclusion in the US preferential tariff system has been seen by local manufacturers and traders as a happy omen for their export prospects in 1976, even though only about 25 % of Hongkong's exports are being admitted into the US duty-free, and *textiles,* its most important export category by far, have been excluded from preferential treatment altogether. The new textile agreement signed with the European Community, limiting the 1976 increase in the volume of shipments in this area to a maximum of 6 %, has naturally met with a rather more mixed reception.

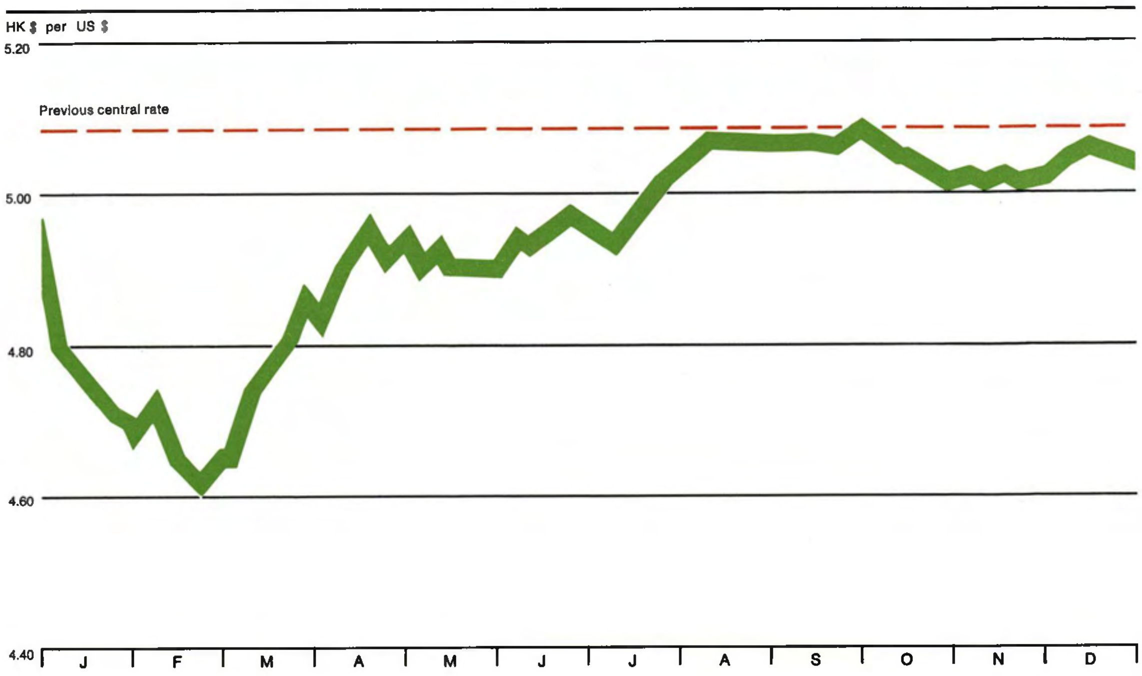
Throughout 1975 Hongkong's free market system proved of value once again. Thus its stable, or actually somewhat lower, level of *wages* during the past 18 months helped to restore much of the competitive edge previously lost to some neighbouring countries, and so enabled its trade deficit to be reduced somewhat from the massive proportions it had assumed in 1974.

Early in 1975, however, *exchange rate factors* threatened to undermine the benefits deriving from this wage stability, when an up to 9 % appreciation of the floating Hongkong dollar gave companies already operating on narrow profit margins cause for concern. It needed several cuts in interest rates, which gradually stemmed the inflow of foreign capital, and the subsequent recovery of the US dollar, to reverse this trend and, by the middle of the year, to bring the Hongkong dollar back close to its lower intervention point against the US dollar under the central rate suspended in November of the previous year.

The absence of excessive wage claims, as well as of an unduly large budget deficit and other possible causes of overheating, also made major contributions towards the restoration of relative *price stability* – the annual increase in consumer prices slowed down from 14 % in the previous year to little more than 2 %

A pilot's view of Hongkong's Kai Tak International Airport, most of which is built on land reclaimed from the sea. The big increase in airfreight traffic through Kai Tak and continuing growth of tourism have made the implementation of new expansion schemes necessary.
(Photo: by courtesy of Hongkong Government Information Services.)

Hongkong/US dollar exchange rate in 1975



– although the more or less stable level of prices for food imports from the People's Republic of China doubtless played a part as well.

Hongkong's *tourist trade* too – by now its second largest source of foreign exchange income after textile exports – took a turn for the better as the year went on. And in November British, French and German contractors started work on Hongkong's biggest development project to date, the HK$ 5.8 billion scheme to build a 9.7-mile long underground railway system, providing a powerful stimulus to the local *construction industry*.

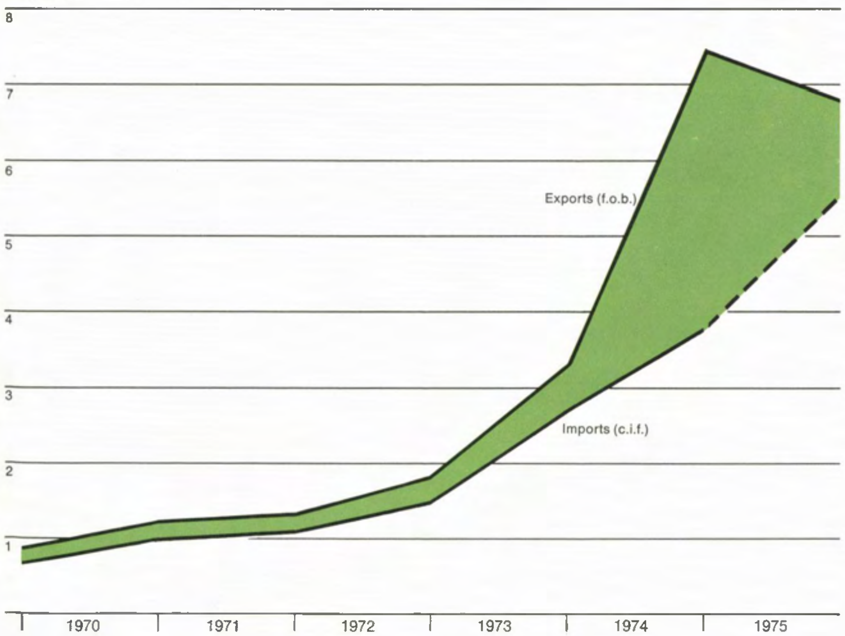
Finally, the recession, far from weakening Hongkong's position as an *international financial centre,* has if anything helped to strengthen it further, despite the fact that the 15 % withholding tax on interest paid in respect of non-residents' deposits remains in force. Offshore loans in particular have gone up by leaps and bounds, and now represent no less than 30 % of bank lending as a whole. The commercial banks' present prime lending rate of $6^1/_2$ % is among the world's lowest.

Foreign investors, who have increased their industrial stake in Hongkong threefold to HK$ 1,633 million over the past four years, have certainly given a massive vote of confidence in the Crown Colony's future. Clearly, they share the commonly held view that 1997, when the existing lease for the New Territories is due to expire, is not significant to Hongkong's viability, seeing that the terms of that lease, as well as the Colonial Treaty itself, are rejected in principle by the new China as "unequal".

Rate of exchange on Dec. 31, 1975 .... US$ 1 = HK$ 5.0450
(against HK$ 4.9100 12 months before)

Indonesia

Indonesia's trade balance
US $ billion



Source: IMF, Bank Indonesia and own estimate.

Indonesia's economic progress in 1975 did not entirely fulfil all hopes. With industrialised countries having to tighten their belts because of adverse business conditions, its receipts from *oil exports* fell well short of expectations; with rather more serious consequences for the public finances and balance of payments of this, the world's third largest developing country, than for less heavily populated members of OPEC.

The effects of this *slower pace of economic development* are clearly seen in the fact that the – once again balanced – budget estimates for the coming financial year (commencing in April) provide for the previous year's record 73 % increase in public expenditure to be followed by one of only 29 % to an equivalent of US$ 8,500 million, with "routine" expenditure bearing the brunt of the cutbacks. Thus the rise in civil servants' salaries and pensions is being limited to 7 %, which because of the rupiah's diminished purchasing power represents a reduction. For all that, the rate of *inflation* last year was less than 20 %, compared with 33 % the year before, and rumours of an impending realignment of the rupiah's fixed rate against the dollar during October were firmly refuted by the Indonesian authorities.

A further feature of the 1976/77 budget estimates is that "routine" expenditure (US$ 3,860 million) will, for the first time, be exceeded by *development expenditure* (US$ 4,640 million), for which a total of US$ 1.7 billion is expected to be provided from foreign sources. The biggest item, involving around

Opening of the new Eurasbank Building in Jakarta: Dr. Wilfried Guth, Chairman of Eurasbank's Advisory Council and member of Deutsche Bank's Board of Managing Directors, accompanies Finance Minister Prof. Dr. Ali Wardhana, Foreign Minister Adam Malik (right) and Central Bank Governor Dr. Rachmat Saleh (back left) through the new premises. Right: Branch Manager Klaus Krempel.

US$ 1 billion, is transport. Public expenditure on telecommunications (telephone, radio and TV services) – essential in an archipelago spanning 3,000 miles – has officially been put at Rp 600 billion (US$ 1.45 billion) up to 1978, for which a number of major contracts with West European and American firms – including the launching this year of Indonesia's own space satellite – have already been placed.

Introducing the new budget in January, President Suharto stressed the need for realism in facing up to the country's present constraints, including the *balance of payments* problems posed by the difficulties being encountered by Pertamina, the state-owned oil company. According to IMF statistics, Indonesia's international liquidity (gold and foreign exchange reserves, Special Drawing Rights and reserve position in the IMF) had steadily improved since the end of 1968 from US$ 86 million to US$ 1,492 million at the end of 1974. In 1975, however, this trend was abruptly reversed, and by the end of December the figure was down to US$ 586 million, equivalent to just about one month's imports.

The main reason for this, apart from the repayment of Pertamina's short-term foreign debts, was the country's worsened *foreign trade* balance. During January–September, while the Government's ambitious infrastructure development programme and the growing number of joint-venture manufacturing and assembly plants helped to keep up the volume of imports, exports ended their run of vigorous growth, falling 8.7 % by value to US$ 5,096 million – rather less in the case of oil (down 1.5 %) than of timber, rubber and the rest of the field (down 24.5 %), although there have been signs of a turn for the better in non-oil exports since the middle of the year. Rises of 18.8 % in exports to the US and of 21.7 % to the EEC were more than offset by a 27.3 % slump in shipments to Japan, not least because that country, Indonesia's most important customer for oil, bought an increased amount of crude from China – hence Jakarta's reluctant response to the latest OPEC price increase.

Direct foreign investment in Indonesia, meanwhile, was on a greatly reduced scale, only 25 new projects worth altogether US$ 79.9 million being approved up to the end of August, compared with 92 totalling US$ 1,051.5 million in the whole of 1974. Under a new ruling, however, foreign investment projects approved prior to February 1974 have been exempted from the provision calling for the controlling interest to pass into Indonesian hands within a period of ten years.

At the same time, 1975 brought no change in the lending ceilings on all domestic and foreign *banks* first imposed by the Indonesian Central Bank in April 1974, and fixed for each bank individually, which meant that the utmost restraint continued to be required in acceding to customers' applications for loans and advances.

Bank Indonesia official rate of exchange on Dec. 31, 1975 ....
US$ 1 = Rp 415 (same as 12 months before)

Malaysia

Having largely managed to steer clear of the effects of the world business recession in 1974, Malaysia did not suffer the full force of it – a slump in exports accompanied by a reduction in industrial investment at home – until 1975. The 5 % *growth* officially forecast for the country's economy at the outset thus proved too optimistic. In fact, growth worked out at just about half that rate – which, with something like 50 % of Malaysia's national income derived from exports, nevertheless still represented a considerable achievement.

Reflecting the fall in *exports,* the trade balance was expected to close with a deficit for the first time since the country gained its independence in 1957. This fall was most marked, by both value and volume, in rubber, timber and tin; whereas exports of palm oil, moving up into second place (after rubber) among Malaysia's sources of foreign exchange, enjoyed another good year. The principal customers here, with over 80 % of the total, remained the US, Singapore, the Netherlands, Britain and Iraq. Expanding markets for palm oil in the future are expected to be the Middle East and heavily populated countries like India and Pakistan.

For manufactured goods, now accounting for close on 20 % of Malaysia's total exports, 1975 was a year in which ebbing foreign demand became noticeable in varying degrees. The overall 12 % increase in exports achieved included a fall of 30 % in wood products and a rise of 15 % in *textiles* (supplied mainly to the US and to the European Community) due in large measure to the drive of new export-orientated firms set up in the Federation with the aid of foreign capital.

Oil, representing 8 % of exports, still formed a relatively small proportion of Malaysia's trade, but production is expected to go up by a further 11 % (to 100,000 barrels/day), with a corresponding increase in exports, in 1976. Like other developing countries, Malaysia seeks as far as possible to exploit its natural resources for its own economic and social advancement, and this aim cannot, of course, always be completely reconciled with the ideas of foreign investors. To establish common ground between them, some kind of compromise – as in the case of the controversial Petroleum Development (Amendment) Act, whereby the state-owned oil company Petronas has been vested with extensive powers of control and intervention – must therefore be worked out.

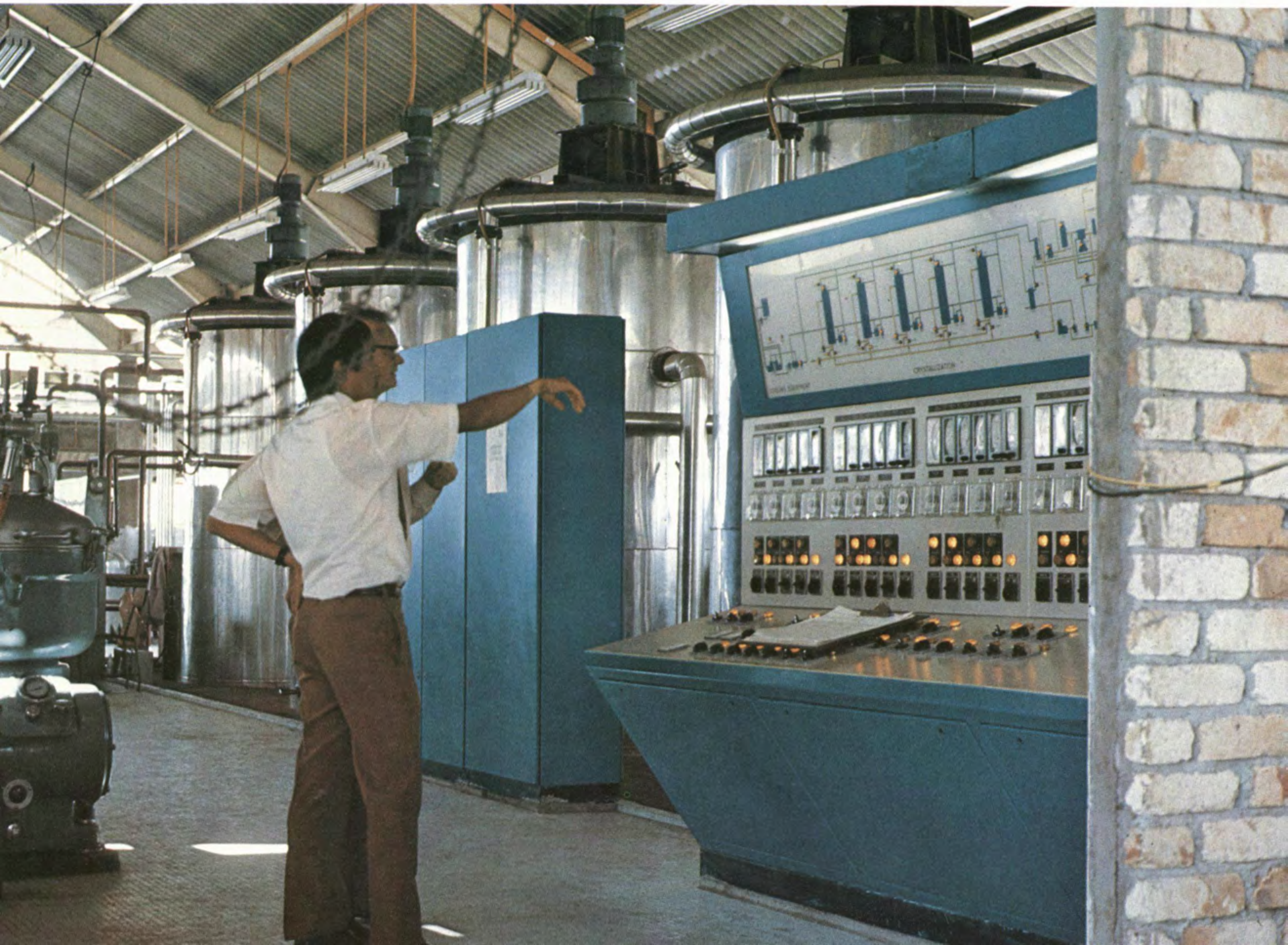
For the time being, Petronas has signed an interim agreement with Exxon and Shell that they should carry on their existing operations, and has also entered into negotiations with them for a production-sharing agreement. It has also given the go-ahead to the Shell/Mitsubishi joint-venture project – Malaysia's biggest industrial project to date – for constructing a liquefied natural gas plant at Bintulu, Sarawak, at an estimated cost of M$ 2,000 million.

The sluggishness of *industrial activity,* meanwhile, led to a reduction in capital goods imports – by which Japan and West Germany were the worst hit – as well as, in the first seven months of the year, to a 40 % drop (to 238) in the number of applications for industrial project approvals. Foreign (direct and portfolio) investment in Malaysia also declined, although at M$ 780 million, against M$ 900 million in 1974 and M$ 420 million in 1973, the net inflow of long-term capital was still substantial.

The successful cutting back of the annual inflation rate from 14 % to 7 % enabled the Bank Negara Malaysia to switch the emphasis of its money and credit policy from restriction to expansion once again. Thus the credit ceiling it had imposed in April 1974 was lifted in February 1975, while the *commercial banks* lowered their prime lending rate in stages from 10 % to 8 1/2 %.

A number of recent *big loans,* raised in foreign financial centres without difficulty, have testified to Malaysia's international creditworthiness. Net foreign borrowing by the public sector in 1975 – partly to

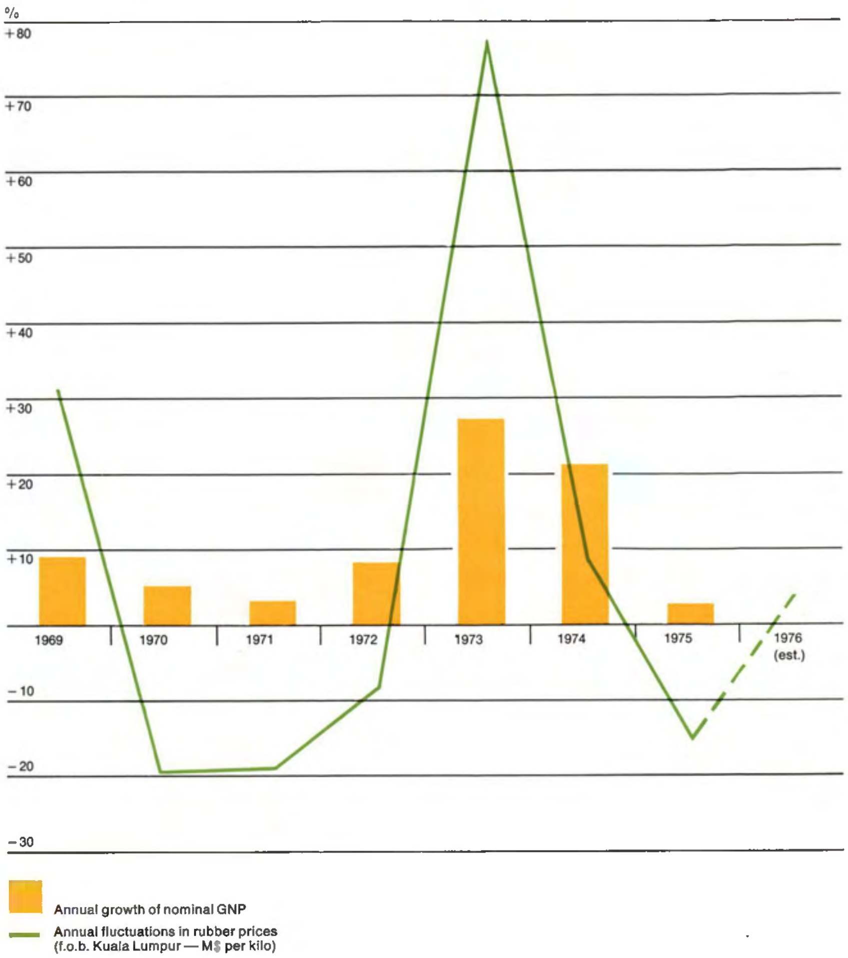
Malaysia: Local refining of palm oil, one of the country's principal sources of foreign exchange, is gaining in importance. About 200,000 tons of palm oil were refined in 1975 – more than twice as much as in the previous year.
Dennis Tan (foreground), Director of Chip Seng/Socoil Corp. Bhd., explains the control system of a new fractionation plant for palm oil to Arthur G. Coates, Manager of our Kuala Lumpur Branch.



bridge the revenue gap opened by the lower than expected level of world commodity prices – amounted to M$ 860 million, yet still left the public sector's foreign indebtedness at M$ 2,380 million relatively low by international standards. Of last year's rather depressed export earnings, loan redemptions and interest payments absorbed a mere 4.2 %, which seems to provide ample scope for further sizeable development projects financed by loans from abroad.

In October, at an *investment conference* attended by representatives of some 200 foreign firms, the Malaysian Government reaffirmed its support for foreign investment in Malaysia and underlined the importance it attaches to the private sector in general. Prime Minister Tun Abdul Razak – who died this January after many years in office, and who has been succeeded by his former deputy, Datuk Hussein Onn – also dealt with the question of terrorist activity in his country, pointing out what is sometimes overlooked abroad, namely that Malaysia had been living with this problem for over 25 years and managed to keep even its worst excesses in check. In this, he claimed, the Government's policy of racial equality had been, and would continue to be, of inestimable value.

Malaysia's business cycle



Source: Malaysian Treasury Economic Report for 1975/76.

Rate of exchange on Dec. 31, 1975 . . . . US$ 1 = M$ 2.5875
(against M$ 2.3115 12 months before)

Pakistan

The Government of Pakistan is endeavouring to attract more foreign capital. In this connection a new Foreign Private Investment (Promotion & Protection) Ordinance was recently announced. The picture shows a factory run by Siemens in the Sind Industrial Trading Estate, one of the industrial areas of Karachi. Altogether, Siemens employs more than 1,000 Pakistanis.

In 1975 Pakistan suffered from a combination of external and internal economic pressures, notably a 20 % worsening of its terms of trade and a loss of agricultural output through water shortage, as a result of which the business recovery which had started in 1972/73 was slowed down significantly. During fiscal year 1974/75 the gross national product increased by only 2.6 % in real terms – less than the 2.9 % growth in population – while the trade deficit more than trebled to top the US$ 1 billion mark. Far from industrial confidence being depressed, however, the *investment climate* actually improved. As a ratio of GNP, investment rose to 19 % compared with only 13 % in 1972/73. There was also some revival, albeit so far rather more in the case of small businesses than of large-scale industry, in investment by the private sector. And more recent evidence points to a renewal of interest on the part of foreign investors as well.

Although Pakistan's *exports* at US$ 1,050 million were slightly higher in 1974/75 than the year before, the world recession took its toll of trade in manufactured goods – particularly cotton yarns and fabrics, but also leather and fish products – which altogether fell from over 60 % of the total in 1973/74 to 50 % last year. By contrast, exports of raw cotton, for which India and Bangladesh are now leading customers, and of rice, Pakistan's biggest export commodity of all, held up reasonably well. Receipts from exports nevertheless were sufficient to cover only half the cost of *imports,* where the main value and volume increases were in wheat, oil, fertilisers, palm oil (from Malaysia) and other edible oils.

The two principal sources of supply for crude oil were Kuwait and Saudi Arabia, which thus occupied two of the top five places (after the US, Japan and West Germany) among Pakistan's foreign suppliers generally, whereas the EEC member states' combined share of Pakistan's imports was not fully maintained. *Asian markets* also acquired an increased importance among Pakistan's exports, of which the Middle East, headed by Iran, alone accounted for the best part of one third, with rice and cement leading the field among the commodities supplied.

Thanks to a larger than expected inflow of foreign capital aid, however, the Pakistani authorities managed to finance last year's swollen balance of payments deficit without drawing on their external reserves to any large extent. Traditional sources like the Western industrial countries' Pakistan Consortium and the Asian Development Bank provided US$ 600 million, the Arab oil-producing countries a further US$ 410 million, on top of which some US$ 200 million was borrowed by way of the IMF oil facilities. In addition, remittances by Pakistanis living abroad are estimated in 1974/75 to have grown to rather more than US$ 250 million. The Pakistan Government nevertheless accepts that it is only by bringing imports and exports into equilibrium that the country's balance of payments position will be rectified in the longer run.

In fact, several *major projects* to make Pakistan less heavily dependent on imports of machinery, iron and steel have been initiated in recent years. Thus a heavy industrial complex is being built at Taxila, near the capital of Islamabad, with Chinese assistance. Following some initial difficulties, this has now started producing sugar-refining machinery – which accordingly is no longer having to be imported – equipping the first Pakistani sugar mill in 1975. Sizeable foreign exchange savings are also expected in the early eighties if and when the 1.1 million ton/year steel plant, currently being constructed with Soviet aid in Karachi, comes into full production as planned.

Meanwhile, the manufacturing scene is still dominated by the export-orientated *textile industry* – which is not one of the ten nationalised industries – where, together with the sugar and hotel industries, the bulk of private investment activity continues to be concentrated. In 1975/76, given the expected world economic revival, textile production should take a marked turn for the better.

Sectors in which the weight of the investment burden during the coming five years will be borne by the Government itself include cement and fertiliser manufacture as well as oil refining. Recently, following the massive increase in the cost of energy imports, the *search for oil* – in which Pakistan is self-sufficient only to the extent of around 10 % of its domestic requirements – has been intensified, with a number of foreign companies playing an active part. None of the new wells drilled so far, however, indicate a significant expansion in domestic production in the foreseeable future.

Where the authorities did make useful progress in 1975 was in the battle against inflation. Not only was the rise in consumer prices reduced from 25 % annually to 20 % but, more importantly, the drain on bank deposits sparked off by the nationalisation of domestic banks early in 1974 was checked and finally reversed. But although continuing inflation and lagging exports boosted the demand for bank credit from industry and commerce, the restrictions and guidelines governing the lending operations of all classes of *commercial banks* were not relaxed to any real extent.

Loans contracted by Pakistan
in 1974/75 (July-March) US $ million

I. Consortium countries		
Belgium	4.3	
France	33.9	
Italy	15.0	
Netherlands	6.6	
UK	15.4	
USA	194.3	
West Germany	22.8	
Other countries or organisations	149.3	
		441.6
II. Other lenders		
Asian Development Bank	70.5	
USSR	214.0	
Miscellaneous countries	10.0	
		294.5
III. Oil-producing countries		
Abu Dhabi	100.0	
Iran	366.1	
Libya	50.0	
Qatar	10.0	
Saudi Arabia	100.0	
		626.1
Total		1,362.2

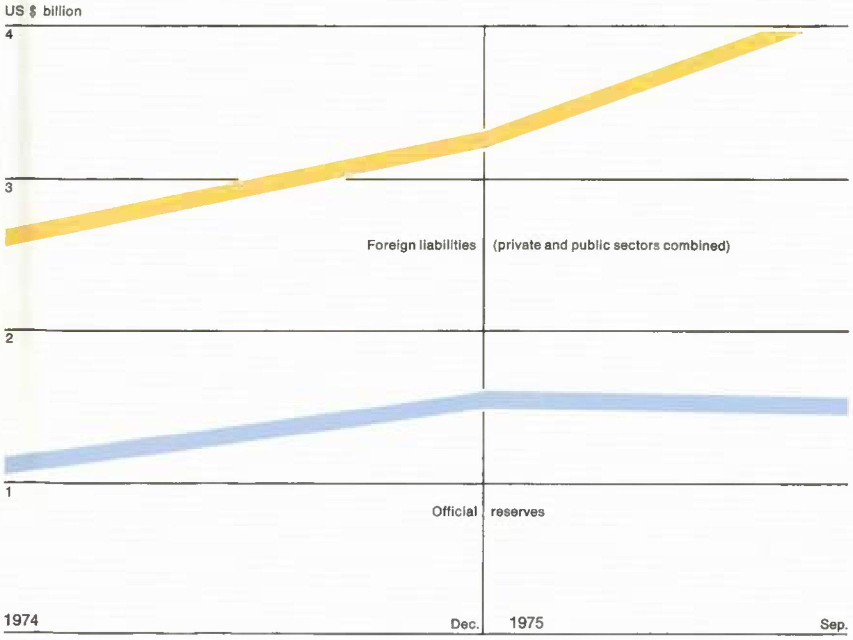
Source: Pakistan Government Economic Survey for 1974/75.

State Bank of Pakistan official rate of exchange on Dec. 31, 1975:
US$ 1 = Rs 9,9078 (same as 12 months before)

Philippines

The remarkable performance put up by the Philippine economy – which in the past two years has also attracted the attention of foreign investors – continued, if at a somewhat slower pace, in 1975. Though heavily dependent on foreign trade, the country was not affected by the world recession until fairly late in the day. In 1975, however, such important export commodities as sugar, coconut products and copper, which had still ridden the crest of the wave in

Foreign liabilities and official reserves, 1974–75



Source: Central Bank of the Philippines.

the previous year, really felt the pinch, with exports of copper in particular reeling, as those of timber had been earlier, under the slump in world market prices.

Provisional figures indicate that, while imports last year showed a further increase from US$ 3.11 billion to US$ 3.23 billion, of which a quarter was made up by oil alone, exports dropped from US$ 2.67 billion to US$ 2.21 billion. It is hardly surprising therefore that President Marcos, in a candid review of the situation, put the *trade deficit* ahead of inflation – whose rate had by then been cut back from 30 % to 10 % annually – as the country's number one problem.

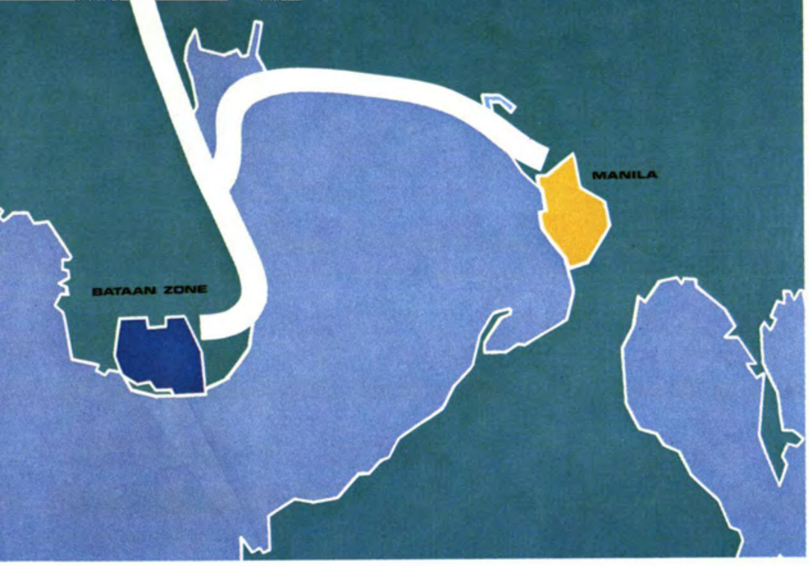
Other, more favourable, developments during the year should nevertheless not be overlooked:

- *Economic growth* in real terms was of the order of 5 % – which, even allowing for the Philippines' high (at least 3 %) population growth, is more than respectable in the circumstances.

- *Agriculture,* which still employs more than half the total labour force, reaped the benefit of its modernisation in recent years. The setback in timber was more than offset by abnormally big increases in production of rice and other crops, including bananas (for which Japan has lately emerged as an important buyer).

- Despite the weakness of exports, *industrial production,* with the help of fiscal and monetary measures aimed at sustaining domestic demand, also made further headway.

- While *mining,* another important sector of the economy, was considerably hit by the fall in Japanese purchases of copper concentrates, this was outweighed by an expansion in nickel sales, following the commissioning in April 1975 of Asia's biggest nickel refinery on Mindanao (in the south of the country), a $ 270 million project which will eventually supply 6 % to 7 % of the world's total nickel requirements. In order to create new jobs as well as additional opportunities for export, steps are also being taken to build up a domestic processing industry. Thus copper, hitherto exported solely in the form of ore and concentrates, will in future be converted locally to some extent, plans



Bataan Export Processing Zone – This industrial estate, located at the entrance to Manila Bay, was established some years ago to strengthen the Philippines' foreign trade position. More than 35 domestic and foreign firms have already taken advantage of the numerous tax benefits and set up enterprises within the zone to manufacture for export to Asia and Australia. On the right: model of Phase I extension scheme for light industry.

for two copper smelters having already been approved.

- The pacesetter, with a 30% increase in production, was once again the *construction industry,* in response both to the Government's massive programme of infrastructure development and to the continuing boom in building for private developers. In addition, new hotels, shopping centres and a number of other urban development projects, mainly concentrated in and around the rapidly growing Manila conurbation, attracted a sizeable inflow of foreign capital from private sources. Loan finance for projects in the fields of transport, energy production and irrigation sanctioned by the World Bank and the Asian Development Bank up to the end of 1975 totalled more than US$ 1 billion.

The Philippine Board of Investment (BOI) at present has some 20 industrial projects on its list of priorities, mostly for the purpose of import substitution, for which foreign financial or technical assistance is invited in return for numerous kinds of investment incentives. Now that the Laurel Langley Treaty, entrenching the preferential position traditionally enjoyed by the US, has run out, the *foreign investment* pattern of late has already shifted rather more in favour of Japan and Western Europe. Trade between the Philippines and the EEC, notably Britain, the Netherlands and West Germany, is also going from strength to strength.

The mounting trade and balance of payments deficit in 1975 caused the floating Philippine peso to show a clear weakness. In 1976, however, the *payments deficit* is officially expected to narrow from around US$ 500 million to nearer US$ 200 million, even assuming no immediate improvement in world economic conditions. This follows a year when the country, by running up its foreign debt, managed to hold its gold and foreign exchange reserves more or less stable at around the US$ 1.5 billion mark.

Most of the local commercial banks having, where necessary, duly complied with the official directive to raise their paid-up capital to a new minimum level by the end of September last, the Philippine Central Bank, faced with a marked increase of money market interest rates, is proposing a new round of *banking* reforms aimed, among other things, at encouraging long-term placements – a sector of the financial scene in which the Philippines still has some way to catch up.

Rate of exchange on Dec. 31, 1975 .... US$ 1 = ₱ 7.498
(against ₱ 7.062 12 months before)

Singapore

The island of Singapore, which largely depends on thriving exports and its role as a regional trade and service centre for its prosperity, continued in the face of difficulties to manifest a remarkable *dynamism* in 1975. Moreover, as Prime Minister Lee Kuan Yew, in his New Year message, confidently pointed out, persistent recovery in America, Japan and Western Europe in 1976 will be good for Singapore as well — whose performance even last year, though well below the boom standards of the early seventies, was rather

Land reclamation, considerably accelerated during the last few years, has so far increased Singapore's total area from 584 to 593 sq. kilometres. The high-rise buildings in the background reflect the rapid economic growth of the Republic.

Alongside trade, industry has now become one of the two pillars of the Singapore economy. Its importance can be expected to increase even more in the coming years now that the Government is giving priority to industrial training and tech-

better than that of most other countries. Its business activity, after a fairly stagnant first half, picked up at such a pace that it finished up with an estimated 5% increase in real gross national product for the year as a whole.

Having got under way in the third quarter, this *revival* quickly spread to all sectors of the economy, yet left the price level more or less unchanged. In fact, the index of consumer prices, which had been climbing for the past two years, actually fell slightly in October, while the annual rate of inflation was brought down from more than 20% in both 1973 and 1974 to just 4% in 1975. Lower food prices played a major part in this development.

The main stimulus to *industrial production* – which during the third quarter rose above its pre-recession level to a new all-time high – was provided by orders from overseas, with export-intensive industries like textiles, electronics and wood products setting the pace. By contrast, Singapore *oil refineries,* having been cut off, if perhaps only temporarily, from the Vietnam market on top of the fall in demand for petroleum products generally, operated at only half their capacity. Plans for the construction of a S$ 2,000 million petrochemical complex – though not scheduled to be completed before the end of the decade, and therefore as yet unable to contribute towards downstream diversification – are thus given an added importance.

nological development. The pictures show the Cycle & Carriage Limited plants, where Mercedes-Benz cars are assembled, and Hilgepore Pte. Limited, the subsidiary of a European manufacturer of industrial machinery.

Another key industry, *shipbuilding and repairing,* which was still kept reasonably busy in 1975 on existing contracts, is facing severe Japanese competition. Demand for drilling platforms and supply ships, in which Singapore yards occupy a leading position, is also showing signs of levelling off. Even so, with oil production in South-East Asia planned to quadruple over the next ten years, this offshore industry views the future with confidence.

The mid-year turnround notwithstanding, Singapore's total exports and imports for 1975 were well below their level of the previous year. Excluding trade with Indonesia – on which, as before, figures are not published – its *trade deficit* at S$ 6.5 billion was over S$ 250 million higher than the year before.

Thanks in large measure to the net receipts resulting from Singapore's position as an international business centre, however, its *balance of payments* for the first nine months of 1975 still showed a healthy S$ 906 million surplus, raising its official reserves at the end of September to S$ 7,252 million.

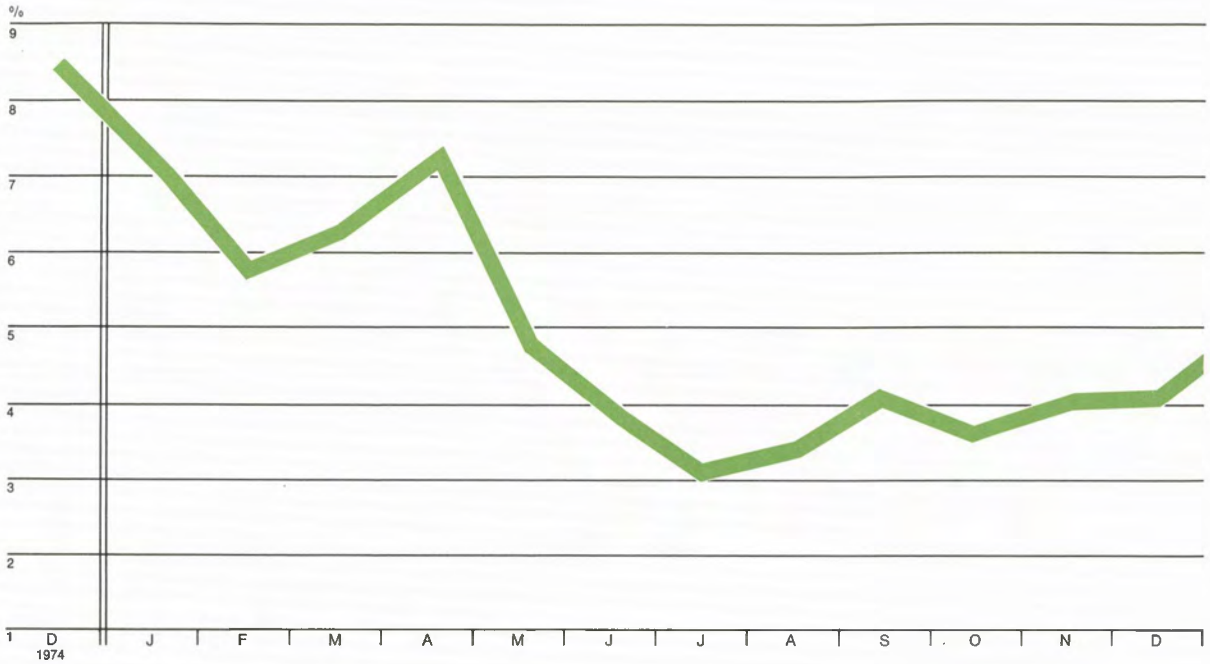
This is despite the fact that last year's stringent world economic climate limited the amount of *direct foreign investment* in Singapore's industry to merely S$ 330 million, little more than a third of its 1974 total. Two new regulations may, however, help to reverse this trend: the exemption of high-technology investments from the existing 40% corporation tax for 10 (previously 5) years on certain conditions, and the extension of the tax-favoured pioneer status to investments of less than S$ 1 million, aimed at attracting small but highly specialised supporting industries to the island.

Meanwhile, the Monetary Authority of Singapore continued to loosen its grip. Having made export bills of exchange rediscountable on May 1 as an incentive for exports, it proceeded on July 15 to disband the "interest rate cartel", under which the prime lending as well as the deposit interest rates of the *commercial banks* had, for many years, been laid down officially.

The *Asian dollar market,* of which Singapore is the centre, went from strength to strength, even though the accent was rather more on consolidation than expansion; its size at the end of October stood at US$

Day-to-day rates on the Singapore money market in 1975

monthly averages



11.8 billion. July saw the first new bond issue after a break of almost 18 months.

Rate of exchange on Dec. 31, 1975 . . . . US$ 1 = S$ 2.4875
(against S$ 2.3113 12 months before)

For our Bank, 1975 was a year of continued rapid growth and satisfactory earnings. Our *balance sheet total* expanded by 35 % – from DM 665 million to DM 896 million – while our *volume of business* (balance sheet total plus endorsement liabilities on rediscounted bills and liabilities arising from guarantees and warranty contracts) did so by no less than 40 % and, at DM 1,117 million, topped the DM 1 billion mark for the first time.

The *volume of credit* went up from DM 572 million to DM 720 million, or by 26 %, including – apart from DM 83 million higher claims on banks – an increase of DM 60 million (to DM 84 million) in long-term loans to customers. This not only reflects our growing involvement in long-term investment financing – extended together with the EBIC banks – but also explains the corresponding increase (DM 62 million) in the volume of long-term bank funds entrusted to us.

During the year under review, our co-operation with other affiliations of the EBIC banks – especially the European American Banks in New York, Los Angeles and San Francisco, the European Credit Bank (BEC) in Brussels and the European Banking Company Limited in London – was further expanded and intensified.

With regard to this expansion in our activities, our shareholder banks have agreed to us *increasing our share capital* by DM 28 million to DM 56 million, the new shares to be issued at a 100 % premium during the first half of 1976. Our capital and reserves will thus be raised by a total of DM 56 million to DM 95 million, and so, we believe, provide a sound basis for further growth in the future.

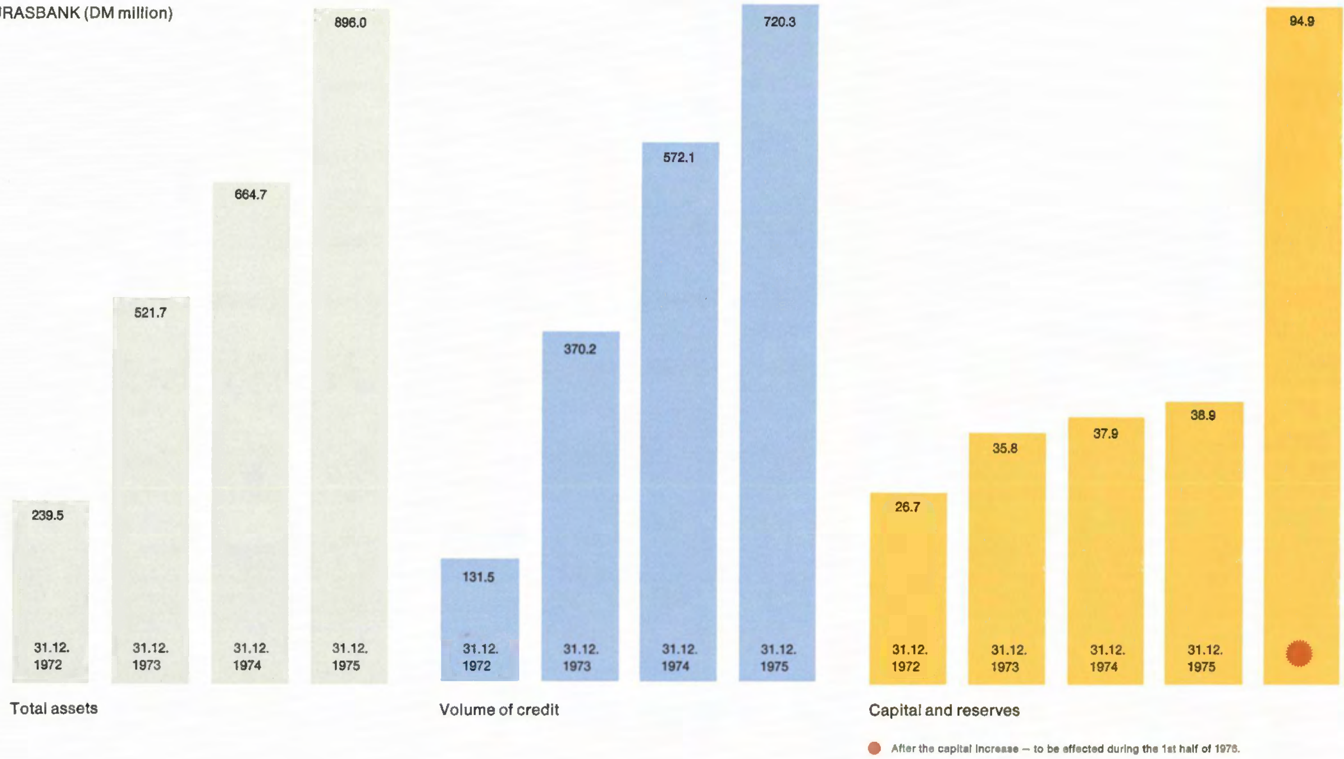
Meanwhile, the *result* before tax and allocations to reserves continued to develop satisfactorily. The 1975 net earnings showed an even bigger rise in percentage terms than our volume of business, partly because of a reduction in refinancing costs due to the more relaxed international liquidity climate, but above all because of a once again limited (21 %) increase in operating (personnel and material) costs. But while our net interest income rose by DM 4.0 million over the year to DM 19.4 million, we incurred another heavy round of charges on account of forward cover in respect of capital invested in our foreign branches.

Long-term financing at fixed interest – e.g. for specialized ships registered in Singapore – extended by Eurasbank together with the other EBIC banks illustrates the opportunities offered by the Singapore-based Asian Dollar Market. Pictured above: a heavy lift vessel of Hansa Offshore (SEA) Pte. Limited, Singapore, a subsidiary of DDG "Hansa", Bremen.

Having hitherto, as befitted a bank in the stages of strong expansion, followed a policy of ploughing back our profits throughout, we propose this year, in view of our continued good progress in 1975, to pay a *dividend* of 10 % on the share capital issued to date.

Last October our Bank was licensed by the Philippine Government to open a *regional office in Manila*. The growing volume of business transacted by us in this area has thus been given concrete expression.

Financial Highlights of EURASBANK (DM million)



In 1975 we also, jointly with our shareholder banks, set up *European Asian Finance (HK) Limited,* in Hongkong, which has already participated in a number of important internationally syndicated financing operations.

In order to give our customers an even better service and to increase our own competitiveness, we established between Hamburg and Hongkong a permanent, satellite-operated *telex link of our own,* which now provides round-the-clock contact with South-East Asia regardless of the availability of alternative means of communication.

The new eight-storey *office building* for our Jakarta Branch, begun in 1973, was completed ready for occupation last summer and officially inaugurated in October by the Indonesian Finance Minister, Prof. Dr. Ali Wardhana, in the presence of Foreign Minister Adam Malik, Central Bank Governor Dr. Rachmat Saleh, Governor of Jakarta General Ali Sadikin, the ambassadors of the seven EBIC countries, high-ranking officials from our shareholder banks and other prominent personages. Among other guests of EBIC and Eurasbank who were welcomed on that occasion by Dr. W. Guth, Chairman of our Advisory Council, were 40 leading European financial journalists who had been invited by EBIC to tour Indonesia and Singapore.

During 1975, following the continued expansion in our operations, the combined *staff* of our Bank increased by a further 3 % from 443 to 457, and their enthusiasm and hard work in all countries again contributed much to the year's success. We are deeply grateful to them all, as we are to the Staff Council, and to the staff delegates of our foreign branches, for their unstinting and constructive co-operation throughout the year.

Notes on the Statement of Accounts for the Year

BALANCE SHEET

Liquidity

Our cash reserve – cash in hand, balances with the Deutsche Bundesbank, foreign central banks and on postal cheque accounts – rose from DM 23.3 million to DM 28.3 million. The increase was chiefly in balances with foreign central banks, which rose by DM 5.3 million.

The sum of liabilities to credit institutions and other creditors, including own acceptances in circulation and sundry liabilities, amounted to DM 835.0 million (DM 608.8 million last year). The relation of the cash reserve to this *(cash liquidity ratio)* was 3.4 % (3.8 % last year).

Total liquid funds – cash reserve, cheques on other banks, matured bonds, interest and dividend coupons, as well as items received for collection, bills rediscountable at the Bundesbank, demand claims on credit institutions, Treasury bills and non-interest-bearing Treasury bonds, bonds and debt instruments eligible as collateral for Bundesbank or foreign central bank advances – decreased slightly from DM 76.4 million to DM 76.3 million. The proportion of liabilities covered by liquid funds *(total liquidity)* thereby amounted to 9.1 % (12.5 % last year).

Securities

Together with *bonds and debt instruments,* which rose by DM 0.5 million, *Treasury bills and non-interest-bearing Treasury bonds,* which fell by DM 1.4 million, served to meet the capital and liquidity regulations concerning our branches in Asia to a value of DM 7.9 million.

Securities to the value of DM 0.5 million as well as DM 0.2 million of equalisation claims were pledged to the Deutsche Bundesbank for advances on securities or for discounting of own acceptances.

Total credit extended

The volume of credit grew by DM 148.2 million (25.9 %); the increase in claims on customers was DM 65.5 million or 22.5 %.

The breakdown of the volume of credit as per end of 1975 and 1974 is given overleaf.

Of bills in hand, DM 11.9 million were eligible for rediscount at the Deutsche Bundesbank. The remainder were, without exception, bills of undoubted quality, for which the regulations governing rediscountability at the Bundesbank do not apply, in so far as they are held by our foreign branches.

DM 0.7 million (last year DM 1.3 million) of claims on customers were financed from funds taken up for specific purposes on the terms fixed by the lending institutions.

Besides the above mentioned credits we extended *guarantee facilities and letters of credit* amounting to DM 214.3 million to our customers (last year DM 105.4 million).

Account was taken of all discernible risks in the lending business through adjustments and provisions.

Participations

This item increased by DM 1.7 million to DM 1.9 million, of which DM 1.5 million resulted from our new investment in the European Asian Finance (HK) Ltd., Hongkong, mentioned earlier in this Report. Moreover, the increase stemmed from our share of DM 0.2 million in the Liquidity Consortium Bank of Frankfurt (Liquiditäts-Konsortialbank GmbH), involving an obligation to pay up a maximum of DM 450,000.– if required as well as a contingent liability for other partners' obligations.

Volume of credit	— in millions of DM — End of 1975	End of 1974
Claims on customers		
short and medium-term	DM 273.5 = 38.0 %	DM 267.8 = 46.8 %
long-term	DM 83.5 = 11.6 %	DM 23.7 = 4.1 %
	DM 357.0 = 49.6 %	DM 291.5 = 50.9 %
Discount credits	DM 74.8 = 10.4 %	DM 75.3 = 13.2 %
Lending to credit institutions	DM 288.5 = 40.0 %	DM 205.3 = 35.9 %
Total volume of credit	DM 720.3 = 100.0 %	DM 572.1 = 100.0 %

The liabilities for calls on shares, arising from *participations*, remained unchanged (DM 10,000.—).

Fixed assets

With additions of DM 0.6 million, ordinary depreciation of DM 0.1 million and special depreciation of DM 0.4 million, *land and buildings* are shown at DM 3.8 million.

The item *office furniture and equipment* increased to DM 2.3 million, after additions of DM 2.1 million, deductions of DM 0.1 million and ordinary depreciation in the amount of DM 0.8 million as well as unessential special depreciation.

Other asset items

The items *sundry assets* and *transitory items* respectively consist essentially of rent deposits and advance rent payments.

Funds from outside sources

Total funds from outside sources rose by DM 225.7 million or 37.2 % to DM 832.2 million during the year under review.

The composition of the development as per end of 1975 and 1974 is shown on the next page.

Provisions for special purposes

Provisions for pensions were increased by DM 0.2 million according to the actuarial computation.

Other provisions shown at DM 9.4 million (DM 8.5 million last year) include, besides provisions for tax and other liabilities of uncertain magnitude, that part of the overall adjustment which cannot be offset against asset items.

Funds from outside sources	— in millions of DM — End of 1975	End of 1974
Liabilities to credit institutions		
demand deposits	DM 43.4 = 5.2 %	DM 42.2 = 7.0 %
term deposits	DM 561.2 = 67.5 %	DM 382.8 = 63.1 %
customers' drawings on credits opened at other institutions	DM 3.6 = 0.4 %	DM 2.7 = 0.4 %
	DM 608.2 = 73.1 %	DM 427.7 = 70.5 %
Liabilities to non-bank customers		
demand deposits	DM 97.4 = 11.7 %	DM 73.8 = 12.2 %
term deposits	DM 123.2 = 14.8 %	DM 102.3 = 16.9 %
savings deposits	DM 3.4 = 0.4 %	DM 2.7 = 0.4 %
	DM 224.0 = 26.9 %	DM 178.8 = 29.5 %
Total funds from outside sources	DM 832.2 = 100.0 %	DM 606.5 = 100.0 %

Other liability items

Sundry liabilities amounting to DM 0.5 million and transitory items totalling DM 0.8 million cover liabilities outside the banking business such as payments retained as guarantee in connection with construction work and rent payments received in advance respectively.

DM 0.5 million of *special items including reserves* had to be released.

Contingent liabilities

Endorsement liabilities on rediscounted bills declined by DM 19.7 million to DM 6.7 million.

Liabilities arising from guarantees given, bills of exchange, cheques guaranteed and warranty contracts rose by DM 108.9 million to DM 214.3 million.

Earnings on the volume of business

The lower level of interest rates caused *interest and similar receipts from lending and money market transactions* to decrease from DM 66.0 million to DM 62.0 million, against a relatively sharper decrease in *interest and similar expenses* from DM 50.6 million to DM 42.6 million. This development, as well as the higher volume of business, led to a rise in the net interest income by DM 4.0 million to DM 19.4 million.

Earnings on services

Commissions and other receipts from service transactions rose by DM 0.5 million to DM 8.7 million.

Other receipts

Other receipts, shown at DM 0.5 million, *including those from the writing back of provisions for possible loan losses,* are counterbalanced, in accordance with the relevant regulations, by the depreciation and adjustments on claims and securities, and allocations to provisions for possible loan losses.

Staff and material expenditure

Staff expenses rose by DM 1.4 million to DM 9.5 million (17.3 %), chiefly due to both collectively agreed and voluntary increases in payments. The number of employees grew by 14 to 457, as compared to the previous year.

Expenditure on material for the banking business increased from DM 4.1 million to DM 5.2 million (26.8 %). The additional expenditure reflects both the greater volume of business and the general rise in prices as well as the Bank's increased efforts to expand its market share by selective measures.

Taxes

Taxes on income, earnings and property amounted to DM 6.3 million (DM 5.0 million last year).

Other expenses

The item *other expenses* went up by DM 0.1 million to DM 0.2 million.

Total emoluments of the Board of Managing Directors amounted to DM 483,152.09. Payments to former members of the Board of Managing Directors or their surviving dependents aggregated DM 136,611.–.

The Supervisory Board was allowed an amount of DM 84,391.81 as emoluments, both fixed and subject to the annual dividend paid.

Proposed appropriation of profits

The profit and loss account for the Bank shows:

Receipts	DM	72.5 million
Expenses	DM	68.7 million
Year's net earnings	DM	3.8 million
Allocation to published reserves	DM	1.0 million
Disposable profit	DM	2.8 million

It is proposed to the shareholders that the disposable profit of DM 2.8 million be used to pay a dividend of 10 % on the share capital of DM 28.0 million.

Capital and reserves

Of the 1975 net earnings, DM 1.0 million was allocated to the published reserves.
We propose to increase the Bank's share capital, amounting to DM 28.0 million, by DM 28.0 million to DM 56.0 million. The new shares, entitled to dividend from 1st January 1976, will be offered to the shareholders at an issue price of 200 %, corresponding to their holding in the share capital issued to date.
After the capital increase, to be resolved by the General Meeting, has been effected, the Bank's own funds will be composed as follows:

		End of 1974
Capital	DM 56.0 million	DM 28.0 million
Published reserves		
a) statutory reserve fund	DM 34.8 million	DM 6.8 million
b) other reserves	DM 4.1 million	DM 3.1 million
Total	DM 94.9 million	DM 37.9 million

Hamburg, February 1976

THE BOARD OF MANAGING DIRECTORS

Report of the Supervisory Board

At its meetings held last year as well as in numerous individual discussions, the Supervisory Board received detailed reports submitted by the Board of Managing Directors on the situation of the Bank and on basic questions of business policy and debated these with the Managing Directors. The development of the balance sheet and the earnings account has been followed continuously. Furthermore the Supervisory Board has discussed important individual business transactions and has also dealt with those matters which were submitted for approval as required by law or the Articles of Association.

The Annual Statement of Accounts for the year ending 31st December 1975, including the book-keeping and the Annual Report, have been audited by TREUVERKEHR AG Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Frankfurt (Main), the auditors chosen by the Annual General Meeting, and were found in conformity with the books, which were properly kept, and with the provisions of the law. The Annual Statement of Accounts, the book-keeping and the Annual Report have been approved without qualification. The Supervisory Board has taken note of and agrees with the result of the audit.

Furthermore the Supervisory Board has examined the Statement of Accounts, the Annual Report and the proposed appropriation of profits. No objections have been raised thereto.

The Annual Statement of Accounts as drawn up by the Board of Managing Directors has been approved by the Supervisory Board, and thus stands adopted. The Supervisory Board agrees to the proposed appropriation of profits.

Hamburg, March 1976

THE SUPERVISORY BOARD

Chairman

Balance Sheet
as at December 31, 1975

Profit and Loss Account
for the period from January 1 to December 31, 1975

European Asian Bank

ASSETS

	DM	DM	31. 12. 1974 in DM 1,000
Cash in hand		1,289,495.81	1,430
Balances with the Deutsche Bundesbank		10,945,317.91	11,118
Balances with foreign Central Banks		15,916,472.34	10,653
Balances on postal cheque accounts		134,420.89	69
Cheques on other banks, matured bonds, interest and dividend coupons, and items received for collection		521,037.01	276
Bills discounted		68,117,295.50	48,956
including: a) rediscountable at the Deutsche Bundesbank DM 11,903,166.86			
b) own drawings DM —.—			
Claims on credit institutions			
a) payable on demand	27,203,492.68		29,744
b) with agreed life, or subject to agreed period of notice, of			
ba) less than three months	108,563,310.60		49,574
bb) at least three months, but less than four years	284,168,033.82		205,320
bc) four years or longer	4,374,227.31		—
		424,309,064.41	284,638
Treasury bills and non-interest-bearing Treasury bonds			
a) of the Federal Republic and the Laender	—.—		
b) others	5,585,697.43	5,585,697.43	6,959
Bonds and debt instruments			
a) with a life of up to four years			
aa) of the Federal Republic and the Laender DM —.—			
ab) of credit institutions DM —.—			
ac) others DM 1,096,769.82	1,096,769.82		—
including: eligible as collateral for Bundesbank advances DM —.—			
foreign Central Bank advances DM 1,096,769.82			
b) with a life of more than four years			
ba) of the Federal Republic and the Laender DM 472,500.—			1,494
bb) of credit institutions DM —.—			—
bc) others DM 1,228,744.83	1,701,244.83		756
		2,798,014.65	2,250
including: eligible as collateral for Bundesbank advances DM 472,500.—			
foreign Central Bank advances DM 1,199,613.62			
Securities, so far as they have not to be included in other items			
a) shares marketable on a stock exchange and investment fund certificates	8,443.—		296
b) other securities	—.—		—
including: holdings of more than one tenth of the shares in a joint stock corporation or mining company, excluding investments in subsidiaries and associated companies DM —.—		8,443.—	296
Claims on customers with agreed life, or subject to agreed period of notice, of			
a) less than four years	273,533,164.51		267,787
b) four years or longer	83,447,247.36		23,742
		356,980,411.87	291,529
including: ba) secured by mortgages on real estate DM —.—			
bb) communal loans DM —.—			
Equalisation and Covering Claims on Federal and Laender authorities under the Currency Reform Laws of 1948		272,993.46	288
Participations		1,859,326.32	177
including: in credit institutions DM 1,692,567.05			
Land and buildings		3,745,159.38	3,657
Office furniture and equipment		2,324,368.56	1,135
Sundry assets		456,503.67	501
Transitory items		742,073.92	768
TOTAL ASSETS		896,006,096.13	664,700

The assets and the rights of recourse in respect of the liabilities shown below the liabilities side include		
a) claims on associated companies	7,871,190.13	—
b) claims which arise from credits falling under Article 15, paragraph 1, items 1 to 6, and paragraph 2, of the Banking Law, so far as they are not shown in a)	654,479.46	423

BALANCE SHEET as at December 31, 1975

LIABILITIES

	DM	DM	DM	31. 12. 1974 in DM 1,000
Liabilities to credit institutions				
a) payable on demand		43,402,074.49		42,206
b) with agreed life, or subject to agreed period of notice, of				
ba) less than three months	148,667,577.83			
bb) at least three months, but less than four years	315,509,567.24			
bc) four years or longer	97,063,610.59			
including: due in less than four years DM 698,500.—		561,240,755.66		382,808
c) customers' drawings on credits opened at other institutions		3,549,964.81		2,675
			608,192,794.96	427,689
Banking liabilities to other creditors				
a) payable on demand		97,447,206.08		73,841
b) with agreed life, or subject to agreed period of notice, of				
ba) less than three months	24,952,206.94			
bb) at least three months, but less than four years	98,282,393.73			
bc) four years or longer	—.—			
including: due in less than four years DM —.—		123,234,600.67		102,306
c) savings deposits				
ca) subject to legal period of notice	2,654,226.05			
cb) others	699,710.28	3,353,936.33		2,713
			224,035,743.08	178,860
Own acceptances and promissory notes in circulation			2,240,000.—	2,015
Provisions for special purposes				
a) for pensions		2,785,272.—		2,559
b) others		9,377,876.06		8,540
			12,163,148.06	11,099
Sundry liabilities			482,889.64	229
Transitory items			831,654.39	43
Special items including reserves in accordance with the Developing Countries Tax Law			6,409,066.—	6,914
Capital			28,000,000.—	28,000
Published reserves				
a) statutory reserve fund		6,750,800.—		6,751
b) other reserves	1,030,000.—			
allocation from disposable profit 1974	2,070,000.—			
allocation from the year's net earnings	1,000,000.—	4,100,000.—		1,030
			10,850,800.—	7,781
Disposable profit			2,800,000.—	2,070
TOTAL LIABILITIES			896,006,096.13	664,700

	DM	1974 in DM 1,000
Own drawings in circulation	24,794,512.50	21,169
including those discounted for borrowers' account DM —.—		
Endorsement liabilities on rediscounted bills of exchange	6,709,789.25	26,348
Liabilities arising from guarantees of various kinds and warranty contracts	214,339,667.41	105,354
Obligations to repurchase items assigned en pension, so far as these obligations have not to be shown on the liabilities side	—.—	27
Savings premiums under the Savings Premium Law	10,567.60	11
Comprised among the liabilities are those (including those shown below the balance sheet) to associated companies	9,405,194.15	—

EXPENSES

	DM	DM	1974 in DM 1,000
Interest and similar expenses		42,591,627.54	50,581
Commissions and similar expenses in respect of service transactions		20,167.83	12
Depreciation and adjustments on claims and securities, and allocations to provisions for possible loan losses		3,432,557.52	2,787
Salaries and wages		7,711,726.67	6,342
Social security contributions		555,965.08	449
Expenditure on retirement pensions and other benefits		1,190,331.86	1,275
Expenditure on material for the banking business		5,236,194.50	4,118
Depreciation and adjustments on land and buildings, and on office furniture and equipment		1,267,780.13	581
Taxes			
a) on income, earnings and property	6,320,044.73		5,040
b) others	131,218.16		50
		6,451,262.89	5,090
Allocations to special items including reserves		—.—	1,522
Other expenses		236,514.06	127
Year's net earnings		3,800,000.—	2,070
TOTAL EXPENSES		72,494,128.08	74,954

Year's net earnings ....

Taken from published reserves ....

Allocations from the year's net earnings to published reserves ....

Disposable profit ....

In the year under review the Bank effected payment of DM 333,108.60 representing pensions and contributions to the German Bank Officials' Insurance Association, in Berlin. The payments to be effected in the next five years will probably reach 105 %, 110 %, 116 %, 118 % and 124 % of that amount.

Hamburg, February 1976

EUROPEAN ASIAN BANK
Board of Managing Directors

Cartellieri *Vormwald* *Zahlen*

for the period from January 1 to December 31, 1975

RECEIPTS

	DM	DM	1974 in DM 1,000
Interest and similar receipts from lending and money market transactions		62,002,866.77	65,978
Current receipts from			
a) fixed-interest securities and debt register claims	304,434.60		177
b) other securities	1,020.—		12
c) participations	2,000.—		2
		307,454.60	191
Commissions and other receipts from service transactions		8,748,735.48	8,151
Other receipts, including those from the writing back of provisions for possible loan losses		527,860.88	353
Receipts from the writing back of provisions for special purposes, so far as they have not to be shown under "other receipts"		402,293.35	56
Receipts from the writing back of special items including reserves		504,917.—	225
TOTAL RECEIPTS		72,494,128.08	74,954

DM	1974 in DM 1,000
3,800,000.—	2,070
—.—	—
1,000,000.—	—
2,800,000.—	2,070

According to our audit, carried out in accordance with our professional duties, the accounting, the Annual Statement of Accounts and the Report comply with German law and with the Company's Articles of Association.

Hamburg, February 27, 1976

TREUVERKEHR AG

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Dr. Nebendorf
Wirtschaftsprüfer
(Chartered Accountant)

Barm
Wirtschaftsprüfer
(Chartered Accountant)

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Head Office

Hamburg
Europäisch Asiatische Bank AG

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Postfach 10 19 20
D 2000 Hamburg 1
Tel.: (0 40) 32 14 41
Telex: 2 162 228 eur d

Board of Managing Directors

Ulrich Cartellieri
Benno Vormwald
Jean Zahlen

International Finance

Jan Imbeck
Erika Bellstedt
Lutz-Henning Pabst
Horst Kaiser

Hamburg Branch
Franz Georg Wilcke

Foreign Branches

Hongkong
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5-26 30 60 (forex)
Telex: 73 498 euras hx

Manager: Heinz Wiens
Dep. Manager: George Donnelly
Manager (Customers & Loan Dept.):
Dr. Gunther Mangold
Manager (Forex): Harald Zumkley
Asst. Manager: Tony Tze-Tung Cheung
Asst. Manager: Arthur R. Glanville
Asst. Manager: Andrew Kwong Hon Kwan
Asst. Manager: Ko Hung Wong

Kowloon Sub-Branch:
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Manager: Klaus Krempel
Dep. Manager: Eckart Stein
Managers (Customers & Loan Dept.):
Eric Ballot, Jürgen Zieler
Manager (Operations & Administration):
Jean-Claude Delanghe
Asst. to Management:
Budhy G. W. Budhyarto

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Manager: Jost E. C. Hildebrandt
Dep. Manager: Irudiyanadan N. Francis
Asst. Manager: Shahid K. Siddiqi

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201 681 (forex)
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Manager: Arthur G. Coates
Dep. Manager: Will E. v. Below
Asst. Manager: Cheah Yoke Loong

Singapore
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91 41 44 (forex)
Telex: rs 21 189 euras
rs 21 190 euras (forex)

Manager: Donald E. White
Manager (Forex): Roger C. Drayton
Dep. Manager: Holger F. des Coudres
Dep. Manager: Dirk W. van Leeuwen
Asst. Manager: Ong Phee Hoon
Asst. Manager: Tan Yiok-gin
Adviser: Y. P. Tan

Regional Office Manila
European Asian Bank

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6793, Ayala Avenue
Makati, Rizal
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Telex: 3625 euras pn

Regional Manager: Jean Pierre Chavy

Cables for all offices: EURASBANK